



# Activation of Safety Nets Beneficiaries and Active Inclusion in Western Balkans





# The Challenge

- **Employment and active inclusion** are among the most critical challenges for countries across the Western Balkans





# Framework for the analysis

## • Target Groups?

- Inactive
- Unemployed
- SSN Beneficiaries

## • Barriers to Work?

- Employability barriers (skills, experience, etc.)
- Participation constraints

Activation for Who?  
PROFILING

## (Dis)Incentives in Benefit Design

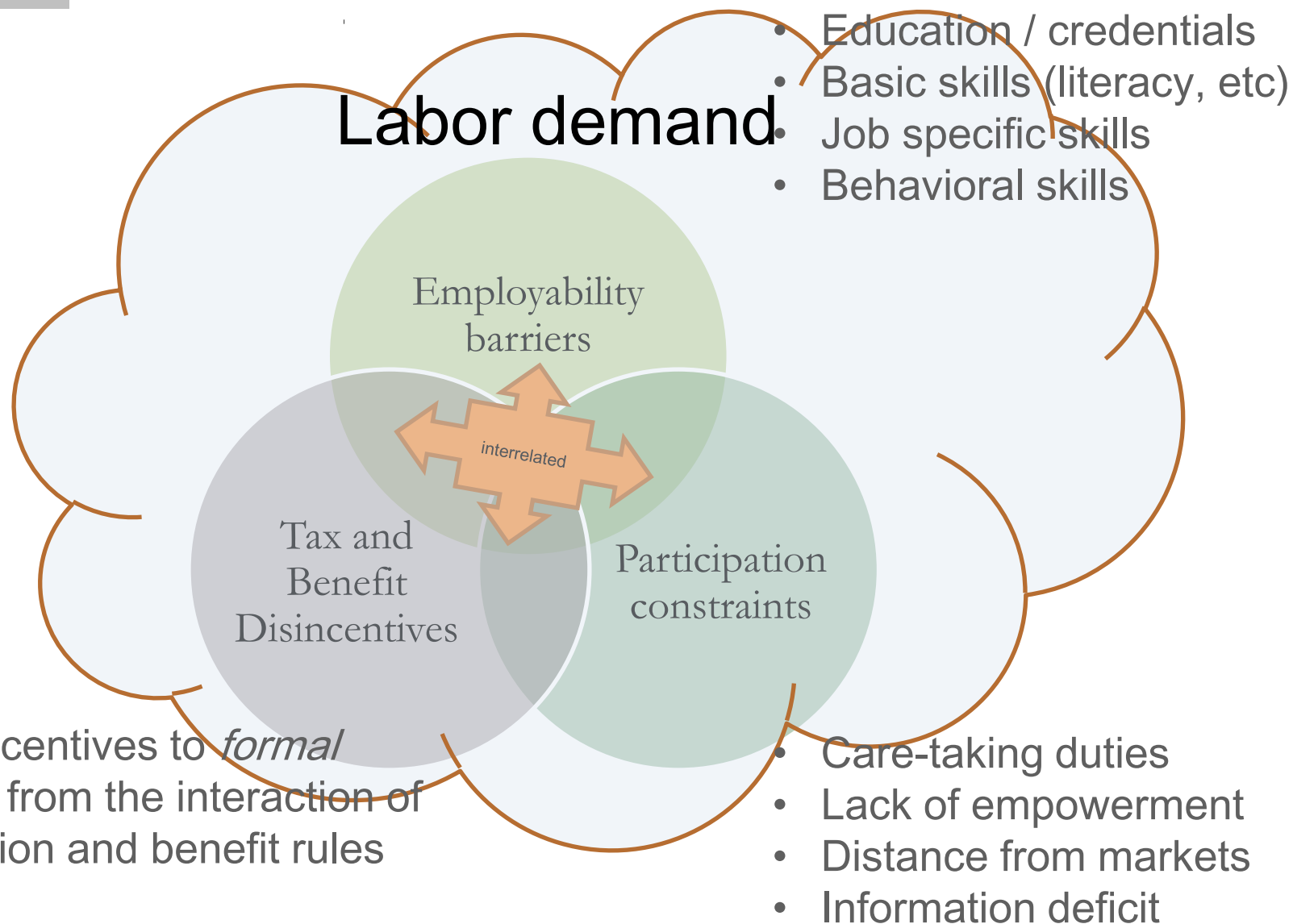
- Incentives in the tax and benefit systems
- Benefit formula/ generosity
- Mutual obligations
- Earned income disregards

- Coordination between welfare and employment services
- Specific activation policies and ALMPs
- Implementation capacity (financing, staffing, etc.)

