

Peer Review Moldova Report

Social Assistance Benefit - The design of the social assistance benefit in Moldova: Improving targeting and supporting employment

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The Peer Review Moldova Report on “Social Assistance Benefit - The design of the social assistance benefit in Moldova: Improving targeting and supporting employment” was drafted based on the host country information provided and discussions held during the Peer Review which took place 6-7 September 2022 (online). Inputs contributing to this report comprised a keynote by Oleg Barcari, Head of Department of Social Assistance, Ministry of Labour and Social Protection of the Republic of Moldova, a presentation by Alina Dascov, Head of Department at the Social Inspectorate of the Republic of Moldova, by Veronica Sandu, independent social protection expert, by Felix Wohlgemuth, European Centre, and by Andrea Otter and Denise Schleser, Austrian Ministry of Social Affairs, Health, Care and Consumer Protection.

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Table of Contents

1	Introduction	3
1.1	Brief country background	4
1.2	Host country practice.....	4
1.3	Social assistance benefit systems in the Western Balkan countries	6
2	Major issues discussed.....	9
3	Key messages	11
4	Conclusions	13

1 Introduction

The Bridge Building (BB) Peer Review hosted by the Republic of Moldova was the second in a series of mutual learning events, including peer reviews, policy reviews, and trainings that are offered to BB countries¹ by the European Centre, following the methodology applied and widely used within the European Union Member States in employment, social and inclusion policies. By implementing mutual learning activities in the BB countries, the European Centre provides an answer to countries' needs related to the better coping with the health and social consequences of COVID-19 and to fighting poverty, especially for vulnerable groups.

Peer Reviews promote mutual exchange of experience and knowledge transfer about the situation on the selected topic in the host country (here: Moldova) and in the respective peer countries (here: Armenia and Kosovo). The delegations consisted of representatives of the ministries of labour and/or social affairs, the public employment services, and social services. The peer review attracted significant interests, with over 130 registrations. For technical reasons, the number of participants had to be limited to 100.

The aims of the peer review were to discuss Moldova's approach towards minimum income guarantee (GMI) and its attempts to improve targeting of social assistance towards those most in need as well as the activation of beneficiaries. Specifically, it aimed at answering the following questions:

- *What are the main characteristics of the social assistance scheme in the host and the peer countries?*
- *What are the main challenges of implementing the scheme, especially regarding targeting the most vulnerable groups of society?*
- *Which policy solutions are successful in targeting the most vulnerable people?*
- *What role does partnership play at all governance levels (from the municipal to the central level)?*

The peer review took place online over two days and consisted of inputs from national and international experts as well as discussions in working groups, contributing to a fruitful and constructive debate about common challenges and promising policy solutions. The evaluation of the peer review showed the following results: over 85% of participants said the event has increased their knowledge and they have learned about useful approaches for their professional work. Furthermore,

¹ The BB countries are Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, the Republic of North Macedonia, the Republic of Moldova, Montenegro, Serbia, and Ukraine.

See this website for more information about the European Centre's Bridge Building activities: <https://www.euro.centre.org/domains/bridging-building>

most participants informed that the event allowed them to develop their professional network and receive new policy perspectives for their job.

This report summarises insights gained during the peer review and aims at further sharing these with a wider audience. It is structured as follows: as part of the introduction the next subchapters provide a brief country background, a description of the Moldovan means-tested social assistance system as well as an overview of social assistance benefit systems in the Western Balkan countries. Chapter 2 highlights the issues discussed during the peer review and chapter 3 outlines the key messages of the event. Finally, chapter 4 presents conclusions.

