Policy Responses

Economic policy making in the BSEC-CA transition economies during the 1990s was dominated by the fundamentals of creating a market-based economy. There were substantial differences in the extent and speed of price liberalisation, monetary stabilisation and enterprise restructuring, characterised at the time by polemics over shock therapy versus gradualism. The variations were, in practice, however, more complex. The crucial importance of institutions was not well recognised and everywhere institutional reform was slow.

The Soviet model of universal access to education and health care, social protection (including generous pay-as-you-go pension schemes), social assistance for those with special needs, such as the disabled or orphans; and numerous untargeted subsidies such as transport, housing and utilities was retained in principle. Budget constraints, however, led to delayed payment or reduced real value of pensions and other redistributive payments, as well as to poor implementation of public services provision. Governments responded to increasing inequality and poverty with *ad hoc* measures to protect the most vulnerable (or most vocal) sufferers. Since unemployment was not officially acknowledged in the planned economies, there was no provision for unemployment insurance in the first years of the transition economies.

With the completion of the transition, governments paid more attention to designing policies relevant to work and well-being in a market-based economy. Labour markets require legislation to define minimal working conditions and to protect workers from unfair dismissal, as well as other institutional arrangements such as unemployment insurance, which can help individuals to manage risk and to provide support during periods between employment. Beyond that, several governments have adopted active labour market policies (ALMPs) to match people without work to jobs, to increase the probability of finding work, and in some cases to target particular segments of the population such as youths, females or ethnic groups.

For the EU accession countries and would-be members, the common social agenda of the European Union provides a clear framework. At the 2000 Lisbon summit, six key objectives were adopted, specifically EU countries are to:

- promote employment and employability through active labour market measures to help those with difficulties in entering the labour market;
- ensure adequate social protection, including minimum income schemes;
- increase access of those most at risk of social exclusion to decent housing, quality health care and lifelong learning opportunities;
- prevent early exit from formal education and facilitate the transition from school to work;
- eliminate poverty and social exclusion among children to combat intergenerational inheritance of poverty; and
- increase labour market participation of immigrants and ethnic minorities to the same level as the majority population.

The list represents high aspirations, which are imperfectly met even in the best-run economies.

Elsewhere in the BSEC-CA region, approaches to labour market and other social policies have been diverse. ALMPs can improve the labour market outcomes of targeted participants, especially with enabling macroeconomic conditions and business environments, but ALMPs are only part of a broader set of policies to promote employment and cannot be considered as a substitute for job creation by private firms (World Bank, 2005a; OECD, 2006). Although satisfying work is a key contributor to most people's well-being, disadvantaged groups outside the workforce may also require social assistance. Since the turn of the century, BSEC-CA countries have become much more successful in targeting employment and social assistance policies, but these activities are still in their infancy and BSEC-CA countries have had varying priorities and implementation records over the brief time that they have been adopted. Thus, this chapter assesses public response to promote work and well-being through labour market policies. These policies are undergoing profound changes in all countries, as a result of two shocks: the full transition to market-based economies and the further integration of these economies into the global economy. At this stage of ongoing creation and implementation, though, complete information about the size, structure and composition of the policies is lacking. For the resulting programmes that have been implemented, there is minimal evidence of monitoring and evaluation to analyse thoroughly their impact. Despite their nascence in some countries of the BSEC-CA region. this chapter, nevertheless, attempts to shed more light on these policies, complementing the evidence and analysis of the previous chapters in Part II of the Outlook. Since the BSEC-CA countries are, for the most part, at a relatively early stage of implementation, they may find useful lessons in the experience of the OECD countries, which is discussed in Chapter Seven.

The first two sections of this chapter distinguish between passive and active labour market policies, the former setting the labour market environment, while the latter are delivered to individual employers and workers or target specific groups, occupations or sectors. The next two sections examine policies to improve redistribution either by the state or by the private sector. Finally, the chapter briefly reviews other policies directly affecting work and well-being and international co-operation on labour migration.

THE LABOUR MARKET ENVIRONMENT

An effective labour market environment requires the creation of sufficient jobs to meet the available labour supply, plus institutions to match demand and supply. Initial concern in many BSEC-CA countries focused on the demand side, because the constraints in the transition economies arose from the collapse of jobs in the old state enterprises. The top priority was to identify new areas of comparative advantage and to reduce the obstacles to enterprise restructuring and new enterprise creation. However, the high levels of open and disguised unemployment and the failure to create national labour markets indicate that there are also major problems in matching demand and supply in the labour market.

All of the BSEC-CA countries have ratified the relevant ILO Conventions and Recommendations (see Box 6.1). Within the broad goal of governments, employers and employees co-operating to promote full, productive and freely chosen employment, specific conventions make a variety of requests of ILO members. These requests include such things as provision of a public employment service; placing emphasis on the importance of providing vocational training and guidance; defining the role, functions and organisation of labour administration; managing services to enable disabled persons to retain and advance in their employment; and addressing the provision of income support in the case of unemployment. These conventions, however, are, often expressed in general terms and therefore, implementation varies considerably.

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Box 6.1. ILO Conventions and Recommendations

The international labour standard is the ILO Convention 122 on Employment Policy, adopted in 1964 and reaffirmed by the Copenhagen 1995 World Summit for Social Development. The convention urges governments to formulate and implement, in close collaboration with employers and workers, an active policy promoting full, productive and freely chosen employment. The general principles of an active employment policy are elaborated further in ILO Recommendation No. 122. These closely related instruments make explicit reference to other ILO Conventions, especially the Employment Service Convention No. 88, Human Resources Convention No. 142, Labour Administration Convention No. 150, Vocational Rehabilitation and Employment (Disabled Persons) Convention No. 159 and Employment Promotion and Protection against Unemployment Convention No. 168. Convention No. 88 requests ILO members to run a public employment service. Convention No. 142 and the related Recommendation No. 150 defines the importance of providing vocational training and guidance. Convention No. 150 defines the role, functions and organisation of labour administration. Convention No. 159 deals specifically with services to enable disabled persons to retain and advance in their employment. Convention No. 168 deals mainly with the provision of income support in the case of unemployment.

 $Source: drawn from the ILO website ``International Labour Standards'', available at www.ilo.org/global/What_we_do/InternationalLabourStandards/lang--en/index.htm$

Workers' right to choose their employment and bans on forced labour are often constitutionally guaranteed. Legislation on humane work conditions, minimum wages and protection against unfair dismissal are universal in BSEC-CA countries. Other legislation on working hours, vacations, maternity leave and so forth is country-specific, but typically strong on paper and weaker in implementation. These measures contribute to the cost of employing labour and should therefore involve a cost-benefit analysis of the extent to which workers should be protected; minimum wages set too high, for example, may help those already with low-paid jobs but opponents of minimum wage laws note that it can also discourage employment of young and unskilled workers. Trade unions exist and have a legal role, but in many countries they are holdovers from the Communist era and ineffective in the market-based economies. A general, and desirable, trend is that countries are, over time, acceding to an increased number of ILO Conventions, although again there may be a gap between the aspirations of a convention's drafters and the workplace reality.