Institutional Readiness  
for Activation Policies

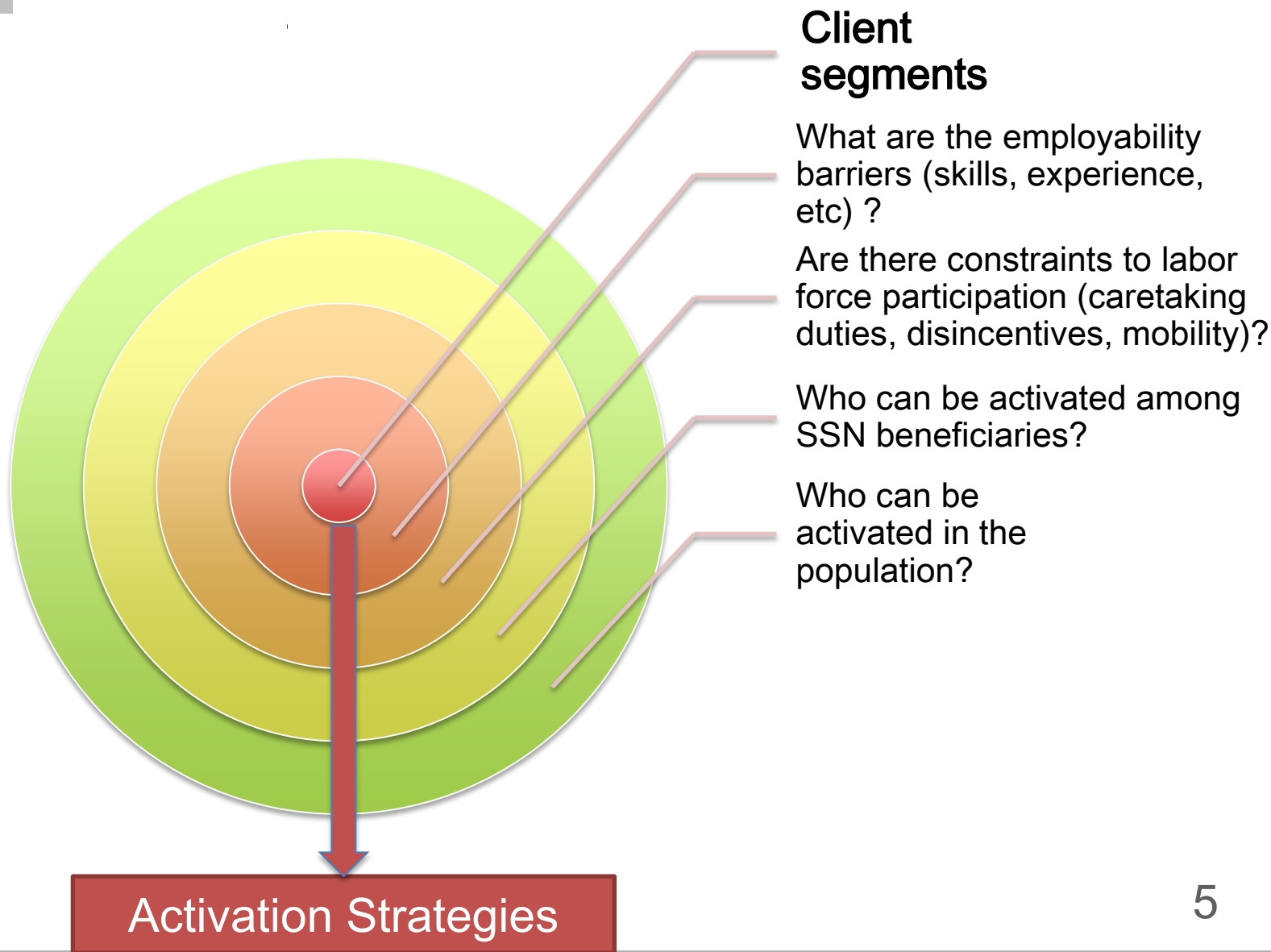


# Analytical Framework: constraints to employment for safety nets beneficiaries





# Objective of “Profiling” of Social Safety Net beneficiaries: provide tailored activation strategies for diverse clients





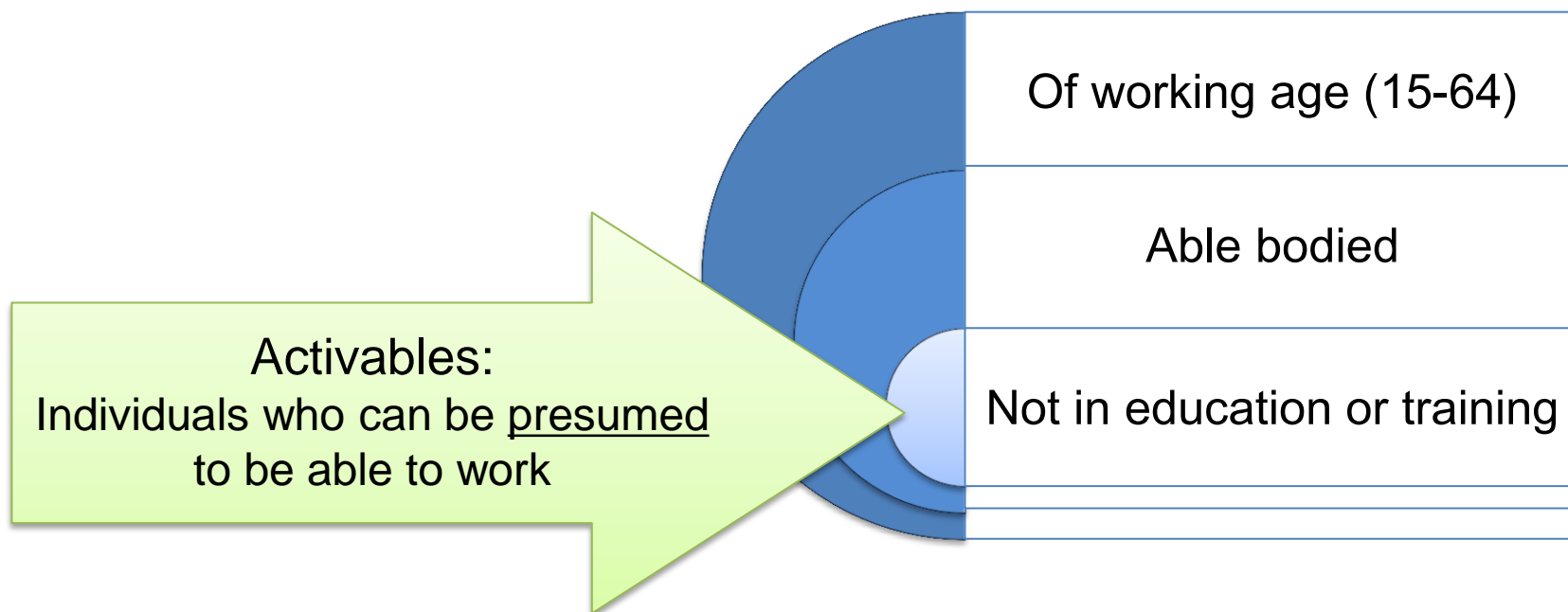
# Basic Profiling –SERBIA

## Summary Findings

- About half of SSN beneficiaries in Serbia are **work-able** (potentially “activable”)
- **Worse labor market outcomes** for activable SSN beneficiaries (based on HBS data)
  - Lower employment rate (57% vs 63%)
  - Higher unemployment rate (21% vs 16%)
- Due to **multiple barriers**
  - Employability barriers (more than half has basic or no education)
  - Participation constraints (higher caretaking duties: 30% with young children; 15% with disabled)



# Who can be “activated”?

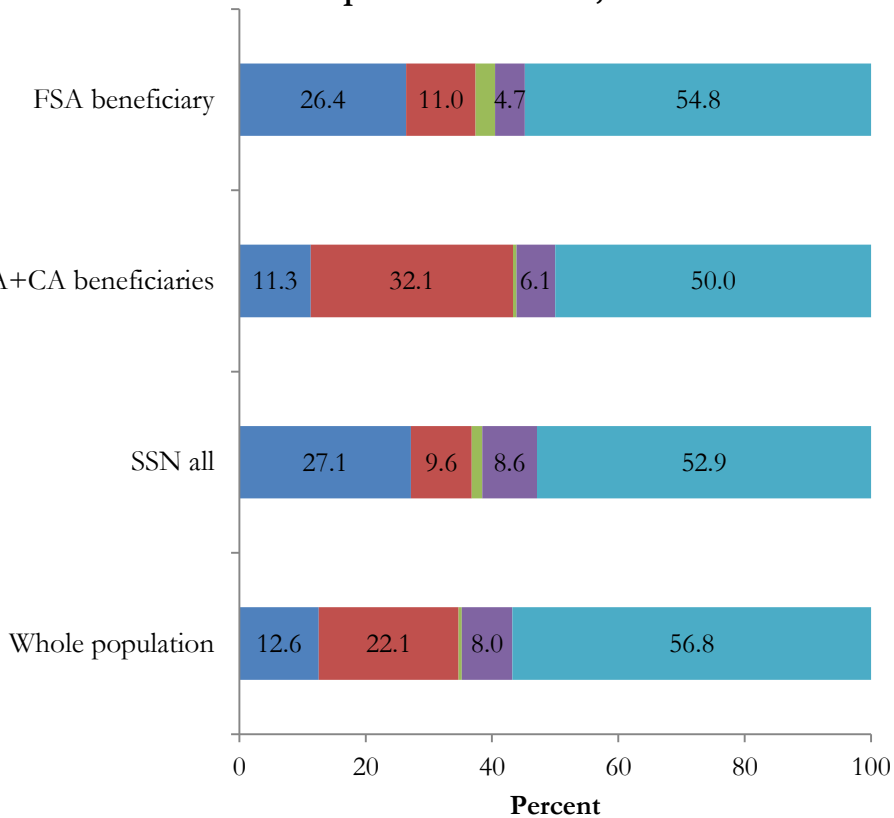


- Who can be activated among the population?
- Who can be activated among the SSN beneficiaries?
- Are these groups coinciding?