1.1 Brief country background

Poverty is a significant problem in Moldova. 24.5% of the population lived below the poverty threshold of 115 EUR per month and person in 2021. Households with three and more children and pensioners living on their own are most affected. In 2022, the Moldovan government undertook significant reforms to reduce poverty. The level of the minimum pension was raised by 68% to about 158 EUR per month. The minimum wage was increased to 177 EUR per month: an increase of 59% and 20% respectively of the minimum wages in the public and private sector. Expenditure on social protection as share of national income is low compared to EU countries. Even after strongly raising minimum pensions, in 2022 the Republic of Moldova spent 13.6% of its GDP on social protection – much less than the EU average (22%). Spending on the principal social assistance programmes accounts for only 0.6% of GDP. Next to raising minimum pensions and wages, a third dimension of the Moldovan government's actions against poverty are reforms of the social benefit system. These reforms are outlined below and have been the focus of the peer review.

1.2 Host country practice

The peer review focussed on means-tested social assistance in Moldova which consists of two benefits: social assistance (*Ajutorul Social* - AS) and cold weather assistance (APRA).

The level of the AS is equivalent to the difference between the household income and the minimum income guaranteed by the state. The level of guaranteed minimum income is determined by the state and adjusted annually for inflation. The current minimum income per adult is 1363 MDL (68 EUR). The minimum income per household is calculated using an adapted OECD equivalence scale. The minimum income level is not linked to any specific poverty or inequality indicator but influenced by the availability of funds. While the level of AS varies between

beneficiaries depending on household income, APRA is fixed at currently 35 EUR per month to be paid between November and March. Both benefits are financed through the state budget. Eligibility for AS is based on three criteria:

- *Household income*: The income must be below the state guaranteed income for a household of such size and composition.
- *Occupational status*: All adult members must demonstrate an occupational status or inability to work.
- A *proxy test* taking into consideration household income and assets as well as their use.

Applicants are mostly rejected because of the income and occupational status requirement. Less than 1% of applicants are rejected based on the proxy score. The income threshold for APRA is higher than for AS. All individuals eligible for AS automatically qualify for the APRA benefit.

Representatives of the host country identified *five key challenges* regarding their country's social assistance scheme.

1. Insufficient *coverage* with only 26% of extremely poor families benefiting from the programme (December 2021 statistics).
2. Insufficient *adequacy* with the average benefit amount being too low to combat extreme poverty.
3. *Families with children* are underrepresented among beneficiaries despite being among the most vulnerable. The share of families with children among AS recipients decreased from around 50% to 37% over the last years. The reasons for this development, however, are not entirely clear.
4. The share of *unemployed* among the recipients is high. Every fourth unemployed in Moldova receives social assistance.
5. The programme does not differentiate between *degrees of disability*. All individuals with some form of disability, no matter the severity, are equally entitled to AS.

To address these challenges, the Moldovan social assistance scheme is currently being reformed with the dual goal of increasing coverage and adequacy, especially with respect to families with children, as well as stimulating the increase of labour market participation among the unemployed and mildly disabled. To raise coverage and adequacy, the reform will increase the guaranteed minimum income benefit per child, doubling the amount of adults' incomes, which is disregarded when considering eligibility, measures to support agricultural workers (disregard income from agricultural work, encourage formalisation of such work) and a possible revision of the way the proxy score is calculated. The reform includes positive and negative financial incentives to stimulate employment. On the one hand, the level of benefits paid to unemployed individuals with the capacity to work will be reduced by 20%,

40% and 100% respectively after six, nine and twelve months. On the other hand, AS recipients who take up employment will continue to receive their benefit for three months ('phasing out'). In addition, the coverage for daily labourers will be improved (those working for at least 60 days per year as daily labourers becoming eligible for AS). Finally, individuals with 'mild' disabilities will be asked to have an occupation status as employed, unemployed or daily labourers instead of being automatically eligible for benefits.

