

POVERTY WATCH 2020

NORTH MACEDONIA

Introduction:

Poverty watch report is a national report that aims to present the general picture of the poverty in North Macedonia by doing analyses of the official data about this problem and through the voices of people who experience this reality. The report is set to inform the society about the problem with poverty, highlighting key issues and raising awareness to the decisions makers of the needed to fight and eliminate poverty and social exclusion in all its forms. It is an effective communication tool pointing key developments/trends on poverty, making impact of the policy making, identifying the key issues of the people in poverty and proposing solutions.

This 2020 will be the 3rd year in row preparing the PW report by MAPP. Macedonian Anti-Poverty Platform (MAPP) is a non-governmental organizations that has more than 60 voluntary members, informal citizens' associations, self-help groups, trade unions and individuals who are working in various fields and who have joined forces to highlight the problems they face and bring them in their common interest.

Defining poverty and the risk of poverty

It is generally divided into two types: absolute (extreme) and relative poverty. Absolute or extreme poverty refers to the lack of basic necessities for survival such as lack of food, clean drinking water or adequate housing conditions, lack of clothing, medicine and etc. Relative poverty speaks to the way of life and income of some people, which is much worse than the general standard in a particular country, and which leads to difficulties in everyday life and their exclusion from participating in economic, social and cultural activities.

The risk of poverty may be due to low incomes, material deprivation and unemployment. In addition to poverty, there is also the social exclusion. "Individuals, families and groups of persons are considered poor if their resources (material, cultural and social) are at such a level that excludes them from the

minimal acceptable way of life in the country in which they live" – definition by Eurostat used by State Statistical office in North Macedonia.

Overall situation/trends on poverty, and the impact of COVID-19 .What are the key challenges and priorities?

The Coronavirus epidemic marked this year putting the country and the economy on harsh struggles, attacking citizen's health and life. Although the health crisis is the biggest problem, this crises broke the economy all around the world and so as in North Macedonia. The most affected are people in poverty and social vulnerability.

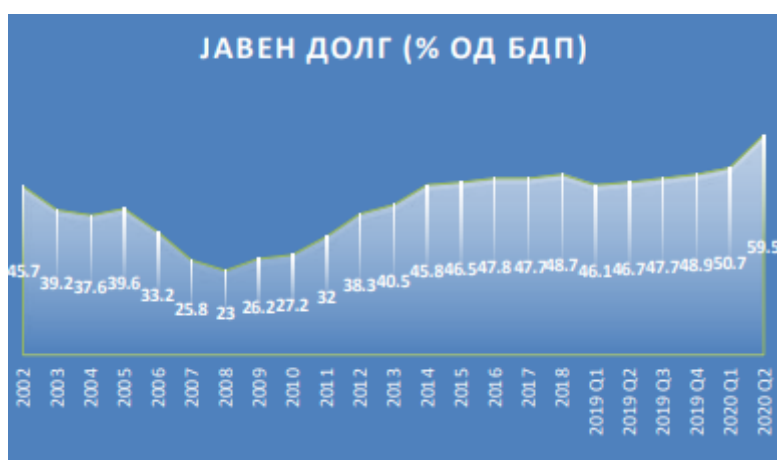
Last analyses of The World Bank said that "The combined effect of lower labor incomes and lower remittances due to COVID-19 will likely increase poverty to pre-2017 or even pre-2015 levels, depending on the duration of the crisis. Simulations predict that the poverty rate will rise from about 17% in 2019 to about 20–23% in 2020, and from 55,000 to over 130,000 Macedonians (depending on how long the crisis will last) would fall into poverty. Before the pandemic, poverty was only 4% among workers in the most affected sectors, but the rate is estimated to hit about 8% in scenario 1 and 15% in scenario 2. The impact of the virus outbreak will likely differ along the income distribution; incomes will fall by about 5 to 8% among those in the lowest quintile, and 7 to 13% or more for the rest of the population. Moreover, more than 75% of those who are likely to fall into poverty are currently not covered by any social protection program."

