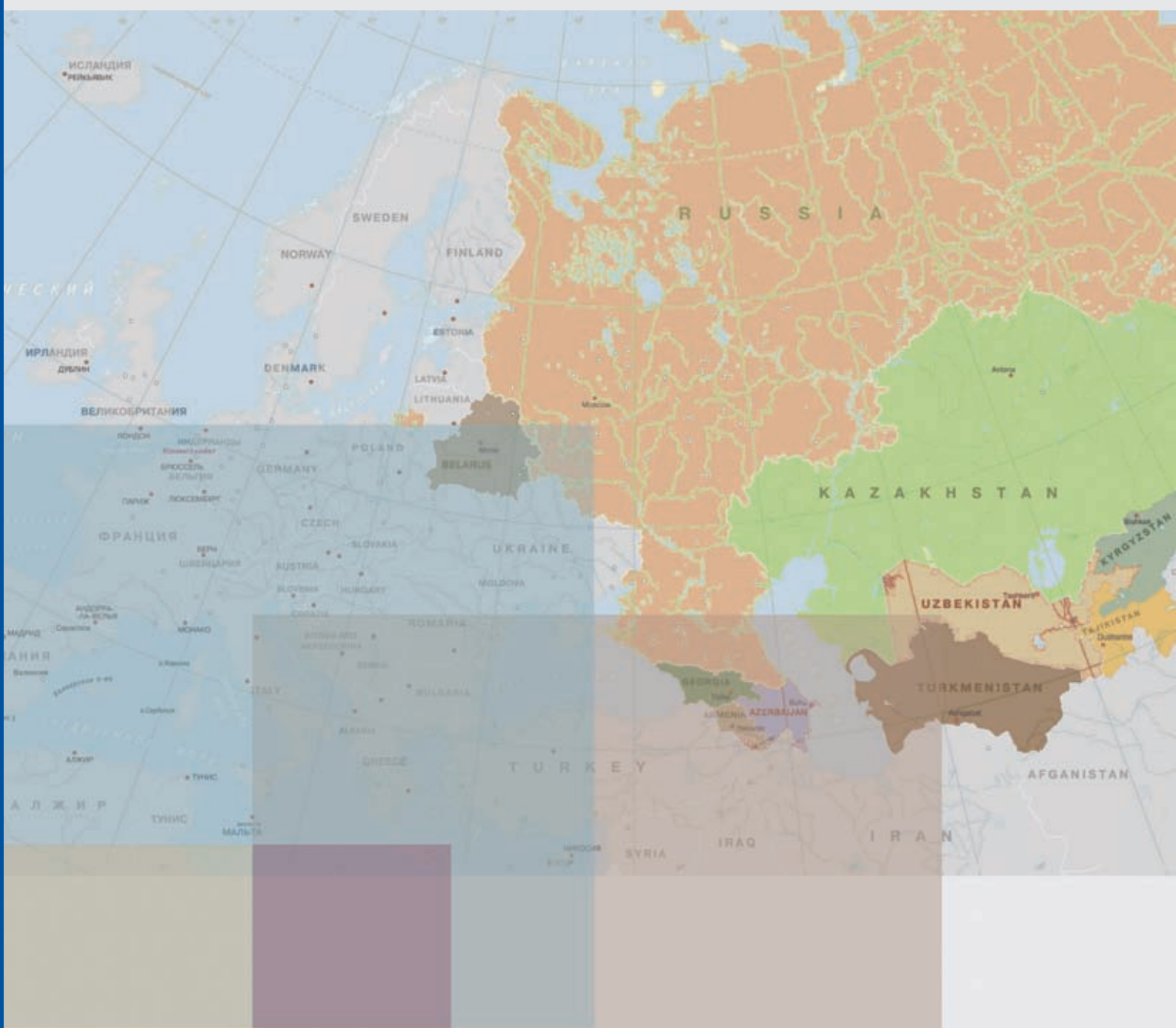




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Economic Growth and Decent Work: Recent Trends in Eastern Europe and Central Asia



Economic Growth and Decent Work:

Recent Trends in Eastern Europe and Central Asia

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FOREWORD

This analysis focuses on ten countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan. All are independent countries today, and all were formerly republics of the USSR. Many have deep cultural histories, but few have prior experience as independent states. Each is engaged in the uncertain process of reaching a new identity and reshaping political, social, and economic legacies in the context of a fast changing world.

