

RESPONSES OF SOCIAL SECURITY POLICIES DURING THE PANDEMIC: CASE OF ALBANIA AND NORTH MACEDONIA

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ABSTRACT

Taking into consideration the outbreak of the pandemic all countries around the world have faced a numerous of social challenges. In this paper it is intended to track the policies and expenditures of social security and see the similarities and differences of countries in facing these difficulties, focusing on the responses and social security policies and what was their approach towards the covid 19 crisis during 2019-2020 period of time. This paper will try to analyze the characteristics of social security system and the policies of North Macedonia and Albania during the pandemic. The paper is organized as follows. After briefly reviewing the COVID-19 situation and economic data, we review the social security and related measures implemented to address economic and social consequences of the COVID-19 pandemics during the first lockdown. This is followed by a preliminary assessment of the effects of the COVID-19 response measures on the labor market and the household income. Then it is concluded by lessons learned so far and discuss future prospects. In the context of the Republic of North Macedonia and Albania, the coordination of the social security system is particularly affected. The pandemic has caused a deep socio-economic crisis, with thousands out of work or working part-time. In such circumstances the national social security system has a strong role to support insured persons, healthcare professionals and the economy at large. The analysis shows not so much differences on how they handled the social policies and expenditures during this period were identified, however this study can help the policymakers to take corrective actions if the pandemic will continue in coming years. Conclusions and recommendations will be given at the end.

KEYWORDS

SOCIAL SECURITY, SOCIAL ASSISTANCE, COVID-19, SOCIAL EXPENDITURES, ALBANIA, N. MACEDONIA

JEL CLASSIFICATION CODES

H55, H53

1. INTRODUCTION

The coronavirus outbreak is challenging social security systems and among others, healthcare and unemployment insurance are under pressure. The coronavirus pandemic has devastated the world of work, affecting people's lives, health and well-being, and it has had a dramatic effect on enterprises, jobs and livelihoods throughout the countries (ILO, 2020). This public health crisis has also generated massive economic and social disruption in the Republic of North Macedonia and Albania. Companies and their employees are facing significant challenges, and the pre-COVID-19 world of work is unlikely to return for some years. Governments across the world are having to make decisions at a very fast pace, without much

time to think (Hausmann, 2020). In this context, based on different reports of the social security responses to COVID-19 in North Macedonia and Albania, this paper will comparatively review the national social security measures in response to COVID-19 crisis, analyze their effectiveness and long-term consequences, and discuss future challenges in improving the social security system. In this paper are taken only two countries from the Western Balkans: Albania, and North Macedonia. Although a large number of research reports on the social security response to the COVID-19 pandemic has been published, it is still premature to assess the full impact of these measures on income, employment, inequality and poverty. The COVID-19 crisis is not yet over. The paper focuses on the first stage of the COVID-19 pandemic based on the available quantitative data supplemented by information on policies and quantitative facts collected by national experts. Despite the gradual lift of the quarantine and lockdown measures, the recent surge of infection cases raises great concern. According to ILO the situation will be closely monitored at the regional and global levels and update our analysis as more data and information become available. The crisis has reiterated the need for the ILO and its tripartite constituents – governments, workers and employers – to jointly address the issue of COVID-19 in the world of work through effective social dialogue and to increase coordination with Ministries of Finance on ways to invest more in social protection and invest better (in line with the ILO Social Protection Floors Recommendation No. 202 in particular). The paper is organized as follows. After briefly reviewing the COVID-19 situation and economic data, we review the social security and related measures implemented to address economic and social consequences of the COVID-19 pandemics during the first lockdown in the second quarter of 2020. This is followed by a preliminary assessment of the effects of the COVID-19 response measures on the labor market and the household income. Then it is concluded by lessons learned so far and discuss future prospects. In the context of the Republic of North Macedonia and Albania, the coordination of the social security system is particularly affected. The pandemic has caused a deep socio-economic crisis, with thousands out of work or working part-time. In such circumstances the national social security system has a strong role to support insured persons, healthcare professionals and the economy at large. The notion of social security covers all measures providing benefits, whether in cash or in kind, to secure protection, inter alia, from: lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; lack of access or unaffordable access to health care; insufficient family support, particularly for children and adult dependents; general poverty and social exclusion (ILO, 2020). Building a social security system on the basis of human rights can significantly contribute to their effectiveness in eradicating poverty and in reducing inequalities, these improving resilience of society in the face of crises. With the social support system descending, the burden of this challenging landscape increasingly falls on the individual. Sickness and unemployment benefits became a focus of attention in the early stages of the crisis and are set to become increasingly prominent as lockdowns ease. For example, various countries have taken rapid steps to strengthen sickness and unemployment benefits in the context of COVID-19. Some countries have increased the adequacy of the social insurance sick leave benefits (Russia and Uzbekistan) and made administrative modifications such as waiving waiting periods for sickness benefits and adapting delivery mechanisms to accommodate quarantines (Gentilini; Orton, et al., 2020). Other countries (Germany and France) following the COVID-19 outbreak increased allowance for unemployment benefits and largely eased the procedure to apply for it. Since the beginning of the pandemic, the governments of Albania and North Macedonia also has introduced a variety of social security policy responses to mitigate the consequences of the containment measures on well-being and the economy, employment and incomes, and on families and children who are not able to access social and health services.

