



North Macedonia

COVID-19 Response Framework (CRF)

Bridging measures to alleviate Covid-19 consequences

Design proposal, cost and key effects



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1. Introduction

General context

The first case with the novel coronavirus SARS-Cov-2 or Covid-19 in North Macedonia was registered on February 26, 2020. Two weeks later the land borders closed, closure of the airports was announced, all public events were banned, and the schooling system shut, which could be considered as the first government reaction to the outbreak aimed at preventing the virus from spreading. By then, nine positive cases were confirmed in the country.

The outbreak and the initial government reaction came at a time when the country had a caretaker / technical government, with a sole mandate to organize fair and democratic elections then scheduled for April 12, 2020. This meant that the country did not have functional parliament, disabling the law-making power in the country until elections were held. By mid-March, it became clear that such law-making power needs to be restored, for the government to be able to react to Covid-19, especially to the consequences it may inflict in the economic domain. The only way to circumvent the standstill was to seek for the proclamation of the state of emergency by the President of North Macedonia, which was done on March 18, 2020¹. In terms of the law-making power, this meant that the government was mandated to make

so-called Decrees with the power of law, which ultimately provided an effective way for a rapid reaction to the situation (as otherwise the law-making procedures in the parliament take quite longer).

The initial response to Covid-19 by the Government and civil society was heavily focused on health, in order to save lives, coupled by limited non-health emergency interventions. The measures undertaken – infection tracking, treatment, self-isolation, limiting movement and imposing physical distancing – have gradually yielded results, flattening the curve of newly infected cases and increasing the recoveries by end-April. By early May, the attention has, similarly to other countries in Europe and the region, gradually shifted towards managing transition, softening the restrictive measures, preparedness and mid- and long-term recovery. At the end of May, the total cases stood at 2,226. However, new infections continued to rise through the summer and the country had 17,977 cases at the end of September 2020, which was almost 9,000 cases per million

¹For the initial period of 30 days, as per the constitutional provisions, then extended on 16 April 2020 for 30 days, and on 15 May 2020 for additional 15 days.

inhabitants. Early October saw a significant acceleration of new cases – the awaited second wave of the pandemic – which led to re-imposing of some measures to prevent the spreading, like compulsory wearing of masks in open-air, ban for retailers for overnight work and consideration of a curfew.

Specific policy areas and the policy responses

While the direct health toll of the crisis is evident, the negative impact on development is yet to be quantified. Two key areas of negative impact stand out: potential learning decays among pupils and the socio-economic losses. Authorities managed to switch to distance learning quite fast after the outbreak in March 2020, including by rapidly setting up the national educational platform www.eduino.mk. Educators in schools were instructed to continue the process online, which at that time took diverse forms, as few teachers continued delivering lectures online, while others communicated with their students offline (sending materials and requesting feedback). The national television started broadcasting a “TV Classroom” – lectures for various grades in the primary schools, to ameliorate the problem particularly for pupils lacking internet and IT equipment. The schooling year finished on June 10, 2020. The early parliamentary elections of July 15, 2020 prevented the government from undertaking thorough and comprehensive preparations for the new school year, hence its start was postponed for October 1, 2020. While the 1-3 graders were offered the opportunity to choose between physical and online participation, all the others continued studying online. By the time of writing this analysis, several reports of in-school infections were reported.

At the first hit of Covid-19, high-contact sectors, including bars, cafés, restaurants and shopping malls were closed with a government decision and remained so until early May. Hence, tourism, hospitality and trade were the sectors directly and hardest hit by the corona-crisis. Despite closing the borders, corridors for the international trade were quickly established, but trade was anyway significantly interrupted by that time. Particularly, companies that are a part of the international value chain, and further those importing from China, were first and heavily hit. Some of them declared temporary suspension of production and closed. Consumers increased their consumption of necessities, and there is limited evidence of stock cumulating, while the consumption of non-essentials dwindled, and pre-cautionary savings increased. All these led to the severest decline of economic activity in the country since the internal military conflict of 2001. GDP in Q2 declined by 12.7% y-o-y, while declines in industrial production, trade and services turnover and foreign trade in some months of the quarter saw declines as deep as 30%.

As a reaction to the spread and dire consequences of Covid-19, the government announced four packages of economic measures, on March 18, March 31, May 17 and September 27. They were composed of a multitude of measures, which could be roughly classified as measures to save incomes, measures to support companies and other measures. The measures to save incomes included the key measure to disburse financial support to workers in companies who experienced revenue drop exceeding 30% annually in April and May 2020, of 14,500 MKD per workers (the then minimum net wage), which was initially deployed for April and May and then extended to also

cover June 2020. Other measures in this set included a subsidy of social contributions in the amount of 50% for the hardest hit sectors, relaxation of the criteria to obtaining guaranteed minimum income (the key social assistance program in the country), relaxation of the criteria for obtaining unemployment benefit, and a large-scale one-off financial support of low-pay workers, unemployed and students. The measures to support companies included deferral of the payment of tax advances, two schemes of no-interest or low-interest loans through the development bank, state aid for purchase of equipment, state guarantees (which were not yet deployed), grants for the hardest hit companies in tourism and hospitality, and so on. Other measures involved deferring the rent payment for tenants of state-owned apartments, halving of penalties related to the payment of state-related duties, postponement of the payment of principal on loans, halving of all honoraria by the government and others.

Presently, the situation with the coronavirus is aggravating. While the summer included some voices to tailoring the measures towards supporting the exit of the crisis and heading towards sustainability – which would have practically meant reducing the social component of the measures and strengthening the development one – recent trends suggest that we are not yet there. The risk of the infection spreading further, hence imposing further pressure onto the health system, further physical school closures, and income declines is very high.

North Macedonia: UN COVID-19 Response Framework (CRF)

To assist the Government's policy design to combat Covid-19, the United Nations developed the

document "North Macedonia: UN COVID-19 Response Framework (CRF)", based on the UN Secretary-General's Shared Responsibility, Global Solidarity report and the subsequent operational framework issued by the UN Sustainable Development Group (UNSDG). It builds on the preliminary analysis and recommendations developed by the UN Country Team (UNCT) in April 2020 within the North Macedonia COVID-19 Comprehensive Preparedness and Response Plans (CPRP). The CRF was prepared by the UNCT North Macedonia Socio-Economic Task Team (SETT) under the leadership of the UN Resident Coordinator, supported by UN agencies leading or participating in each of its five pillars. The CRF is intended to inform and guide the Government's policy design in response to COVID-19 over the period of 12 to 18 months, help mobilize resources for recovery and serve as a background document for the Common Country Analysis (CCA) and the 2021-2025 UN Sustainable Development Cooperation Framework (SDCF) which was recently signed.

The socio-economic response framework is set across five pillars, defining the action required to aid North Macedonia overcome the crisis by: (1) ensuring that essential health services are available and protecting health systems; (2) helping people cope with adversity, through social protection and basic services; (3) protecting jobs, supporting small and medium-sized enterprises, and the most vulnerable productive actors through economic recovery programs; (4) guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and (5) promoting social cohesion and investing in community-led resilience and response systems.

Methodology applied in the costing exercise

As a step forward, the United Nations pursued operationalization of the document “North Macedonia UN COVID-19 Response Framework (CRF)”, as a way to develop evidence-based measures to combat the spreading and the socio-economics consequences of Covid-19, particularly for the groups at the highest risk of infection, transmission and/or economic risk of losing jobs and/or incomes. The exercise also includes estimation of the cost of the proposed measures.

The procedure to define measures and estimate their cost and effects, followed a structured process, whereby the following criteria were used for prioritization:

1. Criterion #1: Quantifiability. In the first step, the policy areas were classified into: (1) quantifiable; (2) partly quantifiable, and (3) very general and therefore almost unquantifiable (impossible to quantify). The team continued to work with the first two groups.

2. Criterion #2: Degree of consideration (implementation) by the Government of North Macedonia. In this step, the team investigated the extent to which the policy domains have been already populated by measures either fully implemented or in the process of implementation.

3. Criterion #3: Time for Implementation. According to this criterion, the policy domains were divided according to the horizon they cover / may cover: (1) Immediate (to be implemented in the next 3 months from the date of publication of the analysis), (2) mid-term (in the next 4 to 12 months), (3) recovery (in the next 12-18 months). The team continued to work with

the first two groups. This assumed that at the moment of preparation and costing of the measures, the country (as worldwide) has not yet exited the phase of the crisis requiring close attention to the health consequences and income fallouts.

4. Criterion #4: Available inputs.

This was a crucial criterion of the operationalization process. Inputs were sourced from references that the UN agencies produced during the pandemic, existing research, analysis, statements, data and so on.

5. Criterion #5: Costing feasibility.

Based on all the previous information, the last criterion ranks the policy areas according to the availability of data and other relevant information that consultants have had, beyond what has been already sourced from the agencies. This includes administrative data from the various agencies and national (micro) data from the State Statistical Office.

After prioritization was completed, the list of potential measures to be costed was consulted with the UN Agencies in formal meetings (joint and bilateral). The development of the measures included:

• **Defining measures' criteria.** This task involved discussions about the parameters of the proposed measures, which were primarily driven by the principle of leave no one behind. The task was guided by:

1. The **five factors** proposed within the 2030 Agenda as key to understanding who is being left behind and why: discrimination; place of residence; socio-economic status; governance; and

vulnerability to shocks. All measures, to the extent possible, put particular attention to two key broad groups at the risk to of being left behind: women and children. Hence, the package of measures includes such that directly target women, or whose effects weigh on women more than for on men, for reasons such as overrepresentation of women in the hardest-hit industries (e.g. textiles or trade), or higher exposure of women to income shocks due to the large gender participation gap in the country and the burden onto women by the unpaid household chores. Likewise, the package includes measures whose effects are pro-children, despite some measures are being of universal coverage and unconditional nature.

2. The **three-pronged approach**: to examine the disadvantages people face in and across the five factors defined in (1); empower those who are being left behind [or who are at risk of being left behind]; and to enact inclusive, resilient and green policies. The proposed measures herein form a robust framework which takes into account the vulnerabilities of the population groups that Covid-19 significantly aggravated and secures jobs and/or incomes to the extent possible as a bridge towards more robust recovery from Covid-19 in the medium term. From that viewpoint, the proposed framework of measures ensures inclusiveness, rests on the principles of resilience albeit it is not intended to secure long-term sustainability but rather alleviate the effects of shocks in the short-term per se.

• **Policy costing and qualitative overview/assessment.** The policy costing estimated the impact on the public finances of each proposed policy measure compared with a counterfactual scenario in which the policy is not introduced (i.e. the current policy continues). This task also ensured consistency of the defined policy measures, by discussing and estimating the coverage of each policy measure in terms of the target population it aims at (individuals, children, employees, sectors etc.).

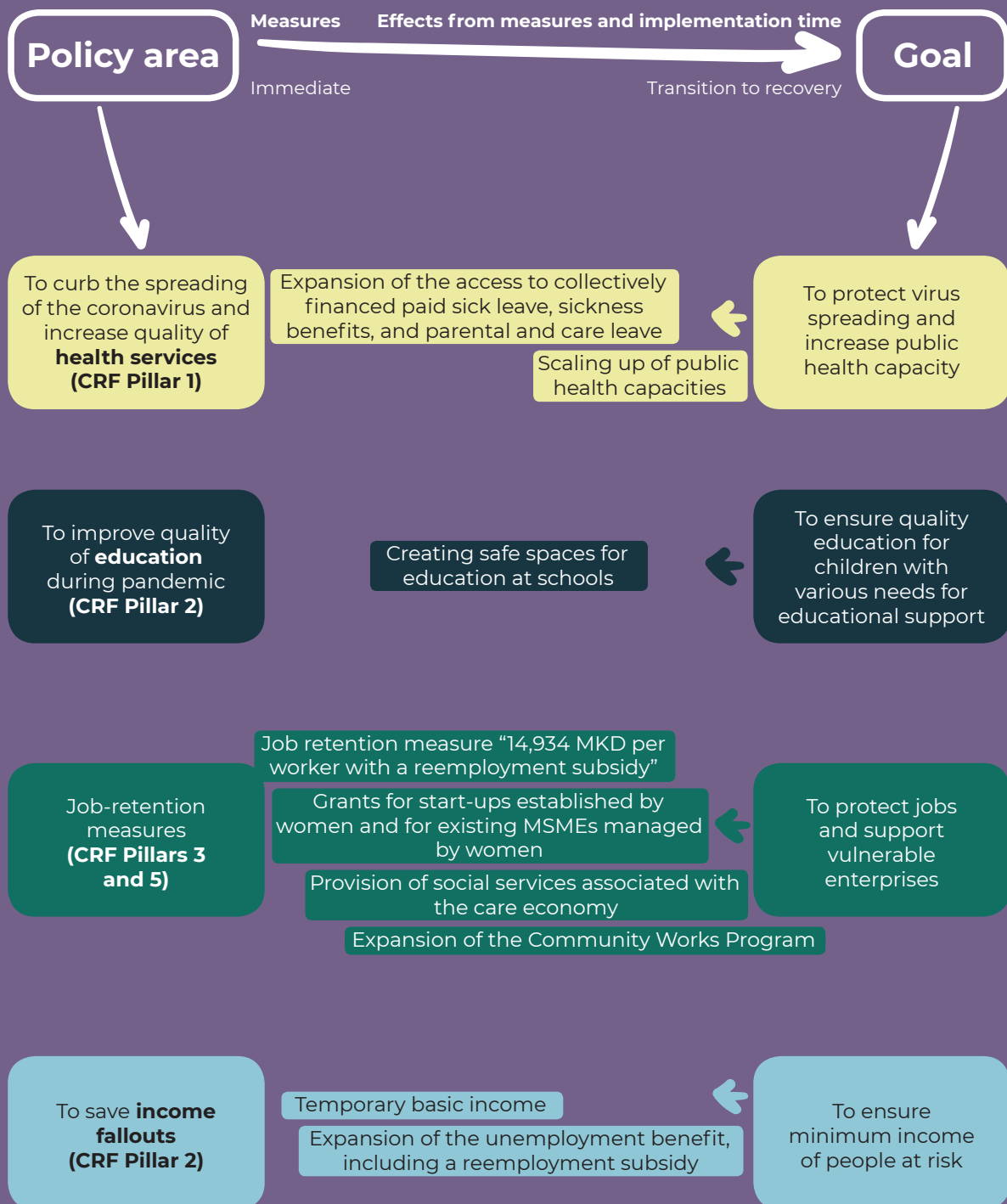
• **Consultation and validation.** Once the policy measures have been developed and costed, a wider consultation was conducted through meetings with the responsible ministries and the UN Agencies.

The devised measures are roughly divided in 4 policy areas:

1. Measures to curb the spreading of the coronavirus and increase quality of health services
2. Measures to improve quality of education during pandemic
3. Measures to save income fallouts
4. Job-retention measures

The following is a schematic representation of the measures and the way they constitute unified and robust policy framework to bridge the consequences of Covid-19.

Bridging measures from pure Covid-19 response to recovery



2. Measures elaborated within policy areas

The measures presented in this report were developed to support the crisis response and to help decision-makers meet the immediate needs of socio-economic response to save lives and protect people alongside the country health response. However, the policy proposals also aim at laying the foundation for faster recovery and helping the government of North Macedonia make choices and manage complexity and uncertainty in the time to come in areas of governance, social protection, green economy, and digital disruption.

Building on lessons learned since the onset of the pandemic and by mapping immediate and emerging demands identified in the CRF and the subsequent socio-economic impact assessment, the team focused its work on social protection, including cash transfers, universal health coverage and access to other basic services. Measures examined and costed within this exercise have a wide thematic coverage and focus on increasing the public health capacity during COVID-19, provide educational support particularly to those in need, secure minimum living standard of households hit by the economic crisis, and protect jobs and support vulnerable enterprises.

This is crucial to prevent upsurge of inequalities that permeated societies before COVID-19, and that are starkly visible today. Temporary basic income

measure is included in the proposal that can inform a larger conversation in the country about how to build comprehensive social protection systems that make the poor and near-poor more resilient to economic downturns in the future. The drive for gender equality is leading a wave of change that is being supported by these measures to address the discrimination and bias that come from deeply rooted social norms by focusing on unpaid care work and women entrepreneurship.

For governments to invest in these areas, they need fiscal space. Detailed analyses have been provided to help the country leverage this fiscal capacity effectively. Redefining solidarity and partnerships are critical to building resilient social protection systems that can weather shocks, create strategies for informal sector workers, and design a new generation of resilient, green jobs that support women-led entrepreneurship. Several social protection measures and fiscal stimuli that reflect the care economy and are inclusive, reaching domestic and informal workers have been proposed in this report and have been presented to the Government.

Closing the internet access gap has also been given due attention in this exercise. Closing of schools revealed stark divides in access to online learning that have created the largest reversal in education on record.

So, helping the schools to keep their doors 'open' by operating remotely through digital platforms and at the same time providing safe learning spaces for those who cannot afford tele-schooling at home has been explored. This is very much in line with the potential strategy of investing in digital transformation that can simultaneously drive the pandemic response and setting the path for acceleration beyond recovery.

As you can see, the measures secure foundation for more sustainable recovery once the pandemic subsides and provide a recovery path supportive to green and innovative sources to the post-pandemic growth. From that viewpoint, the proposed framework of measures ensures inclusiveness, rests on the principles of resilience and focuses on achieving results in an integrated manner, looking at and beyond socio-economic recovery to lay the foundations for a fair and just transition to the future.

2.1. MEASURES TO CURB THE SPREADING OF THE CORONAVIRUS AND INCREASE QUALITY OF HEALTH SERVICES

The main goal of the measures in this policy area is to curb virus spread and increase public health capacity.

For long period of time the health system in the country has been underfunded from the government with public funds accounting round the level of 4.5% of GDP, which is among the lower percentages in Europe and the region. In addition to the lack of funds, the system was facing a significant deficit of human resources in the health sector in general and in specific areas in particular (Ministry of Health). This situation has been a result of not having a comprehensive policy of production, management and maintenance of human resources in

the health sector, aging of medical professionals, migrations and remuneration levels and incentive mechanisms.

A recent study (Petreski et al. 2020) shows that epidemiologists and infectious disease specialties have been among the specialties where the system is understaffed. With 45 epidemiologists in the public health providers, the country has 2.25 epidemiologists per 100,000 population which is lower compared to Croatia (4.5) and Montenegro (4.2). The number of infectious disease specialists is 66 doctors, which is 3.3 specialist per 100,000 population with most of them being concentrated in the capital.

The government has established several Covid-19 treatment centers and has introduced a principal of rotation of medical personnel and engaged staff from other specialties and medical units in order to reduce the burn out effect among the staff. Also, there were bonus payments and increased salaries during the pandemic period to compensate the increased workload of the staff.

However, the number of acute Covid-19 cases in the country has increased together with the overall detected cases. At the beginning of the crisis, the government introduced protective measures targeting the vulnerable population. Among them patients with chronic diseases and pregnant women were exempted from going to work and maternity leave was extended. These measures in the second half of September were discontinued with exemption for small portion of the targeted population (pregnant women and patients with deteriorating chronic disease). On the other hand, related to sick leave, Covid-19 patients have not been treated differently than the rest of the patients eligible for the benefit of sick leave.