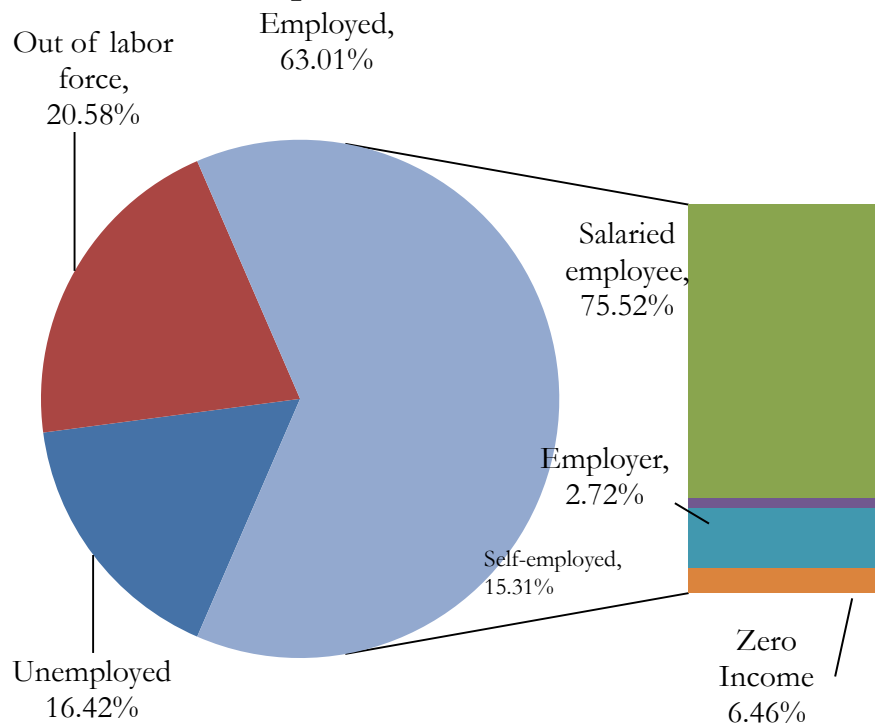


# More than half of population in Serbia are “work-able” and more than ¾ participate in the labor force

**Age Composition of SSN Beneficiaries Relative to General Population in Serbia, 2010**



**Labor Market Status of Work-Able Population in Serbia, 2010**



- Child
- Old
- Working age (disabled)
- Working age (in education)
- Working age (work-able)

Source: Serbia HBS data 2010.

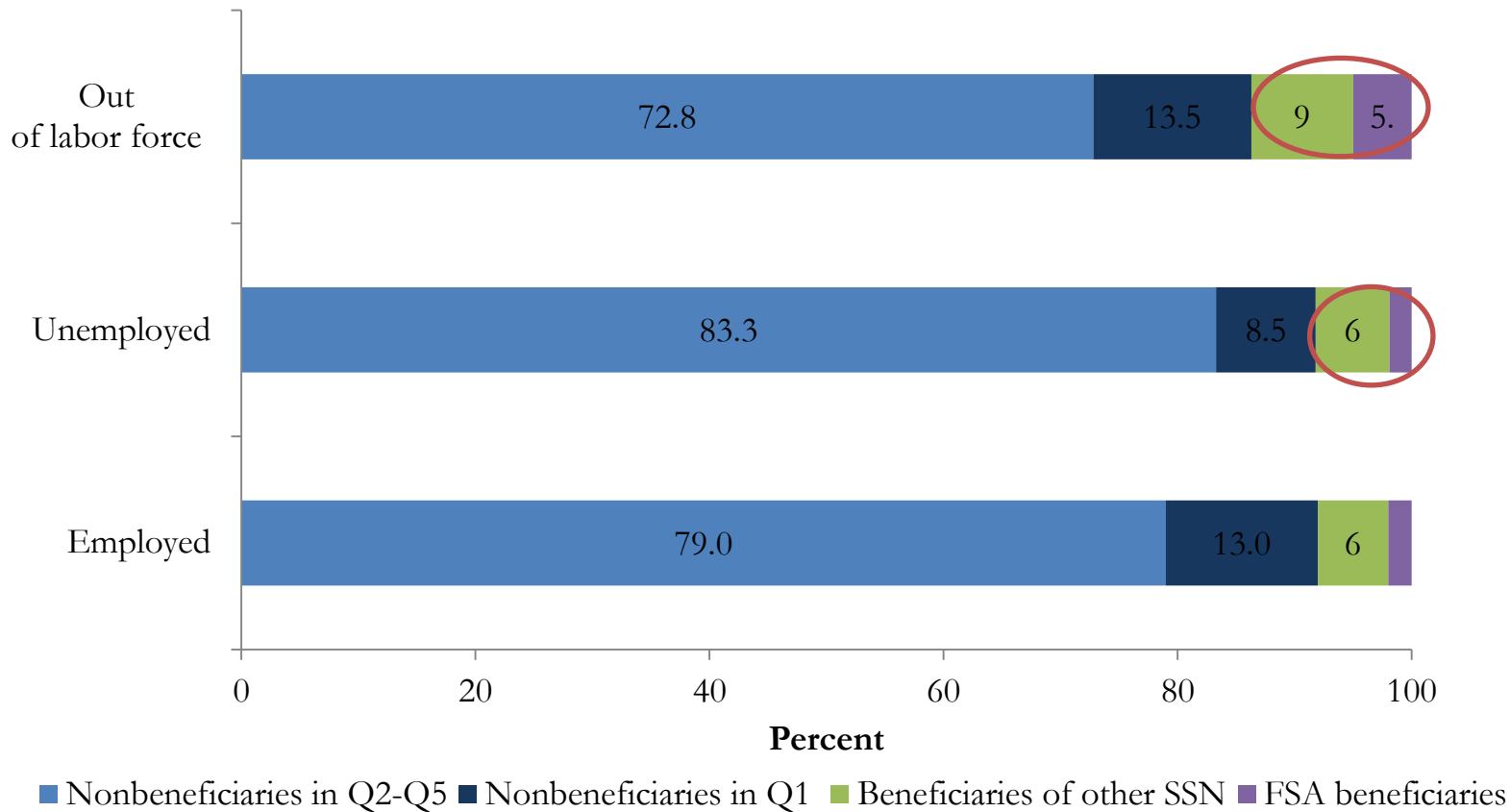
Note: “Work-able” includes all individuals of working age (15–64) who are neither disabled nor in education or training.