Although the report does not emphasize the decline from 21.9% in 2018 to about 17% in 2019 due to changer of the social protection system and the introduction of minimum income schemes, guaranteed minimum assistance and other allowances made for the poorest families. Unfortunately, the pandemic will take us back to the beginning, but now with a new group of poor, those who previously lived at risk of poverty.

"The Covid-19 crisis has impoverished the employed people as well" – *says Biljana Dukovska from the Macedonian anti-poverty platform*. Poor people living below the poverty line are taken care of by the social protection systems, but now there is a situation when those who were not poor until yesterday, will now face poverty. Now it become visible how the poor really live. Humanitarian organizations that have been working for years helping citizens with experience

or at risk of poverty are saying that number of applicants for assistance has increased by 30%. These are new people who are addressed for the first time. The Government officials mention that 20,000 new households from the informal economy would require quick entry into the social protection system from the months of April and May. "Just for comparison, there were already about 30,000 existing users, which indicates a frightening fact that the number of citizens in need of support is almost doubling," - said *Biljana Dukovska*.

The best approach for prevention and reduction of poverty is the one based on respect for human rights, so it is important to be careful not to deepen the existing inequalities, in all areas, but also not to design measures for the "average citizen" but aim at specific groups and their conditions. The most vulnerable categories of citizens should certainly be given priority, but it is equally important to prevent the creation of new poor. It is important to react on time before the risk of the virus appears, primarily to ensure that all citizens have access to clean water as a prerequisite for hand washing and the opportunity to follow all tips for preventive and protective action. The *director of the Employment Agency, Biljana Jovanovska* said that 11 190 people registered as unemployed and reported that they lost their job between March 11th to May 31st. Measures adopted by the government, had positive impact on the groups without financial means and poor living conditions, loss of jobs and Income. However, the public debt and deficits in public budgets on local, regional and national level will further increase poverty and inequality in the time to come.



Problems in accessing healthcare

In prior of elaborating the problems of the healthcare system, it is significant to accent the positioning of the system itself. North Macedonia has an implementation of a national healthcare system, thus a system where the coverage is comprehensive and allows every citizen to be able to receive the health protection and intervention. For the people who are unemployed, the Ministry of Health covers their health insurance.

Nevertheless, the problems that were consisted in the years before the pandemic were noted with the people who are facing poverty and the socially excluded ones. Even though everyone has the right to a health protection, the people who are experiencing poverty have the problems of the physically accessing or using healthcare institutions especially ones of secondary and tertiary health care. Since most healthcare coverage covers primary health care costs for additional costs either they don't have the sufficient funds to cover them or they don't have any funds at all. Rural communities and marginalized groups are most fazed by the consequences of the problems with not having a regular practitioner, whom they can visit.

- ❖ *Positive mention is the enabling of the sick people (which is especially important for the chronically ill that need regular therapy) not to go for prescriptions at their primary care doctor, but the doctors were systematically connected with the pharmacies.*

Main obstacles or issues:

- Bad coverage of ambulances and health care facilities
- COVID testing points are missing, especially in poor areas, which are potential hotspots (Shutka municipality for example).
- People in the rural areas don't have everyday visits to their practitioner
- Not every woman have access to gynecologist (putting the focus point on the Roma women who don't have adequate access to a local OG, so to maintain their reproductive health)
- Poor network of local health services and lack of free ones (these pavements are not covered by the national compulsory health protection)

but on the individual financial situation, leading to a social exclusion to the people who are experiencing poverty)

- Prolonged time of having proper care or access to health services due to Covid-19
- Covid 19 prevention and protection measures are not adjusted for some of the disabled people due to the fact that additional circumstances for their full observance are not provided, which exposes them to a higher risk of the virus compared to other citizens
- Many groups suffered and are still suffering from loneliness, depression, poor general health, mental health, and it's difficult to detect them all

Another problem that represented itself in the access of healthcare is the issue with not having the proper documentation/validations. Pre-conditioned for every person is to be citizen of the country in order to be able to have access to the national healthcare systems and have access to healthcare services. The number of people who cannot obtain the needed documentation for different reasons, their access is restricted and they are not able to enter the national healthcare system.