Under this policy area, the following measures have been developed, costed and evaluated:

- Scaling up public health capacities;

- Expansion of the access to collectively financed paid sick leave, sickness benefits, and parental and care leave.

Proposed interventions should be implemented immediately, in the next 3 months. The first measure is a fast Covid-19-response measure, but it may have long-term effects. The second measure is temporary, while the timeframe depends on the actual spread of Covid-19.

2.2. MEASURES TO IMPROVE QUALITY OF EDUCATION DURING PANDEMIC

The aim of the measures in this policy area is to ensure quality education for children with various needs for educational support, in order to contribute to offering education with sufficient quality to all children.

The problems with the quality of the educational system are not new. They have been accentuated previously as the children in the country show consistently poor results in PISA testing, although the situation has shown signs of improvement in recent testing. It also has to be noted that noticeable differences in achievement have been linked to socio-economic status of the children where socio-economically advantaged students outperform disadvantaged pupils in reading, mathematics and science ([Avisati et.al. 2019](#)). Certain studies ([Mickoska-Raleva et.al. 2017](#)) point out that the teachers still predominantly use traditional teaching methods, while others ([OECD 2019](#)) point that the assessment is summative and not conducive to instigating quality feedback that can guide the future

learning of the pupils and create a culture of learning and feedback in schools. -As a result, the pupils do not feel properly motivated for achievement as they lack school support for learning and intrinsic motivation. In addition, the country has been encouraged to improve access to quality education for all, especially when it comes to preschool enrolment, children with disabilities and Roma ([European Commission, 2019](#)).

The pandemic ([Petreski et al. 2020](#)) accentuated the struggle in provision of quality education to all children and there have been learning losses among the children. Most affected groups children seem to be those from poor households, Roma children and children with disabilities. Those groups were either faced with lack of parental support for learning or insufficient access to education. Namely, in a number of cases the children either did not have access to good internet connection, lacked computers and digital devices at home or lacked assistive technology to help them with learning. The parents were also overburdened and many lacked the time, resources and knowledge to help their children learn. The situation has been exacerbated by the lack of resources of some schools located in areas where these children reside and the schools felt unable to adequately support the teaching and learning process. In general, schools lacked systematic school level policy on ICT usage in classroom practice and although teachers have been trained and have been using ICT in their classroom-type teaching and learning, they lacked preparedness to plan, develop, implement learning activities and assessment in distance learning. Additionally, the study uncovered the need for more organized approach in supporting the well-being and mental health of the children as the

experience is quite unusual, their social ties have been impacted and their usual modes and methods of getting access to help with mental health issues like visits to the school psychologists have been severely impacted.

The Government with help from the international community (UNICEF, British Embassy Skopje) made a fast switch to online learning at the beginning of the pandemic and few platforms to support learning and provide a basic form of psychosocial support have been created (like Eduino and TV Classroom). In addition, donations of computer equipment and internet packages to the most vulnerable have been realized with the help of the business community and private donors. Since October 2020, there is an integrated platform for synchronous teaching and learning and a number of training for teachers have been realized. The support developed in the previous months like the Eduino platform as well as TV classroom on dedicated channels on national television are still ongoing. Recent data (<http://mon.gov.mk/content/?id=3474>) shows that with these efforts 90% of the children in the country are successfully following the distance learning, but that still leaves 10% of the children that need better access to education and possibly help with learning losses.

Under this policy area, the following measures have been developed, costed and evaluated:

- Creating safe spaces for education at schools

The measure is designed to be implemented over the medium term (in the next 4 to 12 months), while the effects are longer term. The benefits of the created safe spaces will be used and felt even after the end of Covid-19. Therefore, the measure has a potential to contribute to elevating the general quality of education.

The measure will be focused on designing safe spaces within schools that include improvement in offering space, needed equipment, tutoring and psychological support to pupils. The safe spaces will provide an environment where children from the vulnerable groups and other pupils in need of various support can go to ensure that they are getting adequate learning support and are building social and emotional skills. This is an extension to what the schools are already offering to pupils, but in a more structured manner and with better preparedness of the teachers and other professional support staff (pedagogues, psychologists, special educators, sociologists, social workers). As such although the measure is instigated and designed to help the children in the midst of the pandemic, the materials produced and the spaces created as well as the staff trained to work with the children can continue to provide adequate support even after the pandemic. The skills that the staff gain will be transferable to various situations and the materials and guidelines produced can become part of the regular school work.

2.3. MEASURES TO SAVE INCOME FALLOUTS

The aim of this policy area is to ensure minimum living standard to people at risk inflicted by the Covid-19 pandemic. Covid-19 affected the most vulnerable groups of people, through income reduction, reduced wages, loss of jobs, and a reduction of the probability to find a job. Poverty and quality of life aggravated.

A recent study ([Petreski et al. 2020](#)) documents that the disposable income fallout will be in the amount of 6.4%, although, since the study was conducted (June 2020) it became clear that the autumn wage of the pandemic may aggravate such figures

as high as 9%. Such income fallouts are widespread: wages in the hardest-hit sectors declined, self-employment income and remittances likewise, while informal income is likely to have been particularly hit. On the other hand, however, wages in the public sector and pensions remained intact. [The World Bank \(2020\)](#) estimates that the poverty (at 5.5 USD a day) will surge from 17% to 20-23%, while a more recent evaluation of [Finance Think \(2020\)](#) finds that relative poverty will increase by 1.2 percentage points (right because the median income with respect to which the relative poverty is calculated declines), while when estimated at the poverty rate of 5.5 USD per day (PPP), the increase is astonishing, 5.2%, which is of the magnitude estimated by the World Bank. This implied that due to the pandemic, new 100 thousand Macedonian citizens will be thrown below the 5.5 USD a day (roughly 130 MKD at PPP).

The government introduced few key measures to rescue incomes directly. First, it expanded the coverage of the guaranteed minimum assistance (GMA) by relaxing the criteria for entering into the system. It provided that the surpassing of the income threshold will be assessed on the realized income from the previous month, rather than on the previous three (to facilitate that a rapid losing of income provides that a household becomes immediately eligible for GMA); as well relaxed the property ownership criteria, so that now households who possess living house, a car older than 5 years and an agricultural parcel smaller than 500 sq.m. became eligible for the GMA. The energy supplement to the GMA was likewise extended to cover 12 instead of 6 months. Second, one-off support was ensured for the low-pay workers, unemployed and students in the range of 3000 to 9000 MKD, as

well tourism vouchers in the amount of 6000 MKD. The one-off support is announced to expand to inactive persons and re-target the most vulnerable like single parents within the fourth economic package which is not yet deployed.

Third, the government introduced a temporary relaxation of the unemployment benefit. North Macedonia operates a system of unemployment insurance which is fairly restrictive, i.e. eligible are only those who were fired, hence leaving aside a large portion of new unemployed whose contract terminated, who left job on their own will or by a mutual agreement with the employer. The coverage of the UB has been about 16% only. Moreover, the length of the coverage is strictly determined on the tenure years, so that only those who lost a job and who have had a tenure of 25 years and more were able to reap the maximum-length UB of 12 months. The government relaxed these criteria temporarily, stipulating that those who lost jobs in March and April 2020, irrespective of the grounds (except termination of the contract due to expiry) become eligible for a maximum of two-month UB. This increased the coverage to 37%, which is still low, yet more than double the coverage before.

It is key to understand that the crisis disproportionately hit the income of some groups which are or are becoming more vulnerable than the others. For example, [Petreski et al. \(2020\)](#) document children, and particularly those living with more than 2 siblings (households with 3+ children), to have been particularly affected. [Finance Think \(2020\)](#) identified that youth and unemployed have had higher propensity to fall into poverty, than compared to their counterparts (adults and employed/inactive persons). [UN Women \(2020\)](#)

made a case that women have been particularly hit by the crisis, in a multidimensional manner.

Under this policy area, the following measures have been developed, costed and evaluated:

- **Temporary basic income;**
- **Expansion of the unemployment benefit, including a re-employment subsidy.**

The proposed measures are assumed to be implemented immediately. These are temporary measures to mitigate the impact of Covid-19 pandemic on the vulnerable categories of people during the crisis. The second measure may be an introduction in a more systemic intervention in how the unemployment benefit is designed in North Macedonia.

2.4. JOB-RETENTION MEASURES

The aim of the measures in this policy area is to protect jobs and support vulnerable enterprises. Moreover, the policy area incorporates interventions that are aimed to secure smooth transition to recovery.

In May 2020, [ILO/EBRD \(2020\)](#) nowcasted that about 14% of the hours worked will be lost in North Macedonia, being an equivalent of 85 thousand of jobs. When the [Labor Force Survey for the second quarter of 2020](#) became available, it was estimated that the hour loss has been astonishing 24%. Due to the government support measures (explained below), the actual number of jobs lost in the second quarter has been about 15 thousand, which increased the unemployment rate from 16.2% at the end of Q1 to 16.7% at the end of Q2, halting a decennial decline. However, the situation on the labor market aggravated in the period beyond the second quarter, first because the perils of the crisis

persisted, and second because the government job-retention subsidy elapsed at the end of June, despite containing a provision for retaining the number of workers in two additional months following it. Hence, according to the [registered unemployment in the Employment Service Agency](#), between March and September 2020, about 43 thousand people have lost their jobs.

Since the early outbreak of the pandemic and its rapid socio-economic impacts, the government introduced a job-retention measure within the second package of economic measures. It consisted of a subsidy in the amount of 14,500 MKD per worker (the then minimum wage), for the months of April, May and June 2020, to companies who experienced a revenue decline exceeding 30% in the above months compared to the average of 2019. The subsidy covered only the workers with a salary of up to 39,900 MKD net and oblige employers to maintain the same number of workers (except for natural reduction) during and two months after the subsidy expires. This implied that the government covers the net wage of the worker, while the employers pays the social contributions and the personal tax, except for the hardest hit sectors in which this was further alleviated in two ways. First, under the provisions of the Labor Code, it is possible that workers are released on a paid leave in the amount of 50% to 100% the (minimum) wage under 'force majeure' conditions, which was undoubtedly the case with Covid-19. This provided space that the subsidy of 14,500 MKD actually covers the entire gross wage. Second, a supplementary measure was introduced (actually before the introduction of the 14,500 MKD measure), which stipulated that the government subsidizes up to half of the social contributions on wages for a maximum half of the burden

on the average wage. Since the two measures were mutually exclusive, except for the hardest-hit sectors: hospitality, trade and transport, and since the '14,500 MKD' measure was undoubtedly superior, the '50% SIC subsidy' was only used by the named sectors on top of their usage of the '14,500 MKD' measure. Finance Think (2020) carried out an evaluation of the measure '14,500 MKD' and found that 75 thousand jobs were at an immediate risk of being lost, of which at the time 15 thousand were lost, suggesting that the measure saved about 60 thousand jobs. However, it suggested that further targeting of the measure is needed to prevent generating deadweight losses.

While the income fallout measures explicitly or implicitly targeted vulnerable groups, the job-retention measures balanced between covering vulnerable groups and securing sustainability of companies and jobs. Namely, even though the '14,500 MKD' measure did not incorporate any provision for a specific population group, it is likely that women, for example, benefited more, since they more often work in the hardest-hit sectors, most notably in trade. The same line of understanding goes for youth, who are more frequently found, usually on fixed-term contracts, in hospitality. Petreski et al. (2020) documented that the '14,500 MKD' measure has been neutral for children, i.e. funds proportionally distributed among families with children. On the other hand, the more important intention of the measures was to secure that the employment relationship is maintained, which should secure a quick restoration of production and work once pandemic subsidies. This is particularly important for the recovery phase of the crisis.

Under this policy area, the following measures have been developed, costed and evaluated:

- **Job retention measure**
"14,934 MKD per worker with a reemployment subsidy";
- **Provision of social services associated with the care economy;**
- **Grants for start-ups established by women and for existing MSMEs managed by women;**
- **Expansion of the Community Works Program.**

The time frame of the measures is immediate deployment. At the time of writing of this analysis, the first measure has been announced – in a different format – within the fourth package of measures by the government but has not yet been operationalized. We suggest that some elements from our design, like the targeting of specific industries and explicit reemployment conditions are considered as an addition to the government measure. The other three measures, besides their aim to support vulnerable citizens and enterprises, have the capacity to support their sustainability over the medium to the long run.

3. Addendum 1 – Costed measures

| Name | Expand access to collectively financed paid sick leave and maternity leave |
|-------------------------|---|
| Responsible institution | Ministry of Health, Ministry of Labor and Social Policy |
| Background | <p>The Macedonian system provides compensations for sick leave and maternity leave to employees when they are not able to work due to sickness or pregnancy and motherhood. These benefits are covered by the health insurance and the central budget with duration of 9 months with 100% compensation for maternity leave and based on the medical assessment with 75% compensation for sick leave.</p> <p>Among the first measures of the government at the beginning of the pandemic was to protect the most vulnerable workers who are at the highest risk from the virus. Chronic patients, parents with children under 10 years old, pregnant women and older persons were instructed to stay home and the maternity leave was extended. These protective measures were in place till the second half of September.</p> <p>These leaves were to protect the vulnerable, to contain the spread of the virus and to support the closing of the schools and kindergartens in the country.</p> <p>The cost of the leave of chronic patients and parents was paid by the employers while the extended maternity leave was covered by the government. During the period that these measures were in place there was no adjustment of the compensation levels for all of the above-mentioned leaves, they were at the level of 100% of the salary of the employee.</p> <p>Since 23 September the leaves were ended for all of the categories except for patients with chronic diseases who have a deterioration of the health and cancer patients.</p> <p>The sick leave for Covid-19 patients is treated as all the other diseases. As in most cases (asymptomatic and mild), the infection lasts less than 30 days, therefore it is financed by the employer. Considering the latest developments of Covid-19 spreading, currently the country is seeing a significant increase in the trend of new cases.</p> |

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| | <p>The 14-day Cumulative Case Incidence increased for 121%, while Cumulative Death Incidence increased for 57% and Effective Reproduction Number: 1.14 (0.99 - 1.35). These figures positioned the Country Reported Transmission Status at: widespread community outbreak (WHO MKD Weekly Update on COVID-19).</p> <p>At the session on 20 October, the Government of North Macedonia adopted the recommendations from the Commission for Infectious Diseases at the Ministry of Health with proposed restrictive measures to reduce the risk of spreading the coronavirus:</p> <ul style="list-style-type: none"> • to limit the working hours of all catering facilities, except those delivering to 23:00hrs, as well as to limit the capacity of passengers on public transport to max 50% of the total number of passengers' capacity in one vehicle. • the entire state and public administration, municipalities and courts, in accordance with the principle and organization of work process of the institutions, the work to take place in shifts, online from home or reduced by a system of rotations. • to maintain the ban on attendance at sports competitions organized by the Handball Federation and other sports federations. <p>However, none of these measures are protecting vulnerable category of people or infected people employed in the private sector. It can affect the spreading of the virus, but also put pressure on health capacities and death incidence. At the same time, health capacities are almost full, while kindergartens are with limited capacities.</p> <p>Therefore, the need of expanded access to collectively financed paid sick leave and maternity leave is needed.</p> |
| Description of the proposed measure | <p>This measure is a reintroduction of the leave for some of the beneficiaries, for chronic patients and temporary extension of the maternity leave. It also provides a special treatment of the sick leave for Covid19 patients.</p> <p>Unlike the previous measure, it is suggested that instead of the employers, now the government should be the one to cover the cost of the sick leave for patients with chronic disease.</p> <p>Considering the limited available public funds several scenarios are developed in terms of coverage of people (for chronic patients), the rate of compensation and the duration of the measures.</p> <p>1. Maternity leave</p> <p>Considering the current situation, a 3 months extension of the maternity leave is suggested with two scenarios related to the compensation rate for the extended period (100% and 50%).</p> |

| | | |
|--|---|-------------|
| | <p>2. Sick leave for patients with chronic diseases An expanded access to chronic disease is suggested. The diseases included are: chronic respiratory diseases, severe cardiovascular diseases, diabetes, neoplasms and immunocompromising conditions. There are 6 scenarios that are suggested and are based on three options for the coverage of patients (low, mild and higher coverage) and the two for the rate of compensation (75% and 50%). Lower coverage of patients is the measure of the government from 23 of September where only cancer patients and patients with chronic disease with deterioration are included. Mild coverage is where patients from the five mentioned groups are included, but with a defined medical criterion (severe health conditions) and higher coverage scenario includes all patients from the listed 5 groups of chronic diseases.</p> <p>3. Sick leave for Covid-19 patients Changing the sick leave legislation where for Covid-19 patients will be treated separately and will be covered by the Health Insurance Fund from the first day they are diagnosed.</p> | |
| Does it require Law amendment | Law on Health Insurance, Labor Relations Law | |
| The cost | | |
| <p>Depending on the epidemiological situation, there are two options calculated for the budget expenditures: one is the annual cost of the measures and the second is the semiannual expenditure.</p> | | |
| Maternity leave | | |
| <p>Table 1 illustrates the expenditures of the different options and scenarios for the measure. Based on the expenditures of the Health Insurance Fund for maternity leave in the past, we have estimated the average monthly compensation and the expected number of beneficiaries for maternity leave. The estimated cost for the additional three months is calculated with the same compensation of 100 % and for a lower level of compensation of 50% of the worker's salary. The table provides the annual and the 6 months fiscal costs depending on the duration of the crisis and the need of the measure.</p> | | |
| Table 1: Options of costing extended maternity leave | | |
| Average maternity compensation (in MKD) | 29,380 | |
| Average number of new monthly beneficiaries | 620 | |
| | level of compensation | |
| duration of the measure | 100% | 50% |
| 2021 Annual cost (in MKD) | 695,000,000 | 347,500,000 |
| 2021 cost for first 6 months (in MKD) | 278,000,000 | 139,000,000 |

Sick leave for chronic patients

Table 2 presents the cost of the options for extending the sick leave for patients with chronic disease. The costing is based on data on morbidity of NCDs in the country, on the active population, employed population and the ongoing sick leave benefit trends. The calculation assumes that the legislation according to which the first 30 days of the sick leaves are to be compensated by the employer is not amended. Having in mind the size of the affected population, there are three scenarios on the level of coverage or the number of beneficiaries covered and two scenarios on the level of compensation.

In the estimations, it is considered that some of this group of patients work from home and they will not use the proposed measure.

Table 2: Options of costing extended sick leave for patients with chronic disease

| 2021 Annual expenditure | | | |
|--------------------------------|-------------------------|---------------|---------------|
| | compensation | | |
| Level of coverage | Number of beneficiaries | 75% | 50% |
| lower | 1,210 | 249,925,500 | 166,617,000 |
| mild | 11,340 | 2,342,277,000 | 1,561,518,000 |
| higher | 32,780 | 6,770,709,000 | 4,513,806,000 |
| 2021 first 6-month expenditure | | | |
| | compensation | | |
| Level of coverage | Number of beneficiaries | 75% | 50% |
| lower | 1,210 | 99,970,200 | 66,646,800 |
| mild | 11,340 | 936,910,800 | 624,607,200 |
| higher | 32,780 | 2,708,283,600 | 1,805,522,400 |

Sick leave for Covid-19 patients

Table 3 shows the expenditures for covering the sick leave for patients from the first day by the Health Insurance fund. It is based on the latest active cases in the country and the current coverage rate of 75% of the worker's salary.

