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# ► Assessment of the Social Security Responses to COVID-19

Lessons from the Western Balkans and Eastern Europe during the first stage of the pandemic





## ▶ **Assessment of the Social Security Responses to COVID-19**

Lessons from the Western Balkans and Eastern Europe during the first stage of the pandemic

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## ► Currencies

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Country	Currency	Code	Rates as of 20.01.2021 (1 Euro)
Albania	Albanian lek	ALL	123 ALL
Bosnia and Herzegovina	Bosnia and Herzegovina convertible mark	BAM	1.96 BAM
Moldova	Moldovan leu	MDL	21.0 MDL
Montenegro	Euro	EUR	1.00 EUR
North Macedonia	Macedonian denar	MKD	61.6 MKD
Serbia	Serbian dinar	RSD	118 RSD
Ukraine	Ukrainian hryvnia	UAH	34.2 UAH

# Foreword

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Since its outbreak in the beginning of 2020, the COVID-19 pandemic has rapidly developed into an unprecedented global economic crisis. The COVID-19 pandemic has profoundly affected the world of work. In response to the COVID-19, countries have taken immediate public health interventions and adopted economic measures to mitigate adverse impacts and stimulate the economy. However, widespread workplace closures due to the lockdown have resulted in significant loss of labour income through higher levels of inactivity and unemployment.

In this context, the ILO carried out the assessment of the social security responses to COVID-19 in selected countries in Central and Eastern Europe. The objective of this report is to comparatively review the national social security measures in response to COVID-19 crisis, analyse their effectiveness and long-term consequences, and discuss future challenges in improving the social security system. This report covers seven countries in the Western Balkans and Eastern Europe: Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine. The report looks primarily at cash benefits aiming at the working age population and their family members.

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 current report therefore focuses on the first stage of the COVID-19 pandemic between March and June 2020 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. We shall closely monitor the situation 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 key question is to find the right balance and sequence of health, economic and social policy interventions, and ways to increase fiscal space for priority policies, beyond mere reallocation of expenditure.

The report 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 labour market and the household income. We conclude by lessons learned so far and discuss future prospects. Annex supplements with the detailed summary of social security response measures in the seven countries covered by the report.

This report has been prepared by Kenichi Hirose, Senior Social Protection Specialist, ILO Office for Central and Eastern Europe with notable contributions from Krzysztof Hagemejer, ILO Consultant.

This report owes valuable contributions from many collaborators. We acknowledge the following national experts: Klea Ibrahim (Albania), Nikolina Obradović (Bosnia and Herzegovina), Laura Grecu (Moldova), Uglješa Janković (Montenegro), Jadranka Mrosik (North Macedonia), Ivana Poljak (Serbia), and Natalia Poliak (Ukraine), for collecting data and information for respective country. Thanks are also due to the ILO National Coordinators in these countries for their assistance throughout the preparation of this

report. Comments from the ILO Social Protection Department and experts of ILO Office for Central and Eastern Europe have been incorporated in this final report.

We trust that this report will serve as a valuable reference for designing effective policies in response to the COVID-19 pandemic and for building an adequate, sustainable and comprehensive social security system in the future.

February 2021

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# Summary

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## Economic and labour market impacts

The COVID-19 pandemic has profoundly affected the labour market, resulting in substantial loss of labour income. Women and lower-paid workers were disproportionately affected, thereby increasing gender and income inequalities.

The loss of working hours in Southern Europe in 2020 was estimated 12.3 percent (equivalent to 6 million full-time workers) which is significantly more than the world and regional average, while the loss in Eastern Europe was 7.4 percent (equivalent to 8 million full-time workers) in which is less than the world and regional average.

Across the seven countries in the Western Balkans and Eastern Europe, both economically active rates and employment rates decreased for both sexes, while the changes in unemployment rates were relatively small. Some countries observed decreases in the informal employment, while slight increases in the number of formally employed. A substantial increase in the number of registered unemployed was observed in most countries during the second quarter of 2020 because the registration with public employment services is a condition for receiving unemployment benefits and other income support.

## Social security responses to the COVID-19 pandemic: preliminary assessment

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, labour market, and social security policies.

Globally the governments spent additional expenditure on the COVID-19 related measures and accrued contingent liabilities in the forms of equity injection, loans, as well as various guarantees to enterprises or others. The scales of fiscal interventions differ by country. The fiscal measures of the seven countries under review were generally lower than the levels of the high income countries in Western Europe or new EU member states in Central and Eastern Europe. They were focused mainly on direct additional spending targeted to enterprises and households, but Moldova, Serbia and Ukraine allocated a relatively large share of spending to the underfunded health care systems. According to ILO estimates, the value of fiscal stimulus during the first three quarters of 2020 was equivalent to 23.0 percent of lost working hours for Southern Europe and 54.0 percent for Eastern Europe.

Based on the results the preliminary impact assessment, the following observations can be made regarding the effectiveness of the key social security and job responses adopted by the seven countries

- **Social health protection.** All the countries have introduced measures facilitating access to health care services for COVID-19 treatment and testing to all residents. In addition, as mentioned above, some countries allocated a relatively large spending to the health care systems.

- ▶ **Wage subsidies.** The temporary wage subsidies, although paid at the minimum wage for a limited duration, were relatively successful in preventing layoffs 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.
- ▶ **Subsidy or deferral of social security contributions.** Given the generally high contribution rates, the impact of relief of contribution payment could be important for enterprises. Although the temporary reduction of social security contributions met the immediate liquidity need for enterprises to continue their business and retain employees, this measure directly affected the financing of social security schemes.
- ▶ **Sickness benefits during lockdown or quarantine.** The utilisation 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 all the countries, employers are responsible for the payment of first several days of sick leave of the employee. It could be due to this rule that the sickness benefits were absorbed by wage subsidies.
- ▶ **Unemployed and related benefits.** 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. All the seven countries under review significantly 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. This gives rise to a need to extend the existing unemployment benefits to cover cases of partial unemployment to compensate income losses proportional to reduced working hours.
- ▶ The COVID-19 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 well designed stimulus packages can also (at least temporarily) contribute to formalizing the informal economy.
- ▶ **Other cash income support and social assistance.** Social assistance benefits were temporarily increased, eligibility conditions were relaxed, and one-off cash supplements were paid. Serbia and North Macedonia provided one-off income assistance of a universal character. 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.
- ▶ **Childcare leave benefits.** Several countries introduced temporary special childcare leave for workers who had to provide care to children staying at home. 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.
- ▶ **Additional income support to pensioners.** In all countries, pensions were indexed additionally and the minimum pensions were increased. Montenegro, Serbia and Ukraine paid one-off supplements to pensioners. For almost all elderly, pensions are their sole income. It is crucial to ensure that the benefits are at an adequate level and regularly adjusted. In view of the tight financial constraints, ad hoc support to pensions should target low-income pensioners.

## Challenges of the existing social security systems

In all the seven countries under review, social security policies constituted one of the crucial part of the integrated responses to the COVID-19 crisis during the first stage of pandemic. However, the crisis has revealed gaps in the existing social security systems.

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. Migrant workers, including those repatriated from the countries of destination, were also affected and many of them lost the right to social security benefits they enjoyed while working abroad.

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. This fact suggests that the countries recognize these benefit levels inadequate and paid only over a limited time horizon.

The stimulus measures and social security measures put considerable strain on government budgets and affected the long-term sustainability of the social security systems, in particular already fragile pension systems. Although it is absolutely indispensable to retain flexible and supportive fiscal policy now, governments will in due course face the question on how to contain the fiscal deficit and to manage the public debt under control. In this context, the key challenge of the government is to secure fiscal space to maintain and improve the social security systems during the crisis, the recovery phase, and beyond.

## Towards a comprehensive and resilient social security system

The COVID-19 crisis has highlighted the importance of proactive investment to build comprehensive and resilient social security systems that can respond quickly and effectively to shocks when they emerge. It has also highlighted the critical role of the State's interventions in the face of an unprecedented emergency event.

From our preliminary assessment, the following policy recommendations will emerge:

- Social security constitutes a key pillar of the integrated policy response. Thus social security measures should be closely coordinated with a wide range of policies, in particular labour market and fiscal policies to support the employment protection and business continuity.
- Social security systems should effectively ensure the access to health care and income security. Access to health care should be guaranteed to all population. At the same time, sufficient resources should be allocated to provide necessary health care services. Income security should be ensured in all situations of loss of income, including involuntarily reduced working hours, unemployment, sickness (including quarantine), and increased family responsibilities. Income security should not only prevent poverty but also replace the lost income in adequate and acceptable proportion (subject to a certain maximum).
- The social security coverage should be extended to workers in all types of employment including non-standard forms of employment by taking into account their large heterogeneity and high labour market mobility. The compliance and enforcement should be improved by encouraging the

formalization of workers in the informal economy and improving the contribution collection against underreporting of contributory wages.

- ▶ Benefits from non-contributory programmes should effectively supplement to fill the coverage gaps of the benefits from contributory schemes. The crisis also prompted the need to consider adjusting the existing social security architecture and searching for a more suitable mix of contributory and non-contributory systems.
- ▶ It is important to ensure well-informed social dialogue as an important and effective mechanism to formulate social security responses to the COVID-19 crisis. A lasting solution to the pandemic can be agreed and sustained only if there is nation-wide societal consensus based on full understandings of the implications of the measures and through continuous commitment of all relevant stakeholders.

At a time when the world of work is facing an unprecedented challenge, it is imperative to act with urgency to seize the opportunities and build an adequate, sustainable and well-functioning social security system, guided by the Social Security Minimum Standards Convention No. 102, the Social Protection Floors Recommendation No. 202 and other international social security standards.

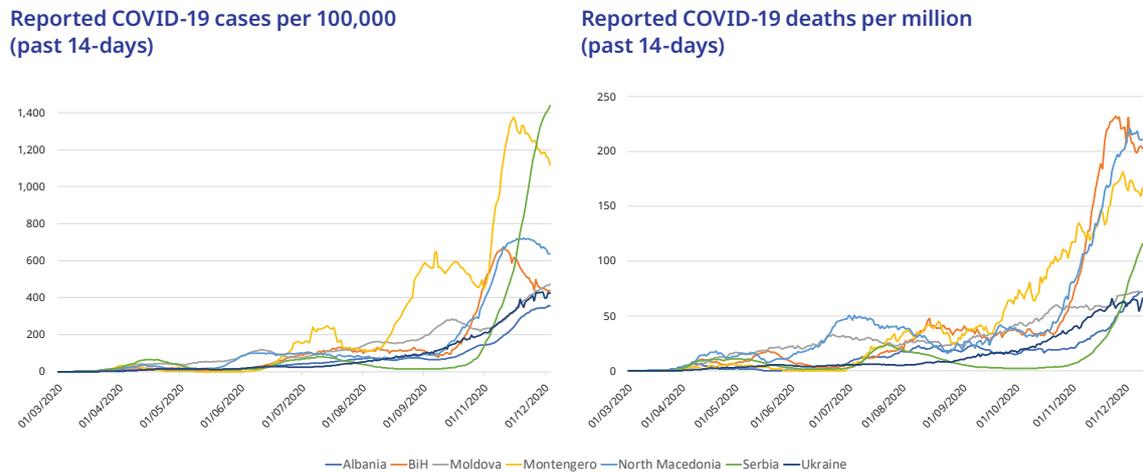
# 1. Economic and labour market situations

This chapter briefly recalls the COVID-19 situation and presents the development of the currently available key economic and labour market indicators during the first stage of the COVID-10 pandemic.

## ► 1.1. The COVID-19 trends

During the first wave of COVID-19 pandemic in spring 2020, countries in the region were generally less affected by the pandemic. The numbers of infected cases and death cases in these countries were much lower than countries in Western Europe. However, as Figure 1.1 depicts, starting from July 2020 countries in Central and Eastern Europe have been continually updating the highest number of daily cases and deaths. The evolving epidemiological situation of infection cases give rise to a concern that the pandemic may persist, if not worsen, through the winter and a large part of 2021.

► **Figure 1.1. Statistics of COVID-19 cases and death, March–December, 2020**



**Source:** Data from European Centre for Disease Control.  
<https://www.ecdc.europa.eu/en/publications-data/download-todays-data-geographic-distribution-covid-19-cases-worldwide>.

## ► 1.2. Impacts on the labour market

The COVID-19 pandemic had a severe economic impact for all countries. Various economic forecasts indicate a deep recession and a potentially slow and interrupted recovery.<sup>1</sup>

### Loss of working hours and labour income

To measure the impact of the COVID-19 on the labour income, one should look at the changes in working hours. According to the latest ILO Monitor, the working-hour loss grew significantly in the second quarter of 2020. As shown in Table 1.1, globally the working-hour loss in the second quarter of 2020 was estimated at 18.2 percent, which is equivalent to 525 million full-time workers. The resulting loss of labour income in 2020 is estimated at 8.3 percent, which amounts to US\$3.7 trillion or 4.4 percent of global GDP. The loss of working hours in Southern Europe<sup>2</sup> was significantly more than the world and regional average, while the loss in Eastern Europe was less than the world and regional average. The data of the third and fourth quarters of 2020 and projected figures of 2021 show a sign of gradual stabilization, but considerable impact on jobs and income is still likely to persist.

The ILO Global Wage Report also observes a downward pressure on wages in the first half of 2020 as a result of the COVID-19 crisis. Women and lower-paid workers were disproportionately affected, thereby increasing gender and income inequalities.<sup>3</sup> For selected European countries, the report estimates that the wage bill lost as a result of the drop in working hours in the first and second quarters of 2020 was 6.9 percent for women compared to 4.7 percent for men. Also, for selected European countries, the report estimates that without wage subsidies the lowest-paid 50 percent of workers would have lost an estimated 17.3 per cent of their wages, which is much more than the estimated 6.5 percent decline for all workers.

► Table 1.1. Working-hour losses and labour income losses by region, 2020 quarterly basis

	Working hours lost (%)					Equivalent number of full-time jobs ('000) 48 hours a week					Labour income loss (% of labour income)
	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2020	2020
World	5.2	18.2	7.2	4.6	8.8	150,000	525,000	205,000	130,000	255,000	8.3
Europe and Central Asia	3.9	17.2	6.8	8.9	9.2	13,000	55,000	22,000	29,000	30,000	8.7
Southern Europe	6.7	23.9	7.0	11.8	12.3	3,000	12,000	3,000	6,000	6,000	n.a.
Eastern Europe	2.8	12.8	6.5	7.6	7.4	3,000	14,000	7,000	8,000	8,000	n.a.

Source: ILO Monitor: COVID-19 and the world of work. 7<sup>th</sup> edition (25 Jan. 2021).

1. IMF (2020a), European Commission. Directorate General for Economic and Financial Affairs. (2020) See also the UN assessment of the socio-economic impact of COVID-19. Available at: <https://www.undp.org/content/undp/en/home/coronavirus/socio-economic-impact-of-covid-19.html>.

2. Including Italy and Spain, which are among the most hardy hit during the first wave of the pandemic.

3. In addition, women are disproportionately affected by additional childcare obligations. There are also reports showing that domestic violence cases have increased significantly during the lockdown period.

As summarised in Table 1.2, further data are available for select Western Balkan countries from the rapid assessment studies on employment impacts and policy responses undertaken by the ILO Office for Central and Eastern Europe in collaboration with the European Bank for Reconstruction and Development.

► **Table 1.2. Working-hour losses in selected Western Balkan countries, first three quarters of 2020**

	Working hours lost (%)			Equivalent number of full-time jobs ('000)			
				48 hours a week		40 hours a week	
	Q1	Q2	Q3	Q2	Q3	Q2	Q3
Western Balkans	2.9	17.3	12.0	970	680	1,170	810
Bosnia and Herzegovina	3.6	20.3	16.2	180	140	220	170
North Macedonia	5.8	14.0	10.6	100	70	110	90
Serbia	1.7	16.8	11.0	48	320	580	380

Source: ILO Office for Central and Eastern Europe (2020a). COVID-19 and the World of Work: Rapid Assessment of the Employment Impacts and Policy Responses.

## Labour market indicators

Table 1.3 presents key labour market indicators of the second quarters in 2019 and 2020 based on the Labour Force Surveys conducted by the national statistical offices of the seven countries under review.