Employment protection legislation varies from country to country. The variations are greater in how the legislation is implemented than in the legislation itself. The common pattern is that legislation is stringent, apart from in Georgia where hiring and firing have been made much easier since 2003, but implementation is weak. Extensive informality undermines employment protection policies in most BSEC-CA countries¹.

After the end of central planning, governments established minimum wage levels either by presidential decree or by legislation, but their purchasing power was rapidly eroded by inflation during the first half of the 1990s (see Box 6.2 "Minimum wages in the Caucasus"). Since the mid-1990s, minimum wages affect few in the workforce, although some countries use them as a benchmark for pensions and other social payments. Even in the countries where reform has been more gradual, where minimum wages rates have greater impact, there has been erosion of their real value. In Uzbekistan, for example, the minimum wage, which was 13-14 per cent of the average wage in 2000-03, failed to keep pace with wages, and by 2006 was equal to less than 9 per cent of the average wage (CER Uzbekistan, 2007b). In Azerbaijan, the minimum wage was increased by presidential decree to 5.5 manat per month in 2001 and to 12 manat in January 2003 and then by further increases at intervals of a year or less to 50 manat (USD 57) in February 2007 (SIGMA, 2007). The World Bank's 2006 Serbia Labor Market Assessment report concluded that the minimum wage had no significant impact on employment when minimum wages are set too low, as in Serbia where they are just under 40 per cent of the average wage (World Bank, 2006b).

Box 6.2. Minimum Wages in the Caucasus

In the three Caucasus countries minimum wages in 2000 were 28 per cent of the average wage in Georgia, 24 per cent in Armenia and less than 10 per cent in Azerbaijan. Over the next half-decade, the three countries took divergent approaches to labour market policies: Georgia adopted a hands-off approach after the 2003 revolution, Azerbaijan took a more proactive stance as the economy boomed and concerns about inequality increased, and Armenia's policy approach remained fairly stable. This is reflected in the minimum wage rates, which, as a percentage of the average wage, have remained more or less constant in Armenia (25 per cent in 2005), fell in Georgia (to 10 per cent in 2005) and were increased in Azerbaijan (to over 30 per cent in 2005).

Source: AIPRG, 2007; SIGMA, 2007; CER Uzbekistan, 2007b.

Payroll taxes have been an important contributor to high labour costs. In Uzbekistan, the various payroll taxes amounted to 37 per cent in 2002, although after that they were reduced to 25 per cent in 2006 and 24 per cent in 2007 (CER Uzbekistan, 2007b), which is still significantly higher than the OECD average. Payroll taxes increase non-wage costs for employers, which can make it possible for non-wage costs to become a larger share of total labour costs. High payroll taxes provide an incentive for adopting inappropriately capital-intensive techniques, and encourage informality where the savings may be shared between employer and employee.

Other passive labour market policies, such as unemployment insurance or social transfers are designed to mitigate short-term financial needs of the unemployed, but they address none of the greater social security objectives epitomised by the EU social agenda noted earlier. Well-designed unemployment insurance programmes can, nevertheless, provide workers with income lost due to frictional unemployment associated with the business cycle or structural change. In most of the transitional BSEC-CA countries, unemployment benefits are earnings related and subject to floors and ceilings. A recent World Bank study estimates that, during the late 1990s, unemployment benefits were equal to 0.1-0.3 per cent of the GDP in CIS countries, compared to 1.4 and 1.7 per cent of GDP in south-east Europe and central Eastern Europe, respectively (World Bank, 2005a). These figures, although estimates, suggest a wide variation across countries in terms of resources allocated to passive labour market policies and their coverage.

The take-up rate of unemployment benefits is very low in some countries. In Moldova, for example, in 2005 only 2 966 people received unemployment benefits even though the number registered as unemployed was almost 60 000 (CSSR, 2007). Such a low take-up rate (less than 5 per cent) suggests there are higher costs in claiming benefits than receiving them and/or that the benefits are extremely low. Low monetary amounts of unemployment benefits are the result of the low take-up rate in the Kyrgyz Republic, where only 10 per cent of the registered unemployed receive the unemployment benefit of 250 som (USD 7) per month (CER Kyrgyzstan, 2007). There are also unusual distinctions and rules that define eligibility for unemployment benefits that deserve scrutiny. In other CIS countries, the number of registered unemployed is smaller than expected because those who own land (i.e. most of the rural population since the land reforms of the 1990s) cannot register, even if their plot of land is too small to produce a subsistence crop.

The current low coverage and onerous qualification rules of unemployment insurance programmes make them inadequate in many countries of the region. Because much of the unemployment is of the long-term nature, it may be that the types of unemployment insurance programmes that are typical in the OECD countries are considered an inefficient or premature use of resources. Similarly, measures such as severance payments, which are widespread in market economies, are minimal. Although it is impossible to provide universal passive labour market programmes and harder to enforce policy rules and regulations in economies where informal employment remains considerable and widespread, they are necessary to encourage a healthy, secure formal sector.

The widespread existence of the informal economy reduces the effectiveness of labour market policies, which are intended to be universal. Its existence undermines governments' abilities to

raise revenue and provide services. For these reasons, some states are attempting to reduce informality by promoting formality and/or strengthening enforcement of regulations. Measures to encourage informal businesses to become formal include both incentives (e.g. reducing the tax and social security payments and bureaucratic rules that encourage evasion) and disincentives (e.g. tighter auditing and bans on cash transactions). Turkey's recent programme, highlighted in Box 6.3, provides examples of incentives to reduce informality of businesses by easing tax burdens and simplifying procedures for tax remittances.

Box 6.3. Efforts to Reduce Informality in Turkey

The efforts in Turkey to reduce informality began in 2006 when corporate tax rates reduced from 33 to 20 per cent. This measure was adopted in conformity with the OECD recommendations.

In June 2007, the Turkish Minister of Finance announced a plan to reduce the size of the unregistered economy by 2 per cent per year. Incentives to formalise include the removal of tax exemptions and a reduction in the number of bureaucratic transactions. In 2008, a more effective auditing system will be introduced and all employers will be obliged to deposit workers' pay into bank accounts. The income tax system will also be streamlined, and social security payments by registered employers will be reduced by 5 per cent in 2008, which may cost the government about TRY 4 billion. The launching date of this initiative has yet to be announced, however.

The announcement also noted measures to reduce the cash economy, which could also help to curb informality, though its overall impact on informality is hard to predict. The estimated level of informal employment today is almost 50 per cent of total employment in Turkey.