Vulnerable groups are the most negatively affected by Covid – 19

Everyone is affected by the Corona-19 pandemic, but some groups are more negatively than others like: workers with temporary jobs, self-employed workers, people in low-wage jobs, front-line workers (transport, supermarkets, retail, and police), homeless people, persons with drug addictions, persons with poor health and other vulnerable groups. One of the most negatively affected are:

- Elderly people that had more restricted measurements during the Covid-19 taken for their own protection, for example a longer curfew for their mandatory stay at home. Being socially isolated, it affected the mental health of the elder people, developing anxiety or depression. Furthermore the social isolation and physical distance, disrupted the natural support they were having on a daily basis from family, neighbors and friends.
- Another group that was strongly hit by the pandemic are the persons which agreement expired or was on the verdict of expiration, it was not renewed or prolonged. The status of the people changed to unemployed, with an

enormous probability that even when the pandemic ends, their status will remain the same.

- The victims of the gender-based violence became more vulnerable during the pandemic. The national restrictions and the curfews “trap” the victims in their homes with the person who commits the violence. The lockdown and curfew restriction entrap the victim with the person who commit the violence and the additional support from a shelter center or an institution were scarce during the pandemic.
- The poorest children suffered more from Covid-19 as a result of the combined effects of multiple risks and disadvantages, such as insufficient internet access and poor housing conditions, which may be particularly important for progress in the learning of children at the time of closing and non-operation of schools. Such weaknesses are especially visible in children from the Roma population. Children are very much affected by the pandemic in a specific way. Not going to school their movement was limited, they had to adapt quickly to all that, they had to immediately adapt to distance learning through online programs. They felt the stress of both parents and teachers and that will have an impact on future generations.
- The self-employed people are people who have start up their own small business reflecting as their own life support from whom the target group is able to be financially sustainable and socially secured. During the lockout of the business, these people tend to use the funds from their austerity, being as their only source of financial support. Prolonging the state, it only defines more drainage from the austerity funds and increasing the material deprivation. Also questionable is if the business are going to be open back again, coming from decreased profit in the times during the pandemic, which only leads in forming a demotivation for the self- employed people to again face the difficulties they have experienced and new the newly formed ones.
- The Roma people are also facing severe difficulties on a national perspective. The majority of the Roma ethnic group are actively part of the non-formal (grey) economy. Collecting plastic, metal and after that selling the collection or being part of a non-formal bazar allows the Roma people material support for them and their families. Roma people were being cut out of their own main or only source of income, in which is enlarging their material deprivation and poverty. From a health standpoint, looking it from the prism of generational approach, horizontally and vertically, many of the Roma family generations live together as one household. That involves

- a bigger risk in contraction with virus and by default creating “opportunities” for the contractions to multiply.
- Women are at the forefront of low-paying jobs. This was especially felt in our country by the textile workers who during this crisis are working in inappropriate (unsafe) conditions and were using transportation from companies where there was no distance and protection. The virus has spread into too many areas, and the situation has become alarming for many workers and their families. Medical staff are in large numbers and many of them have been infected. Many women in the hospitality sector lost their jobs, but also those who were self-employed as hairdressers, cosmetics workers, etc. Among those most affected are those who work under contract, such as translators or musicians. Additionally, teachers, mothers, housewives, employees and wives were expected to organize all the work around hygiene and the kitchen.
- Young people faced insecurity in the educational process, inadequate organization of teaching and inaccessibility for young people from vulnerable categories, unclear protocols for completing degrees and transition from one level to another. The measures and the state of emergency to prevent the spread of Covid-19 significantly restricted the movement and activities of young people, thus making their psycho-physical health very vulnerable. In addition, they were affected economically, as they often worked in more precarious positions, had fixed-term contracts, or worked for a living, which made them more susceptible to job loss.