► **Table 1.3. Key labour market indicators, second quarter in 2019 and 2020**

		Albania	Bosnia and Herzegovina			Moldova	Monte-negro	North Macedonia	Serbia	Ukraine
		Total	FBIH	RS						
<b>Economically active rate (%)</b>										
2019	Total	60.6	42.1	39.1	47.8	43.4	57.8	57.1	54.8	56.3
2020		58.8	47.1	45.3	51.0	39.9	53.4	56.5	52.0	54.3
2019	Women	53.1	32.9	29.3	40.1	38.8	49.6	46.7	47.3	49.2
2020		51.9	36.0	32.4	43.3	35.6	40.7	46.2	44.7	47.4
2019	Men	68.2	51.7	49.7	55.3	48.6	66.3	67.5	62.9	64.8
2020		65.8	58.9	59.0	59.2	44.8	59.9	66.8	59.8	62.6
<b>Employment rate (%)</b>										
2019	Total	53.6	35.5	31.9	42.2	41.4	49.5	47.1	49.2	51.7
2020		51.7	39.6	37.7	43.7	38.2	45.2	47.1	48.2	49.0
2019	Women	47.1	26.7	23.0	34.2	37.6	41.7	37.2	42.1	45.4
2020		45.8	29.1	25.2	36.9	34.3	39.8	38.5	41.3	43.0
2019	Men	60.3	44.6	41.6	50.0	45.8	57.7	57.0	56.8	59.3
2020		57.9	50.7	50.8	51.0	42.6	50.8	55.6	55.7	56.1
<b>Unemployment rate (%)</b>										
2019	Total	11.5	15.7	18.4	11.7	4.5	14.3	17.5	10.3	7.8
2020		11.9	16.0	16.8	14.2	4.2	15.2	16.7	7.3	9.8
2019	Women	11.4	18.8	21.7	14.7	3.1	16.1	20.3	11.0	7.9
2020		11.9	19.1	22.1	14.7	3.5	15.3	16.7	7.6	9.2
2019	Men	11.6	13.6	16.3	9.5	5.7	13.0	15.5	9.7	8.5
2020		12.0	13.9	13.8	13.9	4.9	15.2	16.8	7.0	10.4

Notes: FBIH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.  
Source: National Statistical Offices.

Comparing the second quarter of 2020 with the same quarter of 2019, both economically active rates and employment rates decreased for both sexes across the seven countries, while the changes in unemployment rates were relatively small. Only Ukraine had a 2.2 percentage-point increase in the unemployment rate. It should be observed that the unemployment rates slightly decreased for men in the Federation of Bosnia and Herzegovina, men in Moldova, women in North Macedonia and both sexes in Serbia. In Serbia, for example, this is because individuals who could not look for job or were unable to start working due to quarantine measures were not considered unemployed according to the ILO definition but economically inactive.

The Labour Force Surveys in selected countries also confirm a significant reduction of working hours in the second quarter of 2020 due to the lockdown. Key observations from Moldova, North Macedonia and Serbia are summarised as follows.<sup>4</sup>

- In Moldova, 24.4 percent of the employed population stated that their work was affected due to COVID-19 in the second quarter of 2020. Among the affected employed persons, 60.7 percent did not work at all or were absent from work, 25.6 percent worked remotely. Furthermore, 90.1 percent of them worked less than 40 hours a week (compared to 86.1 percent in the first quarter of 2020). The share of persons who had a job but did not work at all increased from 2.5 percent in the second quarter of 2019, 4.9 percent in the first quarter of 2020, and to 20 percent in the second quarter of 2020. The main reasons for fewer hours of work and for temporary absence from work include: technical unemployment, closure of the workplace, paid and unpaid leave, etc. Compared to the second quarter of 2019, the number of persons on annual leave increased 4 times, the number of persons who worked from home increased by more than 3.3 times, and those on unpaid leave and technically unemployed increased by 90 percent.
- Moldova and Serbia reports the composite labour underutilization, which combines unemployed, time-related underemployed and the potential labour force (persons available for work but not seeking, i.e. discouraged workers). Both countries evidenced a substantial increase in the underutilization of labour. The composite labour underutilization rate in Moldova increased from 9.9 percent in 2019 to 13.5 percent in the second quarter of 2020. In Serbia, the labour underutilization increased marginally from 19.5 percent in the first quarter of 2019 to 19.9 percent in the second quarter of 2020. The number of underemployed increased as a result of reduced working hours including unpaid leaves, a substantial increase of discouraged workers, and additional childcare obligations for parents.
- In North Macedonia, nearly 62 percent of all employers and non-employer enterprises are among the hard-hit sectors, many of whom expose varying degrees of informality. Most workers losing their jobs during this crisis are under non-standard forms of employment or in the informal employment, with little or no access to unemployment benefits. In the second quarter of 2020, the percentage of employees who were absent from work increased to 11.4 percent mainly due to the reduced volume of work for technical or economic reasons. The share of employees who worked from home also increased to 12.1 percent.

Box 1 presents the trend of the registered unemployed in 2020. A substantial increase in the number of registered unemployed was observed in most countries during the second quarter of 2020. Similarly, some countries, including Serbia and Ukraine, report the decreases in the informal employment, while slight increases in the number of formally employed. These can be associated with the fact the registration with public employment services is a condition for receiving unemployment benefits, social assistance and other income support, and that both employers and employees could receive support

<sup>4</sup> The Enterprise Surveys in selected countries, carried out by the employers organizations in collaboration with ILO and the European Bank for Reconstruction and Development, also confirm that the pandemic has severely affected more than 80 percent of enterprises surveyed, particularly small and micro enterprises in specific sectors.

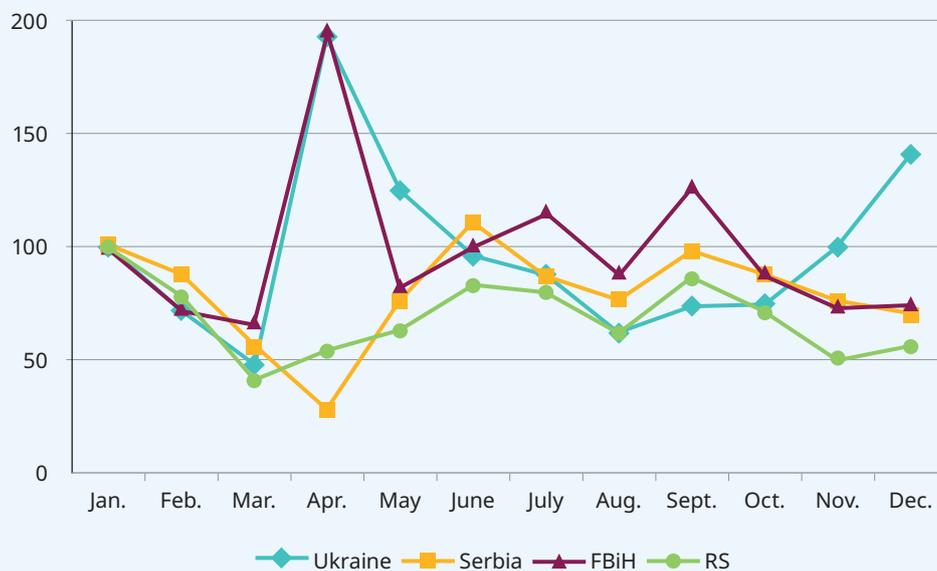
from stimulus package measures on the basis of numbers of formal employees in enterprises. These conditions provided incentives for workers who lost jobs to register with public employment services and for employers to register more workers as formal employed. This shows that unemployment benefits and social assistance not only contribute to income security and business continuity but also contribute to formalizing the informal economy.

► **Box 1. Trends of the registered unemployed in selected countries in 2020**

This Box presents the analysis of the monthly change in the registered unemployed persons in 2020 based on the data obtained from public employment services of Bosnia and Herzegovina, Serbia and Ukraine. These are supplemented by the quarterly data of Albania.

It should be noted that significant differences are observed between the registered unemployed and the number of unemployed persons according to the ILO guideline.<sup>5</sup> Moreover, these differences vary markedly across countries. Rough estimates show that the ratio between the registered unemployed and the number of unemployed persons from labour force surveys in 2019 was 23 percent in Ukraine, 43 percent in Albania while it was 166 percent in Serbia. It was impossible to estimate for Bosnia and Herzegovina but data in past years indicate that the registered unemployed exceeds the unemployed under ILO definition.<sup>6</sup> For this reason, we restrict our analysis on the data of the registered unemployed.

► **Figure B1.1. Monthly number of newly registered unemployed, 2020 (Jan.=100)**



**Source:** ILO own calculations based on data from national employment offices.  
**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

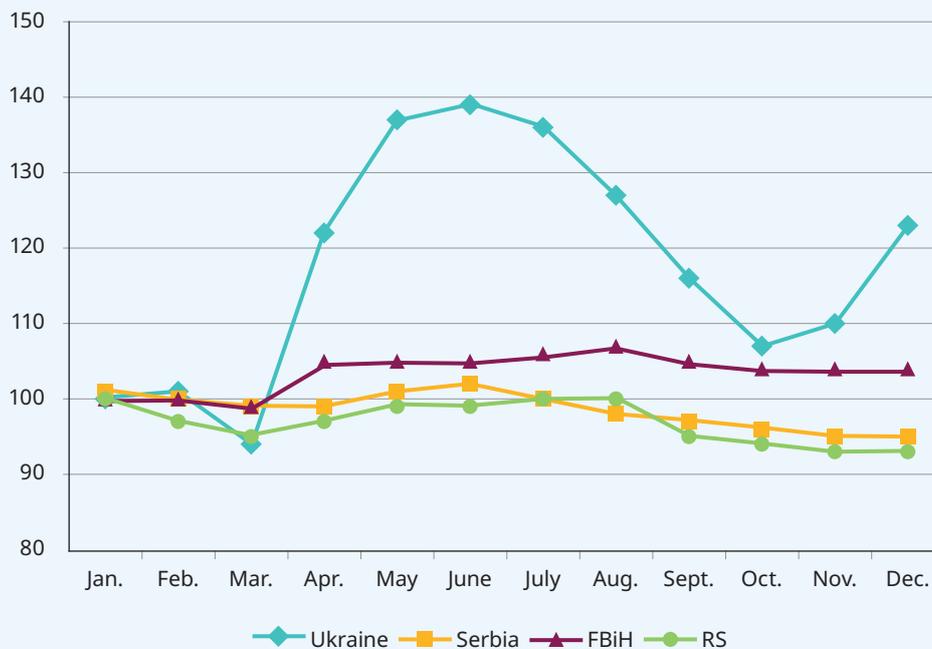
5. According to the Resolution concerning statistics of work, employment and labour underutilization adopted by the 19th International Conference of Labour Statisticians in 2013, persons in unemployment are defined as all those of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job opportunity.

6. The main reason is that these countries also register certain number of persons classified inactive according to the ILO definition. One explanation is that the registration with public employment service is one of the requirements for applying social assistance benefits.

Figure B1.1 depicts the monthly number of newly registered unemployed persons. Ukraine and the Federation of Bosnia and Herzegovina evidenced a sharp increase in April, where the number doubled compared with January. By contrast, the number of newly registered unemployed decreased in April in Serbia and Republika Srpska of Bosnia and Herzegovina but with some time lag the number returned to the January level from June onwards. In Albania, the number of newly registered unemployed in the second quarter of 2020 increased by 50 percent from the same period of 2019.

Figure B1.2 shows the monthly number of registered unemployed persons. In particular, Ukraine exhibits a steep increase by 44 percent from April to July and after a gradual decline it shows an increasing trend in November and December. In Albania the number of registered unemployed in the second quarter of 2020 increased by 26 percent from the first quarter of 2020. The number in Serbia and the two entities of Bosnia and Herzegovina showed moderate increase in the second quarter and remain stable thereafter.

► **Figure B1.2. Monthly number of the registered unemployed, 2020 (Jan.=100)**

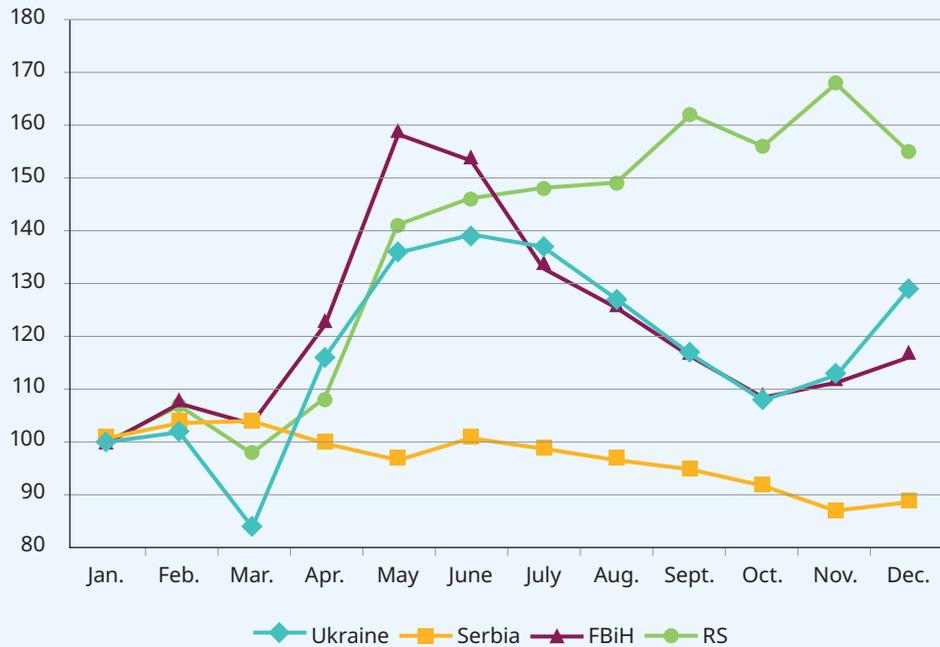


**Source:** ILO own calculations based on data from national employment offices.

**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

As shown in Figure B1.3, the number of beneficiaries of unemployment benefits increased significantly during the second quarter of 2020 in all countries except for Serbia. The increase from January level was 59 percent for the Federation of Bosnia and Herzegovina, 46 percent for Republika Srpska, and 39 percent for Ukraine. In Ukraine and the Federation of Bosnia and Herzegovina, the number of beneficiaries gradually tapered down in the third quarter but turned to an increasing trend in November and December. In Republika Srpska, the number of beneficiaries shows continual increase and in November reached a level 68 percent higher than January. In Albania, of the registered unemployed only 4.4 percent received unemployment benefits and 34 percent received the cash social assistance (called the economic assistance) in the first quarter of 2020. The number of beneficiaries of unemployment benefits increased by 23 percent and the number of beneficiaries of economic assistance increased by 15 percent in the second quarter of 2020.

► Figure B1.3. Monthly number of beneficiaries of unemployment benefits, 2020 (Jan.=100)



**Source:** ILO own calculations based on data from national employment offices.  
**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

The percentage of unemployment benefit beneficiaries in the registered unemployed varies from 86 percent in Ukraine, 6.8 percent in Serbia, 6.2 percent in Republika Srpska, 5.8 percent in the Federation of Bosnia and Herzegovina, and 4.3 percent in Albania for the second quarter of 2020. As noted above, there is a significant discrepancy between the registered unemployed and the number of unemployed under ILO definition. A crude estimate shows that in terms of the unemployed in the sense of ILO definition, the share of the unemployment benefit beneficiaries in the second quarter of 2020 would be around 20 percent in Ukraine, 10 percent in Serbia and the Federation of Bosnia and Herzegovina, 7 percent in Republika Srpska and 2 percent in Albania (while in Albania 13 percent were recipients of the social assistance).

## ► 1.3. Current labour market issues and social security challenges

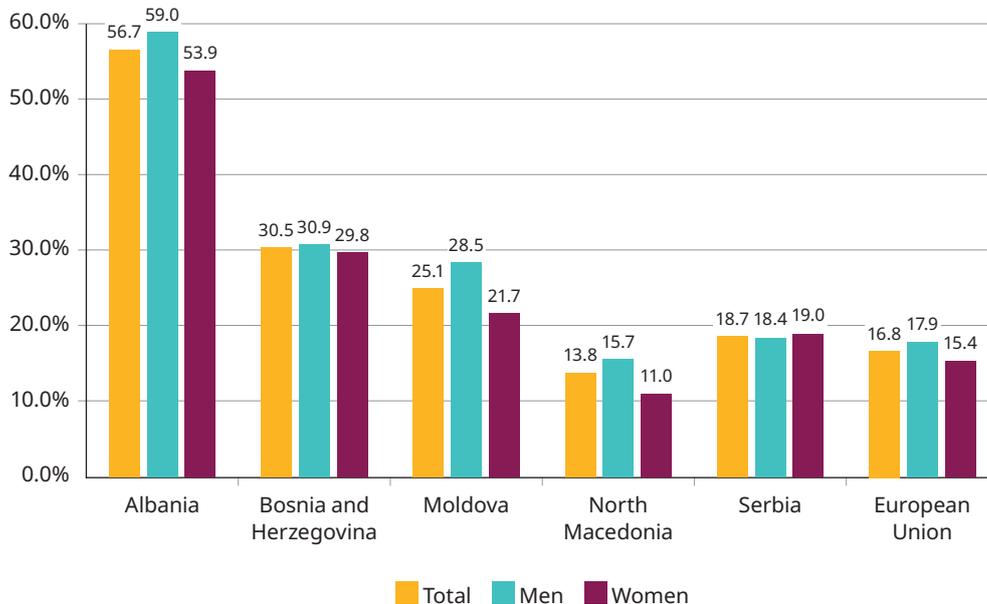
As a background to discussions of the employment policy and social security policy in the pandemic, we briefly present a preliminary analysis on some common features and recent emerging issues of the labour market in Central and Eastern Europe and their implications in social security coverage.

### Informal economy and undeclared work

In the Western Balkans and Eastern Europe, although the majority of workers are full-time regular employees in the formal employment sector, workers in the informal economy represent a sizeable share. The informal economy is caused by complex economic, social, institutional and cultural factors that vary from one country to another. The ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) defines “informal economy” (also known as the “grey” or “shadow” economy) as all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Work conducted in the informal economy is frequently accompanied by low pay and precarious working conditions. By definition, these workers lack workers representation, the right to association and social security.