Another initiative to reduce informality is the reduction of the value added tax (VAT) rates. The VAT rates for the tourism, textile and service sectors were decreased from 18 to 8 per cent in 2008. In order to simplify bureaucracy and streamline tax declaration, all tax centres have been computerised. Around 80 per cent of declarations for corporate, income, VAT and excise taxes have been transmitted electronically. Moreover, tax payments can be made electronically as well. The website of the Income Directorate of the National Tax Administration (www.gib.gov.tr) provides taxpayers with online services and easy access to administrative information.

 $\it Source: Information provided by the Turkish Ministry of Finance.$

ACTIVE LABOUR MARKET POLICIES

Since the turn of the century there has been a shift of emphasis in the BSEC-CA transition economies from passive labour market policies to active labour market policies (ALMPs), which consist of social expenditures (other than formal education) aimed at improving the beneficiaries' prospect of finding gainful employment or otherwise increasing their earnings capacity. ALMPs are intended to reduce structural unemployment and boost economic activity rates by facilitating the matching of workers to jobs and keeping the unemployed in contact with the labour market, while improving their skills (Lehmann, 1995; OECD, 1993 and 2005b). In other words, they have three functions: to increase the quality of labour supply, to increase the demand for labour or to improve the matching of workers to jobs, all of which emphasise economic goals. Non-economic goals are those such as capitalising on possible social benefits derived through participation in productive employment.

For many BSEC-CA countries, especially the lower-income ones, these policies are quite new and minimally target specific segments of the workforce. For instance, age-specific and gender-specific programmes to promote youth or female employment have been introduced only very recently, and mainly consist of vocational training and wage subsidies (Stavreska, 2007). Detailed information on the specific programmes implemented by each country and the resources allocated

for their realisation is absent or scattered. It is sometimes difficult to ascertain to what extent programmes approved on paper have been implemented. It is practically impossible to assess their impact, given the absence of regular monitoring and proper evaluation.

ALMPs include spending on public employment services and administration, vocational guidance and training, public works, microfinance and counselling services for potential entrepreneurs, special programmes for youths in transition from school to work and special programmes for the disabled. All BSEC-CA countries implement some of these measures, though wide variations can be observed in their scope, resources and integration with other labour market policies. In some countries the employment programme involved a tripartite dialogue between government, employers and employees, but this was sometimes thwarted by the lack of a unified employers' organisation (e.g. in the Kyrgyz Republic) or ineffective trade unions, which are weak and unrepresentative in many CIS countries. The poorer countries have also had problems funding ALMPs and the amounts devoted to such programmes may be tiny (e.g. 18 million lei in Moldova in 2006, which was 0.04 per cent of GDP). On a positive note, several countries are trying to design their ALMPs in a more efficient fashion, as part of comprehensive employment strategies. For instance, the 2006 Armenian law on employment ("Employment and Social Protection Law in Case of Unemployment") establishes and provides funds for both passive and active labour market measures, including a vocational training component to promote skills upgrading and facilitate the reinsertion of unemployed people and vulnerable groups in the labour market.

Faced with mounting youth unemployment and low female employment rates, many governments in the region have recently stepped up their efforts to tackle these problems. For instance, Azerbaijan has approved a National Action Plan on Youth Employment inviting several youth non-governmental organisations to provide inputs into the development of the Action Plan. In Moldova, the number of people receiving professional guidance increased from 23 000 in 2003 to 28 000 in 2006. In 2006, about 62 per cent of the participants were women and over 70 per cent were young unemployed between the age of 16 and 29 years old (CSSR, 2007).

Public employment centres (PECs) providing job mediation services exist in all BSEC-CA countries, though their organisational structure, scope of their activities and actual policy implementation vary considerably across countries. The task of PECs range from organising a labour market information system, implementing public works, conducting training programmes and the administration of unemployment benefits to job mediation/placement. PECs affiliated to a relevant ministry are often the primary public labour market institutions responsible for implementing labour market policy through public services. The funding structure of PECs is also diverse in the region. Some countries such as Kyrgyzstan and Georgia are financing their PECs from their general budget, while others are funding from different sources; for example, Tajikistan and Azerbaijan have their own separate fund (Hansen *et al.*, 2005). Armenia has a combined financing scheme (i.e. a separate fund and general budget). In Kazakhstan, local administrations finance their local PECs.

Significant differences exist in the efficiency of PECs among BSEC-CA countries. The background country papers prepared for this Outlook indicate that most transition economies have been unable to implement job mediation services effectively. This can be attributed to inefficient organisational structures, lack of financial and human resources and inadequate co-operation with employers. In Moldova, the number of vacancies announced by employers went up from about 40 000 in 2000 to 47.5 000 in 2006, a rise associated with a decline in the job-placement rate. Such a mismatch can be explained by a lack of information channels between employers with job openings and the unemployed and, more importantly, an absence of appropriate counselling for job seekers (O'Leary et al., 2001). In several countries, PECs and their local offices have yet to be fully computerised and networked with other relevant agencies, as information technologies are underutilised in these countries. The absence of comprehensive and reliable data on labour market conditions creates an impediment to designing and implementing efficient policies. The burden of high formality sometimes may bring about serious disincentives to job mediation programmes. Contacts with job seekers and payment of benefits can be excessively complex and bureaucratic; for instance, some countries require job seekers to report to the labour office two to three times per month even if no suitable vacancies are available.

Certain countries have established decentralised decision-making processes, delegating certain functions and responsibilities to local offices from central PECs. This is the case, for instance, with the training components of PECs in Armenia and Ukraine (ETF, 2007a; ETF, 2007h). Others, however, still function under a heavily centralised decision making structure, which is less than optimal for the delivery of ALMPs for they can require extensive situational knowledge. Moreover, overall programme assessments or evaluations are rarely conducted by governments on their own initiatives, unless they are required by technical assistance programmes. This hinders critical analysis and appropriate policy recommendations.

Private employment agencies and other actors, such as universities, are starting to play a more active role in job mediation in the region. In Kyrgyzstan, for example, career fairs are regularly organised in the framework of the Youth Placement Service Programme. Monthly events are organised to bring young unemployed in contact with potential employers. In 2005, more than 5 000 people attended such events, of which more 85 per cent successfully found jobs (CER Kyrgyzstan, 2007). In Armenia, universities have taken a more proactive role in establishing student placement structures and career centres (AIPRG, 2007).

All BSEC-CA countries have put in place technical and vocational education and training (TVET) programmes, though many are limited in size, scope and geographical reach². In general, TVET programmes have two principal components. One concerns training unemployed youth, as they constitute a major share of the jobless in most BSEC and CA countries. Employers usually prefer older workers, as they argue that young people are lacking experience and discipline. In this respect, TVET programmes may play an important role in providing essential skills for a proper job. Another component of TVET programmes is retraining offered to workers to help them acquire skills to maintain jobs or facilitate subsequent redeployment.

