

# STRENGTHENING SOCIAL DIALOGUE

## Activation of guaranteed minimum assistance (GMA) beneficiaries: Strategies to overcome current challenges

Webinar, 4 October 2021

### Final Report

#### 1. Background

In May 2019, The Government of North Macedonia adopted a new social protection legislation that envisages a means-tested minimum guaranteed assistance (GMA) targeting individuals living in households with an income below MKD 4,000 per month. The benefit is payable by the Centre of Social Work (CSW) to the individual that holds the right to the assistance, and for each next adult and child member of the household based on a system of coefficients. The benefit does not decline over time, but for unemployed individuals it is conditioned to (i) registration with the Employment Service Agency (ESA); (ii) active job search and acceptance of suitable job offers (i.e., aligned to the person's professional qualification, knowledge and capabilities); and (iii) compliance with the provisions of the Individual Activation Plan, jointly compiled by the caseworker of the ESA, the caseworkers of the Social Work Centre and the beneficiary.

This reform represented a major overhaul of the social assistance system in the country and completely overturned the system of incentives that make work attractive and accessible. During the Covid-19 crisis, the eligibility criteria of the GMA were relaxed to protect individuals from poverty. This considerably increased the number of households benefitting from the GMA and the workload of the ESA and CSW offices.

The activation strategy targeting GMA beneficiaries is being supported by a technical cooperation project financed by the European Union, aimed at piloting a new line of counselling and motivation services, as well as skills development programmes as part of the social activation package.

The main actions taken to implement the mandatory activation strategy for GMA beneficiaries include: (i) the establishment of a joint procedure for ESA and CSW staff for the development of a social activation plan for the individual within the GMA household who is "more employable" (*Rulebook on cooperation for the inclusion of GMA beneficiaries in active measures and content of the individual plan*); (ii) the launching of an electronic data exchange system to pool and exchange information between the ESA and the CSW about households and beneficiaries; and (iii) the contracting of an external provider for the delivery of individualized counselling and motivation assistance to beneficiaries of the social activation plan.

The implementation of the above-mentioned activation strategy is currently below expectations – with limited numbers of beneficiaries having completed a individual activation plan and being referred to motivational counselling - for several reasons. First, the Covid-19 emergency and the containment measure taken by the Government caused several implementation delays (relaxation of eligibility criteria, increase in the caseload of implementing agencies; restrictions on

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ESA and CSW caseworker meeting face-to-face). Second, the piloting of the electronic data exchange was done only in early 2021 and its functions are currently in the final testing phase. Third, the entry of the first GMA beneficiaries into the motivational counselling process dates back to the Summer 2021 and results have still to materialize. Finally, the cooperation between the two implementing agencies is still work in progress since the two institutions have different mandates, resources, procedures and methodologies for dealing with clients.

Against this backdrop, the MLSP required the advice of the International Labour Organization (ILO) in overcoming the main operational issues slowing the delivery of activation for GMA beneficiaries. To this end, the ILO, through the EU-funded project *Strengthening Social Dialogue*, organized a webinar with the staff of the MLSP and practitioners of the ESA and of the CSW to discuss the challenges faced in the treatment of GMA beneficiaries and – based on the experience of EU countries – identify possible solutions for the short, medium and long term.

## 2. Structure and content of the webinar

The webinar, held on 4<sup>th</sup> October 2021, was structured around an open discussion about the broad challenges identified by stakeholders in the implementation of the activation strategy, namely:

1. Low motivation of GMA beneficiaries to search and take up work in the formal economy
2. Workflow of the CSW and ESA caseworkers and the identification of the most employable member of the GMA household
3. Content of the social activation plan and information flow between the two agencies
4. Bridging the gaps due to the different structure, organization and caseloads of the two service providers.

The issues highlighted above are similar to the challenges encountered by several EU countries during the reform of their social protection system. In many instances new income-replacement schemes were first piloted for few years to better understand their effect on job search behaviour and benefit dependency, prior to full roll-out.

The discussion held with participants extended to the root causes of the problems identified, which in turn led to the determination of a number of possible alternative actions. In some instances, the actions proposed could be effective, but only if implemented concurrently with other interventions.

