

## **REFORM PROCESSES AND CHALLENGES IN THE SOCIAL POLICY IN MACEDONIA**

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### **Introduction**

Social policy in Macedonia, starting from the past decade onwards, is characterized by continuing trend of changes, which are primarily resulting from: changed social and demographic structure, low economic growth and capacity, persistently high unemployment rate, as well as increased demand of services for social welfare. Due to these reasons, many changes were made both in the legal legislation and in the ways of financing, administering and delivering services in social policy. These changes were, in particular visible in the employment, social welfare and social insurance policies. Therefore, this article will mostly deal with the changes in the above mentioned policies in Macedonia, by analysing the processes of: activation, pluralisation, social inclusion, decentralisation and deinstitutionalisation. These processes are not specific only to the social policy in Macedonia, but they are also topic of debate and implementation in the other welfare states in Europe. Indeed, as Palier points out, one gets an impression that present changes in Europe can, in general, be illustrated through the reduction of social transfers, privatisation, “neo-liberalisation” and abandonment of social-democratic ideals. The same author is concerned whether these common trends also entail a uniform manner of adaptation of different social policies to the changed social and macro-economic conditions. (Palier, 2006). This text will make an effort to explore such dilemma in the case of Macedonia, by analysing the above mentioned reform processes and uniformity of such adaptation with the “neo-liberal trends”.

### **Activation in Social Policy**

The implementation of the principle or policy of activation in the European welfare states became dominant toward the end of the 1990s. Such principle can be first of

all detected in the employment policies, but also in others - such as the social protection and social insurance. However, activation in social policies within European frameworks is to a great extent different than the same approach specific for the United States of America. As Annesley points out (2007), the difference of the European approach (originating from the Scandinavian experiences) is in the recalibration of the welfare state to offer support, and not punitive measures to those who want to get out of the system of social welfare and enter into the labour market. European activation in social policies is focused more on training, education, as well as on targeting social services towards specific vulnerable groups. Opposite of this, neo-liberal approach to activation includes techniques, such as: limiting social benefits; making social benefits conditional upon productive employment, reducing the level of social benefits as a condition to more actively looking for a job, and other.

By analysing the situation in Macedonia, in particular the conditions, level and duration of cash benefit received as part of the insurance in case of unemployment, as well as the situation with the social (monetary) assistance, the evident conclusion is that activation in Macedonia is following the neo-liberal approach. Namely, the right to use cash benefit in case of unemployment is subject to consistent reduction from 1997 onwards. Before 1997 there was no maximum amount of cash benefit for unemployed, while the minimum was fixed at Euro 50 (at that time, DM 100). The duration of cash benefit in 1997 was fixed at 18 months (for those with 20-25 years of working experience), but was persistently reduced, to reach the maximum of 12 months presently. Until 2004, cash benefit was calculated as an average amount of incomes during the previous 12 months of insurance, while as of 2004 it is calculated as an average amount of income during the previous 24 months of insurance. Finally, the number of cash benefit recipients is in permanent decline from 2001 onwards, although the number of unemployed in the same period was in permanent rise or remained significantly high. To illustrate this, in 2001, 41.375 unemployed were in receipt of cash benefit for unemployment, while in December 2006 the number of recipients was reduced to 30.572 unemployed (or 8.3% of the total number of registered unemployed persons). As a comparison, the unemployment rate in 2001 was 30.5% (according to the method of labour force survey); while in 2006 it increased to 36.3%.

In parallel with such rigid measures for the recipients of cash benefits in case of unemployment, active measures were also implemented including training, qualification and re-training. These measures were not characterised by rigidity in their accessibility, although they can be re-examined in some cases because the most vulnerable social groups – unemployed without any qualifications/education cannot use offered services for training.

Social (monetary) assistance is an additional example for the rigid application of the activation principle in social policies. Namely, if the recipients of social assis-

tance (with some exceptions, such as retired persons, persons that can prove that they are unable to work due to their age, disability or illness, persons actively employed, pupils and students), refuse employment up to five days in a month (in public works), their household directly loses the right to social assistance for the following 24 months. Other rigidities aimed at increasing activation of social assistance recipients can be seen in increased frequency of inspections by the Centers for Social Work to the homes of social welfare beneficiaries, more frequent and timely registration of social assistance recipients in the Employment Agency, the obligation, which if not timely respected, will result in exclusion from the social assistance system, as well as increased number of criteria on which social assistance is dependant upon (for instance, owner of a car is not eligible to be a social assistance recipient). Notwithstanding the importance of targeting as a mechanism for improved and efficient social welfare, still it must be brought in line with the real possibilities but also the needs of the labour market in Macedonia. Presently, it seems that targeting of social welfare in Macedonia does not support neither the exit of the beneficiaries from the social welfare system nor their entrance into the labor market.. Therefore, a question which remains is how many of these activation measures can be justified in relation to the economic and social reality of Macedonia, and to what extent they are based on systematic analysis of the needs and conditions of the socially vulnerable groups in Macedonia.