In the BSEC-CA region, training or retraining is usually offered freely to those registered as unemployed, but as discussed previously in the *Outlook*, the registered numbers of those unemployed does not reflect the actual number of unemployed people and thus, a large segment of the population cannot access the programmes. Where information on public resources allocated to ALMPs is available, TVET often accounts for the largest share; for example, it accounts for 38 per cent of total ALMP expenditure in Armenia (AIPRG, 2007). This stands in sharp contrast with Georgia, which has a very limited TVET programme, mainly driven by international organisations.

However, participation rates are generally low, and effectiveness of these programmes in terms of the employment outcomes is not well known. According to the European Training Foundation, enrolment rates in TVET schools (as a percentage of students in secondary education) in selected BSEC countries vary considerably, but are, with the exception of Serbia, generally below the EU average³. In most countries, there has not been an evaluation, or procedures for doing so, to assess the number of participants that have secured regular, permanent and stable employment following participation in TVET programmes.

The reform of educational policies in general, and TVET more specifically, is a compelling priority in many BSEC-CA countries, including the higher income ones⁴, as their increasing integration into the global economy is likely to set in motion structural adjustment and reallocation of resources across sectors. Most governments have adopted action plans for improving the effectiveness of their TVET programmes, often with support from international organisations such as the UNDP and the European Training Foundation. The establishment of regional training centres, more responsive to local needs, and the decentralisation of planning and implementation responsibilities is foreseen in most reform strategies, but is only slowly taking place. A number of TVET centres are established and run with the help of international organisations such as the Baku Regional Vocational Training Centre, which began in May 2007 (see Box 6.4).

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Box 6.4. Regional Vocational Training Centre in Baku, Azerbaijan

The Regional Vocational Training Centre in Baku was established jointly by the Ministry of Labour and Social Protection of Population (MLSPP) and the UNDP. Its objectives, to promote the "development of the social protection system", and to implement the selected activities of the "National Employment Strategy" will provide the job seekers and unemployed (the unemployed must be registered in the Employment Offices of MLSPP) with vocational and skills training. Situated in Darnagul district, it offers training programmes to the applicants from Baku, Sumgayit and Absheron and other regions close to Baku. The Centre contributes to the development of those skills that are in most demand on the labour market, according to local businesses, which will make use of the certified specialists of the Centre in the future. The Ministry announced that the Centre would be able to train around 1 000-1 200 specialists a year.

The ILO assisted the Ministry in developing training materials for the Centre for a number of specialties such as turning, carpentry, welding and dressmaking. The training programmes comply with ILO standards and were approved by the Ministry of Education. The ILO also trained the instructors at the Centre. The Centre plans to offer computer and English language courses in the near future.

Source: Adapted from web page of UNDP Azerbaijan Office (www.un-az.org/undp/news/2007/15-5-2007/15-5-2007.php)

Recent EU member countries of the BSEC have allocated increasing resources to TVET, as part of their efforts to facilitate adjustment of their labour force and meet the goals of the action and development plan of the European Union, set out in the Lisbon Agenda in 2000. For instance, Romania has expanded the budget allocations to TVET over the last few years and substantially increased the number of people receiving training⁵. The country's 2005 strategy for continuous vocational training seeks to improve the regulatory framework (a flexible approach to the Labour Code, consistent regulations on initial and continuous vocational training) and strengthen the implementing capacity of the institutions involved. TVET programmes are freely available to the unemployed as well as to those who are entitled by law, such as those working in rural areas and having an income lower than the minimum wage. Participants receive certain benefits, including training materials, free medical services and payment for transportation. Financial incentives are provided to employers that organise training courses to foster lifelong learning⁶. Despite this emphasis, TVET accounted for only about 9 per cent of expenditures on active employment measures in 2006, while job subsidies accounted for over 50 per cent and the rate of re-employment after retraining or vocational conversion was reportedly low (Vasile, 2007).

Reform has gained momentum in lower-income countries too, also in conjunction with the preparation of the EU European Neighbourhood Policy Action Plans. In Armenia, the government endorsed, in 2005, a TVET Modernisation Priorities Paper and Action Plan that set out six priority areas (ETF, 2007a): i) introducing competency-based TVET standards; ii) modernising qualitymonitoring mechanisms; iii) creating technical support and quality-assurance infrastructures; iv) improving cost efficiency and educational outcomes; v) optimising TVET financing; and vi) building a national capacity for implementing and monitoring the TVET modernisation process. In a similar vein, Azerbaijan has recently adopted a National Employment Strategy, which attempts to better integrate labour market requirements into the educational system, and strengthen and rationalise TVET programmes (Government of Azerbaijan, 2005 and 2007; ETF, 2007b). The strategy includes a National Action Plan on Employment, which incorporates a specific component on youth employment. In 2005, Georgia, adopted a reform strategy for its TVET programme, with a lifelong learning perspective based on the European education system and in accordance with the Bologna process, which aims to create a European Higher Education Area by 2010 (ETF, 2007c). The UNDP has launched a joint project with the Ministry of Education and Science to assess skill shortages and support modernisation of the TVET programme there.

In Moldova, participation in traditional and centralised TVET programmes has been declining in recent years, and the government is establishing regional training centres and devolving

responsibilities to relevant stakeholders (ETF, 2007e). As a result, half of traditional TVET schools have closed and have been replaced by "Labour Clubs" (*Clubul Muncii*), which are a local alternative model for providing the unemployed with professional guidance and physiological assistance as well as training.

The Serbian government adopted the National Employment Strategy (2005-10) in compliance with three objectives of the 2000 Lisbon Strategy: full employment, quality of work and productivity, and social cohesion and inclusion in the labour market (Ognjenović, 2007). In this framework, several initiatives have been launched to modernise the education and training system, with aims to develop a national qualifications system, establish quality assurance mechanisms and modernise curricula. A recent assessment of the TVET system in Serbia, however, suggests that major problems persist in the adult education and training system, while the overall TVET system lacks flexibility to adapt to changing market conditions and social needs (ETF, 2007f).

Education and training reform is still in its infancy in the smaller Central Asian countries, whose infrastructure has been seriously damaged during the transition period (ETF, 2007*d*; ETF, 2007*g*). In the Kyrgyz Republic, the Public Employment Agency organises annual TVET programmes. So far, 5 000 unemployed have participated in TVET programmes, with youth accounting for 75 per cent of attendance, mostly from rural areas (CER Kyrgyzstan, 2007). However, the early outcome of the country's TVET programmes reveals several shortcomings, such as insufficient information on job offers, lack of flexibility in the training courses and financial shortages. The reform of TVET programmes has also been slow in Tajikistan, partly because the government initially prioritised reforming the general educational system. More recently, the government approved a National Action Reform Plan for the Initial Vocational Education and Training System in 2006, encompassing the content and organisation of educational and training processes, the qualification structure and TVET system management, and quality control (ETF, 2007*g*).