Table 3: Costing of changes in the sick leave for Covid-19 patients

| | |
|-------------------------------|-------------|
| Active cases | 7,500 |
| Eligible for sick leave | 3,486 |
| Monthly expenditure (in MKD) | 73,156,200 |
| 6 months expenditure (in MKD) | 438,937,200 |
| Annual expenditure (in MKD) | 877,874,400 |

The effects

Reintroduction of extended maternity and sick leaves will have health, social and economic effects:

1. Workers with a chronic disease that puts them at a higher risk if they get infected, by minimizing their contacts and staying home will be protected by the system.
2. By minimizing the contacts of people in the workplace and by decreasing the frequency of people's daily travel and commutes, the opportunity to spread the virus among the whole population will be lowered.
3. In time of an economic crisis, the employers were financing the workers while they were instructed to stay in their homes and the economic activity was decreasing. With this measure the government will provide compensation for the inactive employees and in the same time will support the employers with protecting the jobs before the time of recovery comes.
4. Extending the maternity leave will decrease the pressure for need of kindergarten care for babies in a period when the kindergartens are reorganized according to the COVID 19 protocols not to accept all children, but those with only two employed parents, due to the lack of space and HR capacities. Lower number of children in kindergartens will decrease the possibilities of spreading the virus. Additionally, it will decrease the need to involve grandparents for the care of children, as elderly people have a high risk of being infected and need to be protected and not exposed to more contacts and risks.
5. By providing coverage for Covid-19 patients from the first day they are diagnosed it will increase awareness and security of employers and workers to avoid unneeded contacts and eliminate further spread of the virus in the workplace. Additionally, it will reduce the cost of the employers for sick leaves.



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| Name | Scaling up public health capacities: Reinforcement of human resources to enhance national capacity for early detection and response to public health emergencies |
| Responsible institution | Ministry of Health |
| Background | <p>Since the beginning of the acute phase of the pandemic, the number or required health personnel has been moderately scaled up, by repurposing services and health workforce to where it has been most needed.</p> <p>The public health sector has been severely underfunded and understaffed for years. The scale and the durability of the pandemic has placed a significant stress to the public health sector. Therefore, the health system's capacity has been stretched to its limit during the Covid-19 crisis.</p> <p>The most affected segments have been the epidemiological units in the Institute and Centers for Public Health, the microbiology laboratory professionals and the infectious disease units in the secondary and tertiary level of health care. The epidemiologists and the Public Health Centers staff are struggling to cover the infected and to trace all of their contacts. The infectious disease has been overloaded with treating the Covid19 patients, since the start of the pandemic. The lack of health staff to cover and treat the growing needs of Covid19 health services can pose a threat to the health and lives of the population.</p> |
| Description of the proposed measure | <p>The measure is based on the urgent needs of the public health providers that are on the frontlines in the Covid-19 response, that have already been identified by the institutions and WHO:</p> <ul style="list-style-type: none"> - 12 epidemiologists, - 12 infection disease specialists, - 1 microbiologist/molecular biologist, - 40 nurses and technicians, - 1 IT expert. <p>The measure is composed of two possible scenarios:</p> <ol style="list-style-type: none"> i. Recruitment of the needed professionals (Nurses, technicians and doctors-specialists); ii. Recruitment of nurses, technicians and doctors and enrolling the doctors in the needed post tertiary education (specialization). |
| Does it require Law amendment | No |

The cost

Table 1 shows the cost of the first scenario where those required will be ready to be enrolled in the health care delivery. The total cost for wages of the needed personal is 0.83 mil euros annually.

Table 1: Cost of recruitment of needed health staff (Scenario 1)

| Type of health professional | | Number | Annual cost (MKD) | Annual cost (EUR) |
|--------------------------------|--------------------|--------|-------------------|-------------------|
| Doctors | Epidemiology | 12 | 16,085,168 | 261,547 |
| | Infectious disease | 12 | 16,144,233 | 262,508 |
| Micro/molecular biology | | 1 | 1,161,092 | 18,880 |
| Nurses/technicians | | 40 | 17,089,261 | 277,874 |
| IT expert | | 1 | 459,316 | 7,469 |
| Total | | 66 | 50,939,070 | 828,278 |

Table 2 provides the cost of Scenario 2 where cost of nurses, technicians and other personnel is the same as in scenario 1, while for the doctors there are additional costs for their training. This scenario is based on the limitation factor that health professionals, especially the needed specialists, are deficient in the labor market in the country and they need to be created and trained. The total cost of this scenario is 0.75 mil euros annually, which is smaller than in the first scenario, however the total cost of the training (1,5 to 5 years) will be 0.12 mil euros.

Table 2: Cost of recruitment and education of the needed health personnel (Scenario 2)

| Type of health professional | | Number | Annual cost (MKD) | Annual cost (EUR) | Training duration in months | annual education cost (EUR) | total education cost (EUR) |
|--------------------------------|--------------------|--------|-------------------|-------------------|-----------------------------|-----------------------------|----------------------------|
| Doctors | Epidemiology | 12 | 12,653,383 | 205,746 | 36 | 15,360 | 46,080 |
| | Infectious disease | 12 | 12,751,823 | 207,347 | 60 | 15,360 | 76,800 |
| Micro/molecular biology | | 1 | 1,013,432 | 16,479 | 18 | 1,280 | 1,920 |
| Nurses/technicians | | 40 | 17,089,261 | 277,874 | | | |
| IT expert | | 1 | 459,316 | 7,469 | | | |
| Total | | 66 | 43,967,215 | 714,914 | | 32,000 | 124,800 |

The costs of the recruitments are based on the collective agreements that are in place, the payments of the additional engagements of the frontline healthcare workers and the cost of the post tertiary medical education in the country.

The effects

From the available data in 2018, there were 45 epidemiologists and 66 infectious disease specialists working in the health care system in the country. In relative terms, there are 2.25 epidemiologists per 100,000 population which is in the middle compared to the countries from the region (Bosnia and Hercegovina 1.5, Serbia 2.1, Montenegro 4.2, Croatia 4.5) and 3.3 infectious disease specialists per 100,000 population which in total is above the norm defined in the Health Network.

Although there are doctors from other specialties that have been engaged in fighting the pandemic, the recruitment will significantly increase the staffing that will be available to the health system to 2.85 epidemiologists per 100,000 population (27%) and to 3.9 infectious disease specialties per 100,000 population (18%).

Reinforcement of the human resources will meet the urgent needs of the public health and hospital needs. It will reduce the burn out of the current frontline health professionals, and it will improve the quality of care of patients with more severe demonstration of the disease.

In general, the investment in health human resources will enhance the national capacity for early detection and response to public health emergencies. Funds allocated to health, besides being an investment in the health of the population, are also an investment in the economic recovery of the country.



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| Name | Safe spaces in schools |
| Responsible institution(s) | Ministry of Education and Science |
| Background | <p>The study “The social and economic effects of COVID-19 on children in North Macedonia: Rapid Analysis and Policy Proposals” (Petreski et al., 2020) accentuated that the educational system in the country is struggling to provide quality education to all children and that the current situation has exacerbated those differences. Some of the most affected groups when it comes to learning losses are those faced with lack of parental and school support, and insufficient resources conducive for to learning, such as those from poor households, Roma children, children with disabilities and children living in families with more than 3 children. In a number of cases the schools also have insufficient resources to organize ongoing support to those in need.</p> <p>In addition, previous studies (Mickoska-Raleva et al., 2017) have pointed the teaching staff are still predominantly using traditional teaching methods, spend a great deal of time on discipline issues and do not adequately use ICT during classes and the pupils are mostly not adequately motivated for school achievement. In the current situation (Petreski et al., 2020) the lack of teacher preparedness has resulted in inadequate use of ICT in distance learning, lack of proper organization of learning activities during classes, leaving the pupils feeling confused, overburdened and in many cases demotivated. The study also shows that the situation has also caused a great deal of stress for the children and young people and there is a need to provide an ongoing psycho-social support to deal with mental health issues arising from the pandemic and to be able to access the support that they have been receiving prior to the pandemic for various types of difficulties.</p> |
| Description of the proposed measure | <p>The general aim of the measure is to contribute to offering quality education to all children. The objective of the measure is to ensure quality education for children with various needs for educational and psycho-social support (children at risk of poverty; children without parental support; children with disability; children in big families, etc.).</p> <p>The nature of the safe spaces and final users</p> <p>The measure will be focused on designing safe spaces within schools, including allocation and adaptation of space, provision of equipment, tutoring and psychological support to pupils. As outlined above, certain groups of children that are generally classified as vulnerable were most affected by the pandemic. Coupled with their previous adversities (such</p> |

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| | <p>as for example exposure to violence, lack of parental support, physical and emotional abuse, lack of peer acceptance etc.) the current situation is exacerbating the learning losses as well as increasing the risk of school dropout. The safe spaces will provide an environment where they will be getting adequate learning support and are acquiring social and emotional skills. This is an extension to what the schools are already offering to pupils, but in a more structured manner and with better preparedness of the teachers and other professional support staff (pedagogues, psychologists, special educators, sociologists, social workers). As such although the measure is instigated and designed to help the children in the midst of the pandemic, the materials produced and the spaces created as well as the staff trained to work with the children can continue to provide adequate support even after the pandemic. The skills that the staff gain will be transferable to various situations and the materials and guidelines produced can become part of the regular schoolwork.</p> <p>Activities that can be implemented within the safe spaces</p> <ul style="list-style-type: none"> · Attending distance learning classes (in cases where no equipment or space is available at home) · Help with parts of the course material that the child has problems understanding due to previous learning losses or the current lack of support with learning · Help with homework, tasks, school projects etc to enable bridging the previous learning losses · Other learning activities to help the child advance and mitigate the learning losses · Psycho-social support in scheduled intervals with the school psychologist or other professional trained in offering such help · If possible peer-to-peer support for learning can also be organized supervised by a teacher or professional support staff <p>Activities that need to be undertaken and resource needed in order to set up safe spaces</p> <ul style="list-style-type: none"> · Allocation of space within the school (or if necessary adjacent to the school in a municipal building or other space fit for the purpose) · Furniture for the space (desks, chairs, softer furniture for a space for the psycho-social support etc) · ICT equipment (computers, printers etc) · Assistive technology for children with disability |
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| | <ul style="list-style-type: none"> • Office supplies and teaching and learning support materials • Training the teachers for offering tutoring support and use ICT in teaching and learning (including distance learning) • Training the psychologist for offering psycho-social support • Preparing manuals for psycho-social support • Preparing manuals for tutoring support <p>Activities to operate the safe spaces</p> <ul style="list-style-type: none"> • Tutoring activities (office supplies and learning materials needed for this) • Upkeep of the ICT equipment • Psycho-social support (office materials as needed) <p>Adapting to various contexts</p> <p>The measure needs to be adapted to various contexts depending of the setting of the schools. Some of the important aspects to be taken into consideration: the physical aspect condition of the school, the location of the school (urban/rural), type of school (one building versus central and satellite buildings). Therefore, the measure might need to be piloted in different contexts, after which the modes and methods of implementation will be evaluated and a proposal of what works in different contexts will be drafted, before the measure is implemented in all schools. Various modes of work might need to be developed based on the type of school and location (urban/rural).</p> |
| Does it require Law amendment | No need for enactment of a new law or law amendments. Greater funds will need to be allocated to the budget in 2021 to organize and upkeep the safe spaces within schools. |
| The cost | |
| <p>The total number of public primary (encompassing lower secondary schools) in 2019/2020 is 975 and this number encompasses both central and satellite schools. To get a better perspective of the situation within the schools and a better estimate of the total cost as well as understanding of which schools might benefit most from the proposed measure, we undertook a short survey with the School Principals in the period of 11 to 19 November 2020. The questionnaire was sent to all School Principals and we got 397 usable answers. The sample consisted of 254 schools (64.5%) that have both central and satellite schools and 141(35.5%) school that have only one school (only central). The answers provided, referred to the whole school or only the central school in 82% of the cases and the answers referred to the one or more satellite schools in about 18% of the cases. The answers for the peripheral schools separately were provided only if the situation in those buildings is drastically different than the situation in the central school (as per the instructions sent out to the schools).</p> | |

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The Principals were asked to provide an estimate of the pupils: that need assistance with learning for different reasons such as lack of help at home, low socio-economic status, lack of equipment at home etc; pupils with disability who require assistive technology; and pupils that need psychosocial help for various reasons such as problematic behaviour, lack of motivation, anxiety, bad family relations etc. **Table 1** lists the answers provided by the schools broken down by whether the school has only central building or central and satellite buildings as well as by the location of the school (urban/rural). As can be seen from Table 5 most schools (44.6%) appraise that they have between 11 and 50 pupils that might need help with learning which means that most schools will need a Safe Space room with 10 work spaces. The distribution is similar between different types of school buildings or location of the school. We calculated the need by whether the data refers to the central or satellite building and the distribution is similar to the total distribution as well. Therefore, it can be concluded that most schools will need a Safe Space room with 10 workstations (44.6%), followed by 26.7% of the schools that will need 5 work spaces within the Safe Space and 20% of the schools that will need 15 work spaces within the Safe Space room.

Table 1: Assessment of the number of pupils that might need help

| | One building | Central and satellite buildings | Urban school | Rural school | Total % in the sample | Number of school in sample | Approximation of total number of schools |
|---|--------------|---------------------------------|--------------|--------------|-----------------------|----------------------------|--|
| How many pupils need assistance with learning | | | | | | | |
| 0 | 13.5% | 6.2% | 10.1% | 7.7% | 8.8% | 35 | 86 |
| 1-10 | 27.2% | 26.2% | 25.5% | 27.8% | 26.7% | 106 | 260 |
| 11-50 | 39.7% | 47.3% | 40.4% | 48.3% | 44.6% | 177 | 435 |
| 51-100 | 5.7% | 12.5% | 6.9% | 12.9% | 10.1% | 40 | 98 |
| Over 101 | 13.5% | 7.8% | 17% | 3.3% | 9.8% | 39 | 96 |

| How many pupils need psychosocial help | | | | | | | |
|---|-------|-------|-------|-------|-------|-----|-----|
| 0 | 40.4% | 48.4% | 34.6% | 55.5% | 45.6% | 181 | 445 |
| 1-5 | 28.4% | 22.7% | 26.6% | 23% | 24.7% | 98 | 241 |
| 6-10 | 11.3% | 12.1% | 13.8% | 10% | 11.8% | 47 | 115 |
| 11-20 | 13.5% | 7.8% | 12.2% | 7.7% | 9.8% | 39 | 95 |
| 21-50 | 4.3% | 6.6% | 8.5% | 3.3% | 5.8% | 23 | 57 |
| Over 51 | 2.1% | 2.3% | 4.3% | 0.5% | 2.3% | 9 | 22 |
| How many children with disability are in the school | | | | | | | |
| 0 | 45.4% | 51.2% | 37.2% | 59.8% | 49.1% | 195 | 479 |
| 1-5 | 31.9% | 35.9% | 33.5% | 35.4% | 34.5% | 137 | 336 |
| 6-10 | 9.9% | 7% | 13.3% | 3.3% | 8.1% | 32 | 79 |
| 11-20 | 10.6% | 2.7% | 10.6% | 1% | 5.5% | 22 | 54 |
| Over 21 | 2.1% | 3.1% | 5.3% | 0.5% | 2.8% | 11 | 27 |

To understand the availability of space and equipment that can be used for the Safe Spaces the Principals provided answers to whether they have a physical space where the Safe Space room can be located and the availability of different equipment and furnishings within the school that can be used and are already available. Within that they provided answers about availability of room and their appraisal of whether they have different type of equipment and furniture that can be used (on a scale of 1 to 5 where 1 means we do not have any equipment and furnishings and 5 means we have all the necessary equipment and furnishings). **Table 2** displays the availability of physical space as well as different equipment and furnishing that can be used for the Safe Space. As can be seen most schools (44.3%) have a room within the school that can be used for creating a Safe Space with some minor interventions (like painting, flooring etc) and about a fifth of the schools have such space that can be readily used. What is worrying is that one third of the schools do not have such space available which means that alternative space should be found. It is even more worrying that around 40% of the rural schools do not have such space and around 40% of the schools with satellite buildings do not have such space. In the comments left by the Principals the issue of lack of space and equipment was accentuated when it comes to the satellite schools (so even when the schools has equipment and space in the central school this is lacking in some or all of the satellite schools). Around 70% of schools report lack of computers and printers for the Safe Spaces. On the other hand about half of the schools report to have enough desks and chairs. What is most important is that about half of the schools report not having adequate internet connection within the school to

sustain the work of the Safe Space. This is especially visible when it comes to the rural schools as only a quarter of them appraise adequate internet connection for the Safe Space compared to 46.3% of the urban schools.

Table 2: Availability of space, equipment and furnishings within the schools

| | One building | Central and peripheral buildings | Urban school | Rural school | Total % | Number of school in sample | Approximation of total number of schools |
|--|--------------|----------------------------------|--------------|--------------|---------|----------------------------|--|
| Availability of room within the school | | | | | | | |
| We have a room that can be readily used for a Safe Space | 23.4% | 20.7% | 18.1% | 24.9% | 21.7% | 86 | 212 |
| We have a room that can be used as a Safe Space with small interventions (like painting etc) | 47.5% | 42.6% | 55.3% | 34.4% | 44.3% | 176 | 432 |
| We do not have available room | 29.1% | 36.7% | 26.6% | 40.7% | 34% | 135 | 331 |
| Availability of computer | | | | | | | |
| 1 – not at all available | 50.4% | 49.6% | 54.3% | 45.9% | 49.9% | 198 | 487 |
| 2 | 25.5% | 19.1% | 22.9% | 20.1% | 21.4% | 85 | 209 |
| 3 | 13.5% | 21.9% | 15.4% | 22% | 18.9% | 75 | 184 |
| 4 | 5% | 4.7% | 4.3% | 5.3% | 4.8% | 19 | 47 |
| 5 – we have enough for a Safe space | 5.7% | 4.7% | 3.2% | 6.7% | 5% | 20 | 49 |
| Availability of printers | | | | | | | |
| 1 – not at all available | 56% | 52% | 56.4% | 50.7% | 53.4% | 212 | 521 |

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-----|-----|
| 2 | 20.6% | 19.9% | 19.1% | 21.1% | 20.2% | 80 | 197 |
| 3 | 12.1% | 16% | 16.5% | 12.9% | 14.6% | 58 | 142 |
| 4 | 4,3% | 5.5% | 3.2% | 6.7% | 5% | 20 | 49 |
| 5 – we have enough for a Safe space | 7.1% | 6.6% | 4.8% | 8.6% | 6.8% | 27 | 66 |
| Availability of desks | | | | | | | |
| 1 – not at all available | 20.6% | 17.2% | 17% | 19.6% | 18.4% | 73 | 179 |
| 2 | 12.8% | 18.4% | 14.9% | 17.7% | 16.4% | 65 | 160 |
| 3 | 24.8% | 22.7% | 24.5% | 22.5% | 23.4% | 93 | 228 |
| 4 | 16.3% | 13.7% | 14.9% | 14.4% | 14.6% | 58 | 142 |
| 5 – we have enough for a Safe space | 25.5% | 28.1% | 28.7% | 25.8% | 27.2% | 108 | 265 |
| Availability of chairs | | | | | | | |
| 1 – not at all available | 16.3% | 17.6% | 14.9% | 19.1% | 17.1% | 68 | 167 |
| 2 | 14.2% | 14.1% | 14.4% | 13.9% | 14.1% | 56 | 138 |
| 3 | 22% | 23.4% | 24.5% | 21.5% | 22.9% | 91 | 223 |
| 4 | 17% | 14.1% | 16% | 14.4% | 15.1% | 60 | 147 |
| 5 – we have enough for a Safe space | 30.5% | 30.9% | 30.3% | 31.1% | 30.7% | 122 | 299 |
| Availability of Internet connection | | | | | | | |
| 1 – not at all available | 5.7% | 11.7% | 6.4% | 12,4% | 9.6% | 38 | 94 |
| 2 | 13.5% | 14.5% | 7.4% | 20.1% | 14.1% | 56 | 137 |
| 3 | 12.8% | 21.5% | 14.9% | 21.5% | 18.4% | 73 | 179 |
| 4 | 21.3% | 23.8% | 25% | 21.1% | 22.9% | 91 | 223 |
| 5 – we have enough for a needs of a Safe space | 46.8% | 28.5% | 46.3% | 24.9% | 35% | 139 | 341 |

The schools were also asked about the current level of support that they can offer to pupils with disability and 86.3% of the schools that have pupils with disability report lack of assistive technology to help such pupils with learning. This means that schools will need financial assistance to obtain the necessary assistive technology. In addition, Principals also provided data on the availability of a school psychologist (to provide psychosocial help) and 75% of the schools have one, which leaves about a quarter of the schools in need of such person. The availability of a school pedagogue (that could help with the support of teachers in providing learning assistance to pupils) was reported by 82.6% of the schools. The Principals commented on the need to provide more teaching assistants for the pupils with disability in the comments of the questionnaire. In addition the School Principals also reported that in 72.2% of the schools some form of psychosocial support is already offered to the pupils. However in the comments they also explained that the help is either sporadic or only offered to the pupils in the central building or just to some age groups. Therefore there is a need to strengthen this type of support as well.