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## 2.1. Low motivation of GMA beneficiaries in the labour market

One of the possible determinants of the low motivation of guarantee minimum assistance (GMA) beneficiaries to actively pursue a job in the formal labour market is that the level of the benefit provided – combined with other entitlements – plus the possibility to gain an additional income through informal work makes formal employment unattractive. In other words, the wages GMA beneficiaries can get in the open labour market are equal to or just above the level of the benefit received, and giving up the certainty of a regular income for the uncertainties of the open labour market may undermine the well-being of all household members.

There are several strategies that may be considered to increase the motivation of GMA beneficiaries to actively pursue job search. In the short term, a **strict application of the sanctioning mechanisms** built-in the benefit system can help in excluding those individuals who should not have been included in the first place. This is the case for example of persons who receive the benefit but are working in the informal economy and have a disposable income exceeding the benefit threshold. The first step in the implementation of the sanctioning mechanisms is to identify those members of the household who benefit from an undeclared income. In many EU countries, this is done by asking caseworkers to fix appointments with the work-able members of the beneficiary households at different times during the week and during working hours. If beneficiaries fail to show up for scheduled appointments during working hours, a deeper investigation is launched to detect whether the absence is justified or not. In general, caseworkers are reluctant to delete individuals from the register of benefit recipients, due to consequences this may entail for the whole household. This reluctance can be bridged by training the staff of the Employment Service Agency (ESA) and the Centre for Social Work (CSW) and by the establishment of clear protocols to detect fraud to the benefit system.

In the medium term, several additional approaches can be considered. First, the **interoperability of the databases** of various public administrations (tax authority, labour inspection, pension fund, central bank, social security authority) could improve both eligibility and compliance checks. In Italy, for example, the management of the minimum guaranteed income (*reddito di cittadinanza*) has been assigned to the social security institute, whose database (on social security contributions, pensions, disability, family, children and other benefits), is linked with: (i) the records of the tax authority and cadastre (personal and household income, other regional/municipal taxes, land and housing properties, personal and commercial vehicles); (ii) information on workers subject to labour inspection (informal work); (iii) information stemming from the system on education and training (information on pupils, students and trainees, attendance records, early school leaving); (iv) records of the work insurance institute and health authorities (accidents at work, health and disability); and social services database (violence, divorce, homeless, child protection). Compliance with the eligibility criteria set for a certain benefit are checked against the information available to the Institute, which also has the mandate to inspect applicant household before and during the payment of the benefit to detect fraud.

Another strategy to make work in the formal labour market more attractive is through the **improvement of the job placement services** provided by ESA and a **more accurate matching** of potential beneficiaries **with active labour market programmes** to increase sustainability of

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employment outcomes (duration, wage levels, type of contract). This, however, requires that additional resources be put at disposition of the Agency for the recruitment and training of additional staff. Finally, a **strengthening of policies against the informal economy** – more effective inspection system, higher penalties for perpetrators, support policies for individuals most at risk of informality – would reduce the propensity of individuals to engage in the informal economy.

The actions that may be considered in the longer term need to be grounded on research to determine the extent of the disincentives to work of the current GMA system and the identification of means to reduce errors of inclusion and exclusion (i.e., the granting of the benefit to non-poor households and the exclusion of poor ones). The strategies that may be considered for the longer term include: (i) the introduction of a **maximum duration of the benefit** (usually 18-24 months, renewable after a time lag), which increases the propensity of beneficiaries to accept alternatives to social protection outlays when these are about to expire; (ii) the pilot-testing of **in-work benefits** that increase the monetary incentives to take up formal work; and (iii) **expanding the support activities targeting children and young people** living in beneficiary households to reduce the inter-generational transmission of poverty. These three approaches can be applied separately or in combination. In Italy, for example, the minimum guaranteed income lasts maximum 18 months, and it is renewable once after a three-month suspension. In Ireland, in-work benefits are paid to income-replacement beneficiaries when they accept a suitable job for maximum 12 months, with the amount of the benefit being reduced progressively (80 per cent of the income-replacement benefit in the first three months of employment, then 50 per cent of the benefit in months four to seven to then arrive to zero benefit on the 12<sup>th</sup> month of employment).