Figure 1.2 shows the estimated size of the informal employment based on the Labour Force Surveys. Other researches show varying estimates, typically ranging between 30 percent and 50 percent of the employed population.

► Figure 1.2. Share of informal employment in the employed population, 2019



Source: ILO Country factsheets on the informal economy. [http://www.ilo.org/budapest/WCMS\\_751321/lang--en/index.htm](http://www.ilo.org/budapest/WCMS_751321/lang--en/index.htm).

Another major issue related to the informal economy involves workers and economic units that operate within the formal reach of the law, but the law is not effectively enforced or simply not applied in practice. A typical case involves undeclared work, where economic units wilfully avoid taxation, social and labour laws and regulation. The informal payment of wages in cash is commonly known as “envelope wages.” In this regard, the European Commission defines undeclared work as “any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory system of the EU Member States.”

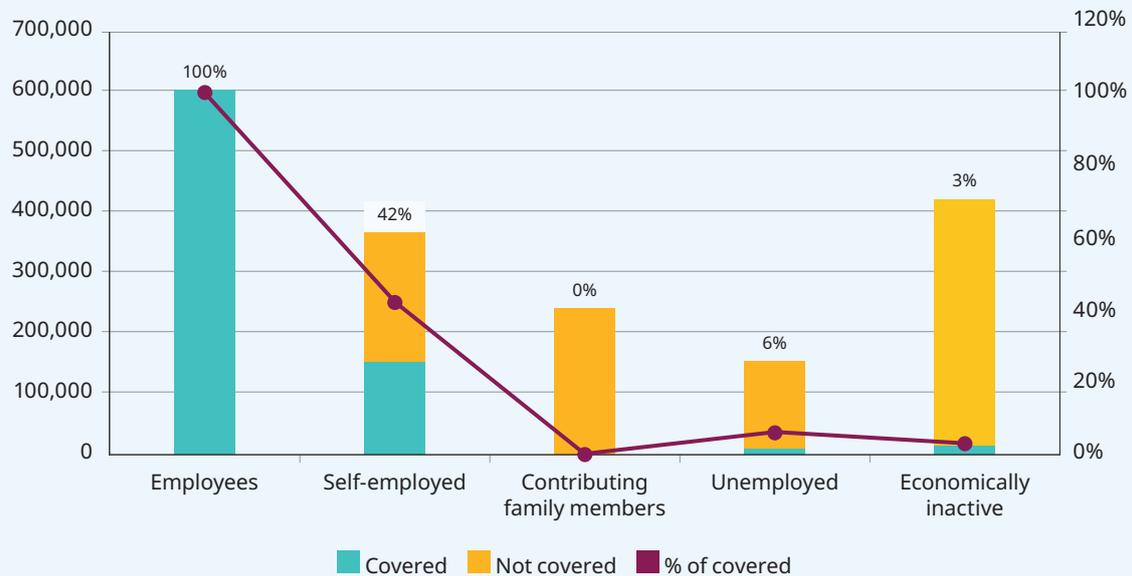
Undeclared work refers to a formal employment situation in which workers and employers declare a lower than actual income in order to maximize their current disposable income or profit. For social security, undeclared work implies fraud and evasion of tax and social security contributions. In a typical case of wage under-declaration, a worker and their employer report only the minimum contribution level stipulated by the law, while the remaining portion of their wage is paid directly and informally from the employer to the worker. This secures at least a certain benefit level if the worker completes their required contribution period. The under-declaration of income thus threatens the sustainability of social security systems and the adequacy of social security benefits. It can lead to a significant leakage of funds of social security systems.

The prevalence of the informal economy and the widespread practice of undeclared work impose serious challenges for extending social security coverage. Hirose and Hetteš (2016) report the following estimates for Bosnia and Herzegovina and Moldova. In Bosnia and Herzegovina, 32.8 percent of the employed population worked in the informal economy and 10.7 percent of GDP was unreported in 2008. Unpaid social security contributions amounted to 4.7 percent of GDP, and unpaid income tax amounted to 0.5 percent of GDP. In Moldova, 34.8 percent of the employed population had an informal job as their main job in 2015. Undeclared income due to informal employment and underreporting equalled 12.9 percent of GDP in 2010. Unpaid social security contributions from undeclared income equalled 5.2 percent of GDP (4.1 percent for social insurance and 1.1 percent for health insurance).

#### ► **Box 2. Social security coverage for the self-employed and workers in the informal employment, Albania**

The existing social security systems have a declining trend of contributory coverage among the working age population. This is due to low levels of economic activity and low employment rates, particularly among certain groups of the population, and high levels of informality and widespread undeclared economic activity that result in non-compliance with social insurance law.

Figure B2.1 presents the Albanian social insurance coverage by labour market status in 2019. Overall, out of the working age population aged between 20 and 64 years, the number of contributors to the Social Insurance Institute represented 44.5 percent. The remaining 55.5 percent of the working population were not contributing to the Social Insurance Institute. As Figure B2.1 shows, while the coverage is full for formal employees, it declines to 42 percent for the self-employed, and virtually zero for contributing family members consisting largely of workers in the informal economy.

► **Figure B2.1. Social insurance coverage by labour market status, Albania 2019**

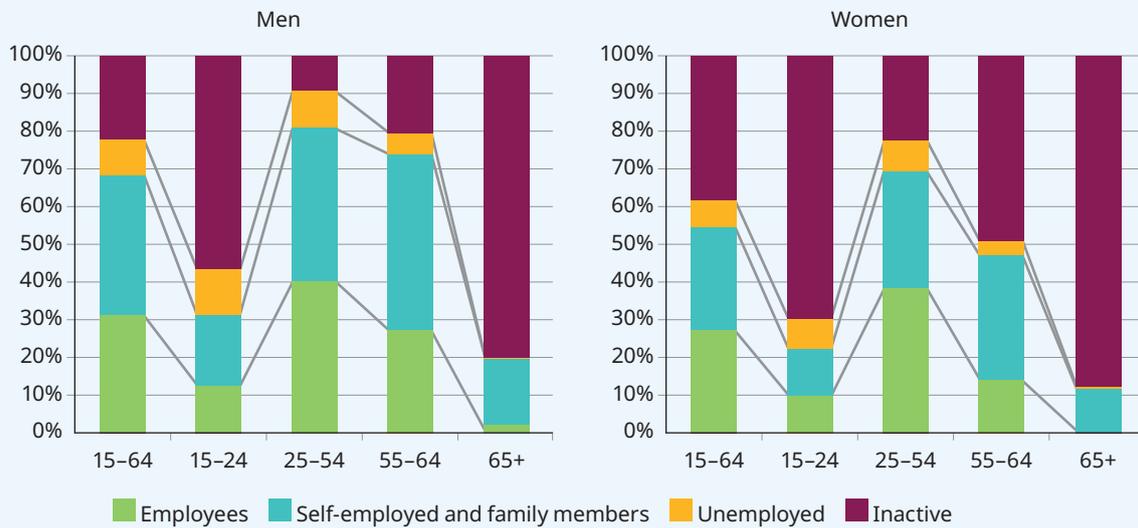
**Source:** ILO own calculations based on data from the Social Insurance Institute and the Institute of Statistics of Albania.

Figure B2.2 depicts the labour market status of the Albanian population by sex and age groups. The following observations can be made.

- The labour force participation of the youth aged 15–24 years is less than 40 percent while the rest are pursuing education, engaging in domestic and family responsibilities, or discouraged to look for a job. Despite the low labour force participation rate, this age group exhibits high unemployment rate and low share of employees.
- In the prime working age between 25 and 54 years, women exhibit lower labour force participation rates and the share of employees than men mainly due to family obligations. The share of contributing family members for women is more than twice men in this age group.
- Labour force participation rates drop significantly for persons aged 65 years due to pension entitlement. The participation rates of women start declining already in the 55–64 age group, mainly due to the transitional early retirement pensions. The share of non-employees is high in this age group for both sexes particularly women.

Thus, to increase overall labour force participation and employment, it is important to support youth with the transition from education to work, to facilitate men and women sharing the responsibilities of work and family obligations, and to create a labour market environment where older persons are willing and able to continue employment.

► **Figure B2.2. Labour force participation rates by sex and age, Albania 2019**



Source: ILO own calculations based on data from the Institute of Statistics of Albania.

## Non-standard forms of employment and crowd works

An emerging issue facing the labour market in the region is a growing diversification in working arrangements, as exemplified through the decline of “standard employment” (namely, work that is full time, indefinite, as well as part of a subordinate relationship between an employee and an employer), and the growing number of workers in “non-standard forms of employment,” including temporary (fixed-term) and casual employment, part-time and on-call work, temporary agency employment, or employment relationships disguised as self-employment.<sup>7</sup>

Workers in non-standard forms of employment are commonly not covered by mandatory social insurance, or covered only partially. In many countries, temporary and part-time workers are compulsorily covered by social security schemes. However, frequent changes in jobs and workplaces result in fragmented contributory periods, leading to a failure to meet the required eligibility conditions. In some cases, social security coverage is not mandatory for certain jobs, such as mini-jobs or zero-hour contracts with salaries below the minimum level. Self-employed individuals (without dependent employees) pose particular problems to social security coverage. When self-employed workers are compulsorily covered by social security schemes, they have to pay contributions for both employers and workers. In some instances, business-to-business contracts are used as a way of avoiding employment contracts and the resulting obligations as the employer.

7. According to the Eurostat data of 2018, across the 28 EU member states, 18.5 percent of the employed population were in part-time employment and 14.2 percent were self-employed, while 14.1 percent of employees worked under temporary contracts. Importantly, non-standard forms of employment are an involuntary choice for a significant part of the workforce. Involuntary temporary employment equalled 7.4 percent of all employment in the EU, and involuntary part-time work constituted a quarter of all total part-time work.

Various sources indicate that non-standard forms of employment are on the rise and constitute a growing share of labour relations in Central and Eastern Europe. As a recent study points out, informal employment and undeclared work often overlap with non-standard forms of work or self-employment. In North Macedonia, for instance, almost 40 percent of the over 180,000 workers in non-standard employment are in the informal employment.

In addition, an important recent development is the rise of workers in the “platform economy” (also called the “gig economy” or “crowd work”), namely work mediated through online web platforms. Workers in the platform economy are not adequately protected by labour law and social security law due to the task-based nature of their work, even though they share many features with employed workers.

There are also many pieces of evidence indicating that Central and Eastern Europe is a leading region that has a sizable digital platform economy. For instance, it is estimated that at least 3 percent of the workforce in Ukraine was involved in online work in 2018. These changes have brought about more instability and fragmented employment careers for many workers.

## Migrant workers

In the context of globalization and the expansion of the free movement of labour in Europe, countries in the Western Balkans and Eastern Europe have become the countries of origin as well as destination and transition of a growing number of migrant workers. However, migrant workers face multiple disadvantages, including limited legal rights, discrimination, and the lack of social security.

In recent years, countries in Central and Eastern Europe, notably Moldova and Ukraine, have been actively pursuing the conclusion of bilateral social security agreements with European and other countries.<sup>8</sup>

Due to the nature of social security agreements, they cover primarily the “regular” migrant workers (i.e. migrants with formal and legal employment contracts). Despite this condition, bilateral and multilateral social security agreements have proved to be an effective legal instrument to ensure the equality of treatment and maintenance of the social security rights for migrant workers and their families.

As international migration flows are becoming more complex and diverse, international migrant workers today are a very diverse group, including seasonal workers, temporary contract workers, skilled migrant workers, as well as workers with an irregular status. It is a huge challenge for the social security systems to ensure the social security rights for all types of migrants.

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8. The number of bilateral agreements of the seven countries under review are: Albania 2, Bosnia and Herzegovina 9, Moldova 14, Montenegro 14, North Macedonia 18, Serbia 17, and Ukraine 16.

## 2. Review of the social security response measures

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This chapter presents overview of policy responses to the COVID pandemic and reviews 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.

### ► 2.1. Policy responses to the COVID-19 pandemic

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#### Characteristics of the COVID-19 recession

In comparison with past economic crises, the economic recession caused by the COVID-19 pandemic has distinct features. To formulate effective response measures, it is instructive to consider the specific social and economic characteristics of the COVID-19 pandemic.

The COVID-19 is an infectious disease caused by SARS-CoV-2 (the severe acute respiratory syndrome coronavirus 2), which spreads between people mainly through frequent physical contact with an infected person, and through contact with contaminated surfaces and objects. Researches indicate that the new coronavirus can be more contagious, spread more quickly, and cause more severe illnesses than influenza viruses. The incubation period for COVID-19 is, on average, 5–6 days and can extend up to 14 days. Moreover, infected persons who do not have symptoms can transmit the virus to others. As of November 2020, there is no vaccine to prevent COVID-19 or effective treatments for COVID-19. In this situation, the best safeguard against the spread of the virus is to avoid the exposure to the virus.

The COVID-19 first emerged as a supply shock to the global economy. Due to the lockdown, temporary closure of business, particularly in services sector, entailed a sudden halt in economic activity and a disruption of the global supply chain. However, unlike natural disasters, key infrastructure and production facilities were not physically damaged by the coronavirus and the supply capacity remained intact. They were simply underutilised due to the lockdown restrictions.

The negative supply shock also induced a shrink of aggregate demand. Restrictions on public and social gatherings as well as on travel both at the domestic and international levels have led to an evaporation of substantial demand of households and firms. As the pandemic persists, these shocks turned into a substantial decline in aggregate demand particularly for discretionary goods and services through risk aversion behaviour of consumers. These economic shocks on both supply and demand sides caused by restriction of face-to-face contacts resulted in substantial loss of employment and income and further widened inequality.

## Priorities of the response measures over phases

The above analysis will lead to the following strategic framework of response measures corresponding to different phases of the pandemic.

In the initial phase of the outbreak, it is of utmost importance to prevent the spread of infection, giving priority to the protection people's lives. For this purpose, governments should take urgent measures including intensified emergency health services, social distancing and lockdowns. At the same time, governments should take strong action to support the livelihood of people affected by the lockdown with a view to preventing unnecessary closure of business and job loss and protecting vulnerable populations. For employers this will help retain skilled workers during the temporary closure and enable a quick restart once the lockdown is lifted.

If a sharp rise in coronavirus infections is contained and the lockdown is gradually lifted, the key challenge is to resume economic activities while preventing the recurrence of pandemic. One should keep in mind that the risk of infection continues to exist until a vaccine or cure becomes widely available. Therefore, ensuring health and safety at the workplace should constitute a crucial policy to revive the labour market. When reopening the workplace and putting workers back to work, it is imperative to harness work arrangements that incorporate social distancing, include COVID-19 into the workplace risk assessment, and provide proper protective equipment.<sup>9</sup>

As seen earlier, after almost two months of lockdown from March to May 2020, businesses were reopened and economic activities gradually started. However, the second surge of infection starting from the second half of 2020 in Europe has led many countries to reinforce quarantine measures including the reintroduction of lockdowns. Experiences of repeating rises and falls in infection cases create feelings of uncertainty and anxiety. If the pandemic persists and continues to affect the public health and economic activity, it would have further detrimental effects on the society and economy.

In December 2020, first vaccines for COVID-19 were approved by the health authorities of the United States, the United Kingdom, and the European Commission, among others. Large scale vaccination programmes are anticipated starting from the first half of 2021 throughout the world. Achieving the immunisation of a large share of population is a great advance for an effective containment of the coronavirus, which is a prerequisite for a full-scale recovery with conventional measures. We must closely monitor the progress of the vaccination programmes with a hope that the coronavirus will be soon put under control.

## Roles of employment and social security policies in the integrated crisis response

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, labour market, and social security policies.

9. The ILO promotes the following ten action points for safe return to work:

(1) Form a joint team to plan and organize return to work; (2) Decide when to reopen, who returns to work and how; (3) Adopt engineering, organizational and administrative measures through (i) avoiding physical interaction, (ii) ventilation, (iii) avoiding concentration of workers, and (iv) training and information; (4) Regularly clean and disinfect; (5) Promote personal hygiene; (6) Provide personal protective equipment and inform workers; (7) Health surveillance; (8) Consider other hazards, including psychosocial; (9) Review emergency preparedness plans; and (10) Review and update preventive and control measures as the situation evolves. Source: ILO (2020c).

From the world of work perspectives, both employment policies and social security policies play a critical role in protecting workers and their families against the adverse effects of the crisis on health, employment and livelihood. Discussing these two public policies in tandem would have the advantage of showing how they can be better aligned and coordinated, with a view to making them mutually supportive.

With these points in view, in this report we examine the following three types of measures while giving main focus on social security.<sup>10</sup>

The first set of measures include subsidizing or deferring the payment of social security contributions (including corporate taxes and employers' liability for benefits such as first several days of sickness benefit), but can also extend to wage subsidies within the framework of stimulus package. These measures are designed to provide liquidity for business continuity, preserve jobs, reduce losses and ensure that companies' potential supply capacities do not deteriorate.

