

Republic of North Macedonia
Social Insurance and Pension Administration Project (SIPA) (P170343)
Labor Management Procedures (LMP)

1. INTRODUCTION

1.1. Background Information

The Government of North Macedonia intends to receive a loan from the International Bank for Reconstruction and Development (IBRD) for the implementation of the Social Insurance and Pension Administration Project. The Project will be implemented by the Ministry of Labor and Social Policy of the Republic of North Macedonia and will improve the efficiency of the social insurance and pension administrations, revision of the list of hazardous occupations, prolong the increase the participation of certain categories of hazardous and arduous occupations early retirees in the labor market, and improve employability of persons with disabilities in the labor market.

The SIPA project will support the government's efforts to continue with pension reform and create a more efficient social insurance administration system. It would address specific and relatively narrow social insurance and pension administration technical areas identified as bottlenecks in social insurance administration and follow-up reforms identified within the 2018 pension reform package.

1.2 About the Project

The proposed project would build on the engagement between the Government of North Macedonia and the World Bank in the area of social insurance administration, specifically pension and disability insurance.

The rationale for public sector financing is related to strengthening social insurance administration for the benefit of all its users and beneficiaries. Reduced administrative costs and improved social insurance services to beneficiaries would enhance the wellbeing of insured individuals, enable more efficient contribution collection and control,

and result in higher labor market activity rates among disabled individuals and those engaged in hazardous and arduous occupations.

The Project will consist of the following components:

Component 1. Improving the quality of the social insurance administration services. Strengthening the Efficiency of Pension and Social Insurance Administration. This component would support the establishment of the central registry of socially insured individuals (Single Unified Registry System - SURS) and modernization of pension administration based on the pending Government decision from 20 August 2019 to consolidate registration and recordkeeping functions and the host agency responsible for it. The agency/institution that will be tasked with the integration and centralization of the social insurance registries will have to develop business processes serving all social insurance and tax administration agencies (PIOM, FZO, AVRМ, UJP) and second pension pillar (MAPAS and second pillar pension funds).

The activities within this component would focus on operative establishment of the SURS and adjustment of user social insurance agencies' business processes to utilize services provided by SURS. Centralized registration and recordkeeping by SURS would provide a single, unified, accurate, and timely stream of information on registered insured individuals and social contributions. Centrally available services would release capacities in AVRМ, PIOM and FZO currently engaged on registration and recordkeeping; establish an accurate database and information flow to UJP in the process of contribution collection and control; and provide timely information to second pillar institutions on membership and paid second pillar contributions. This component would also focus on strengthening core business processes and capacity of the PIOM, based on recommendations of the functional review of the PIOM. Consequently, the list of activities would include:

- Establishment of Single Unified Registry System for social insurance – investment in equipment, software, business processes, training;
- Adjustment of UJP, FZO, AVRМ, PIOM to SURS – investment in datalinks and interfaces with SURS, adjustment of business processes, training;

- A functional review of the PIOM and investment in PIOM modernization, including business processes, technical capacity, actuarial capacity, HR training, client services; and
- A public information and education campaign on SURS functionalities, benefits for users, and operations;

Component 2. Strengthen the regulatory framework for people with disabilities and for hazardous occupations. Supporting the Implementation of Pension and Disability System Reforms. Supporting the Government on the newly-launched pension reform (through the December 2018 Law on Pension and Disability Insurance and Law on Funded Pensions), this component envisages three subcomponents:

- Sub-component 2.1 Establishing unified disability assessment system and Central Disability Certification Coordination Unit (CDCCU) Establishing Central Disability Certification Coordination Unit (CDCCU). The new disability certification model, endorsed by the Government , aims to create a fast, efficient and client-oriented disability certification system for all agencies administered through the CDCCU in the Ministry of Labor and Social Policy, organizing the certification teams from a network of medical and other experts licensed for disability certification on a case basis. This subcomponent of the project will support the establishment of the CDCCU, including investment in its business processes, technical equipment and human capacity, and the system of monitoring, evaluation, licensing, supervision, and control. Investment would also include public information and education on the reform and using new user-friendly disability certification processes.
- Sub-component 2.2 Reforming improving the system of employment of persons with disabilities professional rehabilitation. A pilot project (led by the UNDP) for strengthening the process of professional rehabilitation and its administrative capacity has been underway at two locations in North Macedonia. The organizational model piloted assumes a central rehabilitation unit (REHA center) for determining the individual professional rehabilitation program, with implementation outsourced to non-government organizations. Activities expected to be performed by the central unit include registration of professional rehabilitations requests, disability and remaining work capacity

assessment (through the CDCCU), preparation of the individual professional rehabilitation program, outsourcing and monitoring its implementation, and supporting the process of employment after the rehabilitation. Based on pilot results, a national rollout of the professional rehabilitation system would be financed from this project. Activities expected to be supported within this subcomponent include investment in establishment of new REHA centers (equipment, business software, training), and a broad information campaign especially targeted towards the persons with disabilities.