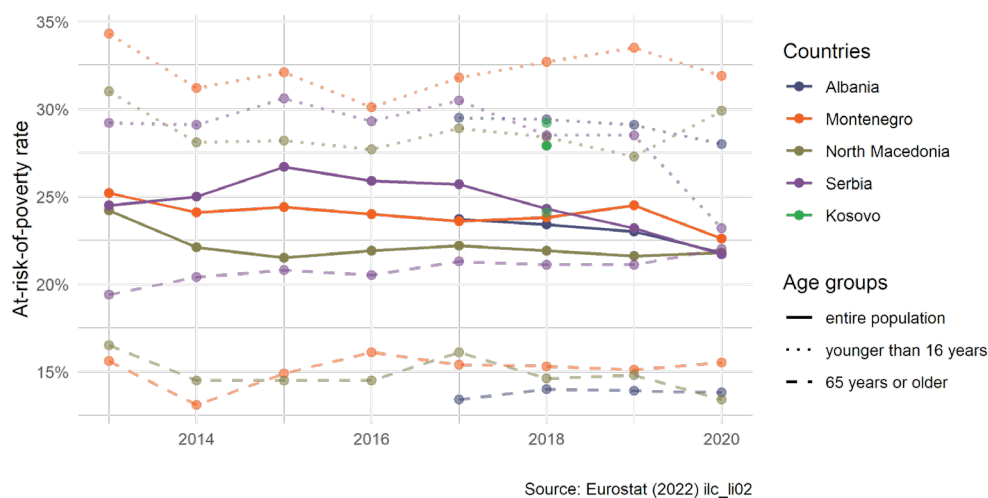
1.3 Social assistance benefit systems in the Western Balkan countries²

The social assistance systems of the Western Balkan countries (Albania, North Macedonia, Serbia, Montenegro and Kosovo)³ are faced with similar challenges. In 2020 around 22% of the population were considered to be at-risk-of-poverty and thus lived with less than 60% of the median equalized income after social transfers. The latest data for Kosovo reported an at-risk-of-poverty rate of 27.9% in 2018, which is comparable to the 2018 level of Serbia, Montenegro and Albania. Generally, the risk-of-poverty rate among children is much higher compared to the general population and compared to the elderly population. For instance, in Montenegro 31.5% of young people were at risk-of-poverty in 2020, compared to 22.6% of the general population and 15.5% of people aged at least 65 years (see Figure 1). The absolute poverty, measured by severe social and material deprivation, is much higher for households with two adults and at least three children compared to households with two adults and no children. Households with low incomes are affected by larger increases in social and material deprivation the more children live in the households. Combating children's risk of poverty and absolute poverty remains a challenge for all Western Balkan countries.

² Based on European Centre for Social Welfare Policy and Research (2021). *Regional Overview of Western Balkan Economies Regarding the European Pillar of Social Rights 2021*. Regional Cooperation Council. <https://www.rcc.int/pubs/128/regional-overview-of-western-balkan-economies-regarding-the-european-pillar-of-social-rights-2021>

³ Data availability for Bosnia & Herzegovina was limited and hence was not used for this cross-country comparison.

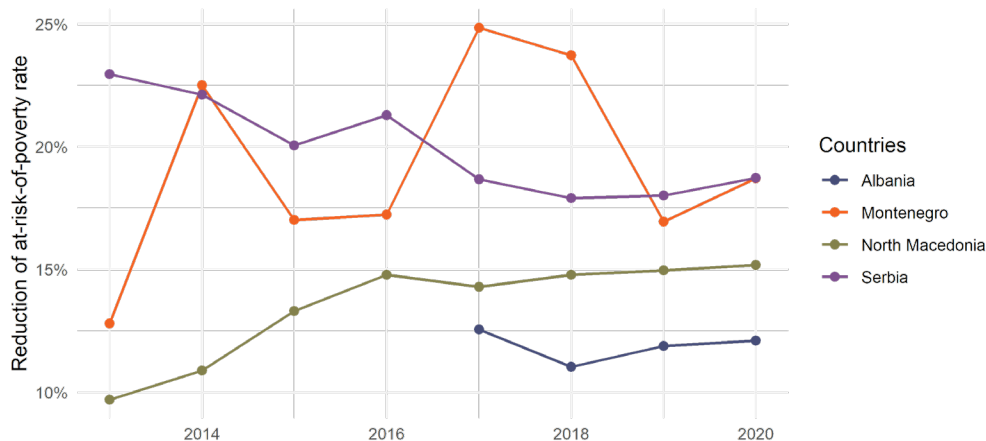
Figure 1: At-risk-of-poverty rate according to countries and age groups