The second set of measures consist of short-term cash benefits for those affected by the crisis. Typically, they include unemployment benefits, sickness benefits (including employment injury benefits), and social assistance. These are known as automatic stabilizers which provide cash benefits for loss of jobs and income during economic downturns. In response to the COVID-19 crisis, several countries have introduced special cash transfer programmes for those affected by lockdown. In addition, childcare leave benefits are also important in supporting workers who had to provide care to children staying at home when nurseries, kindergartens and schools were closed due to the lockdown.

The third set of measures concern additional payments to long-term benefits. Typically, these include one-off top up, extraordinary indexation, or increase in the minimum guarantee level.

It should be noted that countries in Central and Eastern Europe already have existing social security systems, which provide comprehensive benefits in the event of main lifecycle risks. Having in place legal provisions and institutional structure on social security does not guarantee that the system provides adequate benefits in a sustainable manner. However, the existing systems enabled the governments to provide timely and flexible responses to workers and their families affected by the Covid-19 crisis without the need to adopt new laws and regulations. This advantage can be understood if compared, for example, with many Latin American countries which faced enormous challenges when they introduced new cash transfer programmes for poor households affected by COVID-19.<sup>11</sup> As shown in Table 2.1, all the countries under review except Moldova have also ratified the ILO Social Security Minimum Standards Convention, No.102.<sup>12</sup>

10. In its report on the General Survey on social security instruments in 2011, the ILO Committee of Experts on the Application of Conventions and Recommendations emphasizes the need for a better coordination between employment and social security policies and calls for effective monitoring and supervision of the use of social security subsidies to stimulate employment. See ILO (2011).

11. See Blofield et al. (2020).

12. Key ILO Conventions on social security include:

C.102: Social Security (Minimum Standards) Convention, 1952 (No.102);

C.121: Employment Injury Benefits Convention, 1964 (No.121);

C.128: Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No.128);

C.130: Medical Care and Sickness Benefits Convention, 1969 (No.130);

C.168: Employment Promotion and Protection against Unemployment Convention, 1988 (No.168);

C.183: Maternity Protection Convention, 2000 (No.183); and

R.202: Social Protection Floors Recommendation, 2012 (No. 202).

► **Table 2.1. 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
Bosnia and Herzegovina	02/06/1993	✓	✓	✓	✓	(C.121)		✓		✓	02/06/1993		18/01/2010
Moldova													28/08/2006
Montenegro	03/06/2006	✓	✓	✓	✓	(C.121)		✓		✓	03/06/2006		19/04/2012
North Macedonia	17/11/1991	✓	✓	✓	✓	(C.121)		✓		✓	17/11/1991		03/10/2012
Serbia	24/11/2000	✓	✓	✓	✓	(C.121)		✓		✓	24/11/2000		31/08/2010
Ukraine	06/06/2016	✓	✓	✓	✓	✓	✓	✓	✓	✓			

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

In the remainder of this chapter, we comparatively review and examine these measures undertaken by the seven countries under the review during the first half of 2020.<sup>13</sup> Annex details all those measures in the format of the living paper “Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures” (Gentilini, U. et al. (2020)).

## ► 2.2. Social health protection

All the seven countries have already attained a reasonably wide population coverage of health care. Ukraine has a tax-financed national health system, and the rest of countries finance health care services through social health insurance. Compared with other branches of social security that provide income security benefits, the health insurance coverage of these countries goes beyond the workers in the formal economy, largely due to the State subsidy of certain categories of economically inactive population such as dependent family members, beneficiaries of social assistance, and registered unemployed. There are still groups excluded from coverage, such as those solely informally employed, the unregistered unemployed, and Roma population in some of the countries.

As shown in Table 2.2, these countries spend between 6 and 9 percent of GDP on health of which between 41 and 75 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 Montenegro, Bosnia Herzegovina, North Macedonia, Serbia and Moldova, extensive out-of-pocket payments (and the practice of informal payments) are evidenced in Albania, Ukraine, Moldova and

13. For a global monitor of social protection responses, reference should be made to the ILO social protection spotlight. In particular ILO (2020d) on sickness benefits, ILO (2020e) on overall importance of social protection interventions, ILO (2020f) on unemployment protection, ILO (2020g) on protecting migrant workers, and ILO (2020h) on achieving gender equality in pandemics responses. Available at: <https://www.social-protection.org/gimi/ShowWiki.action?id=62&lang=EN>.

Serbia. In particular, the share of out-of-pocket payments exceeds the share of public funding in Albania and Ukraine. 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 Ukraine, for instance, a most common form of out-of-pocket payment involves outpatient and inpatient prescribed medicine that should be available to patients free of charge, dressings and other disposable items received upon admission to the hospital, as well as informal payments to healthcare workers. 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.<sup>14</sup>

Since the outbreak of the COVID-19 pandemic, all the countries have introduced measures facilitating access to health care services. For example, both entities of Bosnia and Herzegovina as well as Serbia extended access to free medical care for COVID-19 treatment and testing to all residents.

► **Table 2.2. 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
Bosnia and Herzegovina	8.9	70.5	29.1
Montenegro	7.6	75.0	24.1
North Macedonia	6.1	67.4	31.9
Moldova	7.0	50.6	43.6
Serbia	8.4	56.7	41.8
Ukraine	7.0	44.0	52.3

Source: WHO Health Expenditure Database and World Development Indicators.

## ► 2.3. Measures for business continuity and employment retention

As shown in Table 2.3,<sup>15</sup> a majority of countries provided subsidies of social security contributions for workers (including self-employed) affected by lockdown. Montenegro, Serbia and Ukraine allowed for the deferral of the payment of social security contributions as well as taxes. Albania provided neither of these measures.

14. To improve the efficiency and equity of public resource allocation, since 2016 Ukraine has been implementing a transformative health reform, including the introduction of Government guaranteed health care benefit package and the establishment of the National Health Service of Ukraine which acts as the single health care purchaser. See Hirose (2019).

15. In Bosnia and Herzegovina, social security is under the separate responsibility of entities – the Federation of Bosnia and Herzegovina, Republika Srpska, and Brčko district. Brčko district has a health insurance but does not have its own pension scheme. The residents should choose to join one of the pension funds of the other two entities.

► Table 2.3. Subsidy and deferral of social security contributions

Country		Cont. rate	Description of measures
Albania		SI: 15%(E)+9.5%(W) HI: 3.4%(W)	No subsidy or deferral of contributions.
Bosnia and Herzegovina	FBiH	SI: 6%(E)+17%(W) HI: 4%(W)+12.5%(E)	Companies that had (i) at least a 20% fall in turnover during the lockdown period and (ii) no tax arrears were eligible for subsidies from the entity budget for employees' social security contributions at BAM 244.85 for April, May and June.
	RS	SI: 18.5%(W) HI: 12%(E)	For companies affected by lockdown, the RS solidarity Fund subsidized social security contributions for the second half of March and the gross minimum wage for April and May.  The payment of social security contributions was deferred by one month. The payment of taxes (not including social security contributions) was postponed from end March to end June.
Moldova		SI: 23%(E)+6%(W) HI: 4.5%(E)+4.5%(W)	From March until September, the companies affected by the pandemic were eligible for a subsidy of between 60% and 100% of the social and health insurance contributions and income tax in respect of the employees who were technically unemployed.  Self-employed were eligible to lump sum subsidy equivalent to the social insurance contribution (10,747 MDL) in respect of the period of inactivity.
Montenegro		HI: 2.3%(E)+8.5% (W) SI: 6%(E)+15.5% (W)	Deferral of income tax and mandatory social security contributions for up to 90 days.
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).
Serbia		HI: 5.15%(E)+5.15%(W) SI: 12.75%(E)+14.75%(W)	Companies in private sector were eligible for deferral of payments of salary tax and social security contributions on salaries for March, April, and May 2020 (on behalf of the employee and on behalf of the employer), until 4 January 2021. Deferred tax obligations would need to be paid over a period of not more than 24 months, in monthly instalments without any late-payment interest.
Ukraine		SI: 22%(E)	No subsidy for companies.  Some categories of self-employed were exempted from payment of social contributions (these periods are recognized as contributory periods at the minimum level for benefit calculation) from March to May.

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

**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska, E = employer, W = worker.

All countries 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 2.4 presents this type of measures implemented in the seven countries.

► **Table 2.4. 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	
Bosnia and Herzegovina	FBiH	The minimum wage subsidy from March to May. The level, duration and eligibility criteria differ by cantons.
	RS	Subsidies for covering the cost of social security contributions (based on minimum wage) for March and gross minimum wages for April and May.
Moldova	Starting with April, all employees of public medical institutions, who during the exercise of their duties were infected with COVID-19 benefit from a single allowance in the amount of MDL 16,000.	
Montenegro	<p>The subsidy is 100% of the gross minimum wage for businesses whose work is prohibited and tourism sector, 50% for other affected sectors, 70% for employees on paid leave and employees in quarantine or isolation.</p> <p>If a registered unemployed worker is newly employed in small and medium enterprises, 70% of the gross minimum wage is guaranteed for six months.</p>	
North Macedonia	<p>Health workers and others directly involved in the coronavirus infection received wage supplements of 20% from the base wage for two months.</p> <p>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.</p> <p>Companies from catering industry, tourism, and transport can receive both the financial support for wage and the subsidy of 50% of social security contributions.</p> <p>Financial support of MKD 14,500 for artists and sport clubs for April and May 2020.</p>	
Serbia	<p>Employees in small, micro and medium-sized companies, self-employed and farmers were entitled to receive subsidies of 100% of minimum net wage for May, June and July, and subsequently 60% of the minimum net wage for August and September. Employers receiving the second wage subsidies for August-September were not allowed to lay off more than 10% of employees within 3 months after receiving the wage subsidy.</p> <p>For the employees in large enterprises whose contract terminated, 50% of the minimum wage was guaranteed for May, June and July, and subsequently extended to August and September.</p>	
Ukraine	Wage supplements to medical and other workers (up to 300%) from 1 April 2020, social protection workers directly providing social services (up to 100%) and employees of State enterprises and organizations, public authorities which have direct contact with the population (up to 50%) from 29 April 2020 for the period of quarantine and within 30 days after the end of quarantine	

**Source:** Information from country correspondents.

**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

## ► 2.4. Income support by short-term benefits

While measures supporting businesses and subsidising their labour 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.

### Sickness benefits

As summarised in Table 2.5, sickness benefits in all 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. We found only reports from Montenegro and Ukraine. Montenegro paid 70 percent of the minimum wage to workers in self-isolation and quarantine. Ukraine extended sickness benefits to all those who were in quarantine and self-isolation. For some groups (mainly medical workers) the benefit level was increased and the cost was financed by the State budget.

► **Table 2.5. Sickness benefits**

	Albania	Bosnia and Herzegovina		Moldova	Montenegro	North Macedonia	Serbia	Ukraine
		FBiH	RS					
<b>Benefit level (as % of previous earnings)</b>	70 or 80%	80–100%	70–90%	60, 70 or 90%	70%	70%	65%	50, 60, 70 or 100%
<b>Employers' liability</b>	First 14 days	First 42 days	First 30 days	First 5 days (but not more than 15 days per year)	First 60 days	First 30 days	First 30 days	First 5 days
<b>Any reduction of employers' liability?</b>	No	No	No	No	No	No	No	No

Source: Information from country correspondents and ISSA Country Profiles.

Notes: FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

## Unemployment and related benefits

Despite the efforts to retain employment, the labour market situation in all 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 2.6 summarises the measures introduced in the seven countries.

► **Table 2.6. Unemployment and related benefits**

Country	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.	
Bosnia and Herzegovina	FBiH	8 months	40% of last salary from 3 to 24 months	Unemployment benefits were extended to all workers laid off due to lockdown (irrespective of the contribution payment conditions).
	RS	8 months	40% of last salary from 1 to 12 months	No change in the existing unemployment assistance benefits. In November 2019 the level and duration of unemployment assistance were increased. Also, the minimum unemployment assistance was increased from BAM 258 to BAM 360.
Moldova	12 months in the last 24 months	50% of last salary (40% if voluntary) from 5 to 9 months	The minimum unemployment benefit was increased to MDL 2,775 (the minimum wage in the private sector) during the State of Emergency (from 17 March to 15 May 2020).	

Country	Minimum contribution period	Benefit level and duration	Description of measures
Montenegro	12 months in the last 18 months	40% of minimum wage from 3 to 12 months	One-off income support of EUR 50 to registered unemployed not entitled to unemployment benefits or not receiving any financial or material compensations. Financial support of EUR 50 to 8,583 families who receive financial support
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.
Serbia	12 months in the last 18 months	50% of last salary from 3 to 24 months	There were no increases of unemployment benefits or other types of support for newly unemployed during the state of emergency and after.
Ukraine	No minimum contribution	50–70% of last salary for max 12 months	During the state of emergency, the minimum unemployment benefit was increased from UAH 650 to UAH 1,000 (paid from 12 March 2020 and will be valid for 30 days after the end of quarantine). Every year the minimum payment is reviewed by the Fund, there is no information on the reduction. Partial unemployment benefits were paid to employees in small and medium enterprises to compensate for the reduced working hours. It is amounted as 2/3 of the salary tariff rate (the amount of wage per hour), but not more than the minimum wage for 2020 (UAH 4,723).

**Source:** Information from country correspondents.

**Notes:** All schemes require that beneficiaries must be registered at the Employment Service and able and willing to work. FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

## Other cash income support and social assistance

As summarised in Table 2.7, social assistance benefits were temporarily increased, eligibility conditions were relaxed, and one-off cash supplements were paid. It is observed that some countries provided one-off income assistance of a universal character. In Serbia, emergency one-off assistance of 100 Euro was paid to all citizens aged 18 years or above. 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 2.7. 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.
Bosnia and Herzegovina	FBiH No new cash transfer.
	RS No new cash transfer.
Moldova	The basic minimum guaranteed income was increased from MDL 1,107 to MDL 1,300, and its level for children was increased from 50% (MDL 553) to 75% (MDL 975) of the basic amount. Application procedure for social assistance was simplified.
Montenegro	The entitlement to child allowance was extended to families whose members lost employment due to the pandemic and lockdown. One-off support of 50 Euro for social assistance beneficiaries not eligible to other benefits.

Country	Description of measures
North Macedonia	<p>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.</p> <p>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.</p> <p>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.</p> <p>One-off support of 40% of the last net wage for medical workers in institutions for testing, diagnostic and medical treatment of Covid19.</p> <p>Additional energy allowance of MKD 1,000 for March and April for the beneficiaries of social assistance.</p>
Serbia	<p>Entitlement of social assistance for the existing beneficiaries (expiring after 15 March 2020) was extended for three months without testing.</p> <p>Universal one-off emergency cash assistance of EUR 100 to all adult citizens aged 18 years or more.</p>
Ukraine	<p>Temporary cash transfer (equal to subsistence minimum) introduced to support children (up to 10 years old) of self-employed. The amount is UAH 1,779 for children under 6 years, and UAH 2,218 for children aged between 6 and 10 years.</p> <p>Social assistance was extended to persons who have lost jobs during lock down. The benefit was increased from UAH 2,800 to UAH 3,020.</p> <p>One-off cash support of UAH 1,000 was paid to around 600,000 social assistance beneficiaries and those without any social benefits</p>

**Source:** Information from country correspondents.

**Notes:** FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

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 2.8 summarises these benefits.

► **Table 2.8. In-kind support**

Country	Description of measures
Albania	<p>Delivery of basic goods, including medicine, to the persons in need: recipients of social assistance, persons with disabilities, elderly, homeless persons.</p> <p>Utility waivers for selected groups of tenants</p>
Bosnia and Herzegovina	Utility waivers for selected groups of tenants in some municipalities
Moldova	<p>Some local governments and NGOs distributed at food and medicine packages to persons with disabilities, pensioners and other vulnerable groups.</p> <p>All persons were granted deferral of the payment for public utility without surcharges.</p>
Montenegro	International donation of ventilators, medical equipment, materials for PCR tests and personal protective equipment for health care workers of the Emergency Operation Center.
North Macedonia	<p>Rents in social housing deferred for selected groups of citizens.</p> <p>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.</p> <p>Food and sanitary packages distributed to vulnerable groups.</p>
Serbia	<p>Pensioners were granted deferral of public utility and rental payments, and a 5%-discount of energy bills.</p> <p>All citizens were granted deferral of the payment of energy bills without surcharges.</p> <p>Food and sanitary packages distributed to vulnerable groups.</p>
Ukraine	<p>Housing subsidies increased (50% increase in the subsidy for electricity, gas and water).</p> <p>The recipients of housing subsidies were granted three months deferral of the payment of housing and communal services.</p>

**Source:** Information from country correspondents.

## Childcare leave benefits

During the lockdown period, parents of small children had to stay home to care for their children. Several countries under review introduced temporary special childcare leave. In Montenegro, parents of children less than 11 years of age were entitled to paid leave and their employers could receive a subsidy amounting to 70 percent of the minimum wage. Similarly, in North Macedonia parents of children less than 10 years of age were entitled to such leave. Serbian government only recommended that employers should award paid leave to parents of children aged 12 years or less.