### **Pluralisation of Service Provision in Social Protection (Welfare Mix)**

The trend of pluralisation in the social protection can be interpreted as an effect resulting from a crisis in a welfare state in Europe, which was more intensively felt during the of 80' of the XX century. Such practices in the countries of Central and Eastern Europe experienced their rise in the mid 90' of the XX century. Public sector – at that time the main social provider, started to limit its scope of services, and at the same time provide legislative possibilities and initiatives for more intensive inclusion of civil and private stakeholders in social protection, as a result of limited (reduced) resources. Welfare mix in Europe is undertaken in different forms, including: public-private partnerships, contracting, quasi-markets, and other.

Pluralisation in provision of social services in Macedonia was for the first time institutionalised with the changes to the Law on Social Welfare in 2004, but they were more extensively treated with the latest changes, presently part of the Proposal Law on Social Welfare and Social Security (whose Draft version was released in June 2007). Although in reality the appearance of private and civil sector in the social welfare delivery in Macedonia started in the middle of 1990s, still this trend is different from that in Western European countries. The reason for such difference was the absence of previous tradition in Macedonia of these stakeholders to act as providers of social protection. This is especially related to the absence of any previous experience of the private sector in social welfare in Macedonia. Civil sector in Macedonia was also not formally institutionalised in the past,

and could be recognised only in informal family and community support, as well as in the social activity of church communities. The non existence of prior experience of these stakeholders in the area of social protection contributed to the feeling of mistrust among social service recipients towards these newly created organizations.

Presently, in Macedonia there are approximately 6.000 registered associations of citizens, while the index of non-governmental organisations (number of non-governmental organisations on 1000 inhabitants) is 2.5. For the purpose of comparison only, in Croatia, for example, this index is 9.5. The sources for funding of non-governmental organizations (NGOs) comes from various sources, including: the central budget, the budget of individual ministries, funds received through lottery and other games of chance, as well as through the Secretariat for European Affairs (in context to the activities related to Euro-integration). However, the major part of the funds of non-governmental organisations is generated from international donors/foundations.

In the context of non-governmental organisations in the domain of social protection, presently only 23 NGOs are listed into the Register of the Ministry of Labour and Social Policy (MLSP). This Register consists of organisations that fulfilled the criteria for professionalism, competence and quality, and they are the only that can apply for tenders announced by the MLSP. The domains in which the non-governmental organizations are active in the social sector in Macedonia are those in which the state has less developed capacities and forms of assistance, such as daily canters for helping socially vulnerable categories, SOS lines, help to specific categories, such as women, members of different ethnic communities, programs on supporting informal education and other.

Although the practice of contracting between the non-governmental and public sector is in rise, nonetheless, the quality of such cooperation is not yet satisfactory. This is especially evident when national strategies and action plans are developed, where the participation and experience of non-governmental organizations is treated only from its formal character, and not through adoption of their proposed suggestions, comments with regard to specific policies. However, non-governmental sector remains to be an important stakeholder in filling the gaps in the government activities focused forward socially-vulnerable categories, simultaneously characterized by greater efficiency and flexibility of offered services.

The participation of private sector in social protection in Macedonia is more symbolic than the participation of the non-governmental organizations. Speaking about social services, presently there are only four private homes for elderly, accommodating 142 residents. Also, the private provision has emerged in the area of services for children, namely with the opening of four private kindergartens, all of them located in Skopje. A new trend which is evident in terms of private provision in social policy delivery are the newly emerged private agencies for part time em-

ployment. Presently, twenty agencies for part-time employment are registered with the Ministry of Labour and Social Policy, of which the majority (13) are in Skopje, and the remaining in Prilep, Gostivar, Kocani and Kicevo. The emergence of such agencies indicates that the trend of flexible labour market and the prevalence of atypical employment characterised by not fixed working hours, and timely limited labour contracts is in expansion. The fourth area where the private sector is present in the social protection is the private pension companies/funds that are managing the compulsory fully funded pension and disability insurance. Presently, there are only two such pension companies in Macedonia on the market working under equal conditions, which implies that there is no real competition in choosing one over the other fund. The emergence of private sector in pension insurance, in principle was supposed to improve the possibilities for better and more secure old-age pensions. However, the compulsory private pension pillar is equally risky, both for the individual and for the society, especially due to:

- a) High administrative costs charged by pension companies, amounting to 7.9% from the contributions paid by the recipients;
- b) Extensive (inadequately projected) flow of transferors from the first (compulsory state fund) to the second (compulsory private fund) pension pillar, that resulted in significant increase in transition costs for this pension reform, which would be again the burden for all tax payers in the state;
- c) Insufficiently developed financial instruments on the domestic markets, where the pension fund could make investments, endangering the possibility of higher earnings or increasing pension contribution.

Pluralisation in social policy has to be managed in a manner that will reduce risks for the individuals and contribute to improved quality and quantity of social services. The example in Macedonia shows that a combined model of social protection is not yet sufficiently focused on achieving such goal.

### **Social Inclusion vs. Social Exclusion**

Although social inclusion as a concept is rather new in the academic literature, nonetheless it deals with overcoming many “old” social problems, such as: poverty, homelessness, marginalisation, and others, which were and still are the focus of the welfare states in Europe. However, although social inclusion in Europe is subject to ongoing discussion, there is no universally accepted definition or operationalisation. Analysing the opposite concept – social exclusion, Scur (2004) concludes that among most of the authors who analyse this problem there is a consensus that social exclusion can be understood as failure in one or more social systems:

- Democratic-legal system, which ensures civilian or civil integration;
- Labour-market system, which promotes economic integration;
- System of social protection, which supports social integration;

- Family system and the system of local community, which ensures interpersonal communication (Sucur, 2000, pp. 2).

However, it seems that the absence of theoretical confirmation, as well as insufficient empirical operationalisation of the problem has been “used” by international organisations that are trying to offer concrete definitions and instruments for analysing and measuring the problem. According to the 2004 Joint Report on Social Inclusion, the European Union summarises that “Social inclusion is a process which ensures that those at risk of poverty and social exclusion gain the opportunities and resources necessary to participate fully in economic, social and cultural life and to enjoy a standard of living and well-being that is considered normal in the society in which they live. It ensures that they have greater participation in decision making which affects their lives and access to their fundamental rights.” (pp 8). Social exclusion, on the other hand, is defined by the EU as a “process whereby certain individuals are pushed to the edge of society and prevented from participating fully by virtue of their poverty, or lack of basic competencies and lifelong learning opportunities, or as a result of discrimination. This distances them from job, income and education opportunities as well as social and community networks and activities. They have little access to power and decision-making bodies and thus often feeling powerless and unable to take control over the decisions that affect their day to day lives”(2004, pp 8).

Alike in the Europe, in Macedonia also there is no universally accepted definition of social exclusion according to which the problem is to be analysed. According to Donevska, exclusion can be analysed from different aspects, but the most important are the economic, health, education, ethnic, geographic and cultural aspects (2003, pp16). In spite of the absence of formally accepted definitions of social exclusion, Ministry of Labour and Social Policy, in its program on tackling the problems of socially excluded persons (2004), defines four target groups as specific social categories:

- Drug addicts and members of their family
- Children on the street/street children and their families
- Victims of family violence, and
- Homeless.

According to MLSP, such division of these target groups is aimed at achieving better and more efficient access for persons who previously were lacking organised and systematic access to services of social protection (2004, pp.1). However, according to the Report on Social Protection and Social Inclusion in the Republic of Macedonia (2007), such categorisation indicates a rather arbitrary approach not based on previous extensive (statistical) research regarding the dominance of these groups in the total socially excluded population. Also, such an approach excludes some socially vulnerable categories, such as Roma, rural underprivileged people, and other.

One of the recently proposed changes in the social protection system in Macedonia, which according to the social policy makers is aimed at enhancing the efficiency of the system, but at the same time contributing to better social inclusion of some groups of the society, is the introduction of conditional cash transfers. The idea behind such a program, in general, consists of making cash transfer conditional upon investing in human capital among the younger generation, i.e. sending children to school, taking regular medical check-ups and examinations. In Macedonia, such a program was proposed within the frameworks of the World Bank Project SPIL- Loan on Implementation of Social Protection, financially support with a grant by the Japanese Government, to be implemented in 2008.