- Sub-component 2.3 Revision of the list of hazardous occupations eligible for early retirement with extended service period (ESP). The objective of the reform considered by the Government is to revise the ESP list, reassess the risk hazards for each of the workplaces, limit the early retirement option only to the work conditions with high health hazards and potentially irreversible acute health consequences, and establish early retirement system that would incentivize remaining active in the labor market instead of earliest possible retirement. The activity supported by this subcomponent would primarily be engagement of a team of ergonomic, medical and other experts to revise all workplaces and work conditions in North Macedonia with currently declared health hazards.

Component 3. Project management, monitoring and evaluation

1.3 Environmental and Social Aspects

The environmental and social risk of the project is assessed as low. The major project activities are not expected to have any adverse impacts on human population and the environment. There is a risk to human health, which might occur if experts who will be assessing and revising hazardous occupations and workplaces visit hazardous workplaces without proper personal protection. For this task, the project will support hiring a licensed reputable international company who would have strong experience in the implementation of such activities and ensuring that staff personal protection is in place. The activities will neither have any impact on land acquisition nor will hire large number of workers through contractors. There is also minimal risk of negative impacts as the project is designed to improve social assistance to the marginalized and vulnerable

groups such as poor and disabled. The PMU has experience in carrying out social due diligence and citizens' engagement activities.

This project addresses the environmental and social aspects through the World Bank's Environmental and Social Stands (ESS) approach/ framework. One of the Standard- ESS 2- relates to Labor and Working Conditions and expects the Borrowers to develop labor management procedures (LMP). The LMP enables identify main labor requirements and risks associated with it, and help the Borrower to determine the resources necessary to address labor issues. The LMP is a living document, which is initiated early in project preparation, and is reviewed and updated throughout development and implementation of the project. Accordingly, this document details out the type of workers likely to be deployed by the project and the management thereof.

1.4 Scope and Structure of the LMP

Scope of the LMP shall be as outlined in the World Bank's ESS 2. The engagement will be planned as an integral part of the project's environmental and social assessment and project design and implementation. This document has 10 chapters. This chapter viz., Chapter 1 served as Introduction. An overview of labor use in the project is presented in Chapter 2. Key potential labor risks are listed in Chapter 3. Legislative Framework governing labor employment in R. North Macedonia and a gap analysis with that of the World Bank's ESS 2 is discussed in Chapter 4. Implementation Arrangements, Age Requirement, Policies and Procedures and Timing of labor requirements follows in the subsequent chapters. Grievance Redressal Mechanism and Contractor Management are presented in the last two chapters 9 and 10 respectively.

2. OVERVIEW OF LABOR USE IN THE PROJECT

2.1 Type of Workers

The key implementing agency for the Project will be the Ministry of Labor and Social Policy (MLSP), but it would closely collaborate with PIOM, FZO, AVRMA and UJP.

ESS 2 categorizes the workers into: direct workers, contracted workers, community workers and primary supply workers. For the SIPA project the following categories of workers are important: direct workers and contracted workers; community workers and primary supply workers are not relevant. All resources/contracts to be exclusively managed by direct workers. About Primary supply workers, project does not, on an ongoing basis, source directly goods or materials essential for the core functions of the project. Thus, only two categories of workers are expected. One, Direct workers, those deployed as 'technical consultants' by the project. They will be governed by mutually agreed contracts. And two, contract workers will be employed as deemed appropriate by contractors, sub-contractors, and other intermediaries, details of which will be known as and when activities' implementation begins.