We estimate the total cost of the measure based on the fixed cost for setting up the spaces and variable costs needed for the safe spaces to function within the schools. The tables will present costs for the equipment, physical space adaptation, raising the human capital and the variable costs needed for the safe spaces to operate on a day to day basis.

Table 3 shows the fixed cost needed to equip the safe spaces. The table presents costs for three different models. The smallest safe space (5 work spaces) is deemed suitable for schools that have less than 10 pupils that need help in learning. The medium sized safe spaces (10 work spaces) is deemed suitable for schools that have between 11 and 50 pupils that need help in learning. The large space will have 15 work spaces and is deemed suitable for schools that have more than 51 pupils that need help in learning. This type of data is taken in consideration when determining the cost for the Safe Spaces. The calculations of how many schools might need such help is based on the percentage of schools reporting not enough equipment from the total schools (within the appropriate category of work spaces needed based on the reports on the number of pupils that might need learning help). The large spaces might also be constructed in schools with fewer pupils in need of help with learning, at the moment, but in areas with social deprivation where more pupils are expected to be needing help and an appropriate space to study.

Table 3: Fixed cost for equipping a safe space

| Type of equipment | Cost per one safe space | 5 safe spaces | How many schools with 5 safe spaces need it | 10 safe spaces | How many schools with 10 safe spaces need it | 15 safe spaces | How many schools with 15 safe spaces need it | Total in MKD denars |
|--|-------------------------|---------------|---|----------------|--|----------------|--|---------------------|
| Computers (with screen, mouse, speakers etc) | 23000,00 | 5,00 | 226 | 10,00 | 401 | 15,00 | 182 | 181.010.000,00 |
| Purchase of Microsoft 10 pro licence | 8300,00 | 5,00 | 226 | 10,00 | 401 | 15,00 | 182 | 65321000,00 |
| Desks | 2000,00 | 5,00 | 132 | 10,00 | 268 | 15,00 | 121 | 10310000,00 |
| Chairs | 820,00 | 5,00 | 131 | 10,00 | 246 | 15,00 | 113 | 3944200,00 |
| Plexiglas screens | 1500,00 | 5,00 | 260 | 10,00 | 435 | 15,00 | 194 | 12840000,00 |
| Printer | 7000,00 | 1,00 | 260 | 1,00 | 435 | 1,00 | 194 | 6223000,00 |
| Whiteboard or black-board | 7000,00 | 1,00 | 260 | 1,00 | 435 | 1,00 | 194 | 6223000,00 |
| Padded chairs for the psycho-social support space (all schools that reported having children that need psychosocial support need this) | 1600,00 | 2,00 | | 2,00 | | 2,00 | 530 | 1696000,00 |
| Table for the psychosocial support space (all schools that reported having children that need psychosocial support need this) | 3600,00 | 1,00 | | 1,00 | | 1,00 | 530 | 1908000,00 |
| Total cost for the category | | | | | | | | 289475200,00 |

Table 4 presents the cost for physical adaptation of a room into a safe space. This cost might be avoided or reduced if the school already has a room that can be used to create the safe space. The full cost will be needed only if the school does not have an appropriate room that can be used.

Table 4: The cost for physical adaptation of the space

| Type of cost | Cost per unit | How many schools need this purchase* | Total in MKD denars |
|--|---------------|--------------------------------------|---------------------|
| Flooring (for 30 m ² room, linoleum or similar) | 65000,00 | 432 | 28080000,00 |
| Paint (for 30 m ² room) | 18000,00 | 432 | 7776000,00 |
| Windows (for 30 m ² room) | 27000,00 | 432 | 11664000,00 |
| Door (1 piece) | 9000,00 | 432 | 3888000,00 |
| Total cost for the category | | | 51408000,00 |

**the calculation is based only on the approximation of schools that might need interventions in the physical space based on the reported need for intervention in the sample of school.*

Table 5 presents the cost needed for everyday functioning of safe space within the schools. The costs are needed for regular maintenance of the equipment, office supplies, teaching materials and in certain cases traveling costs (if the teaching staff and psychologist need to travel from the central school to the satellite buildings to offer support).

Table 5: Variable cost for the day to day operation of the safe spaces

| Type of cost | Cost per work space | 5 work spaces | How many schools with 5 safe spaces need it | 10 work spaces | How many schools with 10 safe spaces need it | 15 work spaces | How many schools with 15 safe spaces need it | Total in MKD denars |
|---|---------------------|---------------|---|----------------|--|----------------|--|---------------------|
| Up-keep of equipment (service company fee on a monthly basis) | 1150,00 | 5 | 260 | 10 | 435 | 15 | 194 | 9844000,00 |

| | | | | | | | | |
|---|---------|---|-----|---|-----|---|-----|-------------|
| Office supplies (per month including paper, pencils, chalks, markers, coloring pencils etc) | 6000,00 | 1 | 260 | 2 | 435 | 3 | 194 | 10272000,00 |
| Toner for printing | 1000,00 | 1 | 260 | 2 | 435 | 2 | 194 | 1518000,00 |
| Internet connection | 1000,00 | 1 | 111 | 1 | 162 | 1 | 103 | 376000,00 |
| Total cost for the category | | | | | | | | 22010000,00 |

Table 6 presents the fixed cost for ensuring adequate preparedness of the teaching staff and the psychologists within the schools for working with the pupils within the safe spaces. The teaching staff will have to undergo a short training on using individual and small group activities with children and ways to enhance pupil motivation. Two trainings will be needed: one for the primary school teachers and one for the lower secondary school teachers. The cost for the training of teaching staff is based on a two-day course. The psychologist will have to undergo a short course on providing psycho-social support in the COVID pandemic and also after the pandemic. The cost of the training for psychologist is based on a two day course. The course will encompass practical examples and case studies on providing a psycho-social support as well as activities on referring the child for further help by a trained professional. The training for the psychologist will be done with psychologists from different schools attending a joint course. The manuals for the teaching staff and psychologist will be electronic copies as these are deemed more optimized for usage in the current situation. The cost of the training and the number of days needed for the trainings for both teachers and psychologists are provisional and the actual cost may vary based on training needs assessment and development of the actual training plan and a support plan for ensuring sustainability of the implemented measure.

| Table 6: Improving the human capital within the schools | | | | |
|---|----------------------|----------------|---------------|------------|
| Training of teachers | | | | |
| Type of cost | Cost per day of work | Municipalities | Days of work* | Total |
| Cost of trainer | 12000,00 | 79 | 4 | 3792000,00 |
| Short manual for teaching staff - cost for preparation | 12000,00 | | 10 | 120000,00 |
| Training of psychologists | | | | |
| Type of cost | Cost per day of work | Days of work** | | Total |
| Trainer for psychologists cost | 12000,00 | 78 | | 936000,00 |
| Manual for psychologists – cost for preparation | 12000,00 | 10 | | 120000,00 |
| Total cost for the category | | | | 4968000,00 |
| <i>* the number of days for the trainings of teachers is calculated based on two days of trainings per group of teachers (all primary teachers in one training and all lower secondary teachers in another training) and the training will run twice in each municipality</i> | | | | |
| <i>** the number of days is calculated based on training with 25 psychologists for two days (the number of psychologists is estimated at 731 for all schools based on the answers provided in the sample.</i> | | | | |
| The total cost for all expenses is given in Table 7 . The cost is based on the current average market prices and they can vary for large orders. | | | | |
| Table 7: Total cost | | | | |
| Fixed cost for equipping Safe Spaces | | 289475200,00 | | |
| Construction costs (where needed) | | 51408000,00 | | |
| Variable cost | | 22010000,00 | | |
| Improving human capital cost | | 4968000,00 | | |
| Total cost | | 367861200,00 | | |

The effects

The expected effects of the measure would be:

1. Improved physical environment for providing support to vulnerable children during the pandemic. The spaces can be used after the pandemic for providing ongoing support to children that might need additional support with learning or psychosocial support. Within the safe spaces children can get the support in terms of equipment (such as access to computer or internet) needed for studying that they might not have at home, which will help alleviate the learning gap instigated by the pandemic.
2. Raising the capacity of the teaching staff to offer more individualized support to the children that might need such help for various reasons (inclusive of but not limited to lack of parental help, living in multi-child households, exposure to violence) which is expected to boost learning and alleviate the effects of the learning gap caused by the pandemic. As this type of work becomes integrated within the regular provision of help to pupils that need help with learning a raise in student achievement can be expected.
3. Raising the capacity of the school psychologists to offer more structured help to the children that might need such help during the pandemic. The psychologist might also become more sensitized to recognize children in need of support and offer more structured support even after the pandemic is over. As this becomes implemented on regular basis a raise in children's motivation and preparedness for learning and improvement in their behavioral and socio-emotional outcomes might be expected.

The proposed measure will be of benefit to 889 schools (362 reported they have such pupils in the school) that have reported the presence of children that need assistance with learning for various reasons. The approximate number of children that will benefit is approximately 43470 (the number of children in the sample is 17701). The measure will also benefit 530 schools (216 schools reported this need in the sample) and approximately 7844 children with a need for psycho-social support (the number of children reported in the sample is 3194).

| | |
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| Remarks, if any | <p>The cost is not provided for purchasing equipment and material for children with disability as this area needs further in-depth analysis for the type of equipment needed to best match the type of disability that the child is facing. If assistive technology and specialized learning materials are purchased than 496 schools and approximately (the number of schools in the sample is 202) and approximately 3183 children will benefit from introducing such help in schools (the number reported in the sample is 1296).</p> |
|------------------------|--|

| | |
|--|--|
| Name | Temporary basic income (TBI) |
| Responsible institution | Ministry of Labor and Social Policy |
| Background | <p>Poverty in North Macedonia has been declining since 2010, although the figure stalled lately (21.9% in 2018). According to the World Bank, it is expected that the economic crisis caused by the Covid-19 pandemic will increase poverty by 0.2 percentage points (observed through absolute threshold of 5.5 USD per day). While the government put measures in place to support those most in need, the crisis revealed several vulnerabilities – beyond the need to cover essential spending – that might have existed in other parts of the population, and further aggravated them. For example, not all non-poor households have internet connectivity or computer at home, to support children’s distance learning: 30.5% of the households did not have a computer, while 18.5% did not have internet connection in 2019 (MICS data). In other cases, productive assets – most notably agricultural land and/or livestock – might have depleted due to the lingering effects of the crisis.</p> |
| Description of the proposed measure | <p>The objective of TBI is to top up income of people with livelihoods below a vulnerability-to-poverty threshold, which is usually above the value of the poverty line. While TBI yet contains a specific target, it is unconditional in terms of not imposing behavioral conditions such as job-search or ownership of property, and works at individual level, regardless of household composition. The amounts per beneficiary might help people to cover internet connectivity to support education and work from home, compensate for costs associated with childcare, or assist households to prevent the depletion of productive assets — in addition to enabling people to cover essential spending, whose relevance might have increased under Covid-19. TBI is temporal shock-resistant transfer to an unprecedented crisis.</p> <p>The key in setting TBI is the poverty and vulnerability-to-poverty thresholds. We rely on the recent work of Molina and Ortiz-Juarez (2020), who suggest four thresholds for defining poor and vulnerable-to-poor (2011 PPP, per day, per person): 1.9 USD (43.6 MKD); 3.2 USD (73.4 MKD), 5.5 USD (126.14 MKD) and 13 USD (298.17 MKD). They use the latter two for ECA and the middle two for EAP and MENA. Although North Macedonia belongs to the ECA region, applying 5.5 and 13 USD would lead to unsustainably large cost, and hence we rely on 3.2 and 5.5 USD, respectively.</p> <p>Likewise, the cost is unbearably inflated if dependents (children up to 15 and elderly above 65) are used in the calculation. Therefore, we constrain its design to the working-age population (15-64) within the household.</p> |

| | <p>TBI is designed through three alternative schemes:</p> <ul style="list-style-type: none">- A cash transfer equivalent to the average shortfall in income in relation to the 5.5 USD vulnerability threshold;- A cash transfer equivalent to a fourth of the median household per capita income; and- A cash transfer equivalent to 5.5 USD per day. <p>The TBI is a top up of the current social assistance schemes. Practically, they will either have to be suspended during TBI, or TBI will be defined as the difference between its full value (calculated vis-à-vis the market income of the individual) and any social assistance that the household already receives.</p> | | | | | | | | | | | | | | | | | | | | |
|--|--|------------------------|-----------------------------|-----------------|--|--|--|---------------------------|--------|-----------------------------|-----------------|---------------------|------|------|------|------|----------------------|------|------|------|------|
| Does it require Law amendment | <p>The Social Protection Law should be amended to reflect the description of the measure above, ideally as a sub-section 1.1, right after current article 43. The final provisions of the Law should be amended to reflect the temporality of the newly-added section/articles to introduce TBI.</p> | | | | | | | | | | | | | | | | | | | | |
| The cost | | | | | | | | | | | | | | | | | | | | | |
| <p>We estimate the total cost of the measure based on the individual-level market and pension income – pre- and post-Covid-19, based on a couple of assumptions about how it might have behaved during the crisis. The income from rents, dividends and interest is provided at the household level and we assign this to the household head in absence of information on who actually receives it.</p> <p>Table 1 shows that such a policy intervention almost triples the cost of the current social assistance, in any of the three alternatives. The deteriorating incomes during Covid-19 negligibly increase this cost, roughly in the amount of the increase of the current social assistance during the pandemic. The additional required funding for such a policy measure would be roughly 25 million EUR monthly.</p> <p>Table 1: The monthly cost of TBI (million EUR)</p> <table><tr><th colspan="5">Temporary basic income</th></tr><tr><th></th><th>Current social assistance</th><th>Top up</th><th>Fourth of the median income</th><th>Uniform 5.5 USD</th></tr><tr><td>Pre-Covid-19</td><td>14.8</td><td>40.2</td><td>36.1</td><td>41.1</td></tr><tr><td>Post-Covid-19</td><td>15.2</td><td>41.7</td><td>37.5</td><td>42.8</td></tr></table> <p><i>Source: Authors' calculations and State Budget.</i></p> | | Temporary basic income | | | | | | Current social assistance | Top up | Fourth of the median income | Uniform 5.5 USD | Pre-Covid-19 | 14.8 | 40.2 | 36.1 | 41.1 | Post-Covid-19 | 15.2 | 41.7 | 37.5 | 42.8 |
| Temporary basic income | | | | | | | | | | | | | | | | | | | | | |
| | Current social assistance | Top up | Fourth of the median income | Uniform 5.5 USD | | | | | | | | | | | | | | | | | |
| Pre-Covid-19 | 14.8 | 40.2 | 36.1 | 41.1 | | | | | | | | | | | | | | | | | |
| Post-Covid-19 | 15.2 | 41.7 | 37.5 | 42.8 | | | | | | | | | | | | | | | | | |
| <p>Table 2 presents the distribution of the TBI cost among four vulnerable groups of the population: youth, women, households with children and households with 3+ children. The second column presents their share in the population, to be able to observe if TBI assigns proportionally more or less money to them. The last three columns suggest that TBI spending is strongly pro-vulnerable groups, i.e. assigns proportionally more of the funds to these groups than compared to their share of population. This is particularly the case for youth and for households with 3+</p> | | | | | | | | | | | | | | | | | | | | | |

children: the former probably because of the heightened unemployment among youth, while the latter due to the higher incidence of poverty among these households.

Table 2: The distribution of TBI cost (post-Covid-19), by groups

| | Share in population | Temporary basic income | | |
|--------------------------------|---------------------|------------------------|-----------------------------|-----------------|
| Share of TBI spending going to | | Top up | Fourth of the median income | Uniform 5.5 USD |
| Youth (15-29) | 21.2% | 45.4% | 44.0% | 44.0% |
| Women | 49.8% | 59.5% | 57.3% | 57.2% |
| Households with children | 39.3% | 55.5% | 53.4% | 53.4% |
| Households with 3+ children | 6.9% | 13.5% | 13.2% | 13.2% |

Source: Authors' calculations.

The monthly cost is roughly 0.37% of GDP, which hovers around the share Molina and Ortiz-Juarez (2020) calculated for ECA (see their Table 2).

TBI is proposed to be introduced for a period of 3, 6 or 12 months, in which case the incremental cost of the government would be, respectively, 75, 150 and 300 million EUR.

The effects

The poverty effects of the proposed measure are provided in **Table 3**. First, one needs to note that we simulated the 2020 poverty rate with and without the effects of Covid-19. The post-Covid-19 simulated poverty rate does not take into account the existing government measures aimed to soften poverty (relaxation of the criteria to obtain guaranteed minimum assistance). Hence, we observe an increase in the poverty rate.

Importantly, TBI sizably reduces the poverty rates: it reduces the relative poverty by about a fourth; eradicates absolute extreme poverty and reduces absolute upper-middle-income poverty fourfold. These are large positive effects, which stem out from the nearly threefold increase of the amount for the measure compared to the current social assistance spending, and of the proper targeting.