## ► 2.5. Additional income support to pensioners

Table 2.9 presents the measures for pensioners. Albania introduced additional indexation of benefits and higher increases of the minimum pensions. Montenegro and Ukraine increased the minimum pensions and paid one-off supplements to pensioners whose benefits were below certain levels. In Serbia, all pensioners, irrespective of the pension level, received a one-off supplement. In North Macedonia, pension payments were made earlier. The Federation of Bosnia and Herzegovina originally planned to suspend indexation. Finally, the indexation was only delayed for September instead of April.

► **Table 2.9. Additional cash benefits to pensioners**

Country	Description of measures
Albania	Indexation of pensions by 2.3% and higher increases of the minimum pensions
Bosnia and Herzegovina	FBiH After the initial decision not to adjust pensions due to emergency, the regular pension indexation of 2.8% was effective from September 2020. Also, the value of the general pension point in the pension formula was increased by 4.5%.
	RS Regular pension indexation of 3.11% from January. (Brčko District pays allowance for pensioners residing in Brčko District once a year. The amount ranges between BAM 50 and BAM 150 depending on the pension level. In 2020 the payment was made earlier than usual.)
Moldova	No additional support. From July, a new allowance was introduced to the survivors of medical staff who died due to COVID-19 related activity.
Montenegro	Increase of the minimum pension from EUR 125 to EUR 145. One-off supplement of EUR 50 to pensioners receiving low pensions up to EUR 128.82.
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).
Serbia	One-off supplement of EUR 35 paid to all pensioners.
Ukraine	One-off cash support of UAH 1,000 for 10 million pensioners receiving pensions UAH 5,000 or less. Monthly allowance of UAH 500 to all pensioners over 80 years of age receiving less than UAH 9,205.

Source: Information from country correspondents.

Notes: FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.



# 3. Preliminary assessment of the social security response measures

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Although it is still premature to evaluate the full impact of the COVID-19 response measures, this chapter attempts to assess the effects of these measures on the labour market and the household income. We analyse the extent to which these measures managed to protect the labour market and retain employment and alleviated adverse impact on household income.

## ► 3.1. Size of fiscal measures

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As presented in Table 3.1, 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 countries under review, the fiscal measures were focused mainly on direct additional spending targeted to enterprises and households. In terms of GDP, Montenegro increased fiscal spending by 8.0 percent (additional 2.3 percent in deferred revenue), Serbia by 5.6 percent (plus 2.8 percent in deferred revenue), Bosnia and Herzegovina by 5.2 percent, Ukraine by 3.4 percent, Moldova by 2.2 percent, North Macedonia by 2.0 percent, and Albania by 1.2 percent. It should be observed that Moldova, Serbia and Ukraine allocated a relatively large share of spending to the underfunded health care systems. According to the available data, the size of on liquidity support was 1.7 percent in Albania, 1.5 percent in Macedonia, 1.4 percent in Serbia and 0.4 percent in Moldova. Detailed information on the fiscal measure implemented in selected countries is found in Annex.

► **Table 3.1. 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 data)
	Sub-total	Health sector	Non-health sector		Subtotal	Equity injections, loans, asset purchase or debt assumptions	Contingent liabilities		
							Guarantees	Quasi-fiscal operations	
<b>Selected G20 economies</b>									
France	5.2	0.6	4.6	2.5	15.7	0.9	14.8	n.a.	10.7
Germany	8.3	0.7	7.7	n.a.	30.8	6.0	24.8	n.a.	23.5
Italy	4.9	0.4	4.5	0.4	33.0	0.2	32.8	n.a.	39.2
Japan	11.3	1.0	10.3	4.9	23.7	n.a.	3.0	20.7	38.4
United Kingdom	9.2	1.5	7.6	0.2	16.6	0.0	16.5	n.a.	39.9
United States	11.8	1.5	10.3	0.1	2.5	0.3	2.2	n.a.	25.9
<b>Selected new EU member countries</b>									
Czechia	4.4	1.0	3.3	0.7	15.5	0.0	15.4	n.a.	20.5
Slovakia	2.5	0.2	2.3	1.4	4.5	0.0	4.5	n.a.	8.3
Slovenia	7.9	0.2	7.7	n.a.	6.6	1.3	5.1	0.2	14.6
Bulgaria	2.7	0.7	2.0	0.5	4.0	1.4	n.a.	2.6	7.2
Croatia	5.2	0.1	5.0	n.a.	n.a.	n.a.	n.a.	n.a.	5.2
Hungary	4.1	1.2	2.9	n.a.	4.4	n.a.	4.4	n.a.	8.5
Poland	6.7	0.4	6.3	n.a.	5.0	1.8	3.3	n.a.	11.7
Romania	2.2	1.1	1.0	n.a.	3.2	0.2	3.0	n.a.	5.4
<b>Countries under review</b>									
Albania	1.2	0.2	1.1	n.a.	1.7	n.a.	1.7	n.a.	2.9
Bosnia and Herzegovina	5.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.2
Moldova	2.2	1.2	1.1	n.a.	0.4	0.3	0.0	n.a.	2.6
Montenegro	8.0	0.4	7.6	2.3	0.0	n.a.	0.0	n.a.	10.3
North Macedonia	2.0	0.1	2.0	n.a.	1.5	n.a.	n.a.	1.5	3.5
Serbia	5.6	1.3	4.3	2.8	1.4	n.a.	1.0	0.4	9.8
Ukraine	3.4	0.9	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	3.4
<b>Global estimate</b>									
Global	5.9	0.6	5.1	1.0	6.0	0.5	4.1	1.4	12.9

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

## ► 3.2. Preliminary impact assessment of the response measures

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We do not yet have a full account of the effect of the above stimulus measures in terms of retaining employment, income protection and future economic recovery. Here we present the preliminary analysis based on available information and reports of individual countries from national experts.

### Labour market and labour income

Among the seven countries under review, Serbia adopted the most generous and comprehensive economic package, including the provision of universal cash support. The enterprise survey in Serbia shows that businesses have generally managed to keep the dismissal of workers below 9 percent by means of the assistance measures offered by the government, which amounted to about 65 percent of total labour costs for workers based on the minimum wage. The ILO rapid assessment finds that the employment retention measures reduced the poverty rate by 1.2 percentage-points across all groups, but closed only half the difference between the pre- and post-crisis poverty levels. Although these measures saved many jobs, they did not protect those who were employed informally, temporarily, or through service contract. When the one-off universal cash benefit is taken into account, the combined measures reduce the relative poverty rate to 22.9 percent which is below the pre-crisis level.

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 labour 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.

The latest ILO Monitor presents the estimated values of fiscal stimulus during the first three quarters of 2020. As shown in Table 3.2, the values of fiscal stimulus is equivalent to 4.0 percent of labour income globally, which indicates that without stimulus measures the labour income loss would have been 38 percent more than the actual. Alternatively, the value of stimulus is equivalent to 37 percent of lost working hours. Europe and Central Asia region, particularly Eastern Europe subregion, exhibit larger impacts of the stimulus measures. The fiscal stimulus in Southern Europe subregion appears lower than the world average but this is rather due to the higher number of lost working hours.

► **Table 3.2. Value of fiscal stimulus by region, first three quarters of 2020**

	Working hours lost (%)	Labour income loss	Value of fiscal stimulus	
		(% of labour income)	(% of labour income)	(% of hours lost)
World	11.7	10.7	4.0	37.0
Europe and Central Asia	11.1	10.6	5.0	47.0
Southern Europe	15.7	n.a.	n.a.	23.0
Eastern Europe	8.2	8.0	4.3	54.0

Source: ILO Monitor. ILO (2020a).

## Household income

Table 3.3 shows the change in the household income from the national account data in the second quarter of 2020. Declines in household final consumption were smaller than declines in GDP in all countries except Bosnia and Herzegovina. This partly reflects changes in the household spending behaviour, but also impacts of the government efforts to mitigate negative impacts of the lockdown on households' income. Countries which implemented relatively large-scale stimulus and public health measures, such as Serbia and North Macedonia, exhibit significant increases in the government final consumption.

► **Table 3.3. Changes in GDP and consumptions in the second quarter of 2020**

	Albania	Bosnia and Herzegovina		Moldova	Montenegro	North Macedonia	Serbia	Ukraine
		FBiH	RS					
GDP	-10.2	-9.3	-6.9	-11.0	-20.2	-12.7	-6.4	-11.4
Household final consumption	-7.6	-9.4	n.a.	-9.7	-14.9	-11.6	-7.9	-10.4
Government final consumption	-0.7	+0.5	n.a.	n.a.	-3.0	+1.5	+8.9	-1.7

Source: National Statistical Offices.

Notes: % change to same quarter previous year, seasonally adjusted wherever available. FBiH = Federation of Bosnia and Herzegovina, RS = Republika Srpska.

Table 3.4 presents data from the Ukrainian Household Income and Expenditure Survey in the second quarter of 2020. In Ukraine, the total household income declined by 4.5% percent. The income from wages declined by 10.5% percent, but this was partially compensated by increase of social benefits by 5.4% percent, in particular cash social transfers increased by 14.6% percent. On the expenditure side, households spent 7.8% percent less on goods and services. As precautionary savings to future uncertainty, households put aside 81.5% percent more in deposits and 56.6% percent more in savings in foreign currency. Decreases in social contributions by 17.4% percent and in income taxes by 4.6% percent can be due to the subsidy and deferral measures. The resulting disposable income declined by 5.3% percent. Similar patterns of income changes and consumer behaviour are observed in other European countries.

► **Table 3.4. Household income and expenditure in the second quarter of 2020, Ukraine**

	2019 Q2 = 100
<b>Total income</b>	<b>95.5</b>
Wages and salaries	89.5
Profits and mixed income	92.7
Property income	100.5
Social benefits, of which:	105.4
Social cash transfers	114.6
Other current cash transfers	98.9
Social transfers in kind	96.3
<b>Expenditure and savings</b>	<b>95.5</b>
Goods and services	92.2
Payment of rents, loans etc.	108.9
Taxes and similar of which	99.8
Income taxes	95.4
Social contributions	82.6
Other	119.5
Increase in deposits	181.5
Savings in foreign currency	156.6
<b>Expenditure</b>	<b>93.1</b>
<b>Disposable income</b>	<b>94.7</b>

Source: State Statistics Service of Ukraine. <https://ukrstat.org/uk/express/expr2020/09/122.pdf>.

All countries in the region are countries of origin of migrants, mainly to higher-income European countries. As shown in Table 3.5, 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.

► **Table 3.5. Remittances as a percentage of GDP, 2019**

	Remittances (% of GDP)
Albania	9.4
Bosnia and Herzegovina	10.9
Moldova	16.3
Montenegro	25.4
North Macedonia	2.5
Serbia	8.1
Ukraine	10.5

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

According to World Bank estimates, remittances in Europe and Central Asia region are estimated to fall by about 28 percent in 2020 due to the combined effect of the global coronavirus pandemic and lower oil prices.<sup>16</sup> This implies that the loss of the household income due to the reduced remittances can range between 3 and 7 percent of GDP.

### ► 3.3. Preliminary policy evaluation

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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.

#### 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 3.1, the deferred revenue and accelerated spending amounted 2.3 percent of GDP in Montenegro and 2.8 percent of GDP in Serbia, a large part of which was due to the deferred social security contributions as well as income and corporate taxes.

Although the temporary reduction of social security contributions met the immediate liquidity need for enterprises to continue their business and retain employees, this measure directly affected the financing of social security schemes. Note that countries in Central and Eastern Europe do not have substantial reserves in their social security funds,<sup>17</sup> rather they (typically pension funds) are in deficit in most countries. Thus these costs will be shifted to the budget deficits. The long-term financial impact of the additional liabilities associated with this measure should be properly evaluated and the future cost recovery measures should be agreed through constructive social dialogue.<sup>18</sup>

#### 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.

<sup>16</sup>. See Ratha et al. (2020).

<sup>17</sup>. Several countries have introduced mandatory funded pensions (the so-called second-pillar). Though these schemes are outside the scope of this report, it is also of interest to analyse the impact of the pandemic on the performance of these schemes.

<sup>18</sup>. In the context of the global financial and economic crisis in 2009, the ILO Committee of Experts on the Application of Conventions and Recommendations drew the attention to "the tendency to promote active labour market measures and enterprise development at a risk of undermining sustainability of social security finances by granting incentives to enterprises in the form of reduction of, or exemption from, social security contributions" and observed that more attention should be paid to evaluating the impact of the measures to promote active labour market policies by using the resources of social security schemes. See ILO (2011).

All the seven countries under review 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.

## **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 all the countries, employers are responsible for the payment of first several days of sick leave of the employee. It could be due to this rule that the sickness benefits were absorbed by wage subsidies. In Croatia and Slovenia, the States paid the salary compensation for employees on sick leave from the first day (normal rule is that employers pay the first 30 days).

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. All the seven countries under review significantly 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.

## **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.<sup>19</sup>

### **Additional income support to pensioners**

Generally speaking, pensioners as recipient of regular income should be relatively immune to the adverse effects of lockdown – at least as long as the benefits are at an adequate level and regularly adjusted. On the other hand, many societies perceive pensioners vulnerable as pensions are their sole income in almost all cases, which led to support pensioners in the crisis. However, one should also note that pension funds in most countries are in deficit ranging between 1 and 5 percent of GDP due to the weak revenue structure and unfavourable demographic structure. With these constraints in view, the support to pensions should focus on protecting low-income pensioners.

### **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.

To conclude this section, the following Table 3.6 presents key social security and labour market measures by different phases of the pandemic.

<sup>19</sup> We have not addressed the particular situation of Roma population during the COVID-19 crisis, but their exclusion from the access to health care raised alarming concerns already years ago. See Open Society Institute (2007).

► **Table 3.6. Social security and labour 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).

### ► 3.4. 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. See Table 3.7. In the long-term, the budget deficit and the accumulated public debt will impose a heavy burden on future generations.

► Table 3.7. IMF forecast of key fiscal indicators, 2019–2025

Indicator	Country						
	Albania	Bosnia and Herzegovina	Moldova	Montenegro	North Macedonia	Serbia	Ukraine
<b>General government net lending/borrowing (% of GDP)</b>							
2019	-2.0	1.5	-1.4	-2.4	-2.0	0.0	-2.0
2020	-8.4	-5.8	-8.0	-10.4	-7.7	-8.1	-7.8
2021	-4.7	-4.4	-4.3	-4.9	-4.3	-1.6	-5.2
2022	-2.6	-2.9	-3.0	-2.7	-3.4	0.0	-3.5
2023	-2.0	-2.5	-2.6	-1.9	-3.2	-0.2	-2.4
2024	-2.0	-1.8	-2.4	-1.7	-3.1	-0.2	-2.4
2025	-2.0	-1.2	-2.4	-1.6	-3.1	-0.3	-2.4
<b>General government gross debt (% of GDP)</b>							
2019	67.7	32.8	28.4	79.3	40.2	52.8	50.1
2020	83.3	38.9	37.8	90.8	50.3	59.5	65.7
2021	83.2	40.4	39.2	88.1	50.5	57.0	64.3
2022	77.1	40.1	40.4	86.1	50.6	53.1	61.8
2023	74.8	40.4	40.7	84.2	50.8	50.2	58.2
2024	71.9	39.1	39.8	82.2	51.1	47.6	55.0
2025	69.1	37.3	38.9	80.2	51.5	45.0	52.1

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 report to delve into the austerity debate, we only make 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.

Despite all that, repeated histories in prior global financial and economic crises do not allow much optimism. 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 labour 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.<sup>20</sup>

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20. The recent study by ILO, UNICEF and UNWOMEN have identified eight financing options: (i) Re-allocating public expenditures; (ii) Increasing tax revenues; (iii) Expanding social security coverage and contributory revenues; (iv) Lobbying for aid and transfers; (v) Eliminating illicit financial flows; (vi) Using fiscal and foreign exchange reserves; (vii) Managing debt: borrowing or restructuring existing debt; and, (viii) Adopting a more accommodative macroeconomic framework. All of these options are supported by policy statements of the United Nations and international financial institutions. See Ortiz et. al. (2017).



## 4. Conclusion – towards a comprehensive and resilient social security system

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As we have seen, in all the seven countries under review social security policies constituted one of the crucial part of the integrated responses to the COVID-19 crisis during the first stage of pandemic. However, the crisis has revealed gaps in the existing social security systems which stem from issues inherent in the current world of work, especially with respect to rising precarious employment and widening inequality,

From our preliminary assessment of the social security response in the first stage of the COVID-19 pandemic, the following policy recommendations will emerge:

- ▶ Social security constitutes a key pillar of the integrated policy response. Thus social security measures should be closely coordinated with a wide range of policies, in particular labour market and fiscal policies to support the employment protection and business continuity.
- ▶ Social security systems should effectively ensure the access to health care and income security. Access to health care should be guaranteed to all population. At the same time, sufficient resources should be allocated to provide necessary health care services. Income security should be ensured in all situations of loss of income, including involuntarily reduced working hours, unemployment, sickness (including quarantine), and increased family responsibilities. Income security should not only prevent poverty but also replace the lost income in adequate and acceptable proportion (subject to a certain maximum).
- ▶ The social security coverage should be extended to workers in all types of employment including non-standard forms of employment by taking into account their large heterogeneity and high labour market mobility. The compliance and enforcement should be improved by encouraging the formalization of workers in the informal economy and improving the contribution collection against under-reporting of contributory wages.
- ▶ Benefits from non-contributory programmes should effectively supplement to fill the coverage gaps of the benefits from contributory schemes. The crisis also prompted the need to consider adjusting the existing social security architecture and searching for a more suitable mix of contributory and non-contributory systems which respond better to the ongoing labour market transformation.<sup>21</sup>
- ▶ It is important to ensure well-informed social dialogue as an important and effective mechanism to formulate social security responses to the COVID-19 crisis. A lasting solution to the pandemic can be agreed and sustained only if there is nation-wide societal consensus based on full understandings of the implications of the measures and through continuous commitment of all relevant stakeholders.