All countries in the region implemented minimum income protection schemes to combat poverty. The schemes are primarily means-tested with some categorical elements after means-testing in Albania and Kosovo that define the benefit access for pre-defined groups such as families. In 2020, the generosity of minimum income schemes ranged from 9.4% of the average gross wage in Albania to 29% of the average net wage in Kosovo⁴. The generosity of all schemes was low and benefit amounts were below the poverty line. While the coverage rate declined between 2005 and 2020, the targeting accuracy increased. A smaller share of the population received minimum income benefits, but most beneficiaries were at risk of poverty and thus the target group was covered. In all countries, except Serbia, the percentage of GDP spent on minimum income schemes declined between 2005 and 2020. The impact of social assistance benefits in 2020, measured by the reduction of at-risk-of-poverty after social transfers, ranged from 12% in Albania to 18.7% in Montenegro and Serbia (see Figure 2).

⁴ Source: Žarković, J., Mustafa, A., & Arandarenko, M. (2022.): Minimum income in the Western Balkans: From socialism to the European Pillar of Social Rights. *Social Policy & Administration* <https://doi.org/10.1111/spol.12855>

Figure 2: Reduction of at-risk-of-poverty rate (in percentage)



Source: Eurostat (2022) TESPM050

Recent reforms targeted the improvement of coverage quality and the delivery of social services in Albania, North Macedonia and Serbia. Serbia and Montenegro invested in the overall social infrastructure to improve the efficiency of social benefit provision and to lower the administrative burden. Remaining challenges are to reduce the benefit dependency and to support beneficiaries in their integration into the labour market. Improving the availability and quality of public data is a crucial pre-condition for addressing these challenges.

To meet the goals of the European Pillar of Social Rights, the social protection systems in the region should prioritise needs of the most vulnerable such as young children, young people not in education, employment or training, as well as marginalised persons and elderly people.⁵ Access to social protection and employment opportunities, especially in rural regions should be improved to increase the quality of life of most vulnerable populations. Enhancing the integration and alignment of social services and employment policies would decrease the benefit dependency of the most vulnerable and support individuals who are distant from the labour market.

⁵ Policy recommendations based on European Centre for Social Welfare Policy and Research (2021). *Regional Overview of Western Balkan Economies Regarding the European Pillar of Social Rights 2021*. Regional Cooperation Council. p. 46ff.

2 Major issues discussed

During the peer review participants discussed that Moldova's system of social assistance would need to address two most urgent challenges which are to increase coverage, especially of children, and improve incentives for beneficiaries to take up work. Moreover, there was a need seen to increase accountability. Beneficiary households must sign a cooperation agreement with the authorities specifying what the benefit can be used for, namely food, clothing, housing, hygiene, medical services, and (children's) education. Unemployed benefit recipients can be obliged by mayors to perform up to 10 hours per week of activities of community interest. Unemployed recipients must also take up jobs offered to them by employment services or they face benefit cuts. However, problems persist regarding the accountability mechanism as mayors are reluctant to oblige community work. Moreover, ineligible individuals are frequently allowed to maintain a classification as 'unemployed' and, hence, to receive benefits. At the same time, there is lack of formal jobs in agriculture and daily work in agriculture is not (yet) recognized as an occupational status creating eligibility for social benefits – both facts are problematic as poverty in rural and agricultural areas is most severe.

Moreover, the country's method of risk profiling for the planning of inspections of social benefit assignments and how the method was developed and reformed in recent years was shared during the peer review. The inspections aim at reducing fraud related to social benefits. The detection rate of inspection has improved since 2015, which indicates the increasing (cost) effectiveness of the developed method. One remaining problem is the high number of Moldovans living abroad whose contribution to household incomes is difficult to detect.