# SSN beneficiaries represent a small fraction of the work-able population

### Safety Net Coverage of the Work-Able Population in Serbia, 2010



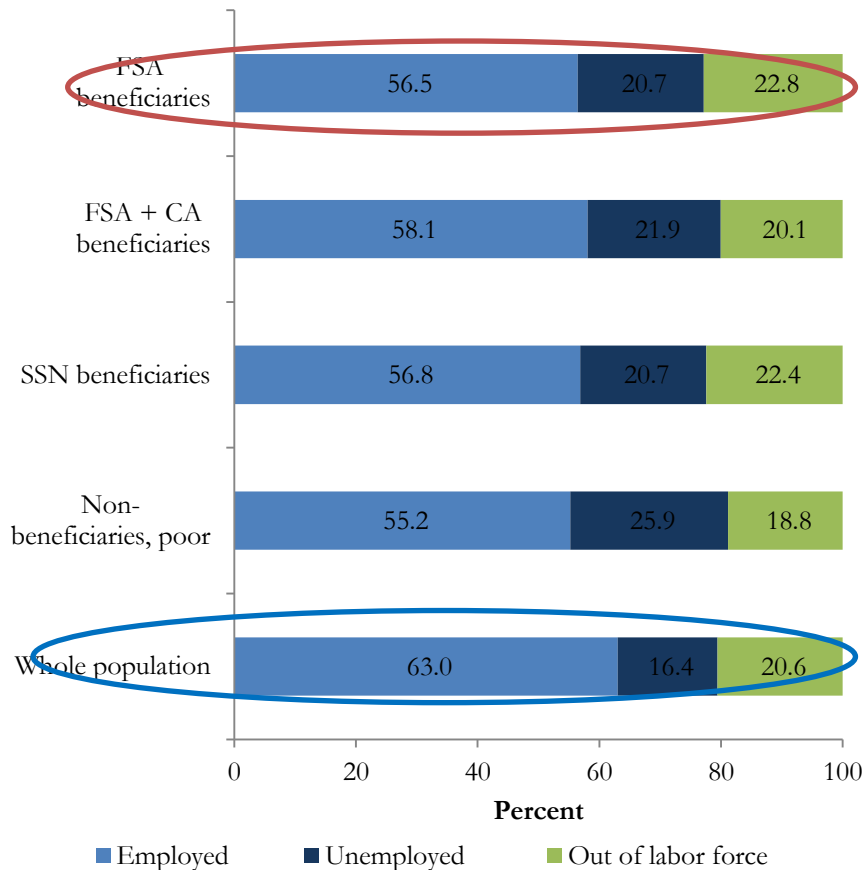
Source: Serbia HBS data 2010.

Note: "Work-able" includes all individuals of working age (15–64) who are neither disabled nor in education or training.

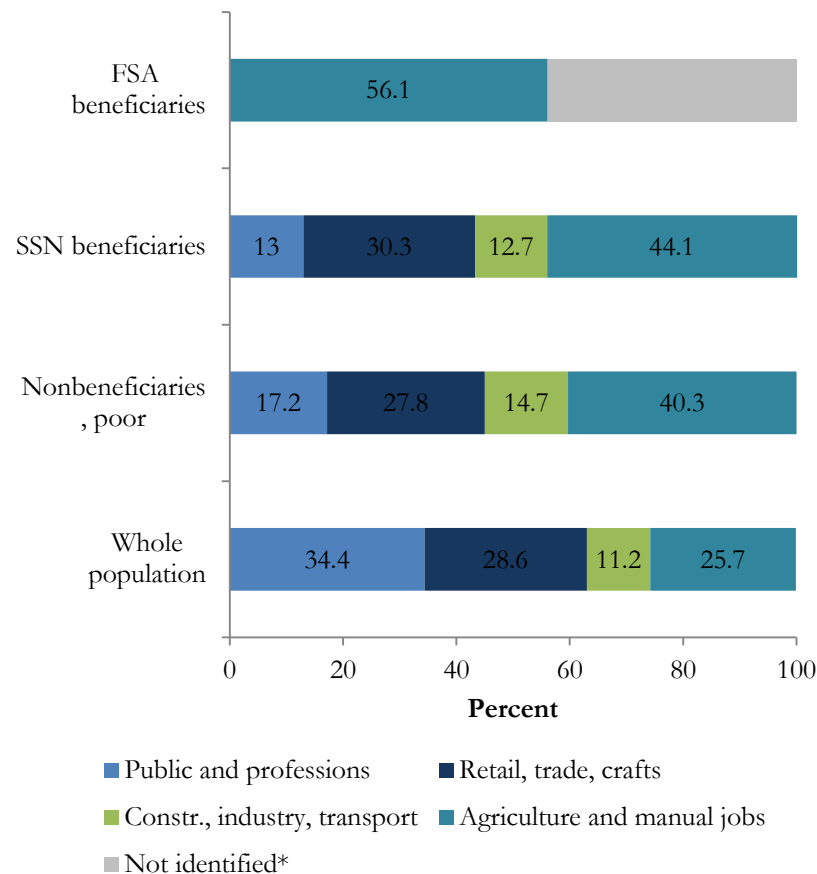


# However, they are more likely to be unemployed or inactive or have low-quality jobs

**Employment and Unemployment rates among the work-able population in Serbia, 2010**



**Sector of Employment for work-able Population in Serbia, 2010**



Source: Serbia HBS data 2010.