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21. As one possible option, there has been a discussion on the possibility of introducing an unconditional universal basic income, although there are still many open questions regarding its acceptability and feasibility. See Ortiz et. al. (2018).

The global fight against the new coronavirus COVID-19 is far from over. There still remains great uncertainties ahead. The situation thus requires a close monitoring. This report can be regarded as a preliminary assessment of the social security responses for the seven countries with a focus on cash benefits for the working population and their families.

The COVID-19 crisis has highlighted the importance of proactive investment to build comprehensive and resilient social security systems that can respond quickly and effectively to shocks when they emerge. It has also highlighted the critical role of the State's interventions in the face of an unprecedented emergency event.

The ILO Social Protection Floors Recommendation No. 202 calls for ILO Member States to establish and maintain social protection floors as a fundamental element of their national social security systems ensuring access to essential health care and basic income security for all. It also calls for implementing social protection floors that progressively ensure higher levels of social security to as many people as possible, guided by the Social Security Minimum Standards Convention No. 102 and other ILO social security instruments.

At a time when the world of work is facing an unprecedented challenge, it is imperative to act with urgency to seize the opportunities and build an adequate, sustainable and well-functioning social security system.

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# Annex.

## Social protection and jobs responses to COVID-19

Validated and updated version of the country table of the living document:

<https://socialprotection.org/discover/publications/social-protection-and-jobs-responses-covid-19-real-time-review-country>

Fiscal implications of the above and other measures are based on the IMF Fiscal Monitor database:

<https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>.

### Albania

<b>COVID-19 situation</b>	On 8 March the first cases were confirmed. On 10 March the new lockdown policy was introduced. On 1 June, second phase of reopening.	
<b>Social Insurance</b>	<b>Pensions</b>	On 30.3.2020, Decree "On indexing of pensions" effectuated 2.3 percent increase in pensions, establishing the new limits, plus compensations for the low pensions.
	<b>Unemployment benefits</b>	Council of Ministers Decision No 254, dated 27.3.2020 (amended), "On the procedures for the financial support to the employees of businesses with turnover up to ALL 14 million, economic support and unemployment benefits due to the COVID-19" (first financial package) increased the unemployment benefit by two times during the COVID-19 pandemic.
	<b>Social security contributions</b>	There was no deferral of the payment of social security contributions.
<b>Social Assistance</b>	<b>Regular cash transfers</b>	The economic assistance (Ndihma Ekonomike) benefits were doubled.
	<b>One-off cash transfers</b>	Council of Ministers Decision No 13, dated 22.4.2020, "On amendments to Council of Ministers Decision No. 305, dated 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to COVID-19'". This decision supports financial assistance of ALL 16,000 per person for all the applicants of the economic assistance since July 2019, who have not received any economic assistance until April 2020 and do not benefit either from the 6% funds of municipalities.
	<b>Housing benefits, Food vouchers, others</b>	Council of Ministers Decision No 236, dated 19.3.2020, "On providing home assistance to persons in need during the COVID-19 epidemic" establishes additional responsibilities to government institutions to ensure home delivery of assistance to the persons in need. This assistance consists in delivering the monthly social insurance or social assistance benefits as well as products, food and non-food items, and medicines. Persons in need are: - Families or individuals receiving social assistance (Ndihma Ekonomike); - Individuals with disabilities; - Pensioners (Elderly); - Those who are homeless or have lost their home due to the earthquake.
	<b>School feeding</b>	Universities, schools and kindergartens were closed. A range of televised courses were developed for primary and secondary students. Distance learning is also available via online platforms at the school level. Online lectures continued until the end of May.

<b>Social Assistance</b> <i>(continued)</i>	<b>Public works</b>	Municipality of Tirana created an initiative of Adopt a Grandfather/ Grandmother to help in delivering food to the elderly people living alone.
	<b>Utility waivers</b>	Decision No. 58, dated 26.3.2020, "On the Energy Regulatory Authority" providing relaxed and exceptional procedures on metering the consumed electricity during the COVID-19 emergency.  Normative Act No.3, dated 15.3.2020, "On special administrative measures during the COVID-19 infection period" provided that the tenants who have suspended their rent contract due to the pandemic can defer the payment of rents for April and May 2020. This also applies to students and businesses with turnover lower than 14 million ALL who have suspended their activity due to situation. The payment will be done after May 2020 while for those that the contract ends before 31 May 2020, the obligation should be done up to three months after this date.
<b>Labour Market</b>	<b>Labour market regulations</b>	The Government allowed several businesses to remain open after the WHO declaration of pandemic and closed several ones. Some of the activities were allowed to work even though in April. On 1 June most of the activities were allowed to reopen, most with added measures. However, public transport were not allowed till 5 July.
	<b>Reduced work time / use of leave</b>	Part-time work (part-time or weekly) is allowed under the Labour Code of Albania and has the same rights as full time workers.
	<b>Wage subsidies</b>	Council of Ministers Decision No 254, dated 27.3.2020 (amended), "On the procedures for the financial support to the employees of businesses with turnover up to ALL 14 million, economic support and unemployment benefits due to the COVID-19" (first financial package) supports: <ul style="list-style-type: none"> <li>- Businesses with annual turnover up to ALL 14 million, closed down as a result of the imposed restrictions on businesses (closed down);</li> <li>- All the employees in these businesses receive a payment equal to the minimum wage (ALL 26,000) over the duration of restrictions;</li> <li>- Individuals with annual personal income over ALL 2 million are not eligible to receive such support.</li> </ul> Council of Ministers Decision No. 305, dated 16.4.2020, "On the procedures for the financial support to the actual employees and the unemployed due to COVID-19" (second financial package) supports: <ul style="list-style-type: none"> <li>- ALL 40,000 as lump sum for all the employees (formally employed at the time) in enterprises with annual turnover up to 14 million, allowed to operate by the government restrictions, with the exception of certain activities (lawyers, notaries, food industry, pharmaceuticals, etc.);</li> <li>- ALL 40,000 as lump sum for all the employees (formally employed at the time) in all accommodation structures active at the start of the emergency.</li> </ul> Council of Ministers Decision No 13, dated 22.4.2020, "On amendments to Council of Ministers Decision No. 305, dated 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to COVID-19'". This decision supports with: The lump sum amount of 40,000 ALL for every employee of the Ballsh Refinery. Employees of state administration who are board members or members of commissions of public administration institutions, higher education institutions and companies which are more than 50% state-owned do not get the monthly benefit from 1 April till the end of pandemic. Exception is made for employers who are members of boards, commissions or institutions which are related to the Ministry of Health and Social Protection. The Prime minister, deputy prime minister and ministries for the period of pandemic will receive a salary of 50% of their actual amount.
<b>Fiscal implications</b>	<b>Additional spending on health sector</b>	Additional spending: Additional funding for health sector of ALL 2.5 billion (0.2% of GDP). In addition, allocation from the Reserve Fund (ALL 0.5 billion).

<b>Fiscal implications</b> <i>(continued)</i>	<b>Additional spending on non-health sector</b>	<p>Additional spending:</p> <ul style="list-style-type: none"> <li>– Unemployment benefits and social assistance amounts were doubled. Support of small businesses and self-employed that are forced to close activities due to the pandemic (a minimum wage of ALL 26,000 per month), and people in family businesses (with declared but unpaid family members in the payroll, for up to twice the minimum wages). These measures lasted April to June.</li> <li>– One-off transfer of ALL 40,000 to affected people (in tourism, active processing and employees of small businesses not included in the first package, including employees of large businesses that have been laid off due to the pandemic).</li> </ul> <p>Foregone revenue:</p> <ul style="list-style-type: none"> <li>– Small businesses (those below an annual turnover threshold of ALL 14 million) will not pay profit tax in 2020 (normative act April 23). Estimated amount ALL 81 million.</li> </ul> <p>Total: 1.1% of GDP</p>
	<b>Accelerated spending and deferred revenue</b>	<p>Deferred revenue:</p> <ul style="list-style-type: none"> <li>– All large companies (except banks, telecommunication, SOEs and companies in the chain of supply of essential goods) can defer the corporate income tax instalments for Q2 and Q3 2020 to Q2–Q3 2021.</li> <li>– For tourism, active processing and call centres – and small businesses with turnover of ALL14 million or less – the payment of Q2, Q3 and Q4 of 2020 profit tax is deferred to Q2–Q4 2021.</li> </ul>
	<b>Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations</b>	<ul style="list-style-type: none"> <li>– ALL 11 billion sovereign guarantee for large businesses to tap overdraft or credit lines in the banking sector to pay worker salaries. Government guarantees 100% of the principal and directly covers interest costs. Interest rate is capped at 2.85% and maturity is up to 2 years with a 3-month grace period on principal.</li> <li>– ALL 15 billion additional unfunded sovereign guarantee line (0.9% of GDP) was approved on April 15 to enable loans for working capital and investments. All private companies that have been tax compliant and credit-worthy before the pandemic are eligible. The government guarantees only 60% of the principal with loan maturity is up to 5 years with caps on interest rate (5%), individual loan limit (ALL 300 million), and 6-month grace period on repayment of principal.</li> </ul> <p>Total: 1.7% of GDP</p>

## Bosnia and Herzegovina

<b>COVID-19 situation</b>	<p>The state of emergency caused by the outbreak of COVID-19 was declared on 17 March 2020 by the Council of Ministers of BiH. The state of natural disaster caused by COVID-19 pandemic in Brčko District (BD) was declared from 12.03.2020, while in the Federation of BiH (FBiH) from 16.03.2020. Republika Srpska (RS) announced the state of emergency on 16 March 2020.</p> <p>Entities introduced similar containment measures including house isolation (for persons aged 65 and above and children), night curfew and lockdown of businesses (except food supply shops and pharmacies). Health centres introduced special triage units for COVID-19 testing for emergency cases. The state of emergency in the RS was lifted on 21 May, while in the FBiH on 31 May.</p>	
<b>Social Insurance</b>	<b>Paid sick leave, childcare leave, maternity leave</b>	<p>No legislative change with regard to sick leave benefits during the case of an emergency. Paid sick leave is guaranteed under general labour legislation in both entities. In general, it is financed by employer (in FBiH, up to 42 days of sick leave, whereas in the RS up to 30 days), and health insurance funds – in the FBiH 42 days or more of sick leave is financed by responsible cantonal health insurance fund, whereas in the RS Health insurance fund finances sick leave of more than 30 working days. In both entities, the sick leave needs to be approved by the responsible medical doctor.</p> <p>The exception to the above rule in the FBiH is in case of prescribed house isolation due to infection or suspected infection. Article 57 of the Law on Health Insurance envisages that the salary compensation in this case will be covered entirely by responsible health insurance fund (the salary should be paid by the employer and refunded within 45 days by cantonal health insurance fund).</p>

<b>Social Insurance</b> <i>(continued)</i>	<b>Health insurance</b>	<p>Health protection in both entities is organised by social health insurance. However, many people are left without insurance for different reasons (delayed contribution payments, unregistered work, etc.).</p> <p>The RS Health Insurance Fund passed a decision, whereby all citizens including those without health insurance were eligible for health protection during the COVID-19 pandemic. One of the aims of this measure was to encourage people to report symptoms and seek help at health institutions. The related costs will be covered from the RS entity budget, and it is estimated that it will reach some BAM 10 million (for period March to June 2020).</p> <p>The Corona Law in the FBiH stipulated that during the state of the disaster caused by COVID-19 pandemic and one month after, all citizens in the FBiH are granted compulsory health insurance. Since the law does not specify who is responsible for financing insurance for those that are generally without health insurance, it could be assumed that health insurance funds should cover these expenses.</p>
	<b>Pensions</b>	<p>The FBiH Law on alleviation the negative economic consequences caused by the coronavirus pandemics states that due to decrease in public revenues, pensions were not going to be indexed as stipulated by general pension legislation. Yet, in June 2020, the FBiH government decided to increase all pensions, except the maximum pensions, by 2.8%. The increase will be effective from September 2020.</p> <p>Municipality of Novo Sarajevo gave support to vulnerable categories of pensioners from their municipality. Pensioners were selected by the Association of Pensioners of Novo Sarajevo (eligible were pensioners with a disability, those in need of care assistance, recipients of a minimum pension who support other members of the family, and similar categories). The funds were distributed through the FBiH Pension and Disability Insurance Fund on two occasions. The first group of 4,000 pensioners was supported with KM 50 in May, while the second group of 2,400 pensioners received the same amount of assistance in June. The total envisage cost is KM 350,000. The programme has been running since 2007, but this year the municipality of Novo Sarajevo allocated more funding for this purpose.</p>
	<b>Unemployment benefits</b>	<p>The FBiH Public Employment Institute (PES) announced that all persons who were made redundant can claim unemployment benefits (i.e. unemployment assistance, health insurance and pensions insurance) irrespective of their contribution records. This follows an earlier decision by the FBiH Supreme Court, which states that unemployed person has the right to unemployment benefits irrespective of unpaid contributions. However, not all cantonal PES offices followed this Supreme Court decision.</p> <p>The Brčko District enacted decision which states that unemployed persons who are generally required to report to the PES will have their registration automatically prolonged together with their health insurance benefits at the expense of the PES, effective from 29 March.</p> <p>No special measure in response to COVID-19 is reported from the RS PES.</p>
	<b>Social security contributions</b>	<p>The RS Government prolonged due date for submitting the annual report for paid contributions for one month.</p> <p>On 9 April the RS government adopted a set of Decrees to alleviate the pandemic induced burden for businesses and prevent job losses. The measures include payment of social insurance contributions for the second half of March and social insurance contribution and minimum salaries for April for employees of companies that were forbidden to work during the state of the emergency caused by the pandemic.</p> <p>The FBiH adopted the Law on alleviation of the negative economic consequences caused by the coronavirus pandemics, called the "Corona Law". The entity will subsidise employee social security contributions amounting to BAM 244.85 (EUR 125) for the period of the state of natural disaster and one month after. This pertains to companies that during the lockdown period had at least a 20% fall in turnover as to the same month in 2019. Only companies without tax arrears will be eligible to apply.</p>
<b>Social Assistance</b>	<b>Regular cash transfers</b>	Neither government introduced any new cash transfers in response to the COVID-19 pandemic.
	<b>One-off cash transfers</b>	One-off cash transfer benefits, such as one-off social assistance and exceptional social assistance, are granted under general social protection legislation in both entities as means-tested benefits. It not known if municipalities have increased the expenditure on these benefits in response to the COVID-19 pandemic.
	<b>Childcare support</b>	Neither government has introduced childcare support in response to the COVID-19 pandemic.