The results post-Covid-19 are even more favorable, since individuals whose income falls because of Covid-19 are immediately eligible for TBI, so they are actually prevented to fall into poverty.

| Table 3: Simulation of poverty rates (% , TBI if applied for entire year) | | | | |
|---|------------------------|--------|-----------------------------|-----------------|
| | Temporary basic income | | | |
| | Simulated 2020 | Top up | Fourth of the median income | Uniform 5.5 USD |
| | Pre-Covid-19 | | | |
| Relative poverty (below 60% of the equiv. median income) | 22.1 | 15.8 | 16.7 | 15.6 |
| Absolute poverty, below extreme low income threshold | 2.2 | 0.1 | 0 | 0 |
| Absolute poverty, below upper middle income threshold | 8.1 | 1.3 | 1.9 | 1.3 |
| | Post-Covid-19 | | | |
| Relative poverty (below 60% of the equiv. median income) | 23.3 | 15.4 | 16.2 | 15.2 |
| Absolute poverty, below extreme low income threshold | 2.6 | 0 | 0 | 0 |
| Absolute poverty, below upper middle income threshold | 8.4 | 0.9 | 1.4 | 0.8 |
| Source: Authors' calculations. | | | | |
| Results seem most favorable for the 'uniform 5.5 USD' alternative, although very similar to the 'top up' alternative. Since the latter requires administrative calculation of the difference between the obtained income and the threshold, it would be ultimately more feasible to administratively pursue the former alternative. | | | | |
| Table 4 presents the poverty reduction effects of the TBI (post-Covid-19) for three critical groups: women, children and youth (15-29). Results suggests that the proposed measure produces plausible results all across the board: particularly in terms of the extreme poverty, the measure is strongly pro-women, pro-children and pro-youth. | | | | |
| Table 4: Simulation of poverty rates post-Covid-19, by groups (% , TBI if applied for entire year) | | | | |
| | Temporary basic income | | | |
| | Simulated 2020 | Top up | Fourth of the median income | Uniform 5.5 USD |
| | Women | | | |
| Relative poverty (below 60% of the equiv. median income) | 22.1 | 15.8 | 16.7 | 15.6 |
| Absolute poverty, below extreme low income threshold | 2.2 | 0.1 | 0 | 0 |
| Absolute poverty, below upper middle income threshold | 8.1 | 1.3 | 1.9 | 1.3 |

| | | | | |
|---|--------------------------------|---|-----------------------------|-----------------|
| | Children (0-17) | | | |
| Relative poverty (below 60% of the equiv. median income) | 23.3 | 15.4 | 16.2 | 15.2 |
| Absolute poverty, below extreme low income threshold | 2.6 | 0 | 0 | 0 |
| Absolute poverty, below upper middle income threshold | 8.4 | 0.9 | 1.4 | 0.8 |
| | Youth (15-29) | | | |
| Relative poverty (below 60% of the equiv. median income) | 28.9 | 12.8 | 14.8 | 12.9 |
| Absolute poverty, below extreme low income threshold | 1.6 | 0.0 | 0.0 | 0.0 |
| Absolute poverty, below upper middle income threshold | 12.0 | 0.2 | 0.7 | 0.4 |
| <i>Source: Authors' calculations.</i> | | | | |
| <p>The targeted population of the policy measure is provided in Table 5. Coverage expectedly expands to nearly third of the population, with a slight increase post-Covid-19. This is between the simulated coverage in East Asia and Pacific (25.6%) and Europe and Central Asia (46.4%) – see Table 1 in Molina and Ortiz-Juarez (2020) for comparison with the other regions.</p> | | | | |
| Table 5: TBI coverage | | | | |
| | Current SA (households) | Temporary basic income (individuals) | | |
| | | Top up | Fourth of the median income | Uniform 5.5 USD |
| | Pre-Covid-19 | | | |
| Coverage | 27,494 | 659,325 | 659,564 | 659,388 |
| % of population | 4.9% | 31.8% | 31.8% | 31.8% |
| | Post-Covid-19 | | | |
| Coverage | 29,178 | 685,765 | 686,133 | 685,994 |
| % of population | 5.2% | 33.0% | 33.1% | 33.0% |
| <i>Source: Authors' calculations and MLSP.</i> | | | | |

| | |
|------------------------|--|
| Remarks, if any | <p>There are a couple of remarks relevant for the adoption and rollout of the measure in practice.</p> <p>1. Individual assignment but calculation and consideration at the household level The proposed measure works at the individual level as all individuals in working age (15-64) are assigned a top up of their market income, however, only if the household income falls below the specified threshold (5.5 USD per day per capita, PPP). This is important to note from a couple of reasons. First, the aid should go to the poor and vulnerable households, not individuals: poverty is a concept defined and estimated at the household – not individual level. Imagine two-adult household whereby one spouse earns above-average wage, while the other is unemployed. Assigning aid to the second would represent a clear dead-weight loss for the society. However, if the per-capita income in the households (the salary of the spouse divided by 2) drops below the threshold of 5.5 per day per capita, PPP, then the household will become eligible for TBI. The defined threshold of 5.5 USD implicitly takes into account the household structure, as larger families will have higher threshold, so that they will have a higher chance to be captured by TBI.</p> <p>2. TBI versus one-off financial support The Government of North Macedonia deployed a one-off financial support to low-pay workers, unemployed and state students within the third package of measures (July 2020), with an announcement that its topping up (to capture also inactive) will follow in the autumn 2020 within the fourth economic package. TBI is considered to be a mutually exclusive support with regard to the one-off aid. Namely, TBI assigns quasi universal income to those in need in a pre-announced and systematic basis (over protracted period of time), while one-off aid is sporadic and decided ad-hoc. However, both of them aim to bridge temporary fallouts in income.</p> <p>3. Practicalities in the implementation of TBI As TBI ultimately observes the household, not the individual, it will have to be executed in the same way GMA is currently executed, i.e. via application by the potentially eligible recipients. This means that automatic allotment of the funds will not be possible, as income data in the PRO are at the individual level (and they potentially insufficiently capture some incomes, like social incomes and incomes from abroad). This brings the risk that some parts of the targeted population never apply and it may happen that these are the poorest of the poor, i.e. those who are in most need of the aid.</p> |
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| | |
|--|---|
| | <p>Still, on the one hand, this may be overcome by a campaign to promote the measure, while on the other, even if automatic disbursement was possible, the poorest of the poor may still fail to make use of the allotted funds (e.g. because of financial illiteracy). Therefore, it is crucial that the target population is informed and educated about the measure, rather than aiming to change the current GMA application system into a TBI automatic one (which would be anyway difficult and costly to do, particularly in a short period of time).</p> <p>4. Temporality versus sustainability Defined this way, TBI aims to temporally bridge income drops amid the Covid-19 crisis. Its temporal character should be defined ex-ante and be well known to define expectations and ameliorate the “shock” when the measure terminates / is withdrawn. From that viewpoint, the measure should not be considered as securing any sustainability of the receiving individuals, their jobs and income. As the economy strengthens, TBI should roll back and sustainability of incomes and jobs should be sought on the market.</p> <p>5. Duration and timing The measure could last for any duration the government decides and this should be weighed against: 1) how long the Covid-19 exerts an income shock; and 2) what is the cost and how it will be funded. Given the current circumstances with the pandemic (mid-October 2020), we suggest that the TBI is devised for a period of 6 months, between January and June 2021. If the pandemic returns with a further wave in the Spring of 2021, then extension of the measure may come into play.</p> <p>6. Communication Without doubt, the temporary character of the measure should be the spotlight of the communication, since improper communication may create path dependence whereby targeted population (and particularly those who believe are the target) generate expectation that such an aid should be permanent. This may result in severe societal outcomes, by reducing the will to seek for and accept jobs, which will throw such individuals into the vicious cycle of extreme poverty and result in long-term scars in general. In case the government decides for an initial 6-month duration of TBI, any intention to extend it for additional period must not be communicated until the very end of the initial period. In such a case, the need to re-articulate and reinforce the temporality of the measure strengthens. It is also possible that, Covid-19 conditions permitting, the second period is considered a phase-out of the measure, i.e. the topped-up income is halved.</p> |
|--|---|

7. Other issues

If too large of an injection, one-time spikes in local food prices may be observed and threaten inflation. However, the above design secures that the infusion into the economy would not exert pressure on prices. Yet, authorities should keep an eye on the basic food products.



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|--------------------------------|--|
| Name | Expansion of the unemployment benefit (UB), including a reemployment subsidy |
| Responsible institution | Ministry of Labor and Social Policy – Employment Service Agency |
| Background | <p>North Macedonia has a system for insurance against unemployment in place. If a worker loses a job, he/she is entitled to receive an allowance in the amount of 50% of his/her average salary in the last 24 months of his/her employment and not exceeding 80% of the national average salary in the previous month. The number of months of receiving the allowance depends on the length of tenure, starting from 1 month for those with a tenure of up to 9 months and extending to the maximum of 12 months for those with a tenure exceeding 25 years. All these conditions apply if the employee had been fired, i.e. ineligibility applies had the worker resigned or terminated the employment contract on a mutual consent with the employer. On this ground, the unemployment benefit – being a form of a social assistance during frictional unemployment – is very stringent. The ESA data suggest that only 16.2% of the newly unemployed during the ongoing crisis caused by the spread of Covid-19 were eligible for UB on these criteria.</p> <p>On the other hand, the awareness among lower-paid workers on UB is very low, which may be related to the anecdotal evidence whereby on exit they are asked to de-jure sign for a consensual work termination, although it is de-facto firing, i.e. a decision of the employer. This, then, makes them ineligible for UB, while the advantage for the employer is likely sought in the denouncing of the right by the employee to file an appeal to the court for any aspect of contract's termination.</p> <p>Such context further reduced the power of the unemployment benefit to shield workers during the first hit of the Covid-19 crisis. As a result, the caretaker government adopted a Decree to expand the coverage of UB temporarily. The decree stipulated that, on top of the current design, those who terminated a contract by consent or resigned between March 11 and April 30, 2020 were also eligible for UB for the duration of 2 months, without other conditioning. This resulted in 3,107 additional beneficiaries, which more than doubled the rate of UB recipients in the total number of new unemployed persons over the period (37.4%).</p> <p>As the crisis continued to unfold – judged by the acceleration of the unemployment rate beyond June 2020 – the issue of adjusting the system of unemployment benefit became further relevant.</p> |

| | |
|---|---|
| Description of the proposed measure | <p>The objective of the redesigned UB is to relief financial and social pressure onto the new unemployed persons during the Covid-19 crisis, as well to serve a basis for a more thorough redesign of the UB system as a permanent solution.</p> <p>The following design is proposed as a temporary measure for the June-December 2020 period (hence, if applied it will be executed retroactively):</p> <ol style="list-style-type: none"> 1) Eligibility for UB includes all newly unemployed whose contract has been terminated before its expiry, either on request of the employer, or on request of the employee, or by their mutual consent; 2) The duration of the UB receipt extends, so that all those with a tenure of up to 2.5 years are eligible for a UB for 5 months, while all the other tenure-length groups receive +3 months on top of the current design; 3) For cases of UB length exceeding 10 months, the UB allowance reduces to 75% of the minimum wage; 4) The government subsidizes social contributions for reemployment (within the same company, with the same job, at the same or higher salary), with full coverage of social contributions not exceeding those on the national average wage (approx. 11.000 MKD), for a period of 6 months, with an obligation to retain the worker for at least additional 6 months. |
| Does it require Law amendment | <p>The Law on Employment and Insurance Against Unemployment should be changed to reflect the description of the measure above, namely section IV, and particularly at least: article 67 (to allow for other bases of termination of the contract to constitute eligibility); article 68 (to allow for changes in the size of the UB); article 71 (to change the duration of receiving of the UB).</p> |
| The cost | |
| <p>We calculate the cost based on the following assumptions:</p> <ul style="list-style-type: none"> - The relaxation of the eligibility condition increases the coverage of new unemployed from 16.2% to 37.4%, as is observed in the data for March and April 2020 (with the expansion provided by the Decree valid over these two months); - The projected probability of losing a job with an additional year of tenure is 0.83%, obtained from a probit function whereby the probability to transit from employed to unemployed is regressed on age, gender and education, and the coefficient on age is used to reflect the relation between the transition and tenure (tenure is not observed for the unemployed and hence a genuine relationship between the transition and unemployment cannot be obtained); - The reemployment probability is assumed to grow monotonically with time, from 0% in the month after losing the job to 35% six months after; | |

- The following probabilities of losing a job associated with the average tenure length are used: 0.79% (May), 1.51% (June), 2% (July and August), 1.1% (September and October), 0.9% (November and December). The first two are the ones observed from ESA (new monthly unemployed in total employed in the country), while the rest assume that the effect of the crisis intensified over July and August and will then gradually subside.

Administrative data from ESA are used. Average salaries per sector at one-digit level and tenure-length groups, and employment structure per tenure-length groups are calculated from LFS 2019.

Table 1 presents the results. With the expected unfolding of the Covid-19 crisis, the current law will result in a 7.1 million EUR additional cost in 2020 and 5.9 million EUR in 2021. If the proposed scheme is applied without the subsidization of reemployment (hence, points 1-3 are applied only), the cost increases to 32.7, 27.5 and 0.1 million EUR, respectively, in 2020, 2021 and 2022. Over the current scheme, this implies an incremental cost of 25.6, 21.6 and 0.08 million EUR, respectively.

If reemployment subsidization is pursued as a complement to the UB expansion, then the cost of the proposed UB scheme slightly declines, so that the additional cost for the government reduces to 23.6, 15.2 and 0.5 million EUR, respectively for 2020, 2021 and 2022. The implied savings due to returning these persons into employment are, respectively, 6.4%, 23.3% and 35% of the initial scheme which did not consider reemployment subsidy.

The cost of the reemployment subsidy is 5.9 and 12.1 million EUR in 2020 and 2021, respectively, exceeding the savings from the forgone UB by 2.9 and 1.9 times, respectively.

Overall, the annual cost of the entire measure for the government is 29.5, 27.3 and 0.05 million EUR respectively for 2020, 2021 and 2022.

Table 1: The cost of the proposed measure

| <i>Million EUR</i> | 2020 | 2021 | 2022 |
|--|-------------|-------------|-------------|
| Current UB scheme | 7.1 | 5.9 | 0.00 |
| Proposed UB scheme without reemployment | 32.7 | 27.5 | 0.08 |
| Additional cost (reemployment not considered) | 25.6 | 21.6 | 0.08 |
| Proposed UB scheme with reemployment | 30.6 | 21.1 | 0.05 |
| Additional cost (reemployment considered) | 23.6 | 15.2 | 0.05 |
| Saved UB cost with reemployment | 2.1 | 6.4 | 0.03 |
| Share of UB saved with reemployment | 6.4% | 23.3% | 35.0% |
| Total cost of reemployment subsidies | 5.9 | 12.1 | - |
| Total reemployment cost over saved UB cost | 2.9 | 1.9 | |
| TOTAL COST FOR THE GOVERNMENT | 29.5 | 27.3 | 0.05 |

Source: Authors' calculations.

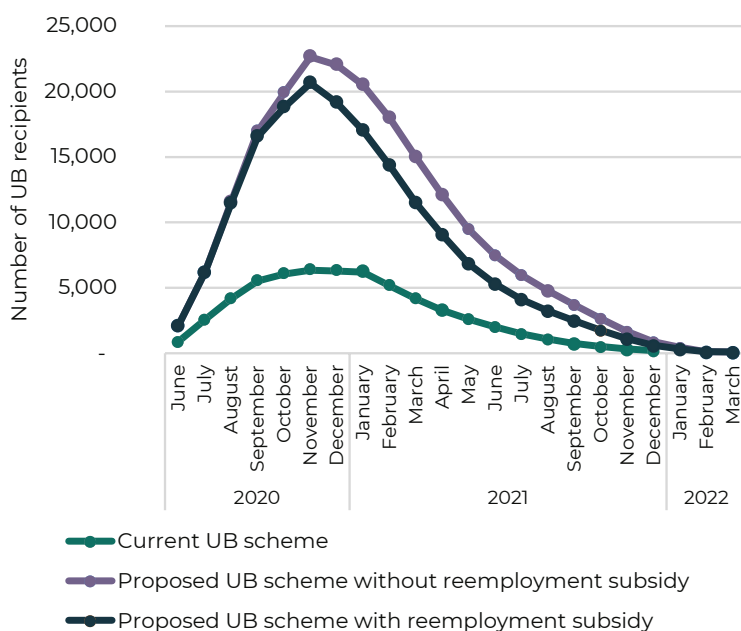
Note that since this measure will be applied retroactively, and since at the time of conducting this analysis (October 2020) it seems impossible to incorporate the projected funds in the State Budget of 2020, what appears in Table 1 as 2020 will have to be paid out of the State Budget 2021. Particularly, if applied as of January 2021, the amount to be paid out in January 2021 will be the sum of the accumulated cost from 2020 (29.5 mil. Euro) and the cost for January 2021 of 6.8 mil. Euro. This does not change the overall cost of the proposed measure but may be important for the liquidity management.

The effects

The coverage of the proposed UB schemes is provided in **Figure 1**. Given the strong temporal component of the design, the largest coverage due to the change in the UB scheme is expected in November 2020. This peak is about 6,000 recipients due to the Covid-19 crisis based on the current scheme, and extends to nearly 23,000 recipients – i.e. fourfold – due to the relaxed criteria within the reformed UB scheme. Such a peak is a combination of the relaxed eligibility criterion and the extended length of UB utilization given the number of years of tenure.

The role of the complementary subsidization scheme of reemployment is provided separately, with the orange line. If the reformed UB design is complemented with a full social contribution subsidy over 6 months in cases when the laid-off worker is reemployed at the same workplace and with at least the same salary, then the pressure onto the UB system subsidies, and the number of recipients at the peak reduces by nearly 3,000 persons. Thereafter, the effect gradually phases out.

Figure 1: Coverage of the proposed UB design



Source: Authors' calculations.

The exact effect of such infusion into the economy on poverty is difficult to judge at the micro level, because existing surveys do not have a temporal component, or the temporal component, at best, is hard to introduce as surveyed individuals are interviewed each second quarter for a maximum of three quarters and then are replaced. SILC contains an indicator of the income from unemployment benefits already accrued, but again, the expansion of eligibility is difficult to simulate due to absence of temporal information, i.e. who did or may lose job during the crisis and hence who should be assigned a UB.

However, the measure is expected to have a neutral effect on the poverty rate among recipients, i.e. to curb its increase given unemployment soaring in general. Indicatively, the average size of the UB in our simulation is 13,317 MKD per month, which is about 65% above the poverty threshold of 8,083 MKD per month for one-member household published by SSO and based on SILC. Hence, while assigning UB to such individuals will reduce their (and their households') positioning on the income ladder, on average is not expected to throw them into relative poverty. The same line of thinking applies to working relative poverty.

However, at the individual level, persons who have been receiving the minimum wage of 14,500 MKD per month (or lower, since UB is calculated on the average salary obtained in the last 24 months), will be entitled to 7,750 MKD of UB monthly, which is technically below the poverty line. Hence, some negative effect onto poverty may still be observed, unless compensated by some downward movement of the median income with respect to whom the poverty threshold is calculated, provided that Covid-19 exerted economy-wide income reductions.