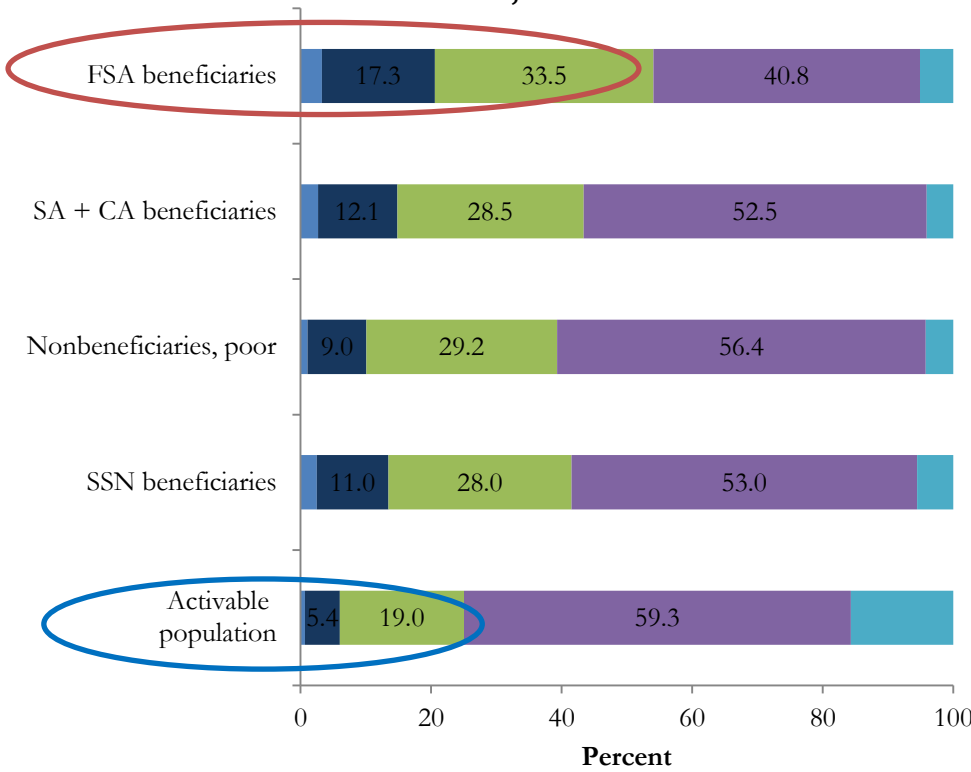
Note: "Work-able" includes all individuals of working age (15–64) who are neither disabled nor in education or training

\* Because of the sample size, conclusions cannot be drawn about the sectors other than "Agriculture and manual jobs."



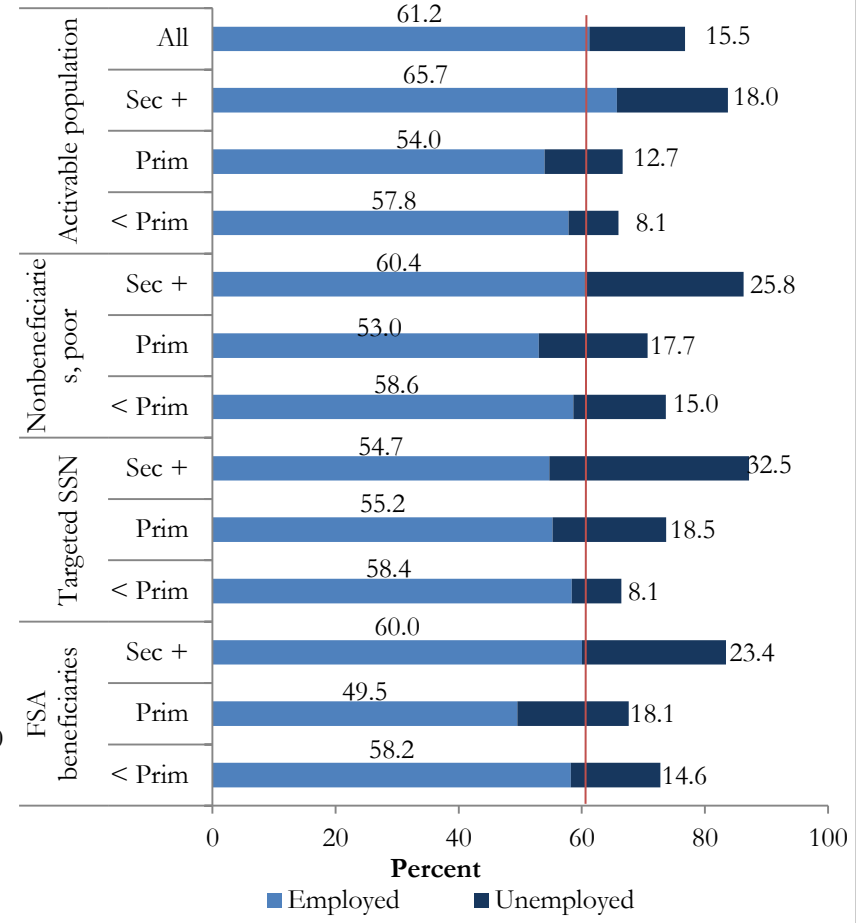
# Which could be largely explained by lower educational attainment

**Education Distribution of SSN Beneficiaries in Serbia, 2010**



- Never attended
- No education completed
- Elementary school
- Secondary/Vocational
- Higher education (college or higher)

**Employment Status of SSN Beneficiaries in Serbia, by Education Level, 2010**



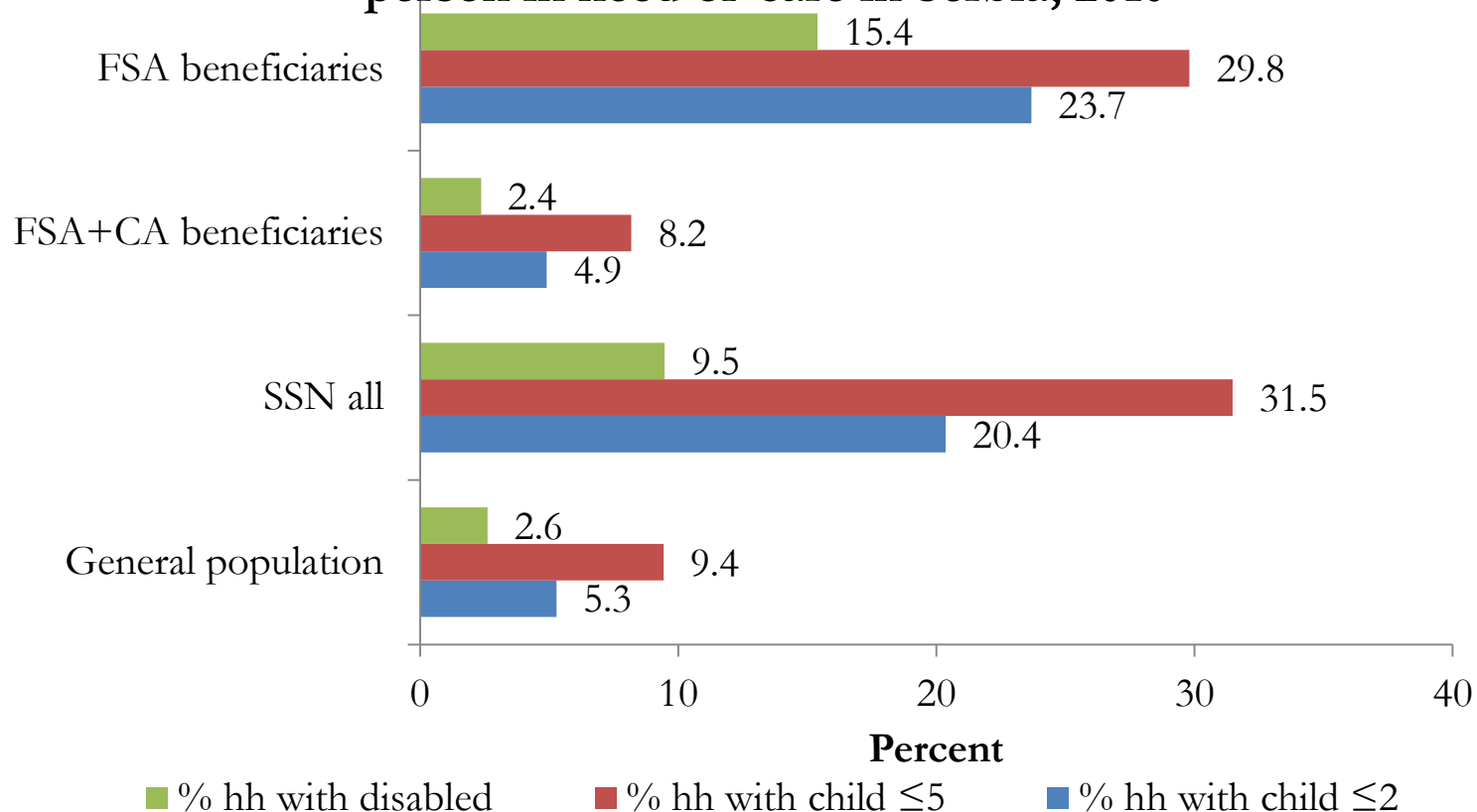
Source: Serbia HBS data 2010.