<b>Social Assistance</b> <i>(continued)</i>	<b>Social pensions</b>	Entities in Bosnia and Herzegovina do not provide social pensions.
	<b>Food, vouchers, others</b>	Neither government in Bosnia and Herzegovina offers food vouchers.
	<b>School feeding</b>	Most schools in Bosnia and Herzegovina do provide meals for children.
	<b>Public works</b>	No public works were introduced at any level of government in response to the crisis induced by COVID-19.
	<b>Utility waivers</b>	Some municipalities offer utility waivers to some categories, such as beneficiaries of means-tested social assistance, pensioners receiving a minimum pension, etc.
<b>Labour Market</b>	<b>Activation measures</b>	From 15 June, the FBiH PES continued to finance planned employment subsidies. The RS Government adopted the Action plan for employment on 11 June 2020. The plan envisages the employment of 2,209 unemployed people and allocated BAM 10.9 million budget. It includes employment and self-employment of war veterans and their children; subsidies for first employment of young people; education and prequalification; subsidies for employment of Roma people; support to the employment of vulnerable categories (i.e. aged 40 and above, women victims of violence, women civilian victims of war, women from rural areas, etc.).
	<b>Labour market regulations</b>	In mid-May, the FBiH Government adopted a draft Law on Changes to the Labour Law. If adopted, the law would give employers the possibility to furlough workers for up to 90 working days in case that company is prohibited from working or its revenue falls by at least 20% compared to the same period in the previous year. In such cases, employers would be able to reduce a worker's salary by up to 35%, though it would not be lower than the minimum salary (approximately BAM 406 or EUR 208). Employers would also be able to instruct workers to take their vacation, or work from home, or take paid or unpaid leave. The stipulated measures would be valid in periods of a declared state of disaster or emergency.
	<b>Reduced work time / use of leave</b>	Brčko District instructed all public institutions, including health institutions, to allow their employees with children of age up to 12 years to use holiday leave.
	<b>Work from home</b>	Under both entity labour laws, work from home is possible. The FBiH Government issued recommendations for employers and employees to reorganize work time, i.e. where possible to approve work from home, to stimulate workers to take holiday leave, and to approve leave for parents of children younger than 10 (at least to one parent in case that both parents work).
	<b>Wage subsidies</b>	<p>On 9 April the RS government adopted a set of Decrees to alleviate the pandemic induced burden for businesses and prevent job losses. The measures include payment of social insurance contributions for the second half of March and social insurance contribution and minimum wage for April for employees of companies that were forbidden to work during the state of the emergency caused by the pandemic. All employees of public health institutions in the RS, including health workers employed in penal institutions, received one-off wage subsidy of BAM 1,000 with their March salary. The subsidy was intended for medical workers that worked at least three weeks in the period from 15 March to 15 April.</p> <p>The FBiH adopted the Law on alleviation of the negative economic consequences caused by the coronavirus pandemics, called the "Corona Law". The entity will subsidise employee social security contributions amounting to BAM 244.85 (EUR 125) for the period of the state of the emergency and one month after, i.e. April, May and June. This pertains to companies that during the lockdown period had at least a 20% fall in turnover as to the same month in 2019. Only companies without tax arrears will be eligible to apply. Cantons passed measures aimed at subsidising minimum salaries in full or partially. For instance, Zenica-Doboj Canton in April 2020 decided to cofinance 50% of the net salary for March and the full amount of a minimum salary for April for companies whose work was prohibited during the state of the emergency. Herzegovina-Neretva canton will subsidise minimum salaries in full.</p> <p>Brčko District decided to pay a minimum gross salary (BAM 520 or 266 EUR net plus SSCs and taxes) for March to companies prohibited from working, while other companies can receive subsidies of 30% of paid SSCs and taxes on salaries for March. By a law adopted in May, a part of a gross salary and SSCs borne by the employer of up to BAM 860 or 440 EUR will be subsidised from the District budget for companies directly affected by the pandemic for April until a month after measures prohibiting work are ceased, while other affected companies will receive subsidies of at least 30% of taxes and SSCs paid on salaries.</p>

## Moldova

<b>COVID-19 situation</b>	In the Republic of Moldova, the state of emergency has been established throughout the country from March 17 to May 15, 2020, declared by Parliament Decision no. 55/2020 regarding the declaration of the state of emergency.	
<b>Social Insurance</b>	<b>Pensions</b>	<p>From April 1 to June 30, 2020, the employees of the State Enterprise “Posta Moldovei” delivered at home pensions, state social allowances and other cash social benefits for the elderly. For this period, the commission paid by the National Social Insurance House to State Enterprise “Posta Moldovei” for the distribution of social benefits at home was increased from 0.7% to 1.3% of the total amount of benefits distributed.</p> <p>The degree of disability for persons, whose degree of disability expires during the state of emergency, is extended by the National Council for Assessing the Disability and Work Capacity until the state of emergency is lifted. The payment of disability pensions is made until the expiration of the term for which disability is determined (administrative adaptation).</p>
	<b>Unemployment benefits</b>	<p>During the state of emergency, the persons registered at the territorial employment office, including those returned from abroad, receive monthly unemployment benefits in the amount of MDL 2,775 (US\$161.61) from the date of application. The application for unemployment benefits can be submitted remotely, using information and communication technologies.</p> <p>Persons who have lost their job as a result of the state of emergency when registering at the territorial office of employment and applying for unemployment benefits are not obliged to insure themselves individually in the compulsory healthcare insurance system.</p> <p>Persons who do not meet the minimum contributory period of 12 months in the last 24 months, including persons returning from abroad to the Republic of Moldova, until the registration as unemployed and applying for unemployment benefits, are obliged to insure themselves individually in the compulsory health insurance system by paying the health insurance premiums in a fixed amount.</p>
	<b>Social security contributions</b>	<p>From May 16 to June 30, 2020, enterprises and non-commercial organizations, residents of the Republic of Moldova, which are obliged to cease totally or partially their activity in accordance with the decisions of the National Extraordinary Public Health Commission and/or Commission for Exceptional Situations are eligible for a subsidy in the amount of 100% of the calculation base (income tax, social insurance contributions and health insurance premiums paid related to the indemnity /salary of the employees who are technically unemployed). For the subjects of the subsidy who have totally or partially ceased their activity, other than those mentioned above are eligible for a subsidy of 60% of the calculation base.</p> <p>Founders of individual enterprises, notaries, bailiffs, lawyers, retailers, entrepreneurs’ license holders are entitled to a subsidy in the amount of the fixed amount of state social insurance contributions for the period of cessation of their activity in accordance with the decisions of the National Extraordinary Public Health Commission and/or Commission for Exceptional Situations.</p>
<b>Social Assistance</b>	<b>Regular cash transfers</b>	<p>Starting with April 2020, the minimum guaranteed monthly income for social assistance is increased from MDL 1,107 (US\$64.5) to MDL 1,300 (US\$75.7), and the amount of the guaranteed minimum monthly income for each child was increased from 50% to 75%, including for the month in which the state of emergency is lifted.</p> <p>The right to social assistance that expires during the state of emergency is extended until it is lifted. When establishing the right to social assistance, the applicant who does not have the possibility to present confirmatory documents regarding the income, the family structure, and other necessary documents, submits the declaration on his own responsibility regarding the veracity of the declared data (administrative adaptation).</p>
	<b>Utility waivers</b>	In the period of emergency, the commercial banks participating in the programme “First Home” do not initiate the procedure of the execution of the mortgage right, as a result of the non-payment by the beneficiaries of the main amount of mortgage and of interest within 91 days.

<b>Labour Market</b>	<b>Labour market regulations</b>	<p>During the state of emergency, a special work regime is established with regard to employees working for the public institutions. Depending on the specific of the activity and needs, staff, whose activity required mandatory attendance at work, are involved at the physical work place, others worked at home, remotely. From 21 May 2020 the Labour Code introduced a new Chapter "Remote work".</p> <p>The provisions that impose conditions, restrictions and dismissal rules envisaged in the Labour Code are not applicable during the state of emergency. In order to ensure the proper activity in the fields of public order and health, personnel is hired using the simplified procedure (without competition).</p>
<b>Fiscal implications</b>		<ul style="list-style-type: none"> <li>- Additional spending on health sector: 1.2% of GDP;</li> <li>- Additional spending on non-health sector: 1.1% of GDP;</li> <li>- Accelerated spending and deferred revenue: 0.3% of GDP;</li> <li>- Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations: 0.1% of GDP.</li> </ul>

## Montenegro

<b>COVID-19 situation</b>		<p>On 17 March, the country reported its first case of COVID-19. According to the Montenegrin government, the country became the first European nation to become coronavirus-free. Initially, the government launched public awareness campaigns, closed all schools, and suspended all flights. As of early June, borders reopened to certain. However, by mid-June, Montenegro reported highest number of new cases per 100,000 citizens. Government reintroduced further restrictions.</p>
<b>Social Insurance</b>	<b>Paid sick leave, childcare leave, maternity leave</b>	<p>During the closure of schools and kindergartens, one parent of a child not older than 11 years of age were entitled to a paid leave from work, with the exception of healthcare employees, and employees in certain state institutions.</p>
	<b>Pensions</b>	<p>Minimum pensions increased from 125 to 145 Euro. One-off supplements to low pensions paid as part of the COVID-19 package</p>
	<b>Unemployment benefits</b>	<p>One-off financial support to those registered as unemployed who do not meet the requirements for support on the basis of unemployment, personal disability, or social assistance. One-off financial assistance to all those registered as unemployed in the amount of 50.00 Euro if they are not entitled to financial support or social help for families.</p>
	<b>Social security contributions</b>	<p>Deferral of contributions on earnings of employees. Deferral of loan repayment for citizens, deferral of payment of taxes on earnings</p>
<b>Social Assistance</b>	<b>Regular cash transfers</b>	<p>The government is considering expanding the right to child allowance (limited duration, 3-6 months) for families whose members lost employment during the crisis, and the possibility to introduce mechanisms of non-financial assistance (adapted to the age of the children).</p>
	<b>One-off cash transfers</b>	<p>One-off support for recipients of pensions and social assistance. One-off financial assistance has been provided to 8,583 beneficiary families with 28,953 family members, in the amount of 50 Euro per person. The Government spent 429,140 Euro in total. In March 2020, a total of 569 users exercised their right to access off-off financial assistance service, amounting to 52,489 Euro. One-off financial support to those registered as unemployed who do not meet the requirements for support on the basis of unemployment, personal disability, or social assistance. One-off financial assistance to all those registered as unemployed in the amount of 50 Euro if they are not entitled to financial support or social help for families</p>

<b>Labour Markets</b>	<b>Activation measures</b>	<p>Counselling services for unemployed persons and other active jobseekers. Working with employers, visiting employers, providing information on job openings are processes defined in the Agreement on the Process of Social Activation of Able-to-Work Users of Financial Support, aimed at social activation of users of financial support.</p> <p>Disseminating brochures and manuals on models for starting a small business for persons who lost employment during the COVID-19 crisis. Organising widely accessible online or TV courses of an educational character, aimed primarily at temporarily unemployed persons. Organising and improving the functioning of funds for supporting business and entrepreneurship at the local level.</p> <p>Intensifying promotion of volunteering among the youth, and systematic linking of volunteerism with higher and high education.</p> <p>Restructuring the programme for professional training of youth into a universal and open internship programme.</p> <p>Articulating responses to the needs of the following at risk categories: atypical (non-standard)/informal/seasonal workers; youth in transition from education to the labour market; long-term unemployed who do not receive unemployment benefits; persons with disabilities; families with one parent who is unemployed. Preventing the emergence of a “lockdown generation”.</p>
	<b>Labour market regulations</b>	Implementation of the programme of professional rehabilitation. Support to the project “Help in the home – vocation of the future”. Implementation of the programme “Stop the Grey Economy”. Implementation of the programme “Grant Programmes for Self-employment”.
	<b>Wage subsidies</b>	<p>The second stimulus package included subsidies for salaries in April in May, and amounted to 33 million EUR. Over 30,000 subsidy requests were processed, and almost 129,000 EUR were provided in the form of subsidies for employees. Subsidies in April and May, of 70% of the minimum wage were provided for employees in sectors that are closed because of the pandemic, employees who are unable to work due to childcare for children aged under 11, or people who have to be self-isolated and quarantined; and a subsidy of 50% of the minimum wage for employees in sectors at risk due to the pandemic-related lockdown. The Government also subsidized 70% of the gross minimum wage of newly employed workers in SMEs for six months if these workers are registered as unemployed.</p> <p>Second package included business and employee support programme to mitigate negative effects of the coronavirus outbreak:</p> <ul style="list-style-type: none"> <li>- businesses whose work is prohibited (100% of gross minimum wage);</li> <li>- tourism sector (100% of gross minimum wage);</li> <li>- endangered industries (50% of gross minimum wage);</li> <li>- earnings of employees on paid leave (70% of gross minimum wage);</li> <li>- earnings of employees in quarantine or isolation (70% of gross minimum wage).</li> </ul>
<b>Fiscal implications</b>		<ul style="list-style-type: none"> <li>- Additional spending on health sector: 0.4% of GDP;</li> <li>- Additional spending on non-health sector: 2.3% of GDP;</li> <li>- Accelerated spending and deferred revenue: 2.3% of GDP;</li> <li>- Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations: 0.0% of GDP.</li> </ul>

## North Macedonia

<b>COVID-19 situation</b>	North Macedonia is initially in state of emergency from 18 of March 2020 until 22 of June 2020	
<b>Social Insurance</b>	<b>Paid sick leave, childcare leave, maternity leave</b>	Employees with children under 10 years old, with chronic disease and pregnant women are released from job during the state of emergency. The paid childhood leave is extended during the state of emergency.
	<b>Health insurance</b>	Health services for COVID 19 treatment for non-insured persons introduced. System for on-line prescription of medicine for the persons with chronic diseases is provided. COVID 19 is recognized as a professional disease for doctors and other medicine personnel. The regular annual health check-up is postponed during the state of emergency.

<b>Social Insurance</b> <i>(continued)</i>	<b>Pensions</b>	Pensioners can withdraw their pensions from the bank accounts one week earlier than usual, based on the Government instructions to the banks.
	<b>Unemployment benefits</b>	<p>Unemployment benefits are paid to 16,012 citizens in total amount of MKD 156.6 million or in average amount of MKD 9,783 for May. Those who lost their jobs from 11 March to 30 April qualify for unemployment benefit: 50% of average net wages for last 24 months if they work at least 9 months before, or 12 months with interruption in last 18 months, and minimum guaranteed assistance for those will less of 9 months of services.</p> <p>The deadlines for registration in the Agency for employment for those who have paid contributions for unemployment during the state of emergency are extended for 30 days from the day of termination of the state of emergency. The deadlines in case of standby rights and obligation from the agreement for employment are discontinued during the state of emergency and are postponed for 15 days from the day of termination of the state of emergency</p>
	<b>Social security contributions</b>	Subsidies on social security contributions in the amount of 50% of the average paid wage in 2019 for employees of companies in tourism, transportation, catering and other companies affected by the COVID-19 crisis for April, May and June, 2020.
<b>Social Assistance</b>	<b>Regular cash transfers</b>	<p>Minimum guaranteed assistance: The basis for qualifying for guaranteed assistance is changed to the total family income of the last month instead on the last three months. The amount depends on the number and the structure of the household: MKD 4,000 for one-member household to MKD 10,000 for 5 grown-up members in households. The households will receive in addition MKD 1,000 for covering the expenses for energy for April and May, 2020.</p> <p>Postponing until the end of September the measure for supporting users (30,000 households) who receive MKD 1,000 as a monthly energetic allowance.</p> <p>The eligibility criteria for guaranteed minimum assistance are relaxed, covering more vulnerable groups of citizens who are in need of financial support.</p>
	<b>One-off cash transfers</b>	<p>Financial support for citizens with low income in the amount of MKD 3,000 on the domestic payment card for buying local products and services only. The citizens with low income include:</p> <ul style="list-style-type: none"> <li>- 115,927 recipients of the social protection, or persons who are active seeker od job and are registered with Agency for employment;</li> <li>- 117,144 employed persons with low income (with no other income and with wage no higher than MKD 60,000 for the period of January to April, 2020);</li> <li>- 87,014 young person at the age from 16 to 29 participating in formal secondary education and on higher education on the universities;</li> <li>- 4,394 medical officers who participate in testing and diagnostic of citizens with COVID-19.</li> </ul> <p>Recipients of the financial support, employees with law income and young people will receive MKD 3,000. The medical officers who participate in testing and diagnostic of citizens with COVID-19 will receive 40% of its individual last net wage.</p> <p>This Directive does not cover several categories of citizens: those who are not registered as unemployed in the Agency for employment, unemployed persons who ae not active seeker of job, pensioners with low income, young people-students on the private universities</p> <p>Postponing the deadline for applying the right on lump sum from the Law on protection of children for three months after the termination of the state of emergency.</p>

<b>Social Assistance</b> <i>(continued)</i>	<b>Housing benefits, Food vouchers, others</b>	<p>Vouchers for domestic tourism: Financial support for citizens with low income in amount of MKD 6,000 for accommodation and touristic services and bank debit cards of MKD 3,000 for catering. The aim of this measure is to provide financial assistance to the poor citizens, promote and support buying local products and services, for including the informal economy subjects in the formal economy and also to help the local tourism that is one of the most affected sectors by the COVID-19 crisis. The vouchers may be used from 15 July until 15 December 2020. The citizens with low income are employed persons with low income (with no other income and with the total wage from January to April was less than MKD 60,000).</p> <p>Food package: Ministry of Labour and Social Policy with Mission on OBSE in Skopje provide 658 packages of food for 329 registered victims of family violence for May and June. The soup kitchen are in function with protocols for protecting from COVID-19.</p> <p>Food and sanitary packages: Ministry of Labour and Social Policy with UN Women, Swiss agency for development and cooperation, and Swedish agency for international cooperation and development provide 1,860 food and hygienic products packages for 368 single parents families users of guaranteed minimum assistance, from which the most are women (95%); 329 registered victims of family violence; and for shelters and crisis centers for victims of gender-based violence.</p> <p>Sanitary packages: Ministry of Labour and Social Policy via centers for social work provides:</p> <ul style="list-style-type: none"> <li>- 600 packages with protective and sanitary packages for families that leave in sub-standard conditions;</li> <li>- with support of UNICEF distributed 4,300 packages of protective and sanitary packages for families that leave in sub-standard conditions and 300 packages for persons without personal documents. in the cities around the country;</li> <li>- with support of USAID and with cooperation with the Red Cross additional 4,300 packages with food and sanitary products will be distributed for the users of social assistance, guaranteed minimum assistance during May and June.</li> </ul> <p>Packages for children with special needs: Ministry of Labour and Social Policy in cooperation with UNICEF provided 500 packages of educational materials for children with special needs that visit daily centres in 30 municipalities.</p> <p>Food packages for refuges: Ministry of Labour and Social Policy with cooperation with centres for social work and Red Cross have granted humanitarian packages to 700 persons without personal documents. 117,122 citizens with low income were received voucher for domestic tourism and pay card with MKD 3,000.</p> <p>Cards on mobile internet: Ministry of informatics society have donated cards for mobile internet for students in primary and secondary education from families with low income. Red Cross teams for assisting citizens in self-isolation: Mobile teams from Red Cross organization trained for providing basic medical assistance assist in buying food, medicine and sanitary products for the persons in self-isolation. Old people and other vulnerable categories assistance: Support on 1,570 persons with special needs and other vulnerable groups in partnership with UNDP with support of the Swiss agency for development and cooperation.</p> <p>Telephone line for parents and tutors support: Free and confidential advises for parents and tutors as a part of the support from UNICEF.</p> <p>Active support against family violence: Services for protection against family violence strengthened.</p>
	<b>School feeding</b>	<p>School feeding: Three types of vouchers for university and high school students:</p> <ul style="list-style-type: none"> <li>- MKD 6,000 for students from families with low income;</li> <li>- MKD 30,000 for young up to 29 years old for IT and digital skills training; and</li> <li>- MKD 3,000 for student for buying domestic products.</li> </ul>
	<b>Public works</b>	<p>The UNDP office with support of Swiss Agency for cooperation and development, and with cooperation with MLSP and Agency for employment have included 50 Roma people from several municipalities in public work for support and assistance in prevention and coping with COVID-19.</p> <p>The programme Social Useful Work created a service for supplying food and medicine and raising the public awareness for coping with COVID-19. In April and May, 184 persons in 27 municipalities provided services for 1,500 users: old people, people with special needs and people expressed to social inclusion.</p>
	<b>Utility waivers</b>	<p>The rental payments for social apartments and for citizens is postponed.</p>