2. THE SIGNIFICANCE OF SOCIAL SECURITY IN RESPONDING TO THE PANDEMIC

The countries are literally beginning to pass the primary section of what's doubtless to be a long crisis and that they are developing their socio-economic recovery plans. The crisis has affected some people way more than others, and this difference is ready to persist and evolve. whereas the crisis has affected whole society, it's currently evident that some individuals are much more affected than others. The individuals hardest hit has usually been people and families already troubled before the crisis, that has highlighted the numerous pre-existing inequalities within the country. However, COVID-19 has additionally provided a major shock to those antecedently able to build ends meet. Social Security incorporates a central role to play in addressing the social, economic and health dimensions of the crisis. the range of these hit exhausting by the COVID-19 crisis highlights however –in the absence of adequate Social Security –the overwhelming majority of individuals are liable to economic shocks. By protective people and families, Social Security will facilitate address the health, social and economic dimensions of this crisis, and every one future crises. the continuing response to COVID-19 provides a chance to start building towards a lot of comprehensive and shock-responsive Social Security systems. the dimensions of the crisis facing the country needs important action on social protection. Upscaling the continuing social protection response needs the allocation of acceptable money resource (ILO, 2020). The challenge of Social Security is to shut the long funding deficiency, whereas protective the individuals of low and average means that whose economic security depends on Social Security edges, and adjusting the program to work the ever-changing conditions of life (Aaron, 2018).

2.1 Labor Market Indicators

Table 1 presents key labor market indicators of the second quarters in 2019 and 2020 based on the Labor Force Surveys conducted by the national statistical offices of the two countries under review, more precisely North Macedonia and Albania. As it can be seen from the table below the total economically active rate % was 2 to 3 higher than in North Macedonia as far as this period was concerned for both 2019 and 2020.

Table 1. Key labor market indicators, second quarter in 2019 and 2020

		Albania	North Macedonia
Economically active rate %			
Total	2019	60.6	57.1
	2020	58.8	56.5
Employment rate %			
Total	2019	53.6	47.1
	2020	51.7	47.1
Unemployment rate %			
Total	2019	11.5	17.5
	2020	11.9	16.7

Source: National Statistical Offices

3. SHORT OVERVIEW OF THE CHARACTERISTICS OF THE COVID-19 RECESSION

In comparison with past economic crises, the economic recession caused by the COVID-19 pandemic has distinct options. To formulate effective response measures, it's instructive to contemplate the particular social and economic characteristics of the COVID-19 pandemic. As of Nov 2020, there was no vaccine to stop COVID-19 or effective treatments for COVID-19. during this scenario, the simplest safeguard against the unfold of the virus is to avoid the exposure to the virus. The COVID-19 1st emerged as a provide shock to the worldwide economy. because of the imprisonment, temporary closure of business, significantly in services sector, entailed an abrupt halt in economic activity and an interruption of the worldwide provide chain. However, not like natural disasters, key infrastructure and production facilities weren't physically broken by the coronavirus and therefore the provide capability remained intact. They were merely underutilized because of the imprisonment restrictions. The negative provide shock additionally induced a shrink of combination demand. Restrictions on public associate degreed social gatherings in addition as on travel each at the domestic and international levels have junction rectifier to an evaporation of considerable demand of households and corporations. because the pandemic persists, these shocks become a considerable decline in combination demand significantly for discretionary product and services through risk aversion behavior of customers. These economic shocks on each provide and demand sides caused by restriction of face-to-face contacts resulted in substantial loss of employment and financial gain and any widened difference.