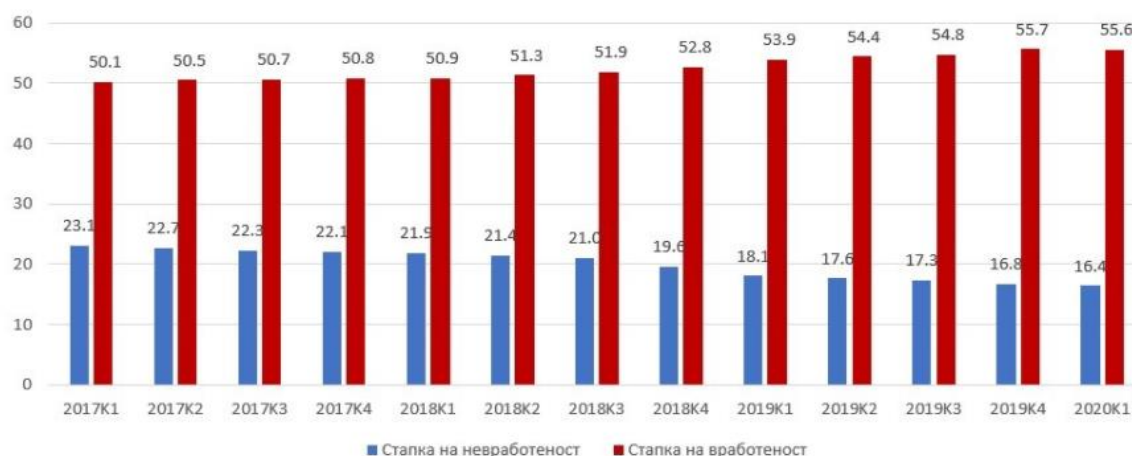
Unemployment

Over 9,000 people lost their jobs in the first two months of the pandemic, and the Employment Agency has submitted about 3,900 new applications for unemployment benefits and more than 9,000 people lost their jobs in March and April, according to official figures from the Employment Agency.

The unemployment rate of 16.7 percent was recorded in the second quarter of this year, according to the State Statistical Office. According to the published data, the number of unemployed in this second quarter is 159,623, while the number of employees is 793,416. The active population in the country is 953,039 people. The activity rate in the second quarter was 56.5%, while the employment rate was 47.1%. Compared to the end of 2019 and the second quarter of 2019, there is a

decrease, when 17.3% and 17.5% were registered. The published data indicate an increase in the unemployment rate compared to the first quarter when it was 16.2%. The data shows that the largest employer is the processing industry, which employs 161,007 people.

One in four people who lost their jobs during the coronavirus pandemic in the country is under the age of 29, According to the data of the Employment Agency, from March 11th to May 31st this year, almost 12 thousand people lost their jobs, and almost 3300 of them are under 29 years old. Those who work "illegally" are not even counted here. This already increases the high youth unemployment in North Macedonia, which is one of the highest in Europe. According to the State Statistical Office, youth unemployment in the country is 35%. Only some African countries have higher rates than these.



Problems in social protection coverage

The system of social protection and the system of social security consist different rights from different aspects, like, the social welfare, child protection, retirement and invalidity security, health security, unemployment benefits etc. The social reforms in the system of the social protection are made to evaluate and redefine the grasp of system of the people who have the rights to the benefits and the focus is finding the proper channels of informing, plus activities and methods in activating the people who aren't aware but have the right to a different

beneficiary. The system of social security, provides for the people who are employed to have certain benefits, by paying contributions for different insurances. From the gross wage, certain percentages are contributed for health insurance, retirement insurance, invalidity insurance and insurance in case of unemployment. Contributions that are made by the pension insurance, guided by the principle of solidarity, are allocated as pensions for the people who are already retired.