<b>Others</b>		<p>The law for enforcement is suspended until the end of June 2020. The regulation for postponement of the repayment of banks loans is provided.</p> <p>Loans from financial and leasing companies to be reprogrammed by decreasing the instalment in the next three months for 70% from the instalment and by postponing the due date for minimum of 90 days from the maturity date</p> <p>Ceiling of the prices of certain products: food, medicines, personal protective equipment, personal hygiene products and disinfectants. Tri-partite consultations on the second Government packages on COVID-19 crisis conducted.</p>
<b>Labour Market</b>	<b>Labour market regulations</b>	<p>Several recommendations are adopted for:</p> <ul style="list-style-type: none"> <li>- Employees in manufacturing;</li> <li>- Employees in food production and slaughterhouses;</li> <li>- Employees in companies for transportation;</li> <li>- Specific rules for limitation of movement for farmers.</li> </ul> <p>Recommendation for measures for protection of the workers: rotating the employees, increasing the number of shifts to more than twice, physical distance between the workers, providing personal protective equipment by the employers, regular disinfection of the working spaces, protocols for signing documents, meetings, trainings and others.</p> <p>Adoption of Protocol for preventive measures for all job places for prevention of COVID-19 transmission.</p>
	<b>Work from home</b>	<p>It was recommended to ensure shift work of employees, (including government employees), and/or the possibility of remote work.</p>
	<b>Wage subsidies</b>	<p>Additional wage supplements to medical and other workers directly involved in the elimination of COVID-19 in the amount of 20% of the base salary for two months.</p> <p>Financial support of MKD 14,500 for artists for April and May 2020.</p> <p>Financial support of MKD 14,500 for sport clubs for April and May 2020.</p>
<b>Fiscal implications</b>	<b>Additional spending on health sector</b>	<p>Foregone revenue: abolished import duty on medical supplies.</p> <p>Total 0.1% of GDP.</p>
	<b>Additional spending on non-health sector</b>	<p>Additional spending:</p> <p>Targeted subsidies on private sector wages and social security contributions (for April, May, and June 2020); a subsidy for those part of the informal economy; cash vouchers for minimum wage earners, the unemployed, recipients of social assistance and young people; partial reimbursement of university tuition fees and IT courses; loans at favourable terms and loan guarantee schemes for MSMEs subsidized by the government; targeted support for the agricultural, textile, and some other sectors.</p> <p>Foregone revenue:</p> <p>Lowering the late interest rate for public taxes and duties from 0.03% to 0.015%.</p> <p>Lowering the penalty rate, by 50% i.e. to 5% for corporates and to 4% for the households.</p> <p>Total: 2% of GDP</p>
	<b>Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations</b>	<p>Several interest free or low interest rate loans to SMEs from the MKD development banks channelled through commercial banks.</p>

## Serbia

<b>COVID-19 situation</b>	In Serbia, the state of emergency has been established throughout from 15 March to 6 May 2020.	
<b>Social Insurance</b>	<b>Paid sick leave, childcare leave, maternity leave</b>	<p>There were strong recommendations from Ministry of Labour, Employment, Veteran and Social Policy to employers to allow single parents, foster carers, and carers of children with disabilities to allow employees to work from home wherever possible.</p> <p>The recommendation also instructed employers to enable the employed parent of a child up to 12 years of age on paid leave, if the employer's work activity allows it. The employer should allow one parent with a child under 12 to work from home, and if the employer's work process was such that it was impossible to provide work from home, it was necessary to organize work in shifts.</p>
	<b>Pensions</b>	<p>One-off assistance in the amount of 4,000 RSD (35 EUR) was provided to all pensioners in Serbia. The payment of pensions and other benefits from pension and disability insurance will be made upfront for the entire month.</p> <p>For pensions payment, the pensioners could give special authorization to others to receive pension on their behalf. Alternatively, pensions are delivered to pensioners in cash and the cost of the delivery was covered by the government.</p> <p>Additionally, one-off cash assistance of 4,000 RSD was paid from Pension and Disability Insurance Fund to recipients of the allowance for assistance and care of another person, who were qualified before 1992, and to disability beneficiaries with remaining work capacity who were qualified before 2003.</p>
	<b>Unemployment benefits</b>	A new method of submitting application for unemployment benefit and for registering with National Employment Service. The applicants could submit their requests via email or by post. The decision making for the received requests was also extended.
<b>Social Assistance</b>	<b>Regular cash transfers</b>	<p>Social assistance beneficiaries whose entitlement to benefits expired on 15 March 2020 and later can continue to receive the benefits on the basis of previously issued decisions for a maximum of three months (i.e. during a state of emergency) .</p> <p>Cash transfers were extended for the following programmes, according to regulations in the area of social protection and financial support to families with children: Financial social assistance, caregiver allowance, increased caregiver allowance, child allowance, and maternity leave benefit for the purpose of child care.</p>
	<b>One-off cash transfers</b>	<p>Universal emergency cash assistance of EUR 100 was distributed to each citizen over 18 years old, including: all pensioners, all recipients of social assistance, as well as to those who have applied for one-off cash assistance in accordance with the regulation. To implement the payment of one-off cash assistance, a temporary register of adult citizens of the Republic of Serbia has been established.</p> <p>For the universal emergency cash assistance, 60 billion RSD has been allocated (initially planned budget was about 70 billion RSD). A total of 4,325 thousand citizens applied, which in total makes about 6.2 million citizens (when added all recipients of pensions and all recipients of financial social assistance who automatically had this right). The universal emergency cash assistance was paid two weeks after the end of lockdown.</p>
	<b>Housing benefits, Food vouchers, others</b>	<p>The Gender Coordination Body, the Ministry of European Integration, and the EU Delegation in Serbia announced on 10 April 2020 that 14,000 of most vulnerable women in 50 municipalities will receive assistance worth EUR 100,000 in hygiene packages and essential food products. Funds for the entire project were provided with the financial assistance of the European Union.</p> <p>UNICEF provided hygiene packages for 19 homes and institutions in Serbia, whose delivery began on 22 April 2020. In addition, hygiene packages for over 4,000 foster families in Serbia was planned to be distributed in the coming period.</p>
	<b>Utility waivers</b>	Pensioners were provided with deferral of public utility and rental payments. All citizens were able to defer payments of energy bills without penalties, and for pensioners, discount of 5% has been enabled as well.

<b>Labour Market</b>	<b>Wage subsidies</b>	<p>On 25 March 2020 the government announced measures to support private sector activity and employment. These measures covered more than 900,000 people and expected amount was 97.3 billion RSD.</p> <p>For self-employed workers and legal entities classified as micro, small and medium-sized: three -months in the amount of a minimum wage.</p> <p>For large enterprises: 50 percent of the minimum wage to all employees whose contract ended for May, June and July, and subsequently extended to August and September.</p>
<b>Fiscal implications</b>	<b>Additional spending on health sector</b>	<p>Additional spending:</p> <ul style="list-style-type: none"> <li>- 10 percent wage increase for public healthcare sector (RSD 13 billion)</li> <li>- Increased healthcare spending (about RSD 26 billion though recently reported to be higher up to as much as RSD 60 billion)</li> </ul> <p>Total: at least 1.3% of GDP</p>
	<b>Additional spending on non-health sector</b>	<p>Additional spending:</p> <p>Wage subsidies (RSD 93 billion):</p> <p>(i) Payment of 3 times minimum wages for all employees in SMEs and entrepreneurs (about 900,000 employees)</p> <p>(ii) Payment of 50 percent of minimum wages to large companies for employees who are not working</p> <ul style="list-style-type: none"> <li>- One-off payment to all pensioners (RSD 7 billion)</li> <li>- New loans to SMEs from the Development Fund (RSD 24 billion)</li> <li>- Universal cash transfer of EUR 100 to each citizen over 18 years old (about RSD 70 billion)</li> <li>- Support to 14,000 most vulnerable women in 50 municipalities across Serbia (RSD 12 billion) in hygiene packages and essential foods</li> </ul> <p>Total: 4.3% of GDP</p>
	<b>Accelerated spending and deferred revenue</b>	<p>Tax and SSC deferments (RSD 121 billion or 2.2 percent of GDP), to be repaid in 24 instalments starting from 2021:</p> <p>(i) Deferment of social security contributions for all private companies for three months, with no interests to be applied; (ii) Deferment of Q2 CIT payments; and (iii) Grants and donations exempt from paying VAT.</p> <p>Deferment of social security contributions for all private companies extended for an additional month (RSD 30 billion).</p> <p>Total 2.8% of GDP</p>
	<b>Contingent liabilities: Guarantees (on loans, deposits etc.) and quasi fiscal operations</b>	<ul style="list-style-type: none"> <li>- A state guarantee scheme for bank loans to SMEs (exposure of RSD 56.5 billion). 1% of GDP</li> <li>- EUR 200 million (0.4 percent of GDP) subsidized loans (1 percent interest rate) to SMEs from the Development Fund</li> </ul>

## Ukraine

<b>COVID-19 situation</b>	<p>In Ukraine the quarantine has been established throughout the country from 12 March 2020 to 22 May 2020. Then adaptive quarantine has been introduced from 22 May 2020 to 31 July 2020.</p>	
<b>Social Insurance</b>	<b>Paid sick leave, childcare leave, maternity leave</b>	<p>The list of insurance cases for which temporary disability benefit has been extended. All employees have the right to compensation (temporary disability benefit) for lost earnings from the Social Insurance Fund for the period of stay in health care facilities, as well as in self-isolation under medical supervision. The amount of temporary disability benefit is at 50% of the average wage regardless of the length of service (estimated number of recipients 5.8 million).</p> <p>For medical workers the Fund compensates the earnings lost during the isolation from COVID-19 in the amount of 100% of the average wage.</p> <p>From 17 June 2020, the insurance payments in case of disease or death of medical workers due to COVID-19 are provided by Social Insurance Fund and financed by the state budget.</p>

<b>Social Insurance</b> (continued)	<b>Pensions</b>	Monthly pension allowance of UAH 500 (\$19) was provided for 1.5 million pensioners aged of 80 years or older and whose pension payment does not exceed UAH 9,205 (\$341)
	<b>Unemployment benefits</b>	<p>Unemployment benefits are paid without a personal visit to the employment centre from the first day after the registration. The minimum amount of unemployment benefit for the quarantine period has been increased from UAH 650 (\$24) to UAH 1,000 (\$37) per month.</p> <p>The partial unemployment benefits have been provided to employers among small and medium-sized enterprises that have stopped or reduced their activities due to quarantine. The partial unemployment benefit is established for each hour which the employee was reduced working hours, it is amounted as two-thirds of the tariff rate (the amount of wage per hour), but not more than the minimum wage (\$175). The partial unemployment benefit will be provided for the period of quarantine, as well as for 30 days after its completion.</p>
	<b>Social security contributions</b>	For the period from 1 March till 31 May 2020 individual entrepreneurs, persons pursuing independent professional activity and members of the farm are exempt from the payment of the single social tax for themselves. For self-employed persons who were exempted from paying the single contribution for March, April and May, such periods will be included in the insurance period for the purpose of pension and will be considered that the insurance amounts were paid in the amount of the minimum insurance contribution.
<b>Social Assistance</b>	<b>Regular cash transfers</b>	<p>The Government introduced a payment to support children of individual entrepreneurs who belong to the first and second group of single taxpayers for the period of quarantine and for one month after the date of its abolition. About 300,000 families are expected to receive this social assistance. It will be provided for each child up to 10 years of age in the amount of the subsistence minimum (for children under 6 years – UAH 1,779 (\$66); for children aged 6 to 10 years UAH 2,218 (\$82).</p> <p>The Government has expanded program of social support for low-income people who have lost their jobs during quarantine. About 100,000 citizens will receive such social assistance. The average monthly amount of assistance to low-income families with minor children will range from UAH 2,800 (\$104) to UAH 3,020 (\$112).</p>
	<b>One-off cash transfers</b>	The government introduced one-off cash assistance of UAH 1,000 (\$37) for 10 million pensioners who have a pension up to UAH 5,000 (\$185) and about 600,000 beneficiaries of state social assistance to: persons with disabilities from childhood and children with disabilities; persons who are not entitled to a pension and persons with disabilities; persons who have reached retirement age, but are not entitled to a pension
	<b>Housing benefits, Food vouchers, others</b>	<p>The housing subsidies have been strengthened during the quarantine period, which provides:</p> <ul style="list-style-type: none"> <li>– prohibition of the termination of the provision of assigned housing subsidies, except in cases where it is impossible to provide housing subsidies (transfer of a household to another dwelling or a single person death);</li> <li>– additional social protection measures for workers who have been dismissed due to the quarantine (taking into account their income of the unemployment benefit when assigning a housing subsidy instead of the salary, which they received at their previous job); and</li> <li>– providing additional compensation for the costs of some housing services to recipients of housing subsidies increasing by 50% the social standards for electricity, natural gas for cooking and heating water, cold and hot water, drainage due to the forced permanent staying at home and increase of consumption of related services.</li> </ul> <p>A charitable project of targeted assistance to socially vulnerable groups was introduced in the period from 3 to 23 April 2020. The Ministry of Social Policy, together with the National Network of Grocery Stores, has started providing food kits to single persons and people living alone, aged over 80, elderly in need of care, and persons with disabilities.</p>

<b>Social Assistance</b> <i>(continued)</i>	<b>Public works</b>	An information platform “Dopomoga Poruch” (“Help is nearby”) ( <a href="https://dopomoga.msp.gov.ua/">https://dopomoga.msp.gov.ua/</a> ) was created to for the involvement of charitable, non-governmental organizations, businesses, and volunteers to assist single elderly people, persons with disabilities, families with children, including children with disabilities.
	<b>Utility waivers</b>	The Government decision of 22 April 2020 extended from two to three months the term of arrears on payment of housing and communal services to recipients of housing subsidies and benefits, in the case of which a housing subsidy is not assigned.
<b>Labour Market</b>	<b>Labour market regulations</b>	It is not allowed to dismiss employees who work from home and employees who are on unpaid leave for the period of quarantine. Downtime through no fault of the employee for the period of quarantine is paid not less than two thirds of the tariff rate from the established wage of the employee.
	<b>Reduced work time / use of leave</b>	Part-time work (part-time or weekly) is allowed under the Labour Code of Ukraine, but only on the basis of the employee’s application. Part-time work for the period of quarantine does not entail any restrictions on the scope of labour rights of employees.
	<b>Work from home</b>	It was recommended to ensure shift work of employees, (including government employees), and/or the possibility of working remotely in real time via the Internet. Introduce the concept of a remote work in the Labour Code of Ukraine.
	<b>Wage subsidies</b>	Additional wage supplements to medical and other workers directly involved in the elimination of COVID-19 in the amount of up to 300% of wages for the period of quarantine have been established. Additional wage supplements to social protection workers who directly provide social services at the place of residence / stay of the beneficiary of social services (at home), up to 100% of wages for the period of implementation of measures aimed at preventing COVID-19 have been established.
<b>Fiscal implications</b>		Additional spending on health sector: 0.9% of GDP; Additional spending on non-health sector: 2.5% of GDP.





Since its outbreak in the beginning of 2020, the COVID-19 pandemic has profoundly affected the world of work. In response, countries have taken public health interventions and adopted economic stimulus measures.

This report comparatively reviews the national social security measures in response to COVID-19 crisis, analyses their effectiveness and long-term consequences, and discusses future challenges in improving the social security system. The report covers seven countries in the Western Balkans and Eastern Europe: Albania, Bosnia and Herzegovina, Moldova, Montenegro, North Macedonia, Serbia and Ukraine.



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