Direct workers. The project management structure would encompass a coordinating Working Group, already supporting the Ministry regarding policy reform options and the proposed project. The Project Management Unit (PMU), which is currently implementing the SSIP would be responsible for procurement, disbursement, monitoring, and reporting on the use of loan proceeds. The PMU should additionally include a Director for this operation, who would have overall responsibility for the implementation of the proposed project on the Ministry's side. Given the complexity and multisectoral feature of the project design, the PMU would also include a pension administration specialist, a disability assessment specialist, a monitoring and evaluation specialist, as well as IT engineers. The current PMU within the MLSP already engages environmental and social safeguards specialists who would be responsible for implementation of provisions of ESMF. However, given that the procurement and FM specialists would be responsible for fiduciary aspect of two operations in parallel, a procurement and FM assistant would be hired once the

Project becomes effective. Implementation arrangements would assure continuous strengthening of MLSP's capacity, to promote long-term sustainability of the reforms.

Contracted Workers. Experts that will be assessing and revising hazardous occupations and workplaces.

2.2 Number of Project Workers

Direct Workers. Total number of workers that will implement the SIPA project within the PMU will be three employees from MLSP.

Contract Workers. The precise number of project workers who will be engaged are not known as of now. This will become known as and when implementation begins.

2.3 Timing of Labor Requirements

The direct workers will generally be required full time and around the 3 years for the project duration. The contract workers will be engaged depending of the project needs and the period of the project that need the specific work to perform.

3. POTENTIAL LABOR RISKS

The main labor risks associated with the project activities could be found at the contracted workers/consultants for providing H&S services who will conduct risk assessment of the workplaces with hazardous occupations.

The H&S consultants who will conduct risk assessment of the workplaces will be exposed to various health and safety risks depending on the type of activity that is performed in the company that will be visited and assessed (e.g., metal processing industry, chemical industry, textile industry, mining facilities, tobacco industry, pharmaceutical industry, firefighting facilities, army, police, etc.).

In the above mentioned industries/workplaces, the workers work under special conditions, in a working environment characterized by:

- forces of nature and/or environmental factors;
- technological processes:
- associated with temperatures below 0 °C or above 28°C;

- associated with high atmospheric pressure;
- associated with inhalation of different types of chemicals;
- associated with excessive physical efforts and the high static load that comes from keeping the joints in certain positions for long periods;
- requiring postures that entail keeping the joints in awkward positions due to the need to exercise a force exceeding 10 kg for men and 5 kg for women for 50% of the total working time and other.

Each company and workplace has its own specifics for which special protective measures, protective equipment and protective clothing should be provided, so the H&S consultants should be aware about these risks in advance.

The H&S consultants should follow the guidelines set out in each company regarding the protection of the health and safety for workers (it is good if they contact the H&S responsible person/s in the particular company prior the site visit and ask for H&S measures and PPE required).

Depending on the type of industry each H&S consultant who will conduct risk assessment of the workplaces is obliged to wear appropriate protective clothing (gloves, helmets, eyeglasses, special shoes, protective suits, protective masks, etc.) that is mandatory in accordance with the requirements of the Law on Safety and Health at Work (“Official Gazette of the RM“ No. 92/2007, 136/2011, 23/2013, 25/2013, 137/2013, 164/2013, 158/2014, 10/15, 61/15).

Also these consultants should also have the necessary equipment to conduct the risk assessment of the workplaces (e.g., work on height, work in underground mine, etc.) meeting the requirements from: Rulebook on minimum safety and health requirements for employees risks concerned with exposure to chemicals (“Official Gazette of the RM“ No.46/10), Rulebook on minimum security and health requirements for employees risks connected with exposure to physical accessories* (“Official Gazette of the RM“ No.40/14), Rulebook on occupational safety and health of employees at risk of noise (“Official Gazette of the RM“ No.21/08), Rulebook to the minimum requirements for the safety and health of employees potentially at risk of explosive atmospheres (“Official Gazette of the

RM“ No.10/09), Rulebook on safety and health at work in manual handling of loads (“Official Gazette of the RM“ No.135/07).

The project should contracted a high professional, experience H&S company/ies who can conduct the risk assessment on hazardous occupations and workplaces on safety manner avoiding injuries.

4. BRIEF OVERVIEW OF LABOR LEGISLATION

4.1 National Legislation

The main legislative Act at national level is Labor Law of Republic of Macedonia (OG of RM no. 62/05; 106/08; 161/08; 114/09; 130/09; 149/09; 50/10; 52/10; 124/10; 47/2011; 11/12; 39/12; 13/13; 25/2013; 170/2013; 187/13; 113/14; 20/15; 33/15; 72/15; 129/15, 27/16, 134/16), manages relationship between parties involved in the process of employment. It protects and applies to any natural person that has concluded an employment contract with an employer.