4. SOCIAL SECURITY POLICY RESPONSE MEASURES TO THE PANDEMIC

Different phases of the pandemic had totally different response from every country over the world. Same is that the case with these 2 countries below review- North Macedonia and Albania. within the initial part of the occurrence, it's of utmost importance to stop the unfold of infection, giving priority to the protection people's lives. For this purpose, governments ought to take imperative measures together with intense emergency health services, social distancing and lockdowns. At identical time, governments ought to take sturdy action to support the bread and butter of individuals littered with the imprisonment with a read to preventing gratuitous closure of business and job loss and protective vulnerable populations. For employers this may facilitate retain sure-handed staff throughout the temporary closure and modify a fast restart once the imprisonment is raised. If a pointy rise in coronavirus infections is contained and therefore the imprisonment is bit by bit raised, the key challenge is to resume economic activities whereas preventing the repeat of pandemic. Therefore, guaranteeing health and safety at the work ought to represent an important policy to revive the labor market. once reopening the work and golf shot staff back to figure, it's imperative to harness work arrangements that incorporate social distancing, embrace COVID-19 into the work risk assessment, and supply correct protecting instrumentality. As seen earlier, when virtually 2 months of imprisonment from March to could 2020, businesses were reopened and economic activities bit by bit started. However, the second surge of infection ranging from the half of 2020 in Europe has diode several countries to bolster quarantine measures together with the intro of lockdowns. Achieving the immunization of an oversized share of population may be a nice advance for a good containment of the coronavirus, that may be a requirement for a complete recovery with typical measures. we have a tendency to should closely monitor the progress of the vaccination programmes with a hope that the coronavirus is presently anaesthetize management.

5. ROLES OF EMPLOYMENT AND SOCIAL SECURITY POLICIES IN THE INTEGRATED CRISIS RESPONSE

From the planet of labor views, each employment policies and Social Security policies play an important role in protective employees and their families against the adverse effects of the crisis on health, employment and sustenance. Discussing these 2 public policies in cycle would have the advantage of showing however they will be higher aligned and coordinated, with a read to creating them reciprocally adjunct. With these points seeable, during this paper it's examined the subsequent 3 styles of measures whereas giving main target Social Security. Initial set of measures embrace subsidizing or deferring the payment of Social Security contributions (including company taxes and employers' liability for advantages like first many days of illness benefit), however may also touch wage subsidies among the framework of input package. These measures square measure designed to supply liquidity for business continuity, preserve jobs, scale back losses and make sure that companies' potential provide capacities don't deteriorate. The second set of measures carries with it short money advantages for those littered with the crisis. Typically, they embrace state advantages, illness advantages (including employment injury benefits), and supplementary benefit. This measure called automatic stabilizers which give money advantages for loss of jobs and financial gain throughout economic downturns. In response to the COVID-19 crisis, many countries have introduced special money transfer programmes for those littered with imprisonment. additionally, child care leave advantages are necessary in supporting employees UN agency had to supply care to kids staying reception once nurseries, kindergartens and colleges were closed because of the imprisonment. The third set of measures concern extra payments to long-run advantages. Having in situ legal provisions and institutional structure on Social Security doesn't guarantee that the system provides adequate advantages in a very property manner. However, the prevailing systems enabled the governments to supply timely and versatile responses to employees and their families littered with the Covid-19 crisis while not the necessity to adopt new laws and laws.

As shown in Table 2, both countries Albania and North Macedonia have ratified the ILO Social Security Minimum Standards Convention, No.102. Facing the current crisis, it is critical to ensure access to health services, maintain essential services, protect jobs, assist the business continuity, and secure the income of those affected by the crisis throughout adversity. Moving out of this crisis requires an integrated policy response involving fiscal, monetary, labor market, and social security policies.

Table 2. Ratification of ILO Convention No. 102 and related instruments (as of January 2021)

Country	Date of ratification of C.102	Branch										Relevant ILO Conventions		
		Medical care	Sickness	Unemployment	Old Age	Employment injury	Family	Maternity	Invalidity	Survivors	C.121	C.168	C.183	
Albania	18.01.2006	✓	✓	✓	✓	✓		✓	✓	✓		04.08.2006	18.08.2004	
N.Macedonia	17.11.1991	✓	✓	✓	✓	(C.121)		✓		✓	17.11.1991		03.10.2012	

Source: NORMLEX. <http://www.ilo.org/dyn/normlex>.

5.1 Social Health Protection

Both countries have already attained a reasonably wide population coverage of health care. As shown in Table 3, these two countries spend around 6 percent of GDP on health of which between 41 and 67 percent is public expenditure (government's budget and social security) and the rest is households' out-of-pocket expenditure. While the majority of the health expenditure is financed by public sources in North Macedonia, extensive out-of-pocket payments (and the practice of informal payments) are evidenced in Albania. In particular, the share of out-of-pocket payments exceeds the share of public funding in Albania. The out-of-pocket payments are sources of financial hardship and the main obstacles to accessing health care, particularly for low-income households. The role of private health insurance is minimal. In 2017, while public sources covered almost all costs related to inpatient care, day care, prevention and public health, and health administration, households had to pay almost all of the costs related to pharmaceuticals and other medical products and nearly 40 percent of outpatient care costs. In addition to paying for medicine and health care services, patients are requested to make informal payments to receive health care at health institutions. Since the outbreak of the COVID-19 pandemic, the countries have introduced measures facilitating access to health care services.