Note: "Work-able" includes all individuals of working age (15-64) who are neither disabled nor in education or training.



# Work-able SSN beneficiaries display greater caretaking needs than the work-ready population as a whole

## Share of work-able population living with at least one person in need of care in Serbia, 2010



Source: Serbia HBS data 2010.

Note: "Work-able" includes all individuals of working age (15-64) who are neither disabled nor in education or training.

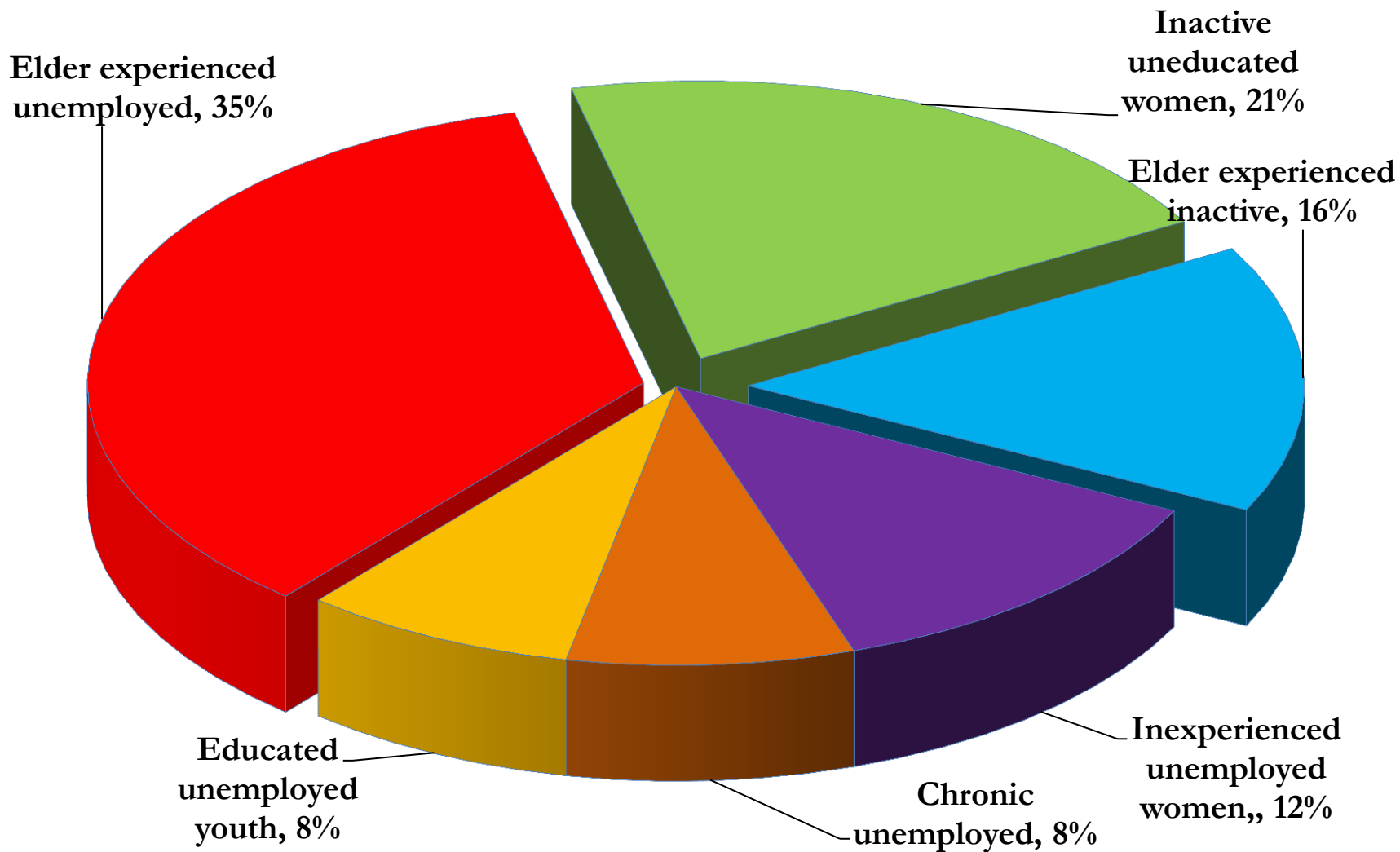


## Putting various traits into a multi-dimensional analysis of vulnerability using Latent Class Analysis

- **Objective: to define sub-groups of SSN clients with similar labor market vulnerability**
  - Non parametric method to identify similar “latent classes” of the population through a number of ‘indicator’ variables
  - Uses socio/economic/demographic characteristics that we believe are relevant for targeting policies
    - age, gender, family situation, location
    - education, experience, past/present occupation
    - employment status, work restrictions, type of vulnerability
- > Statistical method that “searches” for distinct groups using all these characteristics (minimizes heterogeneity within each group and maximize differences across groups