Before initiation of this programme in Macedonia, it seems necessary to take into account few factors, such as: the impact of such programs in other countries, an assessment of the needs for its introduction in Macedonia, as well as detailed analysis of overall effects that this policy will have, both upon individuals and on the system of social protection. According to Janvry and Sadulet (2004), these programs are especially popular among politicians and international agencies for development, since they are oriented towards efficiency, but at the same time used also for cash transfers to underprivileged people. The same authors point out that programs related to conditional cash transfer have many times proven to be extremely high and expensive. Rowling and Rubio (2003) point out that even in cases of best experiences, the efficiency of such programs in different national context, and the sustainability of their social effects, are problematic. Finally, Farrington, Harvey and Slater (2005) indicate that the policy of conditional cash transfer is not a panacea and that such programs have to be supplemented with different complementary instruments, while the policy has to continue to work on eliminating social, market and administrative discrimination against underprivileged people if we want them to be more actively included in the development process.

In the case of Macedonia, the question is who will be the target groups of the conditional cash transfers? Whether such condition would give opposite effects, that is, would exclude some specific groups from the possibility to use social assistance due to their inability (due to practical reasons) to fulfil the obligation for regular school attendance and health check-ups? If, for example, we take into consideration Roma in Macedonia as a category highly dependent on social assistance, and at the same time with problematic rates of school attendants and low health care, the question is whether such policy/program would improve their education/health inclusion? A wide range of reasons, among which the absence of basic documents (for example, birth certificates); culture and tradition of early marriage, as well as other specific factors are only some of the problems that might endanger the success of this policy. Contrary to the logics of conditional cash transfers in Macedonia, probably it is worth while to consider introducing such programs as supplementary and not conditional upon social assistance, or be granted more in a form of

free of charge services and not as cash transfers, in order to avoid the risk of excluding the most vulnerable categories of citizens from the social protection system.

### **Decentralisation**

Decentralised provision of social services is primarily a characteristic of the federal states in Europe (Great Britain, Germany), as well as of the Scandinavian countries, where the local level is the main provider of education, health and social services. On the other hand, decentralisation of social transfers is much more sensitive issue that can lead to greater risks than its benefits for the population. As Ringold points out, without previously defined and strictly allocated financial resources, there is significant risk that allocated funds for social assistance would be used for other purposes. The same author points out that there is a risk that the poorer local communities with significant needs will have most limited funds for social assistance, at the same time resulting in erosion of the previously existing social services and increasing geographical disparity (2007, pp. 37).

In Macedonia, the implementation of the process of decentralisation started first of all as a result of political reasons initiated with the signing of the 2001 Ohrid Agreement<sup>43</sup>. However, in the area of social protection, the process of transfer of responsibilities from central level to local level was initiated only in the domain of protection of elderly persons and children. In particular, this meant transfer of responsibilities at local level for four homes for elderly people and 51 kindergartens. In other domains, all the municipalities were given a possibility to offer social services according to their own development plans and programs, depending on the specific problems that individual municipalities were faced with. Local communities have a possibility to fund those activities from their own financial sources. From 2004 onwards, most of the activities at local level have been related to opening daily centres for work with specific groups at risk, such as street children, persons with special needs, homeless, and victims of family violence, public kitchens, and other.

Fiscal decentralisation of social protection follows the same trend, and presently it includes only financial block transfers to homes for elderly people and kindergartens. Funding of social (monetary) assistance at local level has not been yet subject to decentralisation. Presently, there are no relevant legal solutions or necessary institutional and economic prerequisites for such an initiative. Likewise, the centres for social work working at municipal level are not decentralised but are still operating as deconsecrated units of the central government. Presently, concrete problems

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<sup>43</sup> The Ohrid Agreement, signed on 13.08.2001, contributed to end the ethnic conflict in the country. Based on this Agreement a range of specific constitutional and other legal changes were initiated in the area of decentralization, equitable representation, special parliamentary procedures for protection of non-majority ethnic communities, use of languages, education, flags, thus expressing ethnic and cultural identity, and measure for their implementation.



that exist in the process of grater decentralisation in social protection include: a) absence of legal provisions in the Law on Local Government (Article 22, paragraph 7), which does not stipulate decentralisation of financial transfers; b) absence of authority to carry out second instance procedures at local level; and c) shortage of human resources in most of the centres for social work to deal with both the administration of social transfers and provision of social services.