Main obstacles or issues:

Acts were created with the minimal conditions that are supposed to be made by the services if they want to be providers of the services. From practical experience, the process is gradually developing, but unequally in the whole country. In the urban area it is able to notice that multiple services are providing and helping the target groups, in contrast to the rural area where social services are still undergo. Even in the moment of the pandemic, the municipalities are putting accent on the social services and forming collaboration with social services and enterprises for providing help and support for their citizens.

What do people in poverty say?

The opinion of the citizens is that the cost of living is rising and wages cannot maintain decent living. Some say:

“How much do you have, you manage with that somehow. To survive only, and it’s all done with difficulty”

“I am getting paid something but is not enough to make a living out of it. Additionally I am taking care of an older lady. I need something that will get me back on my feet”

“I am putting hope in every new day, and my need is to have peace and mental health to be able to continue to work to support my family and my kids. It could be of great help if the government established agreement with the banks to cut the extra fee on the loans during the months of the crises”

Key messages

- Balance of the social with the economic, educational and health systems, guaranteeing access and respect for the human rights of each individual
- Continuation with the implementation of the Law for Social Protection (because after its adoption the trend of poverty reduction started and if the pandemic did not occur, it would have continued in 2020)
- Increasing the economic activity of families to remain a priority with guaranteeing the dignity of jobs
- Supporting and investing in digitalization opportunities and taking care and preserving every job
- Following the path for joining EU and undertaking good practices that guarantee success in overcoming the crisis

Recommendations:

- Continue with the government support measures for Covid-19 until the stabilization of the economy
- To revise the conditions for realization of GMI and other incomes, in accordance with the new poor and the employed poor
- To continue with the development of social (and combined services) especially at the local level (It is necessary to continue the process of activation, with direct work with families- case management)
- Strengthen health care system and introduce new programs for maintaining safe and accessible services during and after the Covid-19 (attention to the mental health of citizens during and after the crises)
- To be careful not to cancel the existing exemptions too soon (payment of installments of loans and executions), but also to continue subsidizing their costs (financial support, food and hygiene support, subsidized use of energy and water, etc.
- Ensure that public resources are available to the frontline workers such as doctors, nurses, lab technicians (most of which are women)
- Assuring the law justice for the citizens and fight corruption more strongly

Good and promising practices in the country

Dealing with the economic and social consequences caused by the health crisis are very difficult and uncertain in the period to come. In the past period we have witnessed serious violations of workers' rights and we have faced a situation in which workers engaged in the informal economy, lost their income, are struggling to survive and have great difficulty in exercising their rights as part of government crisis measures. To prevent the deepening of the vulnerability and further marginalization of low-wage workers and informal workers, the Open Society Foundation - Macedonia provided \$255,000 in support through the COVID-19 Joint Rapid Response Fund.

This support is aimed to provide effective and timely assistance to a large number of low-paid and informal workers, most of them women, Roma and single parents, to gain access to the state aid measures in order to meet basic living needs, and ensure the protection of their labor rights. Local Roma organizations and organizations providing free legal aid and human rights protection will provide support in the form of:

- Urgent administrative and paralegal assistance to implement government assistance measures;
- Free legal aid to expand the volume of beneficiaries and provide assistance to workers in the formal and informal economy who have lost their jobs
- legal aid and judicial representation in case of violation of workers', social and other rights, and joint representation before the institutions for fast, efficient and equal provision of crisis measures and respect for workers' rights

This support for the protection of labor rights of low-paid and informal workers in times of health crisis will be provided through the implemented activities within the projects of more than 15 civil society organizations.

Are EU and national governments helping?

North Macedonia received the announced 160m euros from the European Union to deal with the Covid-19 crisis. According to the statement, the money will be used to strengthen fiscal management, fight corruption, transparency, tackle youth unemployment, dealing with the economy and improve the business environment.