# Latent Class Analysis SERBIA





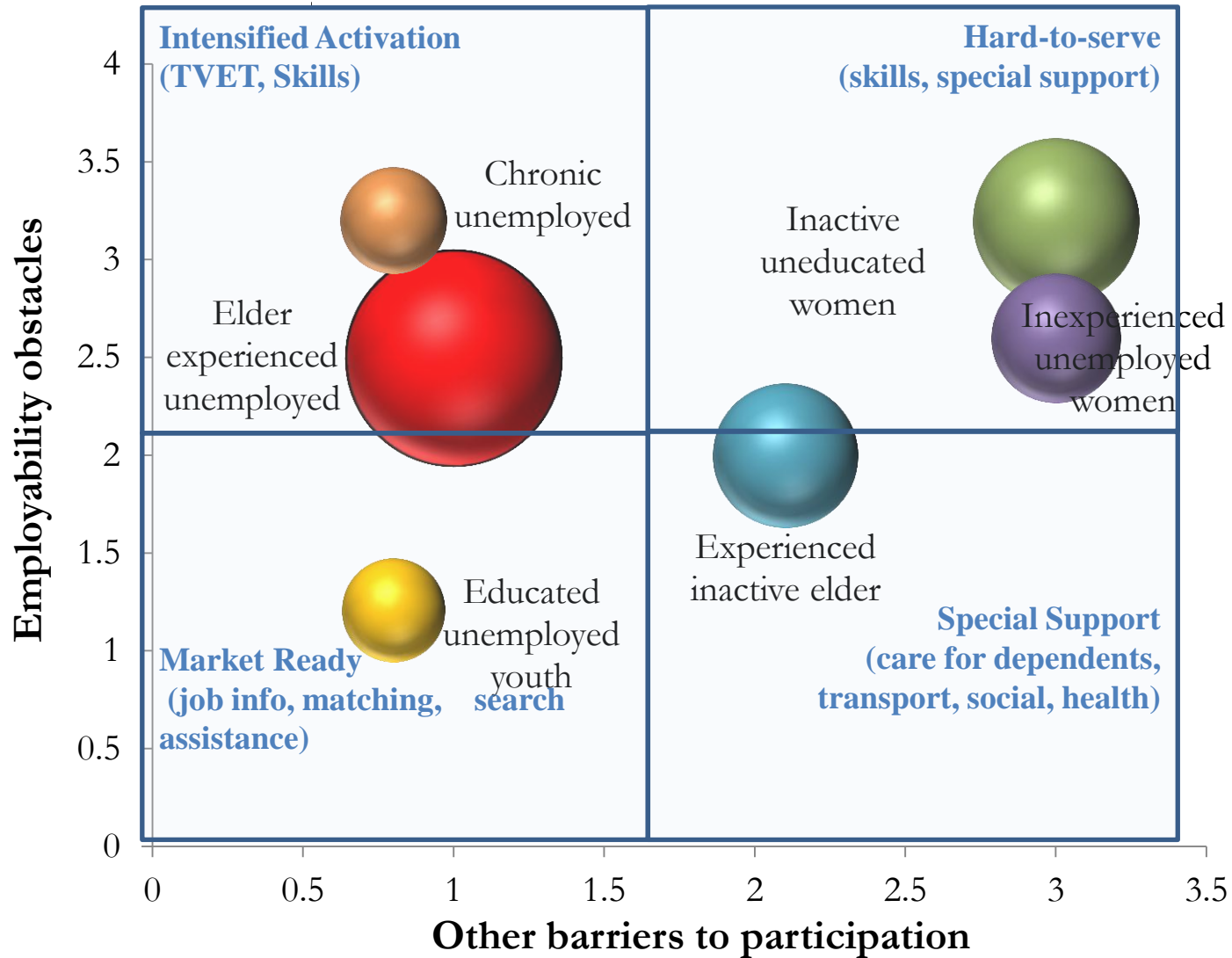
# Latent Class Analysis

## SERBIA

		Elder experienced unemployed	Inactive uneducated women	Elder experienced inactive	Inexperienced unemployed women	Chronic unemployed	Educated unemployed youth
<b>Class size</b>		35%	21%	16%	12%	8%	8%
<b>Indicators</b>	Worked before	100%	19%	95%	24%	20%	21%
	Willing to retrain	54%	23%	5%	45%	66%	73%
	Inactive	22%	100%	100%	16%	0%	19%
	Long-term unemployed	66%	0%	0%	63%	99%	6%
	Short-term unemployed	12%	0%	0%	21%	0%	75%
<b>Active covariates</b>	Uneducated	6%	31%	21%	31%	20%	6%
	Elementary education	34%	54%	36%	38%	37%	21%
	Secondary+ education	61%	16%	43%	31%	43%	73%
	Young (15–29)	4%	41%	8%	26%	39%	92%
	Adult (30–54)	54%	52%	45%	59%	61%	4%
	Prime age (55–64)	42%	7%	47%	15%	0%	4%
	Female	41%	82%	34%	92%	28%	26%
	Caretaker	0%	33%	32%	0%	0%	0%
<b>Statistics</b>	Married	62%	65%	64%	48%	55%	9%
	Discouraged inactive (% of total)	20%	56%	78%	8%	0%	14%
	Willing inactive (% of total)	2%	44%	22%	8%	0%	5%
	Mean age	46	32	47	36	31	23



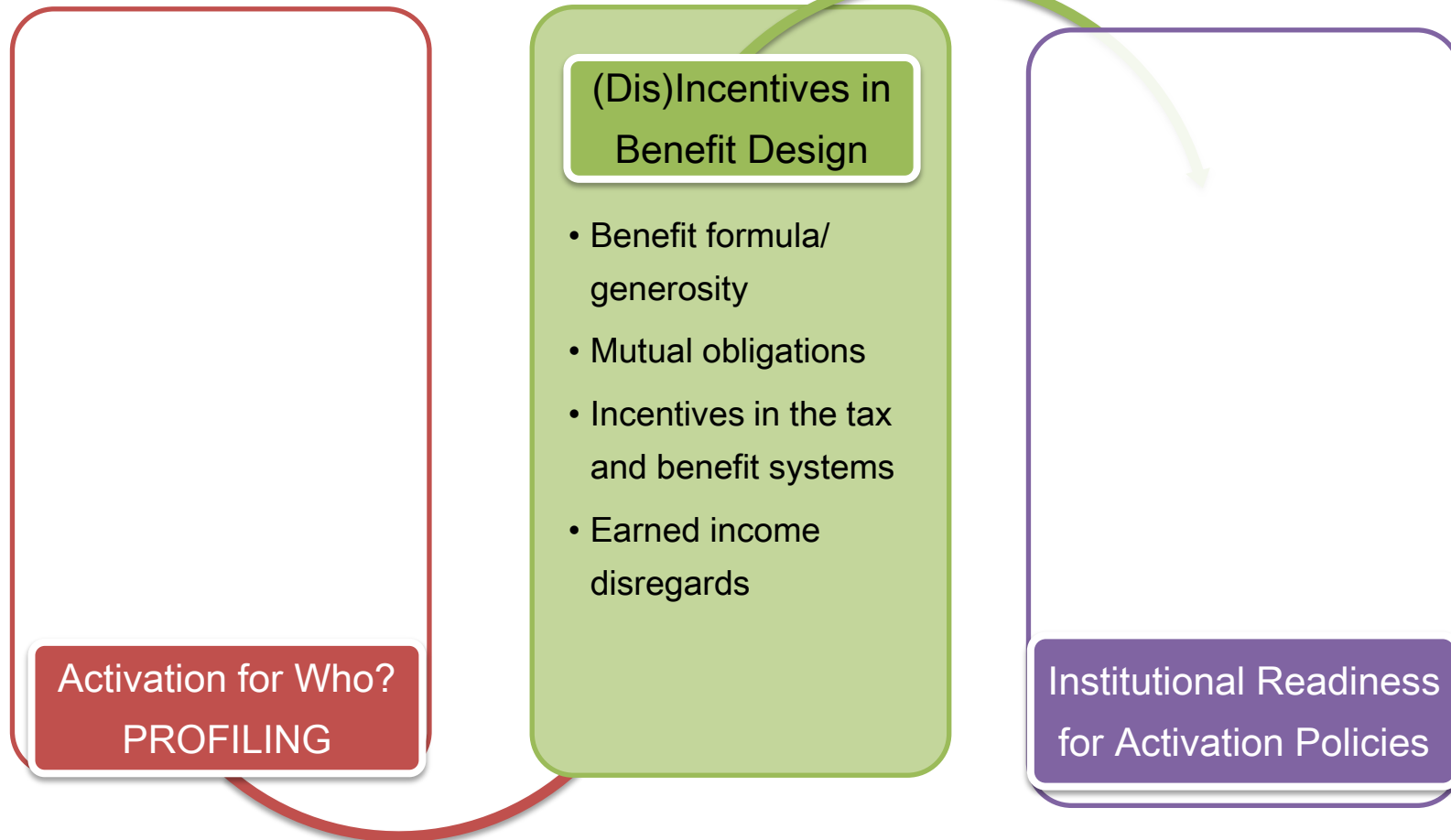
# Matching Beneficiary Profiles and Activation Services in Serbia, by Client Group