Other national laws related to labor relations are the following:

Law on Social Protection (OG of RM no. 79/09, 148/13,164/13, 187/13, 38/14, 44/14, 116/14, 180/14, 33/15, 72/15, 104/15, 150/15, 173/15, 192/18, 30/16, 163/17, 51/18). Social welfare and protection in Macedonia comprises of services and benefits from the tax-financed social welfare system (social prevention – which according to the Law on Social Protection includes - educational and advisory work, development of self-assistance forms, volunteering work etc., institutional care, non-institutional care and monetary assistance) and contributory- based social insurance system (pensions and disability, health and unemployment insurance).

Law on Pensions and Disability Insurance (OG of RM no. 53/13, 170/13, 43/14, 44/14, 97/14, 113/14, 160/14, 188/14, 20/15, 61/15, 97/15, 129/15, 147/15, 154/15, 173/15, 217/15, 27/16, 120/16, 132/16) defines the obligatory pension insurance of workers under working contract and the natural persons performing activity, the bases of

the capital funded pension insurance, as well as the special conditions how certain categories of insured persons receive the right to pension and enjoy disability insurance. The rights deriving from the pension and disability insurance are the following: right to age-related pension, right to disability pension, right to re-allocation to other adequate, working post, right to adequate employment, right to re-qualification or higher qualification and right to adequate financial compensations, right to family pension, right to monthly compensation for physical damage, and right to minimal pension.

Law on Occupational Health and Safety (Official Gazette No. 92/07, 98/10, 93/11, 136/11, 60/12, 23/13, 25/13, 137/13, 164/13, 158/14, 15/15, 129/15). This law determines the safety and health measures at work, the obligations of the employer and the rights and obligations of employees in the field of safety and health at work, as well as preventive measures against occupational risks, eliminating risk factors for accident, informing, consulting, training workers and their representatives, and participating in the planning and taking of occupational safety and health measures.

5. RESPONSIBLE STAFF

SIPA (PMU) will be responsible for the following:

- Implement this labor management procedure.
- Ensure that contractors all works that implements are in comply with these labor management procedures.
- Ensure the contracts with the contractors are developed in line with the provisions of this LMP.
- Monitor to verify that contractors are meeting labor and OHS obligations toward contracted and subcontracted workers.
- Monitor contractors and subcontractors' implementation of labor management procedures.
- Ensure that the grievance redress mechanism for project workers is established and implemented and that workers are informed of its purpose and how to use it.

- Have a system for regular monitoring and reporting on labor and occupational safety and health performance.
- Monitor implementation of the Worker Code of Conduct.

Project Operational Manual will include standard templates of contracts which include LMP, OHS aspects, and the contractors commit to them. LMP and OHS responsibilities of the Contractors are the following:

- Follow the labor management procedures and occupational health and safety requirements as stated in the contracts signed with MLSP.
- Contractors will keep records in accordance with specifications of the job description.
- Supervise the subcontractors' implementation of labor management procedures and occupational health and safety requirements.
- Maintain records of recruitment and employment of contracted workers as provided in their contracts.
- Communicate clearly job descriptions and employment conditions to all workers.
- Make sure every project worker hired by contractor/subcontractor is aware of the SIPA (PMU) dedicated phone number, email address, and web portal through which anyone can submit grievances.
- Provide induction (including social induction) and regular training to employees in labor protection requirements, including training on their rights on safe labor under North Macedonian law, on the risks of their jobs, and on measures to reduce risks to acceptable levels.

6. POLICIES AND PROCEDURES

Employment of project workers within the SIPA projects will be based on the principles of non-discrimination and equal opportunity. There will be no discrimination with respect to any aspects of the employment relationship, including recruitment, compensation, working conditions and terms of employment, access to training, promotion or termination

of employment. The following measures, will be followed by contractors and monitored by the SIPA (PMU), to ensure fair treatment of all employees:

- Recruitment procedures will be transparent, public and non-discriminatory, and open with respect to ethnicity, religion, sexuality, disability or gender.
- Applications for employment will only be considered if submitted via the official application procedures established by the contractors.
- Clear job descriptions will be provided in advance of recruitment and will explain the skills required for each post.
- All workers will have written contracts describing terms and conditions of work and will have the contents explained to them. Workers will sign the employment contract.
- Employees will be informed at least two months before their expected release date of the coming termination.
- The contracted workers will not be required to pay any hiring fees. If any hiring fees are to be incurred, these will be paid by the Employer.
- Depending on the origin of the employer and employee, employment terms and conditions will be communicated in two languages, in the state language and the language that is understandable to both parties.
- Foreign workers will require residence permits, which will allow them to work in Tajikistan.
- All workers will be 18 years old or above for civil works. This will be a requirement in SIPA contracts with contractors.
- Normal working time should not exceed 40 hours per week. With a five-day working week, the duration of daily work is determined by the internal work regulations approved by the employer after prior consultation with the representatives of the workers, in compliance with the established working week duration.