Examples of minimum income benefits from several EU countries were shared: EU countries either link the level of benefits to a clear economic indicator like the minimum wage or poverty line or set benefits arbitrarily. Benefits are granted either indefinitely, based on a periodical reassessment of eligibility, or for a limited period. To support transition into employment and prevent a 'benefits trap', several countries continue to pay part of the benefit for a limited period after beneficiaries take up employment.

Finally, insights on social assistance schemes in the Western Balkan countries were presented (see section 1.3), a brief overview on social assistance in Armenia was provided and the system of and lessons learned from social assistance and means-tested minimum income in Austria were presented. The presentations and inputs sparked a debate among the participants on several issues. Amongst these were:

- The discussion on ways to improve support for children showed that most countries have dedicated programmes for this target group. For example,

Armenia pays supplements to social assistances recipients with children, but also reported problems in identifying poor families with children. In Austria, the social assistance benefit granted per child declines with each additional child. In addition to social assistance, however, there are non-means-tested benefits for parents, which account for a significant share of benefits granted to social assistance beneficiaries with children. However, like in Armenia, the non-take up of benefits is a problem with many poor people not applying for social assistance due to the complexity of applications, concerns over providing personal information, fear of stigma and/or the fear of having to give up assets.

- Limited financial resources were identified as biggest constraint to increasing social assistance coverage and adequacy in Moldova.
- A debate unearthed significant differences between the Austrian and Moldovan system and the (perceived) behaviour of social assistance recipients. Social assistance in Austria is granted based on need and it is not time-limited. About 37% of social assistance recipients are unemployed i.e., able to work. Applicants who can work must be willing to take up employment and declining reasonable employment offers will lead to benefit cuts. However, it was emphasised that most beneficiaries are willing to work and that statements to the contrary are an untrue and negative stereotype. Motivation problems set in mostly when social assistance recipients become discouraged and frustrated by repeated, unsuccessful attempts at finding employment. Several Moldovan experts suggested that the situation in their country is different. They described a culture of individuals asking employment offices to provide them with a certificate of being unemployed for the sole purpose of receiving benefit and without the desire to look for work.
- With respect to activation policies, it was stressed that there is no conclusive evidence that “soft” (incentives, enabling policies) or “hard” (sanctions) eligibility contribute to more activation. However, technical solutions and individualised approaches, centering on individual needs and based on case management, can contribute to activation.
- A lack of employment opportunities and problems with matching job seekers with job offers were identified as an important issue. It is, however, important to reduce the number of job seekers among AS recipients. This is difficult, because most AS recipients live in rural areas where jobs are scarce and transport to urban areas with better opportunities is not always available. Participants also saw the need for qualification opportunities to improve job seekers’ skills and, thus, make it easier to match them with existing jobs.

- Interventions by participants from Moldova and Armenia underscored the particular and significant role of the agricultural sector. In Armenia, agricultural income has so far been entirely disregarded when considering eligibility for social benefits to ensure continued employment in this sector. However, this rule has led to accusations of unfairness and pressure for reforms. In Moldova, not assigning daily labourers in agriculture an occupational status entitling them to AS benefits, the lack of jobs and high poverty in rural, agriculturally dominated areas creates specific problems the current reforms seek to address.

The integrated provision of services was discussed as an effective tool to support the transition from AS to employment. The participants of the peer review generally agreed that such an approach would be useful in Moldova. Mayors should be involved in identifying employment opportunities due to their superior knowledge of local labour markets. Furthermore, social services should cooperate with employment services because the former have superior information on the personal situation of benefit recipients (e.g., family situation, health status). However, several obstacles remain as there is no tradition of communication and cooperation between different agencies in Moldova.

3 Key messages

Key message 1: General minimum income (GMI) schemes and labour market activation measures must be adapted to the countries' contexts. There is no one size that fits all countries.