# (Dis)Incentives in Benefit Design— KOSOVO





# Main characteristics of the Assistenza Sociale

## Assistenza Sociale's (AS) main features - type of program

- AS combines elements of (i) last-resort social assistance; (ii) non-contributory unemployment benefit and (iii) child allowance
- AS is granted based on multiple criteria: (i) income and asset test; (ii) workability / dependence; (iii) family demographics; (iv) unemployment status

## Design, financing and implementation

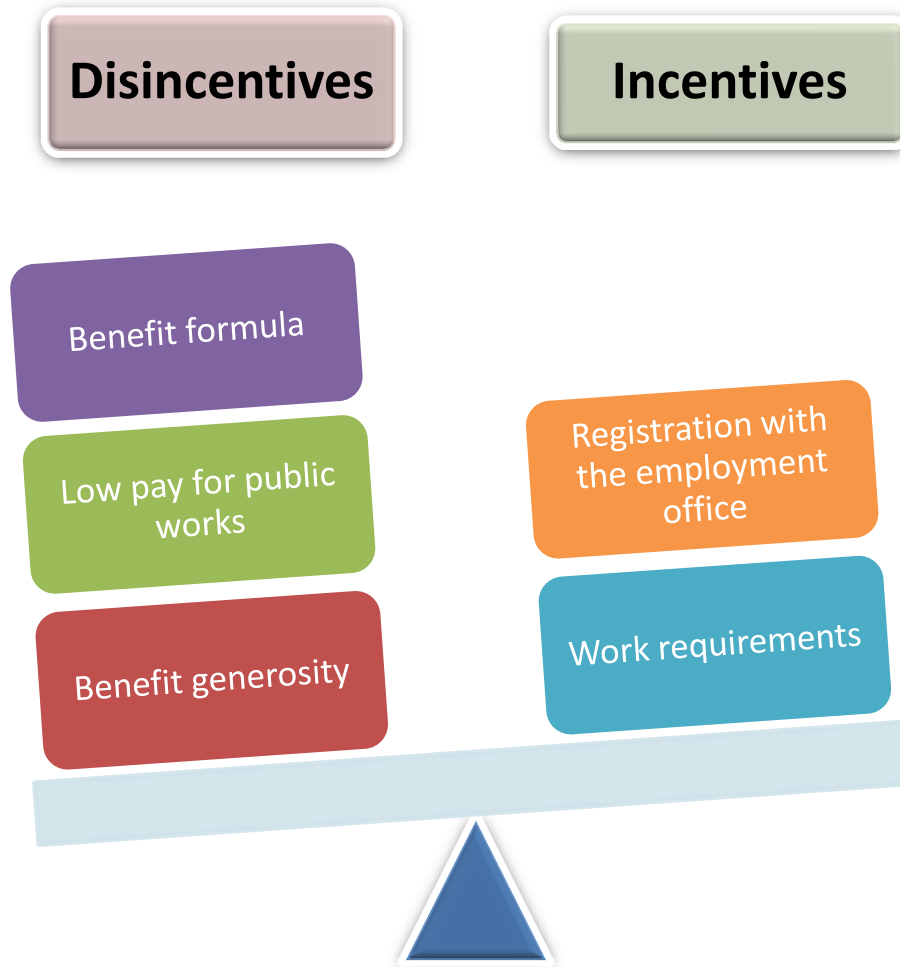
- **Centrally designed:** by the Ministry of Labor and Social Welfare
- **Centrally financed**
- **Implementation is at local level:** by Centers for Social Work which belong to the municipal administration

## Basic administrative and survey data

- Average monthly spending in 2012 – 2.33 million EUR; 28.26 million EUR in 2011
- Number of beneficiary families – 17,570 (Category I) and 13,541 (Category II)
- Spending - 0.7% of GDP (2012)
- Increasing share of able-bodied (Category II) among AS recipient families



# Asistenza Sociale's design implies more disincentives than incentives to be active





# Disincentives for work stem from the Assistenza Sociale benefit formula

The due benefit is calculated as 'difference' between the AS threshold applicable to a family of that size and its monthly income

Each additional euro of income will be 100% taken away from the benefit amount due: Earned income → loss of benefit completely

...Complete loss of benefit only for formal / legal income

Income from informal employment, household agriculture, remittances not measured : 'assessed through assets' (either as exclusionary filters or 'fully overlooked' / not considered) → bias in both cases



# (Dis)incentives due to AS generosity

## Core AS benefit is generous

- AS contributes a significant share to consumption of the poor (over 40%), due to low consumption level but also relatively high nominal transfers

## 'Packaging' of AS with other benefits

- AS beneficiary status provides automatic eligibility for electricity subsidy and some other financial benefits



## Going Forward: Activation agenda much broader than just focusing on addressing welfare dependency

- Social assistance beneficiaries are **only a fraction of the inactive**, and activation measures that only target them will not bring significant impact
- **Room for improvement in the design** of LRSA programs – e.g. introduction of gradual income disregard, in-work benefits etc.
- **Closer institutional cooperation** between EAs and SWCs is needed for effective activation of vulnerable.
- The **capacity and effectiveness of the EA** work need to be strengthened for broader activation—e.g. staffing realignment, non-state providers etc.
- **Improved cost-effectiveness of the ALMPs**— e.g. increased competition, advanced (statistical) profiling etc.