Table 3. Health expenditure by financing source, 2016–2017

	Current health expenditure (% of GDP)	Source of Financing (% of the current health expenditure)	
		Government expenditure	Out-of-pocket payments
Albania	6.7	41.0	58.0
North Macedonia	6.1	67.4	31.9

Source: WHO Health Expenditure Database and World Development Indicators.

5.2 Measures for Business Continuity and Employment Retention

As shown in Table 4, North Macedonia provided subsidies of social security contributions for workers (including self-employed) affected by lockdown (Companies affected by the pandemic were eligible for a subsidy of 50% of the social security contributions during April, May and June if they do not use financial support for salary (MKD 14,500 per employee). Albania provided neither of these measures.

Table 4. Subsidy and deferral of social security contributions

Country	Contribution rate	Description of Measures
Albania	SI: 15%(E)+9.5%(W) HI: 3.4%(W)	No subsidy or deferral of contributions.
North Macedonia	HI: 7.5% SI: 20.5%	Companies affected by the pandemic were eligible for a subsidy of 50% of the social security contributions during April, May and June if they do not use financial support for salary (MKD 14,500 per employee).

Source: Information from country correspondents supplemented with ISSA country profiles and other

Both countries under study have adopted temporary wage subsidies to prevent layoffs and to help enterprises retain their employees. The level of subsidy was generally at the minimum wage. As a condition of receiving wage subsidy, employers were not allowed to terminate employment contracts with the employees for whom they have been granted reimbursement of salary compensation. Table 5 presents this type of measures implemented in the two countries.

Table 5. Wage subsidies

Country	Description of Measures
Albania	The minimum wage subsidy of ALL 26,000 from April to June and a one-off financial assistance ALL 40,000 were provided to workers in small and medium enterprises affected by lockdown
North Macedonia	Health workers and others directly involved in the coronavirus infection received wage supplements of 20% from the base wage for two months. Financial support for employers for providing salary of maximum MKD 14,500 per employee for April and May if they do not receive the subsidy of 50% of the social security contributions. Companies from catering industry, tourism, and transport can receive both the financial support for wage and the subsidy of 50% of social security contributions. Financial support of MKD 14,500 for artists and sport clubs for April and May 2020.

Source: Information from country correspondents.

5.3 Income Support by Short-Term Benefits

While measures supporting businesses and subsidizing their labor costs to retain employment are of key importance, equally important are the measures which provide income support for those who lost or reduced income due to the pandemic.

5.4 Sickness Benefits

As summarized in Table 6, sickness benefits in both countries under review are contributory social insurance benefits. The replacement rates depend on the contribution period.

In the context of pandemic, employers can provide sickness benefits for salary compensations of their employees who are unable to work due to business closure or under mandatory quarantine. However, it appears that this option was not widely adopted by the countries reviewed.

Table 6. Sickness benefits

	Albania	North Macedonia
Benefit level (as % of previous earnings)	70-80%	70%
Employers' liability	1 st 14 days	1 st 30 days
Any reduction of employers' liability?	no	no

source: Information from country correspondents and ISSA Country Profiles

5.5 Unemployment and Related Benefits

Despite the efforts to retain employment, the labor market situation in these countries deteriorated. All countries adopted measures to enhance the unemployment benefits by increasing the benefit level and

relaxing the eligibility conditions to cover a broader range of workers. Table 7 summarizes the measures introduced in Albanian and North Macedonia countries.

Table 7. Unemployment and related benefits

	Minimum contribution period	Benefit level and duration	Description of measures
Albania	12 months	50% of minimum wage for max 12 months	Unemployment benefits were doubled during the pandemic, namely the amount equals 100% of minimum wage.
North Macedonia	9 consecutive months or 12 months in the last 18 months	50% of last salary for max 12 months	Unemployment benefits for those who lost jobs in the period from 11 March to 30 April, irrespective of the contribution period, are entitled to of 50% of the last wage but not more than 80% of the average wage.

Source: Information from country correspondents.

5.6 Other Cash Income Support and Social Assistance

As summarized in Table 8, social assistance benefits were temporarily increased, eligibility conditions were relaxed, and one-off cash supplements were paid. It is observed that Albania for example provided one-off income assistance of a universal character. In North Macedonia, a similar one-off assistance (around 50 Euro) was paid to persons with low income and the youth population aged between 16 and 26 years in full education.