Wage subsidies, often supplemented by social insurance, and public works, are other examples of ALMPs found in the BSEC-CA region. Wage subsidies are paid to an employer for a certain period on condition that the employer will hire a registered job seeker (usually from a vulnerable group). If subsidised employment is combined with training, as in the case of internships for youth seeking first-time employment, the subsidy may also cover training costs. A recent example from Ukraine is the programme initiated in 2006 by the State Employment Office to subsidise wages and social insurance costs of a jobless person for one year if an employer ensures at least two years of employment for the individual and provided that the individual has been registered as unemployed for more than six months.

Evidence on the employment effect of wage-subsidy schemes is mixed. Although they can enhance labour demand for disadvantaged groups, they can also result in deadweight losses for the economy and can have unforeseen impacts, such as subsidised workers replacing unsubsidised ones or employers hiring subsidised workers and then laying them off once the subsidy period ends (Betcherman *et al.*, 2004; OECD, 2003; Gupta and Larsen, 2007). Despite such effects, wage-subsidy schemes for target groups can be successful. A recent World Bank inventory of youth employment programmes found that the wage-subsidies programmes for youth employment in Bulgaria, Romania and Kyrgyzstan had positive employment results, especially in introducing the young unskilled into the labour market (Stavreska, 2007). This inventory suggests that short-term programmes have more impact on employment and that women and individuals with lower educational qualifications tend to benefit the most (Stavreska, 2007).

Public works schemes to create temporary jobs are another type of ALMP. Municipal authorities or other governmental institutions, but also private firms, usually, create such programmes. They are directed to the maintenance (in some countries construction or upgrading) of infrastructure, cleaning of public areas and similar activities beneficial to the community. Funding from the public employment service may cover wages, social insurance and operational costs; costs may also be shared by project organisers (the formula differs by country and by project). Participants are usually registered job seekers, but in some countries, they may be employed persons on administrative leave or short-time work assignments, students or pensioners.

Transition countries of the BSEC-CA region experiencing long-term unemployment are inclined to engage in broad-based public works programmes to alleviate poverty among the jobless, and to help them remain in contact with the labour market. Public works schemes are widespread in Armenia, the Kyrgyz Republic, Moldova, Russia, Serbia, Turkey and Ukraine. In 2004, 29 per cent of the registered job seekers participated in public works programmes in the Kyrgyz Republic, 11 per cent in Armenia and 3.5 per cent in Azerbaijan (Hansen *et al.*, 2005). Local public authorities in Moldova initiate Remunerated Public Works to meet the interests of local communities. Each participant receives a monthly allowance allocated from the Unemployment Fund, which is equivalent to 30 per cent of the average salary of the previous year (CSSR, 2007). In Tajikistan, unemployed youths engaged in public works represent nearly half of all participants (RIACL, 2007).

While public works can act as counter-cyclical income support programmes, their impact on the prospect of finding regular jobs appears to be very limited, especially if they are not associated to training (O'Leary et al., 2001; Stavreska, 2007). The "Beautiful Serbia" programme, implemented in 2004 and 2005 by the Serbian Ministry of Labour, Employment and Social Affairs, with the support from the UNDP and international donors, combines training and temporary employment (Ognjenović, 2007). The programme, modelled on the "Beautiful Bulgaria" initiative, offers vocational training in construction skills and promotes temporary jobs in the construction sector for long-term unemployed people registered in the National Employment Service. It gives priority to the most vulnerable groups (refugees, internally displaced people and the Roma). The training programme had a low dropout rate, and approximately half of the unemployed who found a temporary job in refurbishment projects financed by the programme participated in the vocational training segment (Bonin and Rinne, 2006).

Self-employment promotion includes grants (usually equal to the job seeker's total unemployment benefit), preferential loans, payment of interest on commercial credits or provision of credit warranty, business training, assistance in designing a business plan and other related aspects of entrepreneurship. Registered job seekers qualify for this type of assistance but some countries have launched pilot projects enabling the public employment service to support business training before layoff to facilitate immediate business start-up. The grant or loan must be repaid if the business plan is not pursued, but if self-employment continues successfully, part of the loan may be forgiven.

In some of the countries running general self-employment promotion programmes, new businesses launched in regions with high unemployment may get additional support from the public employment services if they create new jobs for registered unemployed persons. In Georgia, for instance, firms that create new jobs are eligible for investment subsidies. In Armenia, a new programme has been initiated to provide eligible registered unemployed with a subsidy for paying state duties and fees in setting up their own business. In addition to the new programme, TVET programmes for running business and developing entrepreneurial skills are provided.

More generally, microfinance programmes often have job creation as one of their goals. For instance, the State Committee for Migration and Employment of Kyrgyzstan launched a microcredit programme and KGS 20 million (USD 500 000) was extended to 1 800 unemployed in 2005. The Public Employment Services, in collaboration with international organisations, has set up a business incubator system to help increase survival rates of innovative start-up companies.

Several measures may promote the professional and geographical mobility of unemployed persons within a national economy. Relocation measures cover the costs of moving to a new place of residence where a suitable job is available. Housing assistance may temporarily subsidise accommodation for seasonal workers or relocated workers. The public employment service may also subsidise commuting costs either alone or through cost-share initiatives with a municipality or employer. These measures features prominently in the Greek set of labour market interventions, as set in the 2004 National Action Plan for Employment and restated in the National Reform Programme for Growth and Jobs 2005-08 (see Box 6.5).

Box 6.5. Promoting Geographic and Professional Mobility in Greece

While the Greek government attaches importance to job security in both permanent and temporary contracts, some recent initiatives have been launched to promote occupational and geographic mobility and foster employment. The support of professional and geographic mobility is considered to be contributing to the reduction of regional inequalities and the more efficient operation of the job market in general. Some measures include:

- promotion of part-time jobs in the public sector and local government (more than 200 000 part-time job contracts were concluded in 2005);
- legislation regarding working time was rearranged to establish further flexibility and promote competition;
- encouragement of private employment offices and temporary employment companies to increase the number of temporary workers;
- promotion of lifelong learning initiatives;
- promotion of young entrepreneurship through the Subsidy Programme of New Free Lance Professionals; and
- establishment of a Special Social Solidarity Fund to provide increased incomes and social protection to long-term unemployed people and those made redundant through company restructuring.

In order to enhance geographic mobility and to prevent the depopulation of the countryside, the Greek Manpower Employment Organisation (OAED) provides a range of subsides (such as rent subsidies) and incentives for employers who hire unemployed people who move from their residence for limited duration employment; it also covers transportation expenses for the shifting personnel. Incentives for geographic mobility are also provided within the Subsidy Programme of New Free Lance Professionals for young unemployed people in large urban centres who will "return to the region" in order to start their business activity.