All European countries have some form of general minimum income scheme to support for those most in need, but the coverage, the targeting, and the ways in which the level of benefits are calculated differ across countries. When designing GMI schemes, other (social) policies like pensions or unemployment benefits must be considered to prevent a duplication of efforts while ensuring that all those in need are covered. Furthermore, both GMI schemes and labour market activation measures must be adapted to the needs of the local population to be effective. For example, providing means of transport is important in rural labour markets, but less so in urban regions where public transport is more readily available. Therefore, one-size-fits-all approaches are not effective.

Key message 2: GMI schemes and activation policies are "alive" and must periodically be evaluated and adjusted.

The demands on social and employment policies change over time in line with economic, demographic, and technological developments. Hence, such policies must periodically be evaluated to see what works and what does not work and must be adjusted to ensure that they achieve their goals.

Key message 3: Regarding the activation of social assistance beneficiaries, there is no conclusive evidence whether “hard” or “soft” measures are more effective.

The activation of social assistance beneficiaries can be attempted through “hard” measures like reducing the level of benefits over time or cutting payments if beneficiaries do not apply for jobs. Alternatively, “soft” measures can be taken like providing job search assistances, services to help parents reconcile care responsibilities and employment (e.g., childcare) or positive financial incentives such as phasing out benefits after beneficiaries found employment. There is no concluding evidence that “soft” or “hard” eligibility contributes more to activation.

Key message 4: The coverage, adequacy, and targeting of benefits in Moldova should be improved to reach those most in need.

The coverage, adequacy, and targeting of benefits should be improved to prevent children from poverty. This includes reforming sanctions for benefit recipients to ensure that children are not affected if their parents’ benefits are cut. The increase in the guaranteed minimum income benefit per child and the differentiation of benefits for people with different degrees of disability, which form part of the recent reform package, are attempts to improve the targeting of benefits towards those with the highest needs.

Key message 5: Insufficient financial means are a main obstacle to improving the GMI scheme in Moldova.

GMI schemes require significant financial resources to provide a sufficiently large minimum income to all those in need. Increasing payments and widening coverage in Moldova is constrained by limited resources. Hence, it is imperative to use the available resources well by targeting payments to those most in need.

Key message 6: Activation can be improved by adopting an individual approach and by integrating and aligning employment, social and other services.

Adopting an individual approach to activation means analysing and addressing each person’s individual barriers to finding and taking up paid employment. Not all barriers, however, are directly related to employment and the labour market. Issues like debt, health problems or care obligations too can prevent activation. It is thus

important that social benefit recipients receive comprehensive support offers and that different public authorities coordinate their actions.

Key message 7: Social partners should be more actively involved in activation efforts at the local level.

Social partners – trade unions and employer groups – tend to have superior information on available jobs and employers’ skill needs. Therefore, actively involving them in the design and implementation of activation measures can improve the effectiveness of programmes.

Key message 8: The use of digital solutions could be increased.

Digital solutions like online benefit applications or job search platforms can increase the GMI coverage by easing the application process and activation by making it easier for beneficiaries to find and apply for jobs.

4 Conclusions

The peer review (online, 6-7 September 2022) discussed Moldova’s Social Assistance Benefit system in detail. Participants reflected on the design of the social assistance benefit in Moldova towards improving targeting and supporting employment.

Participating countries, who shared expertise on the design of their social assistance benefit system, were the Republic of Moldova as host country, the Republic of Kosovo, and the Republic of Armenia. The national delegation of the host country included the Parliament of the Republic of Moldova and different Ministries, such as the Ministry of Labour and Social Affairs, the National Employment Agency, other public institutions, and NGOs.

Experts agreed that the coverage, adequacy, and targeting of benefits in Moldova should be improved to reach those most in need. The general minimum income (GMI) schemes and labour market activation measures must be adapted to the countries’ contexts. Activation can be improved by adopting an individual approach and by integrating and aligning employment, social and other services.

Delegations of the participating countries also discussed the need to further improve cooperation between the actors involved as well as to establish links especially between the employment and social systems.