GMA beneficiaries may also have low motivation to actively pursue a job due to discouragement (belief no work is available or not to have the right skills), low attachment to the labour market (long unemployment spell cause skills deterioration and make employment prospects very distant), or other barriers (discrimination, gender roles, health or disability problems). Such a lack of motivation can be overcome with the right type of support. In this respect, it would be of the essence – in the short term – to **accelerate the entry of GMA beneficiaries in the Counselling and Motivation (SIM) Programme**, financed by the European Union (EU) – which was designed to provide psychological assistance to GMA beneficiaries. In addition, such work could help in gaining a better understanding of the barriers that these individuals face with the objective to **design and implement better targeted services and programmes** (in the medium term). This, however, would require a revision of the resources (staff, funds, methodologies) available to both the ESA and the CSW. In the design and implementation of specific integration programmes for GMA beneficiaries, attention need to be paid to the so-called **stigmatization effect**, whereby participants to targeted programmes are shunned by employers, just because the programme is designed for persons at risk in the labour market.

In the long run, policy makers' attention needs to focus on how to **embed the lessons learnt from the SIM Programme into the regular activities of the ESA**. If motivational counselling and guidance prove effective, then an argument can be made on the requirement for ESA to be staffed with clinical psychologists to support all low-motivation individuals (and not only GMA beneficiaries) back into the labour market. This action has implications, for the structure, organization and resource allocation of the Agency.

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Relevant examples in the implementation of strategies to activate benefit recipients are the Swedish and Irish experiences. Both countries moved to an **integrated service delivery** system (Sweden first and Ireland just few years ago), whereby social protection benefits and employment and activation services are managed by one single public administration, thus overcoming most of the challenges posed by service delivery being entrusted to different institutions with diverse mandates, organization, structure and resource allocation.

Finally, one possible reason for the lack of motivation of GMA beneficiaries in active job search is due to the organization and delivery challenges engendered by the measures taken to contrast the Covid-19 epidemic. More specifically, the relaxation of eligibility criteria for accessing the benefit – designed to mitigate the poverty increases due to the loss of output and employment – have substantially increased the caseloads of ESA and CSW caseworkers: As a consequence of the high workload, beneficiaries are not getting the attention they need and this further decreases individuals' motivation to actively pursue jobs in the open labour market. Although this situation is expected to be overcome at the end of the Covid-19 epidemic, a tool that may prove useful to prioritize individuals for intervention is the enactment of a **shared statistical profiling system**. The ESA is already working of such a system to prioritize for assistance individuals who are at risk of long-term unemployment. With minimum adjustments, the profiling system could also be used to identify those household members who have higher employment probabilities and those that need to be referred to the intensive motivational assistance available through the EU project.

## 2.2. Identification of the “most employable” member of the GMA household

The *Rulebook on the manner of cooperation for the inclusion of GMA beneficiaries in active employment measures, and the form and content of the individual plan*, clearly states that the ESA and CWS caseworkers perform “a joint assessment of the needs and level of employability of registered unemployed persons belonging to a beneficiary household in order to select the most employable person”.

This joint assessment is not occurring: the practice is for the CSW caseworker to assess the needs of each member of the household and - for those (mandatorily) registered with the ESA as unemployed - to check ESA data (on level of education and employability) and determine the “most employable” member (who will be subject to the social activation plan). Non-compliance with the principles of the *Rulebook* is due to three main factors: (i) the organizational structure of the CSWs on the territory is more widespread compared to the ESA local structure and the number of caseworkers dealing with GMA beneficiaries is well above the number of caseworkers assigned by ESA to deal with activation strategies (five to one on average); (ii) reluctance by caseworkers to spend time on collaborative activities due to high workloads; and (iii) the social distancing rules imposed by Covid-19 containment measures have further complicated matters.

In the medium term the optimal solution is to revert to the spirit of the *Rulebook* and have **joint meetings between ESA and CSW caseworkers to determine who is the most employable person** within a beneficiary household. This, however, requires dealing with high caseworkers' caseloads in both agencies - through additional resource investment – as well as devising new ways

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of organizing the joint assessment – also through the exploitation of ICT means. The introduction of **a database profiling system and interview protocols – shared by both ESA and CSW caseworkers** - could also help in the medium term to refine the identification of the most employable person within a beneficiary household. This could ease the workload in both agencies, but it requires time, staff training and piloting prior to roll-out.