Table 8. Non-contributory cash transfers

Country	Description of Measures
Albania	The amount of economic assistance was doubled. One-off financial assistance of ALL 16,000 per person for all the applicants of the economic assistance who have not received any benefits until April 2020.
North Macedonia	The basis for income test for social assistance was changed to the total family income of the last month instead on the last three months. Other qualifying conditions were relaxed. Supplement of MKD 1,000 to cover energy expenses was added to the social assistance benefits. One-off support of MKD 3,000 on bank debit card for the employed whose total wage during January to April was less than MKD 60,000, youth (between 16–26 years of age) in full time education. One-off support of MKD 9,000 on bank debit card for the beneficiaries of social assistance and unemployed with net income lower than MKD 60,000. One-off support of 40% of the last net wage for medical workers in institutions for testing, diagnostic and medical treatment of Covid19. Additional energy allowance of MKD 1,000 for March and April for the beneficiaries of social assistance.

Source: Information from country correspondents

In addition to cash transfer, in-kind benefits were also granted in the form of utility waivers or vouchers for purchase of specific goods and services. Table 9 summarises these benefits.

Table 9. In-kind support

Country	Description of Measures
Albania	Delivery of basic goods, including medicine, to the persons in need: recipients of social assistance, persons with disabilities, elderly, homeless persons. Utility waivers for selected groups of tenants
North Macedonia	Rents in social housing deferred for selected groups of citizens. Vouchers of MKD 6,000 for domestic tourism and bank debit cards of MKD 3,000 for catering for the employed whose total income during January to April was less than MKD 60,000. Food and sanitary packages distributed to vulnerable groups.

Source: Information from country correspondents

5.7 Childcare Leave Benefits

During the lockdown period, parents of small children had to stay home to care for their children. These two countries under review introduced temporary special childcare leave. In North Macedonia parents of children less than 10 years of age were entitled to such leave.

5.8 Additional Income Support to Pensioners

Table 10 presents the measures for pensioners. Albania introduced additional indexation of benefits and higher increases of the minimum pensions. In North Macedonia, pension payments were made earlier.

Table 10. Additional cash benefits to pensioners

Country	Description of Measures
Albania	Indexation of pensions by 2.3% and higher increases of the minimum pensions
North Macedonia	The payment date of pensions was put forward by one week (from the 4th or 5th of the following month to 28th of the current month).

6. SOCIAL SECURITY RESPONSE MEASURES AND THEIR IMPACT

Although it is still premature to evaluate the full impact of the COVID-19 response measures, this paper attempts to assess the effects of these measures on the labor market and the household income. It is analyzed in the study the extent to which these measures managed to protect the labor market and retain employment and alleviated adverse impact on household income.

6.1 Size of Fiscal Measures

As presented in Table 11, IMF estimates that globally the governments spent 5.9 percent of GDP on the COVID-19 related measures in the first half of 2020. Most of this additional expenditure was targeted to enterprises and households outside the health sector. Aside this, accelerated spending and deferred revenue amounted to 1.0 percent of GDP. These fiscal measures directly increase both government deficits and public debt. In addition, globally the governments created another 6.0 percent of GDP of liabilities, most of it contingent, in the form of equity injection, loans, as well as various guarantees to enterprises or other quasi-fiscal operations. These measures do not affect deficits in the short run, but some of them increase immediately the debt and decrease the net worth in the long run. The scales of fiscal interventions differ by country. In the high-income countries in Western Europe, additional direct spending was between approximately 5 percent of GDP (France and Italy) and 9.2 percent of GDP (UK), mostly targeted the non-health sector. The new EU member states spent less than the high-income countries. The additional fiscal

spending ranges from 2.2 percent (Romania) to 7.9 percent (Slovenia). Among the two countries under review, the fiscal measures were focused mainly on direct additional spending targeted to enterprises and households. In terms of GDP, North Macedonia increased fiscal spending by 2.0 percent, and Albania by 1.2 percent. According to the available data, the size of on liquidity support was 1.7 percent in Albania and 1.5 percent in North Macedonia.

Table 11. COVID-19 related fiscal measures during the first half of 2020 in selected countries (% of GDP)

	Additional spending or foregone revenues (A)			Accelerated spending /deferred revenue (B)	Liquidity support (C)			Total A+B+C (total of available)	
	Subtotal	Health sector	Nonhealth sector		subtotal	Equity injections, loans, asset purchase or debt assumptions	Contingent liabilities		
							Guarantees		Quasi fiscal operations
Albania	1.2	0.2	1.1	-	1.7	-	1.7	-	2.9
North Macedonia	2.0	0.1	2.0	-	1.5	-	-	1.5	3.5

Source: IMF. Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic. IMF (2020b).

The full account of the effect of the stimulus measures in terms of retaining employment, income protection and future economic recovery cannot be assessment. However, here are presented the preliminary analysis based on available information and reports of individual countries from national experts.