Source: Information provided by the Greek Ministry of Labour and Social Protection, General Directorate of Labour,
Directorate of Employment and OAED (www.oaed.gr).

In sum, many BSEC-CA countries have adopted, or are in the process of adopting, a range of active labour market policies similar to those pursued in OECD countries. Within the OECD countries, there exists a body of evidence on what works (e.g. well-designed job mediation services) and what has a poor record of accomplishment (e.g. public works projects that are not associated with training). This topic is discussed further in the next chapter.

PUBLIC REDISTRIBUTION: TARGETING SOCIAL ASSISTANCE AND PROMOTING EMPLOYMENT

One of the positive features of the centrally planned economies was their universal provision of health, education and social services. Although a substantial number of families, especially in Azerbaijan and Central Asia, were classified as "under-provisioned" (i.e. living on or below 75 roubles per capita per month), this status was cushioned by the state's provision of basic needs. With the end of central planning and the collapse of government revenues (exacerbated for CIS countries by the dissolution of the Soviet Union and the end of inter-republic transfers), governments in the transition economies quickly ran into budget constraints.

One example of the difficulty of continuing universal provision of social services was the situation concerning the elderly. The Soviet pension scheme related payments to the minimum wage and had wide coverage. During the early- and mid-1990s, many transition economies actually eased eligibility before the normal age of 60 for males and 55 for females in order to cushion increased unemployment and other economic pressures, although the prevalence of payments arrears makes it difficult to assess the net impact. In Kazakhstan in the mid-1990s, for example,

half of those receiving pensions were below the normal retirement age. One consequence was severe budget pressure as pensions came to account for a huge share of GDP — over 10 per cent in Uzbekistan, for example — and over half of all social protection spending everywhere. Budgetary pressure contributed to the need for reform; hence major pension reforms have been introduced, most notably in Kazakhstan in 1997.

Another problematic area was the use of subsidies for basic goods and services. These were dropped by most transition countries by the mid 1990s, although Turkmenistan maintained free provision of gas, electricity, water and salt for residential use. Such untargeted social assistance is costly, inefficient and inequitable as richer households, who have more electric appliances and are more likely to have indoor toilets, benefit most from free electricity and water.

Poverty analyses indicate very clear patterns of winners and losers from the transition to market-based economies (e.g. Anderson and Pomfret, 2003). The elderly were not especially hard-hit during the 1990s, when the main determinants of changes in household expenditure were family size, education levels and location. Households with several children were hurt not just by lack of transfer payments but also by the decline in services provided for children, especially kindergartens and basic health care. Many people saw the value of their skills or experience eroded with the onset of market-based economies and increasing integration into the global market, while demand grew for those with other human capital assets, especially a high general-purpose education or specific skills such as in information technology or English language competency. Location has also become a major determinant of poverty, not just in rural-urban differences. There are also major regional differences, which have widened; the poverty gap between residents of a capital or largest city and other parts of a country is widening. In other words, there are large regional inequalities both between and within countries.

The ability to identify groups of winners or losers indicates the need for a targeted approach to public redistribution. In practice, many of the BSEC-CA countries have already redesigned their social protection programmes to target the poor. In Azerbaijan, Bulgaria, Georgia and Romania, for example, social protection programmes covered practically all of the poor by 2003. Elsewhere coverage was lower, but in all except Tajikistan, over half of the poor received some form of social transfer. The share of social assistance going to the poor, however, remains well below 100 per cent although it has been rising as targeting measures improve (e.g. in Kazakhstan the share of social assistance going to the poor was 6 per cent in 1998 and 56 per cent in 2003, in Georgia the share of extreme poor receiving social assistance was 20 per cent before the introduction of a new targeting system in 2006). Despite improved coverage, lack of resources greatly undermines the ability of public social assistance systems to address the needs of an expanding population requiring assistance. Dependency on public and private social transfers is increasing; yet, "state social assistance is limited, and most unemployed individuals receive no social or humanitarian assistance and do not even know where to apply for it" (World Bank, 2005b: 79).

The World Bank has identified some well-targeted programmes as being among the best in the world: specifically, Armenia's Family Poverty Benefit, the Kyrgyz Unified Monthly Benefit, Albania's *Ndihme Ekonomika*, and the Guaranteed Minimum Income in Bulgaria and in Romania (World Bank, 2005c). The recent reform of social assistance in Georgia highlights the challenges involved in planning and implementing a cost-efficient and transparent system for targeting social expenses (Box 6.6).

Box 6.6. Better Targeting of Social Assistance in Georgia

The previous system provided three types of transfers (a cash transfer, health vouchers and electricity subsidies) to five eligible categories of citizens: disabled individuals, disabled children, orphans, single, non-working pensioners and multi-children families. That system was considered ineffective in providing support to those in real need: the poor. About one quarter of total social assistance spending was provided to people who were not poor. Moreover, only 20 per cent of those living below the line of extreme poverty received some kind of support, leaving a large share of those in need without any assistance.

With support from the World Bank, the Georgian government, in 2005, created a new targeting system, based on a more accurate assessment of individual household income and wealth, and reducing the number of programmes. The Social Assistance and Employment State Agency was created to run the programme. The new targeting system is designed to:

- maximise the coverage of the poor receiving social assistance;
- minimise leakages to non-poor;
- improve transparency and objectivity (minimise the subjective components in the assessment and distribution of social assistance);
- advance cost-efficiency in collection of more accurate data on household welfare; and
- ensure flexibility to allow adjustment of coverage and type of support.

In 2006, the Georgian government approved a new system of social assistance aimed at improving its poverty alleviation efforts by better targeting recipients. The new system required the creation and management of a detailed database of socially vulnerable families, based on multidimensional characteristics of vulnerability.

The building block of the new system is a large household survey that collects information on economic characteristics, and then enters the data into a unified database (household information registry), which allows for comparisons against the eligibility criteria for the various support programmes.

The system uses a measure of household welfare based on consumption and expenditures, adjusted for household size and composition. This measure is an aggregate of measurable characteristics, such as income (wages, pension and public transfers), ownership of consumer durables, and living conditions (e.g. access to electricity, water, size of house). This objective measure is accompanied by a subjective assessment based on an interview about the well-being of the household. The system also includes a monitoring procedure, with random checks of 10 per cent of all questionnaires, cross-checks with other databases and dedicated monitoring surveys to assess the efficiency of the targeting mechanism.

The database of socially vulnerable families now constitutes the basis for implementing various social assistance programmes, such as cash transfers, health-care vouchers, electricity subsidies as well as other social programmes. According to government data, the new system has dramatically improved targeting, increasing the share of extreme poor that receive social assistance threefold.