In the short term – and pending the resolution of the Covid-19 epidemic – two alternative courses of action can be considered. First, **the competence** to determine the most employable person within a beneficiary household **could be shifted from the CSW to the ESA caseworkers**. This would imply that the CSW would determine the working age (15-64) of members and their capacity to work (with children, young people and adults excluded if attending education and training) to then shift responsibility for further employability assessment to the ESA caseworkers. These latter would interview all members in the working age and capable of work of a household and determine who is the “most employable”. This option needs to be supported by (i) the introduction of a statical profiling system in the ESA (to support caseworkers in the identification process); and (ii) the assignment of addition human resources to deal with the increased caseload (due to more interviews and counselling session required to precisely determine who is the most employable member of the household). The second alternative is to **increase the capacity of CSW caseworkers to determine employability** and assess the most employable person within the household. This would imply: (i) the sharing of the tools used by ESA to determine employability (checklists, information on the labour market, structured interviews) with CSW caseworkers, and (ii) the training of all CSW caseworkers in using these new tools. This solution requires time for training and for familiarising CSW caseworkers with a different area of work, as well as imply an increased workload for the CSW caseworkers, who already manage several assessment tools to determine the vulnerability of individuals in various life aspects (family, health, community, etc.). A key gap identified during the preliminary meetings is that the CSW staff were not trained on the tools and methods used by ESA in assessing employability and that the online sharing of information is limited to the synthetic employability index, but not to the full content of the employability assessment.<sup>1</sup>

In the long-term, the actions available to ease the collaboration between caseworkers of different agencies relate to the establishment of **one-stop-shops** – i.e., placing in the same premises the CSW and the ESA offices – or the introduction of **integrated service delivery**, where the two agencies are merged into one and the same caseworker deals with both social protection and employment issues. Both approaches require time and a considerable investment in buildings, equipment, tools and staff training.

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<sup>1</sup> The ESA information that populates the Individual Activation Plan concerns the level of educational attainment and the Employability level (2 or 3). Without, however, having access to the full results of the ESA employability checklist, it is difficult for a CSW caseworker to understand the labour market barriers faced by an individual.

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## 2.3. Structure and content of the Individual Activation Plan

The *Rulebook* envisages that an individual activation plan be developed for the most employable member of the beneficiary household, detailing the assessment of the CSW and of the ESA respectively, as well as the support envisaged for integrating the beneficiary into society and the labour market. Apparently, this document is first filled-in by the CSW caseworkers, then it goes to the ESA for the compiling of the labour market integration part, then it returns to the CSW for finalization and signature with the beneficiary. Prior to the introduction of the dedicated IT data exchange, the individual plan was dispatched in paper format, thus delaying the whole process. Whereas the format of the plan (as annexed to the *Rulebook*) covers all the areas related to individualized assessment (basic personal data, household composition, free field for CSW and ESA caseworkers' assessment) and planning of service delivery sequence, in reality the format is scantily filled-in by caseworkers thus undermining its main function (i.e., to provide a detailed written assessment of individual difficulties and the planning of specific support). The limited exploitation of the potential of the individual plan by caseworkers appears to be due to two key factors: (i) high caseload, with limited time to devote to individual assessment and the filling-in of the plan; (ii) limited awareness of both ESA and CSW caseworkers of the importance of this tool to guide assessment and service delivery.<sup>2</sup>