6.2 Labor market and labor income

Among the two countries under review as presented also in the ILO rapid assessment it is found that In North Macedonia, the main employment retention measures put in place by the government were timely, but the intensity of the support may be too low to achieve the desired impacts. Although the employment retention measures appear generous in the most densely populated segments of the wage distribution, they fall significantly in intensity over the four months of the programme. In North Macedonia, the unemployment benefit is the only systemic protection for those who have lost income from work but remain ineligible for cash social assistance (guaranteed minimum income). However, high prevalence of informality of the labor market has diminished its protective role. Most workers losing their jobs during this crisis are under non-standard forms of employment or informally employed, with little or no access to unemployment benefits. As noted earlier, the social security and wage subsidies measures have served as an incentive for workers who lost jobs to register with public employment services and for employers to register more workers as formal employed. This shows that stimulus packages – if well designed – can also (at least temporarily) contribute to formalizing the informal economy. According to the latest ILO Monitor presents the estimated values of fiscal stimulus during the first three quarters of 2020.

6.3 Household Income

Table 12 shows the change in the household income from the national account data in the second quarter of 2020. It can be seen in the table that North Macedonia is a country which implemented relatively large-scale stimulus and public health measures exhibiting increases in the government final consumption differently from Albania which is – 0.7.

Table 12. Changes in GDP and consumptions in the second quarter of 2020

	Albania	North Macedonia
GDP	-10.2	-12.7
Household final consumption	-7.6	-11.6
Government final consumption	-0.7	+1.5

Source: National Statistical Offices. Notes: % change to same quarter previous year, seasonally adjusted wherever available.

Table 13 presents data from remittances sent by migrant workers working represent important source of the household income in the region, perhaps to a relatively lesser extent for North Macedonia while 9.4% in Albania.

Table 13. Remittances as a percentage of GDP, 2019

	Remittances (% of GDP)
Albania	9.4
North Macedonia	2.5

Source: World Bank. Migration Portal: <https://migrationdataportal.org/themes/remittances#key-trends>.

7. EVALUATION OF POLICIES

Based on the results the preliminary impact assessment, we evaluate the effectiveness of the policy measures in order to offer intuitions for an informed decision of the policy choice and prioritization.

7.1 Subsidy or Deferral of Social Security Contributions

The social security contribution rates in the Central and Eastern Europe countries are generally more than 20 percent, and annual contribution revenues range between 5 and 10 percent of GDP. Thus, even though the States subsidise the minimum contributions with respect to the affected workers, the impact of relief of employers' obligation of contribution payment could be important. As shown in Table 11, there was no data for the deferred revenue and accelerated spending amounted in both countries under review.

7.2 Wage Subsidies

Worldwide at least 40 countries have adopted temporary wage subsidies. The underlying idea of temporary wage subsidies is to prevent mass layoffs, to help enterprises retain their skilled workers, and to support the recovery of production once the lockdowns ended. They also aimed to ensure that workers continued to receive at least part of their usual wages, even if some workers had to take wage cuts. Experience suggests that while wage subsidies reduce the unemployment by keeping employees attached to their original employers, in the long run it might slow down needed structural changes to respond to the new demand and to adjust the work arrangements. North Macedonia and Albania have introduced such wage subsidies. Largely due to the fiscal constraints, the period was from March to May 2020 and the amount was fixed at the minimum wage regardless of individuals' previous wage. National reports tell that these measures were relatively successful in preventing surges in unemployment and compensating around 25-50 percent of the lost labour income during the second quarter of 2020. If the pandemic persists and labour market situation does not improve, there could be a further call for such temporary wage subsidies. The situation requires a close monitoring for the third and fourth quarters of 2020 and beyond.

7.3 Income Support by Short-Term Benefits

During the first stage of pandemic, social security played an important role in mitigating reduced or lost income and protecting the most vulnerable groups to meet their immediate cash and materials needs. The provision of sickness benefits for employees who are unable to work due to business closure or under mandatory quarantine was not widely adopted by the countries reviewed. In both countries, employers are responsible for the payment of first several days of sick leave of the employee. In times of recession, unemployment benefits play a vital role to provide income support to workers who have become involuntarily unemployed. The pandemic reinforced the long-standing need to expand the coverage of the unemployment benefit and increase its benefit level. Albania and North Macedonia enhanced the unemployment benefits and covered more types of workers. In the current crisis, there has been high incidence of partial unemployment as a result of reduced work hours or involuntary unpaid leaves. However, unemployment benefits in most countries are payable only in case of full unemployment which led some countries to extend the eligibility of unemployment benefits, and sickness benefits are not widely utilised. This suggests that a narrow focus on unemployment does not meet the emerging need of the labour market. This gives rise to a need to extend the existing unemployment benefits to cover cases of partial unemployment to compensate at least partially income losses of those whose working hours are reduced involuntarily irrespective of the types of employment contracts. The existing provisions of childcare leave in labour law or social security law are not sufficient when schools and childcare institutions are closed for months. There is thus a need to enhance this provision which allows parents to stay at home and care for children in times of pandemic and lockdown.