Source: Interview with the Director of the Social Assistance and Employment State Agency, Tbilisi, 3 September 2007; and Lokshin, 2007.

Specific measures may be required in some countries for especially disadvantaged groups such as the Roma, who often lack documentation to benefit from social assistance programmes, and internal displaced persons (IDPs), who often suffer from loss of social capital as the most dynamic group members leave the community.

Effective social protection systems should contribute to future prosperity and well-being. Child benefits facilitate keeping children in school and contribute to human capital formation. Unemployment insurance helps households and individuals to better manage risk. More generally, social protection leaves lifetime career choices less exposed to short-term risk, encourages beneficial risk-taking and hence more flexible labour markets.

More generally, social assistance systems have the potential not only to provide insurance for the unemployed and for poor and vulnerable segments of the population, but also to promote

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the (re-)integration of those receiving welfare benefits into the labour market. The promotion of employment integration has become a central feature of social policy in OECD governments for tackling poverty and social exclusion. So-called "employment-oriented social policies" or "active social policy" can help to reconcile workers' economic security with efficient mobility and tackle social exclusion. Welfare benefits can be combined with mutual obligations, which increase re-employment opportunities while mitigating work disincentive effects. The underlying rationale for an employment-oriented social policy is that social protection systems can alleviate poverty, but they are insufficient for tackling social exclusion unless they promote labour market integration (OECD, 2005b). As discussed in the next chapter, well-designed and targeted social protection — especially when closely co-ordinated with labour market policies — is not a burden on entrepreneurship and employment creation, but rather a critical instrument for more competitive and cohesive societies.

Meanwhile, the financing of social assistance remains a serious problem in many BSEC-CA countries. On the one hand, governments must be careful in designing financing schemes that do not produce unintended effects on optimal functioning of the labour market, for instance by excessively increasing the tax wedge between the cost of labour and workers' net earnings. On the other hand, financing of social assistance through pension contributions risks jeopardising the financial sustainability of pension systems and can create serious inter-generational equity problems. As discussed in World Bank (2007), despite relatively young populations in most BSEC-CA countries, high unemployment and informal employment result in low contributions to the pension system. Therefore, the high ratios of beneficiaries to contributors are a source of major concern for the region. Today's contributors might find themselves without pension benefits when they retire. Pension reform is an urgent priority in most countries of the region and it will necessarily have important implications for the overall social protection system.

PRIVATE REDISTRIBUTION: FACILITATING INTRA-FAMILY OR COMMUNITY SUPPORT

As detailed in the previous chapter, an important coping mechanism has been private redistribution. During the 1990s, this occurred primarily within the extended family or the community. Increasingly in the 21st century, it has been in the form of workers' remittances. In countries where remittances have become a major source of support for poor families (especially Moldova and Tajikistan, but also for many families in other countries) governments have promoted secure and low-cost means of transferring remittances. In Moldova, a deposit insurance scheme, introduced in 2004, increased trust in placing savings in banks and confidence in formal channels for remittances. Fierce competition among the 16 or so providers of this service to migrant workers, which encouraged use of their services as commissions dropped to between 1.5 and 3 per cent, was the main driver of using formal channels, however. The use of formal channels also depends on host-country institutions; about half of all formal transfers to Moldova are from migrant workers in Italy, where well-established formal channels exist, while migrant workers in the CIS, which has minimal formal channels, are more likely to use informal channels such as transport workers (e.g. train conductors or minibus drivers).

Public policies that develop, complement and extend informal and private institutions can help reduce vulnerability by encouraging flexible, private coping mechanisms, while discouraging those that are fragile or that hinder economic and social mobility. The most effective policies combine transfer systems that are sensitive to both existing mechanisms and new institutions for providing insurance and credit and for generating savings. New institutions to help vulnerable households manage risk include microfinance programmes, which have started all over the BSEC-CA region, often under the tutelage of international organisations. Savings banks and micro-insurance schemes have also been introduced, but not as widely as in South Asia. These programmes can help households to increase their incomes and savings, a key to self-insurance, as well as providing extra cash to help households cope with consumption shocks. Loans can

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help households start new businesses that provide income diversification, although when the focus of microfinance projects is mainly on their efficiency, such as repayment within rigid schedules instead of longer-term empowerment, they could add to vulnerability.

OTHER DOMESTIC POLICIES

This chapter has focused on labour market polices, but almost any economic policy — and many other policies — will have an impact on work and well-being. Macroeconomic, trade and other pro-development policies are crucially important in creating an environment of growing demand for labour, as well as providing access to consumer goods. Tax reforms affect the incentive to work, as well as decisions about whether to work in the formal or informal sector. Simplification of the tax code, as in Ukraine in 1999, has encouraged formalisation of labour markets and small businesses. Pension reforms, social insurance and social assistance allow individuals to mitigate risks and effectively supplement private coping mechanisms by allowing the state to reduce the impact of a negative income shock or persistent low income.

Financial-sector reform is related to work and well-being in several ways. Lack of access to capital has been a significant constraint on start-up enterprises or on the expansion of private enterprises. Financial reform tended to lag in all transition economies, and trust in the financial system was damaged by financial crises. The situation has improved over the last decade, as financial regulation has improved and other reforms shifted demand for financial services. Pension reforms, by changing from pay-as-you-go to contributory schemes in Kazakhstan and the Kyrgyz Republic, increased demand for financial assets. With the expansion of labour migration and the growing importance of remittances, financial reform has also been connected to the channels through which remittances are sent, as noted above. Formality is desirable because formal transfers are deposits in the financial system that can be mobilised for lending for productive investment, apart from the benefit to migrants and their families of more efficient means of transferring remittances,.

Evidence from the European Union, and especially from the Eastern European countries, which acceded in 2004, suggest that labour market institutions play a relatively minor role, compared to other policies and the broader economic environment, in explaining labour market outcomes. High taxes and strict employment protection depress the labour activity rate, while active labour market policies reduce unemployment (Fialová and Schneider, 2007). Eastern European countries' policies have been converging rapidly towards EU norms, and the BSEC-CA pattern is of convergence in a similar direction, albeit at a variable, and generally far slower, pace.

INTERNATIONAL CO-OPERATION ON LABOUR MIGRATION

As highlighted in previous chapters, inward and outward migration has become a major issue for all countries in the BSEC-CA region, with sizeable effects on labour market dynamics. Within the BSEC-CA region, there are two major circles of migration flows, one directed to Western Europe and the other to the richer CIS countries. Each circle involves international co-operation.

For the EU member states and adjacent countries, the EU regime on migration is critical. Thus, Poland's EU accession in 2004 and the opportunity for Polish workers to move freely to work in booming economies such as Ireland created a demand for migrant labour from lower-wage countries east of Poland. The accession of Bulgaria and Romania in 2007, albeit with transitional restrictions on labour mobility, is having a similar knock-on effect to countries further east.