In 2006, total revenues of local municipalities, compared to 2005, increased for 29%. The revenues of the local government in 2006 amounted to 7% of the total revenue at central level, or approximately 2.5% of gross domestic product. Nonetheless, due to the differences in sources owned by different local communities, regional disparities and gaps would be an additional, if not one of the most important challenge of the decentralisation process.

### **Deinstitutionalisation**

Unlike the reform processes pointed out previously, deinstitutionalisation in Macedonia is perhaps accepted with widest consensus or perhaps the number of challenges it faces is lowest in comparison with other reform processes.

Until recently, the institutionalised type of protection in Macedonia was the most dominant way of providing services. Presently there are 16 institutions (public and private) for accommodation, with total 1645 residential recipients. The quality of institutional protection is generally weak, mainly because of the scarce financial basis, small number of professional personnel, as well as large number of people accommodated in residential facilities. However, due to the deinstitutionalisation trend, many new non-residential services were introduced as a way of reducing the numbers of institutional residents, but also as an aspiration to improve the quality of their life. They are focused on several categories of recipients, including: a) children with special needs – according to the statistics of the social canters in Macedonia there are approximately 1600 registered children with special needs. Since 2001, 18 day-care canters were opened for them, dispersed through the country, presently providing services to 270 recipients; b) drug addicts – two day care canters; c) victims of family violence – 6 day care canters; d) children on the street/street children – 1 day care centre; and e) homeless people – 1 day care centre.

According to the deinstitutionalisation strategy (2007-2014), the process of transformation of institutions is to last seven years, and to include 3 phases – during which different institutions will be subject to transformation. According to the Strategy, the reform will have 2 directions; 1) assessment of the present network of all types of accommodation, and giving priority to the development of accommodation network comprising of foster families and small homes; and 2) assessment of the type and quality of accommodation services provided in the social protection

system. During this reform, the Ministry of Labour and Social Policy will finance, train and support setting up and effective operation of: preventive services, services for providing temporary accommodation, reintegration services, as well as small family homes.

The non-institutional protection in Macedonia (except the traditional types of non-residential services, such as foster families), still lacks clear and concrete legal framework for certification, accreditation and quality control. The above mentioned deinstitutionalisation strategy gives an emphasise to the need of setting standards an licensing, but fails to regulate who will be in charge of its implementation and supervision. At the same time, there is a need of improved capacity building and human resources for non-institutional protection by which the professional involved in this process will contribute not only in improving the quality of non-residential services, but also in better integrating their recipients in the society at large.

### **Conclusion**

The analysis of the reform processes in Macedonia bring us to a conclusion that previously universally declared welfare state is currently oriented towards: favouring services instead of cash transfers; increased targeting of recipients instead of universal access; making conditional previously universal cash transfers; reducing provision of services by the state on the account of increased private initiative; a trend towards including administration of social protection at local levels, while maintaining centralised system of collection and allocation of fiscal resources; and ultimately reducing the range of state institutional capacities and offering day care services primarily provided by civil and private service providers. Such redefinition of the welfare state in Macedonia confirms the “neo-liberal trend” as presently dominant ideological matrix, which seems attractive mainly due to the savings in social policy, which in a situation of low economic growth, high unemployment rate and strong reliance on the social security system, is seen as the only way out. Currently, there are no debates nor a visible political support that looks upon social policy as a productive factor However, what is most symptomatic and problematic for sustainability of previously discussed reform processes is their adoption without wider social consensus and without substantial empirical evidence. All this makes these reforms distant from their recipients and not adjusted to the current capacities, possibilities and needs.

Reforms in social policy should serve as a ladder for climbing towards better opportunities, and not only for creating a safety net that will cushion the recipients when they fall. Therefore, it is of vital importance that reforms are more oriented towards local capacities and needs, towards inclusion of users when developing social programs, towards improvement of access to social services based not only on rights but also on needs, and finally towards systematic creation of social policy

measures as opposed to the current trend of project oriented, shock therapy, ad-hoc solutions. Only in this way a specific model of social policy can be developed that will represent an individual response to the uniform trend solutions, offering a different, country-tailored approach based on national possibilities and resources.

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