7. AGE OF EMPLOYMENT

North Macedonia law prohibits anyone under 18 from performing “unhealthy or heavy” and there are special requirements for leave, work hours, and other conditions of employment.

Contractors will be required to verify and identify the age of all workers. This will require workers to provide official documentation, which could include a birth certificate, national identification card, or medical or school record. If a minor under the minimum labor eligible age is discovered working on the project, measures will be taken to immediately terminate the employment or engagement of the minor in a responsible manner, taking into account the best interest of the minor.

8. TERMS AND CONDITIONS OF EMPLOYMENT

The employment terms and conditions applying to SIPA (PMU) employees are set out in this document. These internal labor rules will apply to all SIPA employees who are assigned to work on the project (direct workers). Terms and conditions of part-time direct workers are determined by their individual contracts.

The work hours for SIPA workers will be 40 hours per week, eight hours per workday. Terms and conditions of part-time direct workers will be determined by their individual contracts. The contractors’ labor management procedure will set out terms and conditions for the contracted and subcontracted workers. These terms and conditions will be in line, at a minimum, with this labor management procedure and specified in the standard contracts to be used by the MLSP under the project, which will be provided in Project Operations Manual and follow this LMP.

9. GRIEVANCE REDRESS MECHANISM

The project will establish a GRM for the Project Workers consistent with the ESS2 before the Project Effectiveness and describe them in the Project Operations Manual (POM). The existing grievance mechanism of the SSIP project will be modified.

All identified stakeholders within the SIPA project can submit a complaint/suggestion regarding the project implementation. The complainant will be informed about the proposed corrective action and follow-up of corrective action within 25 calendar days

upon the acknowledgement of grievance. In situation when the PMU is not able to address the particular issue verified through the grievance mechanism or if action is not required, it will provide a detailed explanation/ justification on why the issue was not addressed. The response will also contain an explanation on how the person/ organisation that raised the complaint can proceed with the grievance in case the outcome is not satisfactory. Grievance mechanism will be publicly available on the MLSP web site (special link for the SIPA project) in order to be easily accessible for the stakeholders and to be able to submit a complaint.

10. CONTRACTOR MANAGEMENT

Construction and other contracts will include provisions related to labor and occupational health and safety as provided in the World Bank Standard Procurement Documents and North Macedonia law.

SIPA PMU within MLSP will manage and monitor the performance of contractors in relation to contracted workers, focusing on compliance by contractors with their contractual agreements (obligations, representations, and warranties) and labor management procedures. Also the PMU staff will look how the following obligations are fulfilled by the Contractors:

- ❖ **Labor conditions:** records of workers engaged under the Project, including contracts, registry of induction of workers, hours worked;
- ❖ **Workers:** number of workers, indication of origin (expatriate, local, nonlocal nationals), gender, age with evidence that no child labor is involved, and skill level (unskilled, skilled, supervisory, professional, management);
- ❖ **Training/induction:** dates, number of trainees and topics, records on training provided for contracted workers to explain occupational health and safety risks and preventive measures;
- ❖ **Safety:** recordable incidents (lost time incidents, medical treatment cases), first aid cases, high potential near misses, and remedial and preventive activities required, reports relating to safety inspections, including fatalities and incidents and implementation of corrective actions, records relating to incidents of non-compliance with national law;

- ❖ **Details of any security risks:** details of risks the Contractor may be exposed to while performing its work—the threats may come from third parties external to the project;
- ❖ **Worker grievances:** details including occurrence date, grievance, and date submitted; actions taken and dates; resolution (if any) and date; and follow-up yet to be taken—grievances listed should include those received since the preceding report and those that were unresolved at the time of that report.

Fulfillment of these obligations will apply to the companies that will be engaged by MLSP for assessing and revising hazardous occupations and workplaces.