Remarks, if any

One reason for not being able to disaggregate the costing and the effects by sub-groups (most notably, by gender) is the unavailability of such disaggregation in the original data sourced from the Employment Service Agency. Hence, it is advised that in future data are published also disaggregated, at the minimum by gender, geographic settlement (urban/rural), sector/industry, and type of contract (definite/indefinite duration).



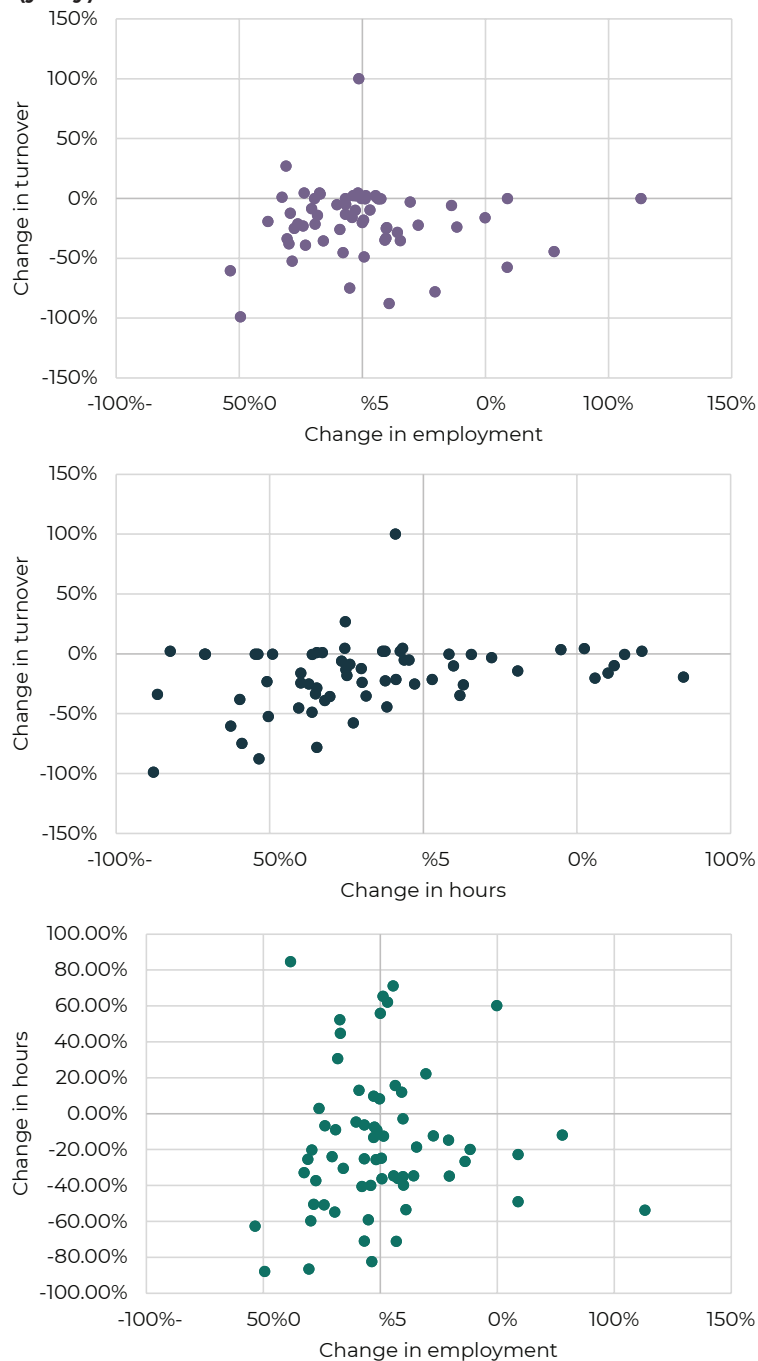
| | |
|--------------------------------|---|
| Name | Job retention measure “14,934 MKD per worker with a reemployment subsidy” |
| Responsible institution | Ministry of Finance / Public Revenue Office / General Secretariat of the Government of North Macedonia |
| Background | <p>The outbreak of Covid-19 in the first half of March 2020 has been immediately followed by a lockdown of the economy. Restriction of movements affected international trade, transport and tourism; while the fear of the unknown circumstances affected domestic consumption of non-essential goods, while that of food and beverages increased with spikes. Restaurants, cafes, shopping malls and related shops closed, along the closure of the educational system. The economy contracted by 12.7% in the second quarter of 2020, although restrictions slowly eased by the beginning of June 2020, yet with further considerable limitations particularly pertinent to international travels.</p> <p>To combat the combination of induced recession and declining economic activity due to declining incomes and rising uncertainties, the government imposed a measure to rescue jobs. It awarded a subsidy in the amount of 14,500 MKD (the then minimum wage) per worker for all companies which over March and April 2020, compared to the average of 2019, experienced a drop of the turnover exceeding 30%, and which did not fire any worker (except in natural cases), or which were obliged to reemploy workers to become eligible for the measure. Eligibility also included all workers with wages up to 39,900 MKD (net), hence excluding managerial positions. The measure was initially covering April and May, and then was extended to cover June. According to the data from the PRO, about 122,000 workers per month were covered, with a total spending of almost 85 million EUR.</p> <p>ILO/EBRD (2020) provides an extensive discussion of the measure, while Finance Think (2020) evaluated the measure as being crucial for the retention of jobs, particularly of about 75,000 jobs which would have been almost certainly lost if not subsidized. Over the same period, registered unemployment increased by about 26,000, which suggests that, in net terms, the measure directly saved about 50-60,000 jobs (given that not all fired stemmed from eligible firms).</p> <p>Then, registered unemployment growth slightly decelerated, probably because the measure stipulated that the same number of workers should be also maintained two months after the measure's expiry (which is end-August), although voices in the public debate became more intense that particular branches continued facing severe problems and are on the verge of collapse. In Q2, working hours have been lost in the full-time job equivalent of about 185 thousand, which is almost a quarter of all employed in the country.</p> |

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| | <p>Without doubt, economic risks continued persisting, if not intensifying in some branches. The number of Covid-19 daily cases is generally maintained since the mid of July 2020, which imposes further uncertainties with reflection on non-essential consumption and movements which directly impact the sectors of tourism, transport, hospitality and trade. Even though the measure has been assessed positively, it may have also implied a dead-weight loss with its wide targeting, though at that time, with many unknowns, wide design was probably inevitable. Therefore, the objective for the forthcoming period should be to target sectors most in need and expand the time duration of the measure.</p> |
| Description of the proposed measure | <p>The objective of the redesigned job-retention measure is to safeguard jobs which are on the verge of being lost if health and economic risks persist or intensify, and to reverse the unemployed to the extent possible.</p> <p>The following design is proposed as a temporary core measure for the July-December 2020 period (hence, if applied, it will be executed retroactively):</p> <p>Disburse 14,934 MKD per worker (the new minimum net wage level), to cover workers' net wage, to the companies:</p> <p>1. Which satisfy at least one of the following in Q2-2020 when compared to Q2-2019:</p> <ul style="list-style-type: none"> - Declining employment and hours worked and turnover by more than 20% each (heavily affected); - Declining hours worked and turnover by more than 30% (heavily affected); - Declining employment or hours or turnover exceeding 80% (heavily affected); - Declining by more than 20% of at least two of the three (employment, hours, turnover) indicators (medium affected); - Declining by more than 20% on at least one indicator, and any decrease on the other two (low affected) - Declining by less than 20% on all indicators (low affected) <p>Hours to be measured by the share of the employed labor force absent from the workplace on April 30, 2020, but still in contractual employment (which includes paid parental leave, forced paid or unpaid leave/vacation etc.)</p> |

| | |
|--|--|
| | <p>2. Which belong to the following NACE Rev.2 codes:</p> <p>12 Manufacture of tobacco products;</p> <p>13 Manufacture of textiles;</p> <p>14 Manufacture of wearing apparel;</p> <p>15 Manufacture of leather and related products;</p> <p>16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials;</p> <p>25 Manufacture of fabricated metal products, except machinery and equipment;</p> <p>27 Manufacture of electrical equipment;</p> <p>29 Manufacture of motor vehicles, trailers and semi-trailers;</p> <p>31 Manufacture of furniture;</p> <p>35 Electricity, gas, steam and air conditioning supply;</p> <p>36 Water collection, treatment and supply;</p> <p>38 Waste collection, treatment and disposal activities; materials recovery;</p> <p>43 Specialized construction activities;</p> <p>47 Retail trade, except of motor vehicles and motorcycles;</p> <p>49 Land transport and transport via pipelines;</p> <p>52 Warehousing and support activities for transportation;</p> <p>53 Postal and courier activities;</p> <p>55 Accommodation;</p> <p>56 Food and beverage service activities;</p> <p>69 Legal and accounting activities;</p> <p>74 Other professional, scientific and technical activities;</p> <p>79 Travel agency, tour operator reservation service and related activities;</p> <p>81 Other mining and quarrying;</p> <p>82 Office administrative, office support and other business support activities;</p> <p>90 Creative, arts and entertainment activities;</p> <p>92 Gambling and betting activities;</p> <p>96 Other personal service activities.</p> |
|--|--|

| | |
|--|---|
| | <p>3. Which were obliged on October 1, 2020 to have at least the same number of workers (with narrowly defined cases of reduction on natural basis) as on March 1, 2020;</p> <p>4. For the wages not exceeding 39,900 MKD net per month.</p> <p>The following design is proposed as a temporary supplementary measure for the October-December 2020 period:</p> <p>Disburse 21,776 MKD per worker (the new minimum gross wage level), to cover worker's gross wage, to the companies:</p> <ol style="list-style-type: none"> 1. Which satisfy the above criteria (1)-(4); and 2. Which re-employ laid-off workers during March-September 2020, on the same workplace, with at least the same salary (average of the three months) before he/she was fired. <p>All measure users shall be obliged to maintain the number of workers within three months after the measure terminates (January-March 2021).</p> |
| Does it require Law amendment | <p>The measure will need to be introduced into the system through the enactment of a new law. Previously, the caretaker government had the power to enact Decrees with the power of law. As the political context normalized since then, the government should propose and the parliament should adopt a new law governing these matters.</p> |
| The cost | |
| <p>We calculate the cost based on the following parameters. We observe the employment and hours change at two-digit sectoral level from LFS, while the turnover change from the national statistics (industrial, trade and services indices; for remaining sectors where such indices are not published, the one-digit sector from GDP volume was used as a proxy). Figure 1 presents scatters of the relations among changes in employment, hours worked and turnover, two by two. On all graphs, it is visible that many sectors were thrown in the 'negative' quadrant where both of the indicators were declining. Still, declines in employment were not that frequent as declines in hours and turnover, because of the government's job retention measure of April-June 2020. While, turnover is rarely significantly positive large, while hours are predominantly declining in a vast majority of sectors.</p> | |

Figure 1: Relations among changes in employment, hours worked and turnover in Q2-2020 (y-o-y)



Source: SSO: LFS and Industry, Trade and Services Turnover Indices.

We work with all two-digit sectors which employ more than 1,300 workers per section (to avoid relying on data which potentially face large standard errors due to the small size of the sectors), which is a cumulative of 98.8% of all employed in the country. We are left with 66 out of a total of 85 sectors based on NACE Rev.2, on which we apply the following classification:

- Heavily affected: those who faced declining employment and hours worked and turnover by more than 20% each; or declining hours worked and turnover by more than 30%; or declining employment or hours or turnover exceeding 80%.
- Medium affected: those who faced a decline by more than 20% in at least two of the three (employment, hours, turnover) indicators; and
- Low affected: those who faced a decline by more than 20% in at least one indicator, and any decrease on the other two; or a decline by less than 20% on all indicators.
- Not affected: all the sectors which did not belong to any of the above categories.

We assume that the number of affected workers depends on the level with which the two-digit sector has been affected by the crisis, as follows:

- Heavily affected: 45% of workers;
- Medium affected: 25% of workers; and
- Low affected: 10% of workers.

While these may seem arbitrary, their weighted average is 29.1%, which succinctly mimics the share of workers covered (29.4%) with the job retention measure of April-June 2020. As we have no guidance on the reemployment probability, we assume an arbitrary propensity of 30%, but we scale the number of jobs lost – and hence the number of reemployed – to reflect the period April-September 2020 rather than the April-June 2020 period for which we use the LFS/SSO data.

Table 1 presents the cost calculation. The design of the measure will cost 118 million EUR for the entire period.

Table 1: The cost of the proposed measure

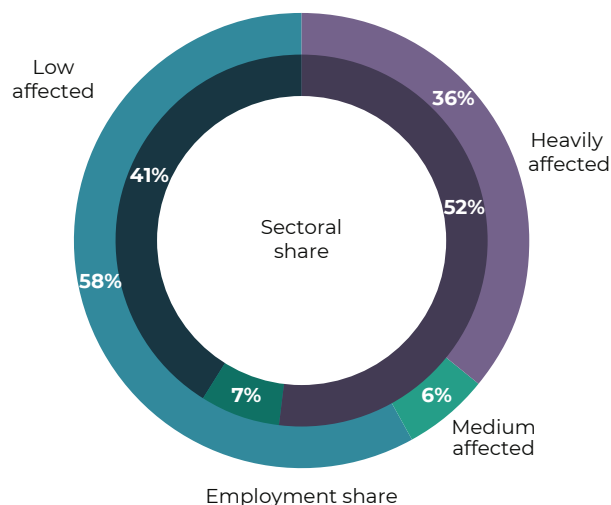
| | Monthly cost (mil. MKD) | Total cost (mil. MKD) | Total cost (mil. EUR) |
|--|----------------------------|--------------------------|--------------------------|
| Core measure (14,934 net per worker per month over July-December 2020) | 1,084 | 6,502 | 106 |
| Supplementary measure (21,776 gross per reemployed worker per month over October-December 2020) | 254 | 762 | 12.4 |
| TOTAL COST FOR THE GOVERNMENT | 1,338 | 7,264 | 118 |

Source: Authors' calculations.

The effects

Figure 1 presents the coverage of the measure in terms of sectors: of the total of 27 two-digit sectors affected by the crisis, 52% of the covered sectors with the measure are heavily affected, 7% medium affected, while 41% are low-affected. In terms of employment, the heavily-affected cover 36%, medium-affected 6%, while low-affected 58%.

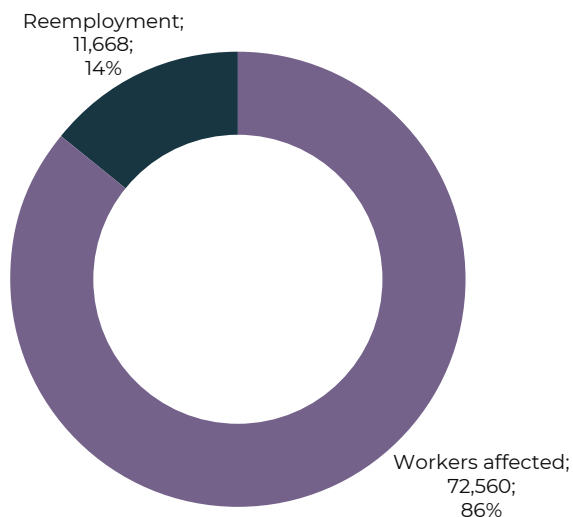
Figure 1: Coverage of the proposed measure



Source: Authors' calculations.

The measure is estimated to target about 84 thousand workers, which is about two thirds of the actual coverage in the April-June 2020 uptake. This is expected, as the measure presently has a succinct targeting and a strong reemployment component. Of these about 72 thousand jobs are judged to be at high risk of being lost if the crisis continues at the current or more intense pace and these are expected to be saved, while the rest are an employment gain through the reemployment component.

Figure 2: Workers affected



Source: Authors' calculations.

The measure has its own opportunity benefit. Namely, of the 72 thousand existing jobs covered by the measure that are at high risk of being lost, at the current pace of the registered unemployment increase, over the period October-December 2020, we may assume that about 24 to 30 thousand jobs will be ultimately lost, amounting to 8 to 10 million EUR of forgone tax revenues, as well a potential cost of 1.5 to 1.9 million EUR for unemployment benefits (assuming that 15% - observed historically - of the unemployed will be eligible for the current scheme of UB, with a benefit amounting to 50% of the average wage and an average duration of receiving of two months). The latter may increase if the government introduces expanded UB with relaxed criteria. Hence, the net cost of the measure reduces to 106-108 million EUR.

Remarks, if any

The measure should be carefully designed in view of existing subsidizations of wages, most notably, the subsidy of SIC in the range from 600-6,000 MKD per month introduced in December 2019; the subsidies extended to the companies in TIDZ, and any wage subsidies within ALMPs.