For countries in the CIS, the opaque legal situation of the 1990s is becoming more transparent in the 2000s as relative economic stability is achieved and the economic benefits of orderly labour

migration are recognised. Before 1992, CIS citizens lived in a common economic space but with strict regulation of internal movement. With the end of central planning and the dissolution of the Soviet Union, almost non-existent border controls and psychological pressures to find a home where people felt ethnically or linguistically comfortable led to large-scale unregulated migration. The 1992 Bishkek Treaty provided the legal framework for visa-free travel within the CIS. In the second half of the 1990s, border management became more rigorous, and as the new nations established stronger notions of citizenship and national identity, the rights of foreign workers within the CIS were often minimal. In some cases, visa requirements were introduced; Turkmenistan withdrew from the Bishkek Treaty and Uzbekistan suspended its operation. Most importantly, Russia rescinded the Bishkek Treaty in 2000.

The 2000 Eurasian Economic Community treaty provided free movement among EurAsEc members. This was implemented by a 2005 agreement on visa free trips among Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan and Belarus. Uzbekistan acceded to EurAsEc at the end of 2005, but this did not prevent the introduction in 2007 of visa requirements for entry into Uzbekistan by citizens of Tajikistan. There are also bilateral agreements to facilitate the movement of people engaged in border trade or of seasonal farm workers. However, the intra-CIS visa situation remains uncertain and changes at short notice are not uncommon. Introduction of more complex documentation rules (such as the migration cards required in Ukraine and Russia) or plans to require biometric passports also inhibit migration, especially from poorer countries. Recognition of the costs of exploitation of unregulated migrants in provoking illegality, social tensions and epidemiological risks has stimulated action by governments and NGOs to protect the migrants' human rights and to penalise unscrupulous employers.

The re-integration of returning migrants into the domestic labour market is becoming a high priority for many countries in the region, as large numbers of emigrants fail to find satisfactory jobs in the destination countries or, in the case of illegal migrants, they are sent back to their country of origin. Several donor-funded projects, often implemented by the IOM, provide reintegration assistance to returning nationals in the BSEC-CA regions, especially in Southern Caucasus. Re-integration assistance is also considered an important instrument to reduce illegal migration. Yet, illegal migrants that are sent back to their country of origin often end up re-emigrating to the same or other countries because they do not find satisfactory earning opportunities at home.

In this respect, an IOM-led initiative in Georgia is unique, as it provides job counselling not only to returning migrants, but also to potential migrants (Box 6.7). Given the lack of job mediation assistance in Georgia, this pilot Centre is also becoming a useful reference for job seekers in general.

Box 6.7. IOM Job Counselling and Referral Centre in Georgia

In 2007, with support from the Czech Republic Development Cooperation Programme and the International Polish Aid Programme, the IOM established a Job Counselling and Referral Centre in Tbilisi. The Centre assists both returning migrants and potential migrants, referred through the IOM's Migration Resource Centres, by providing professional orientation assistance and information on existing retraining and employment opportunities. The Centre also conducts labour market surveys to identify the skills required by employers and available training opportunities to match those skills. As of September 2007, surveys had been conducted in four sectors. The project envisages a number of capacity building activities, such as personnel training and methodology provision to the staff of the professional education system of the Ministry of Education and Science.

The Tbilisi Centre is a pilot that should be replicated in other regions in Georgia with high unemployment pressures. In the pilot phase, the Centre will serve at least 50 beneficiaries in searching for or enhancing their job opportunities.

 $Source: \ Interview \ with \ IOM \ resident \ representative \ (September \ 2007) \ and \ www.iom.ge$

NOTES

- 1. Detailed information on national labour, social security and related human rights legislations is provided by the ILO's International Labour Standards Department NATLEX database that can be accessed at www.ilo.org/dyn/natlex/.
- See also O'Leary et al. (2001) and the European Training Foundation country plans provided in the References for detailed information on TVET programmes in the BSEC and CA countries.
- 3. According to this study, enrolment rates are extremely low in Albania (15 per cent) and Moldova (22 per cent), while they are comparable to the EU average (64 per cent) in Montenegro (69 per cent), Romania (64 per cent) and Bulgaria (55 per cent). They are higher in Serbia (75 per cent).
- 4. For instance, in Turkey, despite the emphasis on TVET contained in the national development plans since the 1970s, which envisioned a large vocational and technical component in the secondary school system, general education has been more favoured than TVET programmes and secondary TVET schools are perceived as not providing essential skills for students.
- 5. It is estimated that in 2006 between four and 5 per cent of the active population received some form of training (Vasile, 2007). The National Strategy regarding Labour Force Employment 2005-10 set a target for 2010 of about 7 per cent of the active population to pursue training courses. Although this is below the 2010 Lisbon Strategy target (12.5 per cent), it represents a large increase with respect to the recent past. In 2005, only 1.5 per cent of the active population was enrolled in training programmes, a marginal increase over 2001 (1.4 per cent).
- 6. Based on information provided by the Romanian Ministry of Labour, Social Solidarity and Family.
- 7. While an employment-based social-benefit system awards rights on the basis of an employment record, an employment-oriented system promotes employment opportunities, particularly for those who would otherwise be dependent on benefits. See "Towards an Employment-centred Social Policy", editorial in OECD (1998) for a discussion and "Extending Opportunities: How Active Social Policy can Benefit us All" (OECD, 2005b).

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Acronyms and Abbreviations

Asian Development Bank

ADB

BSEC	Organization of the Black Sea Economic Cooperation
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
DAC	Development Assistance Committee of the OECD
DIFD	Department for International Development (United Kingdom)
EBRD	European Bank for Reconstruction and Development
ECE	United Nations Economic Commission for Europe
ECO	Economic Cooperation Organization
EITI	Extractive Industry Transparency Initiative
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
EurAsEc	EurAsian Economic Community
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IDA	International Development Association (of the World Bank)
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
KILM	Key Indicators of the Labour Market (ILO database)
LLM	Low- and Lower-Middle-income countries
MFN	Most-Favoured Nation
NAFTA	North American Free Trade Area
NGOs	Non-Governmental Organisations
ODA	Official Development Assistance
PPP	Purchasing Power Parity
SCO	Shanghai Cooperation Organisation
SITC	Standard International Trade Classification

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UMH Upper-Middle- and High-income countries United Nations Conference on Trade and Development **UNCTAD UNDP** United Nations Development Programme United Nations Children's Fund (originally known as the United Nations International Children's Emergency Fund) UNICEF **UNODC** United Nations Office on Drugs and Crime **USAID** United States Agency for International Development WHO World Health Organization **WITS** World Integrated Trade Solution (software developed by the World Bank, in close collaboration with UNCTAD, giving access to the major trade and tariffs data compilations). **WTO** World Trade Organization

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