Aside addressing the problems of high caseloads for ESA and CSW staff, the options that may be considered for the short and medium term include: (i) the development of **an IT version of the individual plan format** to minimize paper exchanges; (ii) invest in **staff training** to increase awareness on the **function of the individual plan** and minimize the current bureaucratic approach to its compilation (perception that the plan is a useless piece of paper to compile because it is an obligation); and (iii) **expand the range of information that is exchanged** between the two agencies (for example, the ESA may share the full content of the employability checklist). This latter action, however, may require legal changes to the privacy legislation. The establishment of a shared statistical profiling system, the development of joint service delivery guidelines and the joint training of CSW and ESA caseworkers could also help in this regard, as it would the introduction of **quality checks** on the individual plans developed. A useful country experience in this area is the quality monitoring processes introduced by the Estonian Public Employment Services (PES) with a view to increase effectiveness and intervene early with staff training in case of problems.<sup>3</sup> In the longer term, the combination of different actions (statistical profiling, joint assessment guidelines, e-format for the individual plan, quality checks and, foremost, staff training), accompanied by periodic reviews of the whole CSW-ESA collaboration system should result in better formulated individual plans and clearer sequence of service delivery.

<sup>2</sup> The CSW representatives mentioned during the preliminary meetings that they did not receive any specific training on the individual plan, while they were trained on the main objectives of the legal reform.

<sup>3</sup> See Estonia: *Quality assessment of individual action plans* (PES practice fiche, 2019), <https://ec.europa.eu/social/main.jsp?catId=1206&langId=en>

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## 2.4. Different structure, organization and mandate of ESA and CSW

The different mandate, structure and organization of the CSW and ESA is affecting the quantity and quality of activation services in several ways. First, the more widespread geographical organization of the CSW implies that more caseworkers are assigned to dealing with beneficiary households, compared to the caseworkers that have been made available by the ESA, where the geographical distribution of local offices is less broad. One ESA caseworker must deal with multiple CSW caseworkers, each with his/her own caseload. Second, the mandate of the two organizations pertains to different life and well-being areas and the approaches deployed for assessment and service delivery are diverse and underpinned by different objectives. Third, each Agency faces challenges related to limited human and financial resources, which affects caseloads and service delivery.

In the long-term the main action to be considered relate to provide both agencies with **additional human resources** (in general) and consider the recruitment of specialized staff (in both CSW and ESA) for dealing with GMA beneficiaries. In Germany, for example, the treatment of long-term unemployed is assigned to dedicated PES staff who have lower caseloads than regular counsellors (not higher than forty cases at any given time). Lower PES client-to-staff ratio in several EU countries has proven successful in raising the transition rate to the labour market (due to the more intensive interaction of clients with caseworkers).<sup>4</sup> In the medium term the introduction of the **statistical profiling system**, the development of **joint assistance guidelines**, **more extensive information sharing** and – foremost – more and better **joint training of CSW and ESA staff** (also on the mandate, organization, and methodological approaches used by the two agencies) may help in overcoming the lack of understanding of the work done by caseworkers and limited cooperation between agencies.

## 3. Concluding remarks

The introduction of activation strategies targeting social benefit recipients is a major policy reform for any country and it takes time and extensive staff training to get the sequence of service delivery right. The main challenge is the design of the social protection benefit (level of the benefit, additional entitlements, duration, conditionalities) and the analysis of the (unintended) work disincentives the benefit generates. This is the reason why in many EU countries new activation systems are first piloted for a limited number of years to gather the required evidence to decide whether to proceed with the roll-out, introduce adjustments, or discontinue the approach and design a new strategy.

In North Macedonia the social protection reform was introduced rather quickly, without consideration being made about the real capacity of the two agencies to adequately manage the new mechanism and with little staff training. The Covid-19 epidemic and the restrictions to face-to-

<sup>4</sup> See for example, Crépon B., Dejemeppe M., Gurgand M., *Counseling the Unemployed: Does It Lower Unemployment Duration and Recurrence?* IZA Discussion Paper No. 1796, October 2005

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face interaction, coupled with increasing staff workloads due to the extension of the benefit, further complicated matters.

This report presents a summary of the possible actions that may help in addressing some of challenges identified during the discussions held with the managers of the Ministry of Labour and Social Policy and the practitioners of the CSW and of the ESA. However, due consideration needs to be made to the scope and time of the proposed policy actions. Whereas in the short term more and better staff training, more extensive information exchange between the two agencies and the introduction of joint tools for individualized assessment could improve the quantity of services delivered, in the medium- and long-term structural challenges (limited human and financial resources, lack of specialized staff, inadequate benefit design) need to be addressed through policy reforms.

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