7.4 Population Not Adequately Protected by The Existing Social Security Benefits

Although the existing social security systems responded well to protect the contributing members, mainly consisting of full-time regular employees in formal employment and the self-employed, they did less well for a growing number of workers who were excluded or insufficiently covered by the existing contributory social security systems. Groups of workers not adequately protected by the existing social security systems include workers in the informal economy and those in the non-standard forms of employment including those in the platform economy. In fact, these workers were among the most hardly hit by the crisis. Some countries extended the access to health care and eligibility of income support benefits (sickness benefits, unemployment benefits, social assistance) to groups who had not been covered. However, such support targeted directly affected groups (except the case of universal payment in Serbia) and the benefit was of a temporary nature or just one-off income support. These limitations of the contributory systems may lead to a need for (time-bound) extraordinary solidarity measures of universal nature, to be organized by the State, to support the basic livelihood of all the population in need throughout the adversity. In addition, the fact that all the countries implemented measures of increasing statutory benefits (unemployment benefits, sickness benefits, social assistance, and pensions) and paying temporary or one-off supplements at least for specific groups suggests that the countries recognize these benefit levels inadequate and paid only over a limited time horizon. Migrant workers have been another affected group. This includes repatriated migrant workers coming as a result of lockdowns in the countries of destination. Many of them lost the right to social security benefits they enjoyed while working abroad. The pandemic hit a critical gap in the existing social security coordination mechanism. Most of the existing social security agreements do not allow for the export of unemployment benefits because of the difficulties in verifying the job-search requirements in a different country. Consequently, the repatriated migrant workers coming home due to lockdowns were not paid unemployment benefits even if they are covered by the social security agreements and have contributed to the unemployment insurance schemes of the countries of destination.

One feasible alternative that should be considered to avoid this unfairness is the payment of a lump-sum amount – for example, an amount based on the length of the period of insurance – to a migrant worker who leaves a country permanently on becoming unemployed. Among other excluded groups one has to mention Roma population who are usually excluded from access to health care and social services in most of the countries in the region.

7.5 Social Security Support for A Safe Return to Work

The COVID-19 pandemic calls for a new way of living and working through strengthened health and safety measures at workplace, adaption of work arrangements, and management of stress and other psychosocial risks. Although prevention is better than cure or compensation, the latter is an equally important tool to provide assurance in case of infection at workplace or during commutation since the chance of infection is rising and the damage can be serious or even fatal. The coverage of COVID-19 related morbidity by the workers compensation is therefore an important measure not only for essential workers including health care workers, but also all type of workers. The following Table 14 presents key social security and labor market measures by different phases of the pandemic.

Table 14. Social security and labor market responses in different phases of the pandemic

Social security and jobs responses	Lockdown	Gradual reopening	Recovery and beyond
Wage subsidies	Yes, can prevent massive layoffs and retain skilled labour.	(1) Phase out and make them more targeted to sectors at risk. (2) Clearly link them to retention of workers. (3) Build in a progressive element providing higher support for workers and firms at low wage levels.	Go for active labour market policies that better support the adaptation to structural change (e.g. retraining).
Deferral of social security contributions	Yes, can help to improve cash flow of enterprises and households.	Make them more targeted to sectors at risk	Restore financial balance of social security funds.
Health care	Maintain access to medical care (including vaccination) for COVID-19 treatment and testing throughout pandemic and beyond.		
Occupational safety and health	Prevent infection at workplace based on risk assessment. Promote teleworking and social distancing. Enhanced protection for health workers and other essential workers.		Adjust to new normal at work.

Unemployment benefits	Relax eligibility, enhance benefit level and duration.	(1) Start limiting enhanced benefits to sectors at risk. (2) Focus on vulnerable population groups, e.g. youth. (3) Introduce unemployment allowance and link it to activation measures aiming at accelerating the re-entry of unemployed or inactive in the labour market	Build a system combining both unemployment benefits and unemployment allowances. Extend the coverage to all types of employment.
Other income support	Provide income support for all affected throughout the adversity. Extend the coverage to the new poor and the new vulnerable groups who are not covered by the current social security systems.		Build and maintain comprehensive social protection floors, defined as sets of basic social security guarantees at national level ensuring that all in need have access to essential health care and basic income security.

Source: ILO staff compilation. Partially adapted from Fig. 1.1 of ILO Office for Central and Eastern Europe (2020a) and Table 1.3 of IMF (2020a).

7.6 Issues in Financing

The COVID-19 crisis is not yet over. However, the stimulus measures and social security measures put considerable strain on government budgets and social security funds. The crisis affected the long-term sustainability of the social security systems, in particular already fragile pension systems. Ultimately, these measures will cost all countries large public debt build-ups, in the table 15 below it will be numerically represented for Albania and North Macedonia. In the long-term, the budget deficit and the accumulated public debt will impose a heavy burden on future generations.