| Name | Costing of Care Economy |
|--|--|
| Responsible institution(s) | Ministry of Labor and Social Protection (Centre for Social Work) Employment Services Agency (ESA) Partners: United Nations Development Programme (UNDP) Swiss Agency for Development and Cooperation SDC |
| Reference to Policy Documents and Laws | Government Documents <ul style="list-style-type: none"> • The Program of the Government of North Macedonia 2020-24 UN Documents <ul style="list-style-type: none"> • UNDP Socio-Economic Impact Assessment of the Covid-19 |
| Background | <p>The insufficient provision of respite care and long-term care services is seriously undermining the quality of life and the right to a decent life of vulnerable elderly persons, persons with disabilities, and persons with high dependency needs (chronically ill, terminally ill etc.). On the demand side, the need for these services is remarkably high. However, the effective demand – the ability to pay by the end users – is limited. On the supply side, there are shortages of skilled (trained) employees for service provision and limited interest by the private service providers.</p> <p>Respite care services are short-term relief services for caregivers, family members, personal assistants, healthcare professionals who usually take care of persons with high dependency needs. This service can be provided at home, in respite care facilities, residential settings or in daycare centers. The respite service is primarily a service for caregivers, aiming at offering them a short break and time for themselves.</p> <p>Long-term care (LTC) services refer to a variety of health, health-related, and social services that assist individuals with functional limitations due to physical, cognitive, or mental conditions or disabilities. These services include assistance with activities of daily living (ADL) (such as eating, bathing, and dressing) and instrumental activities of daily living (IADL) (such as cooking, paying bills) over an extended period of time, medical care service - medical procedures and services that require a presence of specialized staff and specialized services like physiotherapy, occupational therapy. Depending on a person's needs, the LTC services can include medical monitoring and health care, in-home.</p> <p>Direct beneficiaries (participants) will be long-term unemployed persons (for more than one year), parents/guardians (unemployed) who are informal caregivers of a</p> |

| | |
|--|--|
| | <p>person with a disability and / or a long-term ill person for more than one year, and unemployed informal caregivers of an elderly person over three years.</p> <p>The main end users of these services will be elderly persons, persons with disabilities, and persons with high dependency needs (chronically ill, terminally ill etc.).</p> |
| Description of the proposed measure | <p>Justification</p> <p>Respite care services are envisaged to cover:</p> <ul style="list-style-type: none"> • Support for daily activities (personal hygiene, feeding and hydration, dressing and undressing, communication, transfers, and mobility, moving indoor, ensuring the hygiene of disposals, etc.); • Personal assistance (supporting the mobility and daily tasks of persons with disabilities, interpreters for sensory disabled, support for independent living, in the temporary absence of the personal assistant); • Basic medical care (blood pressure, administration of medicines, treatment of wounds and bedsores, administration of oxygen, drain tubes/urinary tubes etc.); • More specialized medical care, occasionally under the supervision of the specialist doctor of the client. <p>Long-term care services would encompass:</p> <ul style="list-style-type: none"> • Support for daily activities (personal hygiene, feeding and hydration, dressing and undressing, communication, transfers, and mobility, moving indoor, ensuring the hygiene of disposal, etc.); • Household assistance services: food preparation, shopping, housekeeping, and laundry, facilitating travels and accompanying the person in social activities, paying utilities, assistance in relation with various domestic contractors, home repairs, etc.; • Basic medical care (blood pressure, administration of medicines, treatment of wounds and bedsores, administration of oxygen, drain tubes/urinary tubes etc.); • Occasionally, more specialized medical care, under the supervision of the specialist doctor of the client; • Other non-care activities, like adaptation of homes, interpreting services, transportation to/from home etc. |

| | |
|---|--|
| | <p>Eligibility criteria</p> <p>The proposed criteria for participation in this program are as follows:</p> <ul style="list-style-type: none"> • Long-term unemployed persons (for more than one year); • Parent / guardian (unemployed) who is an informal caregiver of a person with a disability and / or a long-term ill person for more than one year; • Unemployed informal caregiver of an elderly person over three years. <p>Participants (Direct beneficiaries)</p> <p>This measure will involve 100 unemployed persons (40 for respite care services and 60 for long-term ill care services), including informal caregivers who will be able to get an officially recognized certificate for caregivers and get employment for a period of 10 months through intensive three-months training (<i>240 hours: one month or 80 hours of theoretical training and 2 months or 160 hours of practical work or direct delivery of services</i>).</p> <p>The training program will enable beneficiaries to understand and provide the respite care and long-term care in accordance with the legal provision and guidance for quality service provision. Trained caregivers will be able to serve and support 480 families for respite service delivery and 900 end-beneficiaries coping with chronic illness. At the end of the training program beneficiaries will obtain two types of certificates:</p> <ul style="list-style-type: none"> • Respite caregivers-in particular for persons with disabilities; • Long-term caregivers-in particular for persons with chronic illnesses. |
| <p>Does it require Law amendment</p> | <p>No need for enactment of a new law or a law amendment.</p> |
| <p>The cost</p> | |
| <p>Component 1: Care Services for Persons</p> <p>1.1. Respite Care Provision</p> <p>The capacity of certified caregivers is to serve 480 end users from the defined target groups (from 8 to 10 per month per certified care services). As presented in Table 1, the total cost for full implementation of Respite Care Provision is 16.1 Million MKD (equivalent to 263,150 EUR).</p> | |

| Table 1: Costing of Respite Care Provision | | | | | |
|--|--|----------|---|---------------|----------------------|
| | Total end users (final beneficiaries) | 480 | (40 caregivers x 160h x 10m) /120 h/beneficiary | | |
| No. | Cost description | Unit | Quantity | Cost per unit | Total in MKD |
| 1 | Skills training for care services | number* | 60 | 30,000.00 | 1,800,000.00 |
| 2 | Monthly salaries (gross) for 40 caregivers (10 months) | month** | 400 | 29,180.00 | 11,672,000.00 |
| | Net monthly salary, 68,54 % | month | 400 | 20,000.00 | 8,000,000.00 |
| | Social contributions, 31,46 % | month | 400 | 9,180.00 | 3,672,000.00 |
| 3 | Travel costs (10 months x 40 caregivers) * | day | 400 | 1,600.00 | 640,000.00 |
| 4 | Mentorship (group & individual) support to caregivers by 4 mentors | hours*** | 1,440 | 272.00 | 391,680.00 |
| 5 | Operational and management costs for service providers | lump sum | 480 | 3,500.00 | 1,680,000.00 |
| | TOTAL MKD | | | | 16,183,680.00 |
| | TOTAL Euro | | | | 263,149.27 |

Notes

* The number of participants in the training is intentionally planned to be 50% higher than the number of selected people for service delivery to compensate for potential dropouts.

** 40 caregivers will deliver services for 10 months during 2021.

*** The price per hour is calculated from the annual average expenses of the employer per employee (professional, scientific, and technical activities) as published by the State Statistical Office. In 2016, employee benefits amount to 517,375 denars. The price per hour is calculated for 174 effective hours per month, for a period of 12 months: $517,375 / 12 / 174 = 248$ denars/hour. Taking into consideration the nominal growth of gross wages during the 2016-18 period, the price per hour for 2019 is calculated as follows: $248 * 1,019 * 1,077 = 272$ denars/hour.

1.2. Long-Term Care Provision

The capacity of certified caregivers is to serve 900 beneficiaries from the defined target groups (from 8 to 10 per month per certified care services). As presented in **Table 2**, the total cost for full implementation of Respite Care Provision is 34.0 Million MKD (equivalent to 552,730 EUR).

| Table 2: Costing of Long-Term Care (LTC) Provision | | | | | |
|---|--|------------|--|---------------|----------------------|
| | Total end users (final beneficiaries) | 900 | (60 caregivers x 160 h x 10m) /80 h/ beneficiary | | |
| No. | Cost description | Unit | Quantity | Cost per unit | Total in MKD |
| 1 | Skills training for care services | number* | 90 | 30,000.00 | 2,700,000.00 |
| 2 | Monthly salaries (60 caregivers) | month** | 600 | 29,180.00 | 26,407,200.00 |
| 2.1. | Caregivers | | | | 17,508,000.00 |
| | Net monthly salary, 68,54 % | month | 600 | 20,000.00 | 12,000,000.00 |
| | Social contribution, 31,46 % | month | 600 | 9,180.00 | 5,508,000.00 |
| 2.2. | Social worker 20% from total hours for service (80h/m x 20%x 900) | hours**** | 14,400 | 309.00 | 4,449,600.00 |
| 2.3. | Medical worker from total hours for services (80 x 20% x 900) | hours**** | 14,400 | 309.00 | 4,449,600.00 |
| 3 | Travel Costs (25 days x 10 months x 60 caregivers) | | | | 1,344,000.00 |
| | Caregivers (10 months x 60 caregivers) | month | 600 | 1,600.00 | 960,000.00 |
| | Social and medicine workers (10 months x 24 persons) | month | 240 | 1,600.00 | 384,000.00 |
| 4 | Mentorship (group & individual) support of caregivers by 4 mentors | hours*** | 1,440 | 272.00 | 391,680.00 |
| 5 | Operational and management costs for service providers | lump sum | 900 | 3,500.00 | 3,150,000.00 |
| | TOTAL MKD | | | | 33,992,880.00 |
| | TOTAL Euro | | | | 552,729.76 |
| <p><u>Notes</u></p> <p>* The number of participants in the training is intentionally planned to be 50% higher than the number of selected people for service delivery to compensate for potential dropouts.</p> <p>** 60 caregivers will deliver services for 10 months during 2021.</p> <p>*** The price per hour is calculated from the annual average expenses of the employer per employee (Professional, scientific, and technical activities) as per State Statistical Office. In 2016, employee benefits amount to 517,375 denars. The price per hour is calculated for 174 effective hours per month, for a period of 12 months: $517,375 / 12 / 174 = 248$ denars/hour. Taking into consideration the nominal growth of gross salaries for years 2018/2017/2016, the price per hour for 2019 is calculated as follows - $248 * 1,019 * 1,077 = 272$ denars/hour.</p> <p>**** The price per hour is calculated as above ***, but for 160 effective working hours.</p> | | | | | |

Component 2: Supporting the entrepreneurs for creation and development of private providers of care services

This measure looks into the potential for opening up new business entities (future service providers) or support to already established companies or NGOs. Further development of existing service providers would be done jointly with municipalities in order to ensure provision of care services to end-beneficiaries and design a joint municipal annual social services plan, envisaged with the new social reform.

2.1. Costing of the support for the establishment of new legal entities (service providers)

The scope of the measure is to support creation of 10 new legal entities for provision of care services. Caregivers will be supported to develop their entrepreneurial skills to establish and manage their own businesses as self-employed or to form an entity owned by two unemployed people as partners.

Table 3: Costing of the support for the establishment of new legal entities (service providers)

| No. | Cost description | Unit | Quantity | Cost per unit * | Total in MKD |
|----------|--|----------------------|-----------|-----------------|---------------------|
| 1 | Training for Entrepreneurship and Business planning | | 25 | | 123,000.00 |
| 1.1. | Entrepreneurship and Business planning | No. of beneficiaries | 25 | 3,936.00 | 98,400.00 |
| 1.2. | Training for standards for care services providers | Trainees | 25 | 984.00 | 24,600.00 |
| 2 | Establishing legal entity | | 10 | | 6,631,500.00 |
| | Business plan preparation | No. of plans | 15 | 11,600.00 | 174,000.00 |
| | Legal and other advice about the form of legal entity to be established | hour | 200 | 1,537.50 | 307,500.00 |
| | Grant for founders of new companies ** | No. of grants | 10 | 307,500.00 | 3,075,000.00 |
| | Additional employment in newly established start-ups (max.2 per company) | No. of jobs | 20 | 153,750.00 | 3,075,000.00 |
| 3 | Mentoring and advising | | 10 | | 307,500.00 |
| | Services delivery | No. of entities | 10 | 30,750.00 | 307,500.00 |

| | | | | | |
|---|--|----------------------|----|------------|---------------------|
| 4 | Coordination with Municipalities | | 20 | | 1,307,000.00 |
| | Consultancy support for mapping the municipal needs on care services | lump sum | 1 | 492,000.00 | 492,000.00 |
| | Advisory support about service delivery and mobilization of funds for provision of care services | No. of beneficiaries | 20 | 30,750.00 | 615,000.00 |
| | Workshops for municipalities on designing joint projects with service providers | No. of beneficiaries | 20 | 10,000.00 | 200,000.00 |
| | TOTAL MKD | | | | 8,369,000.00 |
| | TOTAL Euro | | | | 136,081.30 |

Notes:

* The unit costs are calculated according to the actual costs in the Operational Employment Plan of the Employment Service Agency (ESA).

** Grant amounts to 5,000 EUR per start-up founders. In case two persons jointly created one start-up, the total grant will amount to 10,000 EUR (2 x 5,000 EUR), where both founders will share the company capital on a 50%:50% basis.

2.2. Costing of the employment of caregivers within existing legal entities (service providers)

Certified professional caregivers will be supported with employment in other legal entities (LTD, social enterprise, or NGO). The measures will assist opening of new job positions for caregivers. Support will be composed of: (i) specialized training in order to meet required standards for care services provider; (ii) wage subsidies, (iii) mentoring to the company for service delivery process and iv) coordination with municipalities on mapping of vulnerabilities process. 25 certified caregivers will be employed in different legal entities.

Table 4: Costing of the employment of caregivers within existing legal entities (service providers)

| No. | Cost description | Unit | Quantity | Cost per unit * | Total in MKD |
|-----|---|------------------|----------|-----------------|-------------------|
| 1 | Vocational training for skills on caregiving services | Trainee | 50 | 30,000.00 | 1,500,000.00 |
| 2 | Wage subsidies for newly employed caregivers** | No. of jobs | 25 | 228,000.00 | 5,700,000.00 |
| 3 | Mentoring and advising | | 10 | | 307,500.00 |
| | Services delivery | No. of companies | 10 | 30,750.00 | 307,500.00 |

| | | | | | |
|---|--|----------|----|------------|---------------------|
| 4 | Coordination with Municipality | | 10 | | 553,500.00 |
| | Consultancy support for mapping the Municipal needs on care services | lump sum | 1 | 246,000.00 | 246,000.00 |
| | Advisory support about service delivery and mobilization of funds for provision of care services | Number | 10 | 30,750.00 | 307,500.00 |
| | TOTAL 1+2+3+4 in MKD | | | | 8,061,000.00 |
| | TOTAL 1+2 +3+4 in Euro | | | | 131,073.17 |

Notes:

* The unit costs are calculated according to the actual cost in the Operational Employment Plan of ESA.

** Monthly subsidy in amount of 19,000 MKD in a period of 12 months in line with the Operational Employment Plan.

Summary

Table 5: Summary Table for Care Economy Measures for 2021

| No. | Description of the measure | Total in MKD |
|-----------|--|--------------|
| 1.1. | Respite care provision | 16,183,680 |
| 1.2. | Long term ill (LTI) care | 33,992,880 |
| 2.1. | Support for the establishment of new service providers | 8,369,000 |
| 2.2. | Employment of caregivers within existing service providers | 8,061,000 |
| | Implementation costs for UNDP (project staff) | 4,629,527 |
| | Indirect costs (GMS 3%) | 2,137,083 |
| TOTAL MKD | | 73,373,170 |
| TOTAL EUR | | 1,193,060 |

The effects

This measure corrects a market failure related to the provision of respite care and long-term care services for a category of vulnerable individuals (elderly persons, persons with disabilities, and persons with high dependency needs (chronically ill, terminally ill etc.). Up until now, it is an underdeveloped market with significant share spanning into the grey economy.

The proposed holds the potential to reduce long-term unemployment, improve the employability of the direct participants in the program and increase the capacity of private provision of respite care and long-term care services. The number of long-term unemployed is expected to be reduced by 100 individuals, which is a small change for the labor market. Needless to say, it brings a dramatic improvement in the quality of life of elderly persons, persons with disabilities, and persons with high dependency needs (chronically ill, terminally ill etc.), having trouble with everyday activities like personal care, basic medical care, household assistance, etc. The total cost for implementation of this measure is 1.2 Million EUR. Given the coordination and compliance with UNDP and SDC ongoing programs, cost sharing is possible.

| | |
|---|--|
| Name | Support to Women Entrepreneurship |
| Responsible institution(s) | Ministry of Economy Employment Service Agency |
| Reference to Policy Documents and Laws | <p>Government Documents</p> <ul style="list-style-type: none"> • Strategy for Women Entrepreneurship Development in the Republic of Macedonia, 2019-2023. • Program of the Government of North Macedonia 2020-24 • Law on Equal Opportunities of Women and Men <p>UN Documents</p> <ul style="list-style-type: none"> • UN Women's Strategic Plan, 2018-2021 • UN 2030 Sustainable Development Agenda • Beijing Declaration and Platform for Action • UN Security Council resolution 1325 on women, peace and security (2000) • Socio-Economic Impact Assessment of the Covid-19 |
| Background | <p>Improving the access to funds to female entrepreneurs and raising the employment rate of women to 55% are explicitly stated objectives in the Strategy for Women Entrepreneurship Development in the Republic of Macedonia, 2019 -2023. They are also reaffirmed in the Government Program 2020-24 with specific measures to address them.</p> <p>The support for female entrepreneurship can be categorized into two groups:</p> <p>(1) broad support (not specifically targeted to women) in the form of active labor market measures, administered through the Employment Service Agency (with significant involvement of UNDP), small-scale trainings offered through the Agency for Support of Entrepreneurship, and innovations grants via the National Innovation Fund, as well as</p> <p>(2) gender-targeted public funding in the form of grants for existing micro-entities, small and medium enterprises managed by female entrepreneurs. This support is administered through the Ministry of Economy. Small-scale consultancy trainings for female entrepreneurship are also being organized by the Agency for Support of Entrepreneurship.</p> <p>The broad support in 2019 was in the amount of 1 Billion MKD (16.6 Million EUR). Some of the 'heavy-weight' active labor market measures were underutilized by female entrepreneurs. For instance, out of 1,464 self-employment grants, only 495 (or 33.8%) were used by female entrepreneurs (Table 1). The funds were fully utilized most</p> |

| | |
|--|---|
| | <p>probably indicating higher demand than the available funding.</p> <p>Gender-targeted public funding is not even explicitly mentioned in the budget document. An exceptionally low appropriated amount of 4.5 Million MKD (73,170 EUR) for grants for female entrepreneurs is “hidden” within the budgetary program DG Support for the Development of the Small and Medium Enterprises (with a total budget of 22 Million MKD or 357,724 EUR). An interview with the head of budgeting and finance department of the Ministry of Economy revealed that there is a high demand for grants for female entrepreneurs. The appropriation is executed 100%, i.e. all funds for 2020 are spent.</p> <p>The financial statements of the Agency for Support of Entrepreneurship do not differentiate the amount spent on broad-support and female-targeted measures. Yet the overall spending was only 3.9 Million MKD (62,872 EUR) in 2019.</p> |
|--|---|



Table 1: Annual spending on active labor market measures in 2019 (in Million MKD)

| Measure | Types of active labor market measures (direct financial support) | Total financial support for both genders | | | Female entrepreneurship | | |
|--------------|---|--|------------------|---------------------------|-----------------------------|----------------------------|-----------------|
| | | Allocated funds | Budget execution | Total number of contracts | Number of female recipients | Share of female recipients | Implied funding |
| 1 | Self-employment grants | 479.3 | 479.3 | 1464 | 495 | 33.8 | 162.0 |
| 2.1 | Wage subsidies | 316.9 | 307.3 | 1383 | 726 | 52.5 | 161.3 |
| 2.2 | Subsidized employment and enterprise growth | 81.6 | 80.1 | 621 | 298 | 48.0 | 1.1 |
| 3.1 | On-the-job training for a known employer | 2.1 | 2.1 | 94 | 52 | 55.3 | 1.2 |
| 3.2 | Professional training requested by the employer (UNDP) | 3.9 | 3.9 | 96 | 30 | 31.3 | 3.0 |
| 3.3 | Trainings for craftwork or artisan activities in demand | 5.7 | 5.3 | 92 | 52 | 56.5 | 25.1 |
| 3.3 | Training for professions in demand | 36.2 | 35.3 | 542 | 386 | 71.2 | 3.8 |
| 3.3 A | Pilot trainings for professions, craftwork or artisanship in demand in the region of Strumica | 5.1 | 4.9 | 92 | 72 | 78.3 | 38 |
| 4.1 | Fully subsidized trainings for advanced IT skills | 24.0 | 24.0 | 193 | 53 | 27.5 | 6.6 |
| 4.2 | Co-financed trainings for IT skills | 3.6 | 3.5 | 60 | 10 | 16.7 | 0.6 |
| 4.3 | Introductory online trainings for IT skills | 3.8 | 1.8 | 500 | 248 | 49.6 | 0.9 |
| 5 | Internships | 40.9 | 40.8 | 1697 | 1089 | 64.2 | 26.2 |
| 6.1 | Community Works Programme (UNDP) | 26.5 | 26.5 | 490 | 428 | 87.4 | 23.2 |
| 6.2 | Public works | 3.1 | 2.9 | 419 | 108 | 25.8 | 0.8 |
| 7 | Analysis of labor demand for specific skills | 0.2 | 0.2 | 20 | 13 | 65.0 | 0.1 |
| Total | Total | 1,042.2 | 1,017.9 | 7598 | 4004 | 52.7 | 454.4 |