The Government put 28 million euros for a total of 324 479 citizens aiming to support targeted categories of citizens and stimulate the economic activity and contribute to the revitalization of the Macedonian economy in conditions of Covid-19. The government adopted three packages of measures to support the economy focusing on the citizens, their jobs, social security, solidarity, and creating an environment for easier overcoming of the economic consequences of the coronavirus, as well as to help to citizens with direct assistance to encourage private and public consumption. A direct financial support was set for citizens in order to stimulate consumption with a focus on domestic products and services and the affected sectors, they introduce payment cards for citizens - for greater consumption and development of domestic economic activities.

Beneficiaries of the domestic payment card were put in 4 categories of citizens:

1. Low-income citizens, recipients of social assistance and unemployed registered as active job seekers in the Employment Agency until May 22, 2020. They needed to have earned a net income up to 18,000 denars in 2019 and net income up to 60,000 denars in the period January-April 2020. In this category, 115,927 people were detected to receive 9,000 denars on the payment card.

2. low- income employees received one-time 3,000 denars. 117,144 people were detected who earned income only on the basis of salary and salary allowances in a net amount not exceeding 60,000 denars at the level of full time during January-April. They also received a voucher for domestic tourism of 6,000 denars through the measure for strengthening the domestic tourism by the Ministry of Economy.

3. 87 014 young people received a one-time 3,000 denars. These are young people between the age 16 - 29 years (not older than 209 as of May 22, 2020) active participants in the state formal secondary education and higher undergraduate education.

4. 4 394 health workers who were engaged in dealing with Covid-19 received 40% of their last basic net salary. These are employees of the PHI, Clinic for Infectious Diseases, Institute of Public Health, and Centers for Public Health, Emergency, Infectious Diseases and employees in other departments engaged in testing, diagnosis and treatment of citizens with covidium-19.

- ❖ **Note:** *there were problems with the use of the cards that were given by the Government due to lack of e-mail addresses (poor digital literacy of the most vulnerable), problems with delivery of addresses that are not correct (unresolved property relations), insufficient information about the procedures, and making a fuss in front of banks at 40 degrees, etc. CSOs have played an important role in supporting and directing through legal and technical assistance.*

Set of financial support was aimed to all the companies that had big losses during the Covid-19 crises. However some of the companies misused the financial support that was set towards the people employed and their salaries. Enforcement of law was set to those companies.

The Government also reviewed and adopted the Program for financing activities of associations and foundations for measures for dealing with the KOVID-19 crisis.

- Informing the public about the measures and recommendations of the state institutions for prevention of the spread of the coronavirus KOVID-19
- Legal aid, psychological assistance or counseling for safety and adjustment during a pandemic for the most vulnerable groups
- Assistance and support to children from socially disadvantaged families and children from rural areas to learn from home, by using means of electronic communication;
- Assistance and support in the care of the elderly, victims of domestic violence and other vulnerable groups and in their adaptation to the conditions imposed by the crisis;
- Procurement and distribution of humanitarian and sanitary aid for socially disadvantaged and marginalized groups, at local level;
- Education, direct assistance and support to people with chronic diseases, people with rare diseases, the elderly and infirm, people with addictions, single parents, sex workers, groups affected by HIV, people with disabilities, LGBTI and other socially excluded groups
- Direct support for vulnerable categories of low-paid workers
- Direct support to vulnerable groups with low incomes to help them with solutions that will help them earn income during the crisis;
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- Analysis of the impact of the pandemic, including the economic effects of the crisis on women and vulnerable categories, and proposals for changing policies and measures;
- Promotion of domestic agricultural production, local capacities for rural development and tourism and local food production;
- Anti-corruption review of policies adopted in times of crisis;
- Proposals for structural changes and new policies in the field of health, education, social protection, environment, etc., which will guarantee socio-economic justice and equity;
- Dealing with misinformation, fake news, stigmatization and hate speech;
- Activities related to digitalization and electronic literacy of the population in general, ie how to increase the trust in electronic communication and operations;
- Online training and mentoring for unemployed people, with a focus on vulnerable categories of citizens, to start their own business;
- Providing advice and support for the development of online physical activity modules for better mental health during a pandemic;

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