Table 15. IMF forecast of key fiscal indicators, 2019–2025

Indicator	Country	
	Albania	North Macedonia
General government net lending/borrowing (% of GDP)		
2019	-2.0	-2.0
2020	-8.4	-7.7
2021	-4.7	-4.3
2022	-2.6	-3.4
2023	-2.0	-3.2
2024	-2.0	-3.1
2025	-2.0	-3.1
General government gross debt (% of GDP)		
2019	67.7	40.2
2020	83.3	50.3
2021	83.2	50.5

2022	77.1	50.6
2023	74.8	50.8
2024	71.9	51.1
2025	69.1	51.5

Source: IMF. World Economic Outlook and Fiscal Monitor (October 2020)

It is absolutely indispensable to retain flexible and supportive fiscal policy now. Nevertheless, in due course governments face the question on how to contain the fiscal deficit and to manage the public debt under control to avoid a potential debt crisis. In particular, how can we finance social security benefits when we face large fiscal deficit and public debt? Though it is not the objective of this paper to enter into this analysis but it can be said that two observations based on a large body of evidence-based assessment of past economic crises. First, extensive austerity, which entailed steep and indiscriminate cuts to government spending, typically social security and health spending, made recessions deeper and longer. By contrast, countries that had increased government spending achieved faster economic recoveries and stabilized the fiscal deficit and public debt. Second, many studies show that investments in health, education, and social security have fiscal multipliers significantly greater than 1 in different countries and times. Namely, each \$1 of government spending creates more than \$1 return on economic output. Thus, investing in social security systems will contribute to economic growth in the long run. These findings strongly suggest that social security is crucial in economic recoveries and that countries investing more in social security systems exhibit better resilience to the shocks. This is typically the case with the current COVID-19 crisis. The key challenge of the government is to secure necessary resources to maintain and improve the delivery capacity of social security systems during the crisis and in the recovery phase. But fiscal space for active labor market interventions and social security interventions exists in all countries even in the poorest countries. In order to scale up social security systems and to achieve the Sustainable Development Goals, countries should explore, through effective social dialogue, all possible options to generate resources for public investments for human rights, jobs and social security.

8. CONCLUSIONS AND RECOMMENDATIONS

As we've got seen, in both, Albania and North Macedonia Social Security policies set up one among the crucial a part of the integrated responses to the COVID-19 crisis throughout the primary stage of pandemic. However, the crisis has disclosed gaps within the existing Social Security systems that stem from problems inherent within the current world of labor, particularly with relevancy rising precarious employment and widening difference, From the preliminary assessment of the Social Security response within the initial stage of the COVID-19 pandemic, the subsequent policy recommendations can emerge: Social security constitutes a key pillar of the integrated policy response. so Social Security measures ought to be closely coordinated with a good vary of policies, especially labor market and monetary policies to support the use protection and business continuity.

Social security systems ought to effectively make sure the access to health care and financial gain security. Access to health care ought to be bound to all population. At a similar time, sufficient resources ought to be allotted to supply necessary health care services. financial gain security ought to be ensured altogether things of loss of financial gain, together with involuntarily reduced operating hours, state, illness (including quarantine), and augmented family responsibilities. financial gain security shouldn't solely stop impoverishment however additionally replace the lost financial gain in adequate and acceptable proportion (subject to a definite maximum).

The Social Security coverage ought to be extended to employees altogether kinds of employment together with non-standard sorts of employment by taking into consideration their giant nonuniformity and

high labor market quality. The compliance and social control ought to be improved by encouraging the formalization of employees within the informal economy and rising the contribution assortment against underreporting of tributary wages.

Benefits from non-contributory programmes ought to effectively supplement to fill the coverage gaps of the advantages from tributary schemes. The crisis additionally prompted the necessity to think about adjusting the present Social Security design and finding out an additional appropriate mixture of tributary and non-contributory systems that respond higher to the continued labor market transformation

It is vital to confirm intelligent social dialogue as a crucial and effective mechanism to formulate Social Security responses to the COVID-19 crisis. a long-lasting resolution to the pandemic will be in agreement and sustained provided that there's nation-wide social group accord supported full understandings of the implications of the measures and thru continuous commitment of all relevant stakeholders.

The global fight against the new coronavirus COVID-19 is much from over. There still remains nice uncertainties ahead. things so need a detailed watching. This report will be thought to be a preliminary assessment of the Social Security responses for the seven countries with a spotlight on money edges for the operating population and their families.

The COVID-19 crisis has highlighted the importance of proactive investment to make comprehensive and resilient Social Security systems which will respond quickly and effectively to shocks once they emerge. it's additionally highlighted the essential role of the State's interventions within the face of an unprecedented.

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