| | |
|--|--|
| Description of the proposed measure | <p>Justification</p> <p>The newly adopted Program of the Government of North Macedonia 2020-24 envisages annual one-time grants for start-ups established by female entrepreneurs in amounts between 5,000 and 15,000 EUR. The program leaves several important technical questions to be resolved: (1) the financial envelope for the entire program; (2) the sectoral allocation; and (3) the criteria for allocating different amounts to eligible applicants (in the range between 5,000 and 15,000 EUR).</p> <p>Existing eligibility criteria</p> <p>The present eligibility criteria are as follows:</p> <ul style="list-style-type: none"> (1) applicants should not have applied for female entrepreneurship grants neither in 2019 nor 2020. There are usually several calls throughout the year; (2) at least one year of existence of the company; (3) the company seat is registered in North Macedonia; (4) minimum two full-time employees; (5) no outstanding arrears towards the employees or the government; (6) no insolvency or liquidation proceedings being initiated; and (7) to be classified into C Manufacturing industry (10-33.20); F Construction (41-43.99); Catering (56.21); Cleaning services (81.2); Photocopying (82.19), Packaging services (82.92); Sports, recreational, or entertainment industries (93) or other personal services (96). <p>Proposed broad-based eligibility. At least the last eligibility criterion should be relaxed. It is not clear why agriculture or trade is excluded, given that those economic activities also create value added and employment. Therefore, we propose a broad-based eligibility of all business entities.</p> <p>Doubling of the public funding. We also propose at least doubling of the budgeted amounts for grants for support of companies dominantly owned or managed by female entrepreneurs.</p> <p>Doubling of the public funding. We also propose at least doubling of the budgeted amounts for grants for support of companies dominantly owned or managed by female entrepreneurs.</p> <p>Budget transparency. It would be more transparent to open a separate budgetary program <i>DE Support for Female Entrepreneurship</i> to monitor the budget allocations over time. The present solution is semi-transparent, as the budgeted amounts are incorporated within the budgetary</p> |
|--|--|

| | |
|---|--|
| | <p>program <i>DG Support for the Development of Small and Medium Enterprises</i>, but cannot be viewed or verified by the general public, interested media, non-governmental organizations, or individuals.</p> <p>Size of grants. The size of grants can be determined based on various criteria. Possible objective criterion is based on the size of business entity: 120,000 MKD for micro-entities, 150,000 MKD for small enterprises, and 180,000 MKD for medium enterprises. Another possibility is to have a one-size-fits-all amount for support of 120,000 MKD, which is the 'business-as-usual' scenario. We argue that the first criterion is somewhat fairer, as it considers the size of the business entity.</p> |
| Does it require Law amendment | No need for enactment of a new law or a law amendment. Greater funds should be allocated into the budget of the Ministry of Economy for 2021. |
| The cost | |
| <p>(1) Active labor market (ALM) programs</p> <p>When analyzing the active labor market programs, the share of female applicants seems to be slightly more than half. However, women are underrepresented in the financially 'heavier' ALM measures, so that their overall share in the total financial envelope is 44%. A case in point are the self-employment grants.</p> <p>Self-employment grants. Some of the ALM measures are highly skewed towards male entrepreneurs. Put differently, they are underutilized by female entrepreneurs. For instance, self-employment grants approved to women were only 33.8% of the total number of approved applications.</p> <p>Introducing a quota of at least 40% share of female applicants in 2021 would be an important step towards reducing the gender inequalities in the business sector. On one hand, there are no extra budgetary costs, and on the other hand, this measure would increase the amount of available self-employment grants to female entrepreneurs by 29.7 Million MKD (see Table 2). If the quota for female entrepreneurs is not fulfilled by July or August 2021, then the unutilized funds can be disbursed on a gender-insensitive basis through a new call. If the solution lead to improved access to funding, an equal representation formula is also an option with an implied funding of additional 77.6 Million MKD for the female entrepreneurs.</p> <p>(1) Active labor market (ALM) programs</p> <p>When analyzing the active labor market programs, the share of female applicants seems to be slightly more than half. However, women are underrepresented in the financially 'heavier' ALM measures, so that their overall share in the total financial envelope is 44%. A case in point are the self-employment grants.</p> <p>Self-employment grants. Some of the ALM measures are highly skewed towards male entrepreneurs. Put differently, they are underutilized by female entrepreneurs. For instance, self-employment grants approved to women were only 33.8% of the total number of approved applications. Introducing a quota of at least 40% share of female applicants in 2021 would be an important step towards</p> | |

reducing the gender inequalities in the business sector. On one hand, there are no extra budgetary costs, and on the other hand, this measure would increase the amount of available self-employment grants to female entrepreneurs by 29.7 Million MKD (see **Table 2**). If the quota for female entrepreneurs is not fulfilled by July or August 2021, then the unutilized funds can be disbursed on a gender-insensitive basis through a new call. If the solution lead to improved access to funding, an equal representation formula is also an option with an implied funding of additional 77.6 Million MKD for the female entrepreneurs.

Table 2: Implied gender distribution of funding for self-employment grants

| Scenarios | Share of female applicants (in percent) | Self-employment grants (in million MKD) | | Improvement in favor of female applicants (in Million MKD) |
|-----------------------|---|---|-------------------|--|
| | | Male applicants | Female applicants | |
| Existing distribution | 33.8% | 317.3 | 162.0 | - |
| Quota of 40% | 40.0% | 287.6 | 191.7 | 29.7 |
| Equal representation | 50.0% | 239.6 | 239.6 | 77.6 |

(2) Gender-targeted measures

Given that the existing budget allocation of 4,500,000 MKD for 2020 is already fully utilized, we propose doubling of the public funding for this program. Two options are presented: (A) different amounts of support based on the size of the entity; and (B) one-size-fits all solution.

Policy Option A

| Size of the business entity | Grants for companies managed or dominantly owned by female entrepreneurs (In MKD) | | |
|-----------------------------|---|----------------------|------------------|
| | Size of the grant | Number of applicants | Costs |
| Micro-entity | 120,000 | 20 | 2,400,000 |
| Small enterprise | 150,000 | 20 | 3,000,000 |
| Medium enterprise | 180,000 | 20 | 3,600,000 |
| | Total | 60 | 9,000,000 |

Policy Option B

| Size of the business entity | Grants for companies managed or dominantly owned by female entrepreneurs (in MKD) | | |
|-----------------------------|---|----------------------|------------------|
| | Size of the grant | Number of applicants | Costs |
| Micro-entity | 120,000 | 30 | 3,600,000 |
| Small enterprise | 120,000 | 25 | 3,000,000 |
| Medium enterprise | 120,000 | 20 | 2,400,000 |
| | Total | 75 | 9,000,000 |

The effects

The support for female entrepreneurs must move from rhetoric to action. In terms of **broad support** (active labor market measures), we propose introducing a quota of 40% for the self-employment grants. Presently, these grants are fully utilized (100% of the planned amount) but somehow end up mainly among male entrepreneurs. As for the **gender-targeted support**, allocating only 4.5 Million MKD for supporting companies primarily owned or managed by female entrepreneurs is simply too little. We propose: (1) at least doubling of this amount in 2021 with projected increase in the medium term and (2) a broad-based eligibility of all business entities. These measures will promote female employment, reduce gender inequalities in the business sector, and improve the transparency of gender-sensitive budgeting.

Promoting female employment and reducing gender inequalities in the business sector. In terms of the self-employment grants, a quota of 40% could lead to 146 more female entrepreneurs, whereas an equal representation formula (50%:50%) could ensure funding for 237 female entrepreneurs. At least in 2019, the demand for the self-employment grants was 45.8% higher than the available public funding.

Improved transparency of gender-sensitive budgeting. We propose to improve the public scrutiny on this type of financial support by introducing a new budgetary program *DE Support for Female Entrepreneurship* with double amount of public funding in 2021 (9 Million MKD). Presently, the public funding is “hidden” within the budgetary program DG Support for the Development of Small and Medium Enterprises, so that the general public does not have access to the allocated amounts.



| | |
|--------------------------------|--|
| Name | Expanded Community Works Program (CWP) |
| Responsible institution | Employment Service Agency |
| Background | <p>The Community Works Program (CWP) was initially introduced in 2012, but more enthusiastically implemented since 2014. This government-sponsored program of socially useful community-based works was strongly supported by UNDP and the Swiss Development Agency. The central program goals were: (i) to reduce the risk of social exclusion of unemployed persons with low employability prospects, and (ii) to help these individuals strengthen / acquire professional skills and regain access to the labor market. The community-based works encompassed different types of activities: (i) social services (health care for elderly or disadvantaged people, children in poor households, daycare, pre-school educational services for children, basic literacy courses, etc.); (ii) support staff in certain institutions or organizations (information desk, new services, improved service coverage); (iii) environment-friendly activities (advice on agrichemicals, water use, etc.), and (iv) support staff in municipalities. For instance, 610 unemployed persons in 2019 provided socially useful services to approx. 7,000 end users. The measure was offered to working-age poor individuals who were having difficulties to find a job. The monthly pay was approx. 100 Euros (6,000 MKD in 2014; 6,200 in 2015 and 2016) and approx. 150 Euros (9,000 MKD) in 2018 and 2019, which also incorporates personal income tax and insurance against occupational injuries or diseases (Table 1). The working time was limited to 20 hours per week and the contract period between six and nine months. Another advantage of the measure is that – despite being engaged – the participants (direct beneficiaries) are also entitled to social assistance.</p> |

Table 1: Annual spending on Community Works Program

| | Number of participants (direct beneficiaries) | | Monthly pay (in MKD) | Number of municipalities involved | Total number of end-users | Annual spending (in million MKD) |
|-------------|--|-----------------|----------------------------|---|---------------------------------|--|
| | Total | of which: Women | | | | |
| 2012 | 20 | n/a | 6,000 | 4 | 440 | n/a |
| 2013 | 58 | n/a | 6,000 | 14 | 2,312 | n/a |
| 2014 | 142 | n/a | 6,000 | 30 | 9,068 | n/a |
| 2015 | 318 | 242 | 6,200 | 46 | 12,030 | 11.2 |
| 2016 | 234 | n/a | 6,200 | 30 | 6,689 | n/a |
| 2017 | 466 | 377 | 6,200 | 39 | 7,245 | n/a |
| 2018 | 690 | 599 | 9,000 | 56 | 6,704 | 35.8 ² |
| 2019 | 610 | 516 | 9,000 | 53 | 8,762 | 34.5 |

²If one adds the undisbursed funds relating to 2017 in amount of 18.1 Million MKD, the new total for 2018 would be 53.9 Million MKD.

| | |
|--|--|
| Description of the proposed measure | <p>This measure aims at mitigating the high risk of social exclusion of socially vulnerable persons. Its emphasis is on income security (in the short term) and increased employability (in the medium term). When coupled with gender and environment perspectives, the social benefits of these community-based public works become sizeable.</p> <p>Justification</p> <p>The impact on the service-receiving end is overwhelmingly positive, with service content and quality highly valued by the end-users. The program has substantial success at providing participants (direct beneficiaries) with valuable training, on-the-job learning, and work experience, enhancing their skills, increasing their self-confidence, and improving their employability. The program can serve as an accelerator for multiple goals of encouraged participation of chronically unemployed and employment generation, educational inclusion, lower gender inequality, decreasing discrimination by local communities against persons with disabilities, poverty reduction, transitioning towards the formal economy, and environment-friendly policies at once.</p> <p>Eligibility and targeting</p> <p>This policy intervention provides a significant financial relief for socially vulnerable and unemployed individuals with low employability prospects. With certain modifications, it has a huge potential to reduce poverty and unemployment rates. The measure also encourages female participation: 84% of the total number of direct beneficiaries in the past three years are women. Since women are found to be hardest by the pandemic-induced economic crisis during March-September 2020, this measure is also addressing gender inequalities.³ In case of excess demand for work, priority should be given to single mothers and applicants aged 50+.</p> <p>Nature of Benefits and Duration</p> <p>We provide costing for different amounts of monthly pay, different coverage of the unemployed individuals and different duration (in months). These schemes use a low wage to promote self-selection by the poorest, and to keep overall program costs down.</p> <p>Activities that can be implemented</p> <p>We advise for a greater range of social and environmental-friendly types of community-based public works:</p> <ul style="list-style-type: none"> - Community-based works with skill component <ul style="list-style-type: none"> o educational support outside of school for basic literacy, mathematics, languages, and other core disciplines for children coming from socially vulnerable households, o collection and restoration of 'old furniture' waste, and (i) |
|--|--|

³Socio-Economic Impact Assessment, UNDP in North Macedonia, September 2020.

| | | | | |
|---|---|-----------------|-----------------|-----------------|
| | <ul style="list-style-type: none">its re-use in public spaces (e.g., community playgrounds), kindergartens, schools, or (ii) sale to interested buyers.o online or onsite psychological support to vulnerable individuals and victims of family-based violenceo healthcare for elderly or disadvantaged individuals- Community-based works without skill componento street cleaningo staff support to environmental inspections at the local levelo support to information desks. | | | |
| Does it require Law amendment | No need for enactment of a new law or a law amendment. Greater funds should be allocated into the central budget 2021 and transferred via the Employment Service Agency to the municipalities interested in organizing the Community Works Program. | | | |
| The cost | | | | |
| <p>Table 2 illustrates costing of four options for different monthly pay (in MKD): 9,000 MKD; 10,000 MKD; 11,000 MKD and 12,000 MKD. Based on the limited time series for the 2014-19 period, we initially estimate the wage elasticity of supply of labor, i.e. the sensitivity of direct beneficiaries to different levels of monthly pay. More precisely, a higher monthly pay is likely to lead to a greater interest and greater pool of potential applicants. If extended to nine months, the present monthly pay of 9,000 MKD would cost 53.0 Million MKD (Option A). Fiscal costs increase with a higher monthly pay and a greater pool of applicants. The greatest fiscal implications are associated with Option D, which would provide 12,000 MKD per direct beneficiary per month. For a period of nine months, the fiscal implications rise to 112.4 Million MKD in total (Option D). These individuals are exempted from the personal income taxation, i.e. their income is below the annual deduction (also known as a personal allowance).⁴ Hence, there are no savings for the central budget in terms of increased personal income tax revenue.</p> | | | | |
| Table 2: Different options of costing an expanded Community Works Program | | | | |
| Budget expenditure (in MKD) | Option A | Option B | Option C | Option D |
| Monthly pay (in MKD) | 9,000 | 10,000 | 11,000 | 12,000 |
| Number of potentially interested individuals | 655 | 783 | 912 | 1041 |
| 1 month | 5,891,220 | 7,832,800 | 10,031,780 | 12,488,160 |
| 6 months | 35,347,320 | 46,996,800 | 60,190,680 | 74,928,960 |
| 7 months | 41,238,540 | 54,829,600 | 70,222,460 | 87,417,120 |
| 8 months | 47,129,760 | 62,662,400 | 80,254,240 | 99,905,280 |
| 9 months | 53,020,980 | 70,495,200 | 90,286,020 | 112,393,440 |
| ⁴ The annual deduction for personal income tax in 2020 is 98,736 MKD. | | | | |

Out-of-the-box calculations: Transition from Social Protection to Public Sector Employment

A more impactful measure would be to transform the contractual relationship into an employment relationship (with shortened working time). Article 3 of the Minimum Wage Law allows for a shortened working time even for minimum wage earners. In this case, the monthly wage would vary in proportion with the working hours, in this case, 20 hours per week. The temporary work agreement must ensure that once (or if) the public works program terminates; the individuals will be again entitled to the social assistance. The additional fiscal cost would be the payment of social security contributions.

The minimum amount for calculation of the social security contributions in 2020 is 21,766 MKD (gross wage) or 14,934 MKD (net wage). Hence, the additional cost for a regular working time would be 6,832 MKD per month per employee. Given that these individuals have a shortened working time, the costs for social security contributions of one employee would be 3,416 MKD per month.

Let us remember that the participants (direct beneficiaries) are also entitled to social assistance during their socially useful community-based public works. To be attractive as a measure, the net monthly wage must be equal to or greater than the sum of the present monthly pay and their social assistance. The highest amount of social assistance for a four-member household is 10,600 MKD. Nevertheless, we operate with an amount of 5,300 MKD for an adult member. This yields a monthly net-wage of 14,300 MKD and a monthly gross wage of 17,716 MKD.

To observe a similar fiscal cost as the previous measure, we provide four costing options for 800, 850, 900 and 950 individuals. The overall fiscal implications and highest fiscal implications would be 106.2 Million MKD for nine months.

Table 3: Costing of employment possibilities under the Community Works Program

| | Option A | Option B | Option C | Option D |
|--|---------------|---------------|---------------|---------------|
| Number of potentially interested participants (direct beneficiaries) | 800 | 850 | 900 | 950 |
| Monthly pay (in MKD) [1] | 9,000 | 9,000 | 9,000 | 9,000 |
| Social assistance [2] | 5,300 | 5,300 | 5,300 | 5,300 |
| Net wage [3]=[1]+[2] | 14,300 | 14,300 | 14,300 | 14,300 |
| Social security contributions [4] | 3,416 | 3,416 | 3,416 | 3,416 |
| Gross wage [5]=[3]+[4] | 17,716 | 17,716 | 17,716 | 17,716 |
| | 1 month | | | |
| Budget expenditure | 14,172,800 | 15,058,600 | 15,944,400 | 16,830,200 |
| Saving of social assistance | 4,240,000 | 4,505,000 | 4,770,000 | 5,035,000 |
| Net budget cost | 9,932,800 | 10,553,600 | 11,174,400 | 11,795,200 |

| | | | | |
|---|-------------|-------------|-------------|-------------|
| | 6 months | | | |
| Budget expenditure | 85,036,800 | 90,351,600 | 95,666,400 | 100,981,200 |
| Saving of social assistance | 25,440,000 | 27,030,000 | 28,620,000 | 30,210,000 |
| Net budget cost | 59,596,800 | 63,321,600 | 67,046,400 | 70,771,200 |
| | 7 months | | | |
| Budget expenditure | 99,209,600 | 105,410,200 | 111,610,800 | 117,811,400 |
| Saving of social assistance | 29,680,000 | 31,535,000 | 33,390,000 | 35,245,000 |
| Net budget cost | 69,529,600 | 73,875,200 | 78,220,800 | 82,566,400 |
| | 8 months | | | |
| Budget expenditure | 113,382,400 | 120,468,800 | 127,555,200 | 134,641,600 |
| Saving of social assistance | 33,920,000 | 36,040,000 | 38,160,000 | 40,280,000 |
| Net budget cost | 79,462,400 | 84,428,800 | 89,395,200 | 94,361,600 |
| | 9 months | | | |
| Budget expenditure | 127,555,200 | 135,527,400 | 143,499,600 | 151,471,800 |
| Saving of social assistance | 38,160,000 | 40,545,000 | 42,930,000 | 45,315,000 |
| Net budget cost | 89,395,200 | 94,982,400 | 100,569,600 | 106,156,800 |
| The effects | | | | |
| <p>Social protection measures: The maximum fiscal implications of a monthly pay of 12,000 MKD per month are estimated at 112.4 Million MKD. This would ensure social protection and income security for 1,041 vulnerable individuals. Based on historical data, a greater female participation is to be expected. The expansion of social and environmental-friendly services would enrich the range of social services being offered.</p> <p>Transition to Public Sector Employment: The effects on unemployment, gender inequalities, local economy and environment can be even more significant. Providing a monthly net-wage of 14,300 MKD for 950 individuals would involve maximum fiscal implications of 106.2 Million MKD. This would have a direct and positive (although temporary) impact on employment, at least during the stage of fragile economic recovery in the first half of 2021.</p> | | | | |