The ten countries lie in the geographic area covered by the ILO Subregional Office for Eastern Europe and Central Asia. The Office is working to advance the ILO's mission in this context of political and economic transformation. That mission focuses on improving conditions of labour as a way of achieving social justice. It recognizes that well being is indivisible, that "poverty anywhere constitutes a threat to prosperity everywhere."

As a tripartite organization, we work with governments, trade unions, and employers. We structure our efforts in particular countries into what we call Decent Work Country Programmes (DWCPs). These are agreements between the ILO and our national partners that target specific objectives to be achieved through joint efforts over a three to four year period. We review these agreements periodically in tripartite settings to record achievements, make mid-course corrections, and to ensure performance and continuing relevance. We currently have DWCPs in five countries – Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, and Tajikistan.

The necessary starting point for all ILO work in the region is an understanding of the prevailing labour and social conditions. Where do the countries stand in terms of employment, unemployment, social security coverage, occupational safety, and other key variables? To what extent is economic growth being broadly shared through improved conditions of work? This volume seeks to address these and other questions through a comparative statistical profile of the ten countries, using data from a range of international sources. It shows where each country stands on key labour and social variables, how its performance relates to that of other countries, and how it has changed over time.

Peter Peek is the principal author of this analysis. He is a labour economist and former member of the ILO Integration Department in Geneva. Today he writes and consults on issues involving labour statistics in many parts of the world. My role has been to coordinate the work, serve as its editor, and facilitate his access to re-

gional data and to the members of our team whose contributions enrich this report, all of whom are listed on the Contributors' page. Anastasia Dubova formatted the tables and coordinated final editing. Olga Bogdanova reviewed the text and oversaw the printing process.

I thank Peter Peek and all the members of our team for their efforts. We are also grateful to Alena Nesporova, Deputy Director of the ILO Regional Office for Europe and Central Asia, who provided many valuable technical comments on the nearly final draft.

A statistical profile, by its nature, raises many questions whose answers cannot be found in numbers alone – a limitation that applies to this analysis. I hope nonetheless that this volume will provide a useful reference for those who wish to gauge the progress of countries and of the region. I hope too that it will motivate further inquiry into the patterns and trends revealed in these pages.

Elaine Fultz

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for Eastern Europe and Central Asia*

November 2008

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OVERVIEW

The ten countries analyzed in this report – the Russian Federation, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan – have similar roots in modern history. All were part of the former Soviet Union, and all became independent states as a result of its disaggregation in 1991. In the early 1990s, all began a process of transition to new political and economic systems inspired by notions of freedom, democracy, and market economy.¹ They also developed new regional alliances under the auspices of the Commonwealth of Independent States (CIS).² These early years of transition were marked by high levels of political and economic turmoil, including plummeting GDPs, rising poverty, and, in some cases, civil uprisings and military conflicts.³ Today the situation has mostly stabilized, and several of the countries have achieved high rates of economic growth, driven mostly by the export of natural resources.

This paper analyzes the current economic and labour situations of the countries, asking two related questions: Where do these countries stand today economically compared to the starting point of their transition in 1991? And to what extent have the benefits of economic development since transition been shared by the populations at large, especially with workers and their families?

The countries under analysis exhibit great diversity, including their geographic size, population size, and ethnic composition. They also have striking common features. Geographically, the ten countries are contiguous, with the Russian Federation, the world's largest country, spanning the enormous space from Belarus on the west to the Bering Sea on the east. To Russia's southeast lie the Caucasus – Azerbaijan, Armenia, and Georgia – and, directly south of Russia, Kazakhstan and the other four Central Asian Republics – Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. With their Soviet era borders still largely intact⁴, all ten countries have signif-

icant minority populations. Furthermore, their common socialist legacy created a number of similar challenges, including the need to modernize infrastructure, create a level playing field for private competition, and create higher levels of transparency and accountability in economic transactions.

In asking how well workers are faring as a result of economic developments since independence, the paper relies on the ILO concept of Decent Work, defined as, "... productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income earning opportunities."⁵ The ILO further conceptualizes Decent Work as having four components, reflected in its strategic objectives: (1) the promotion of labour rights, especially those formulated in the 1998 ILO Declaration of Fundamental Principles and Rights; (2) the promotion of employment, (3) the provision of basic social protection to prevent and address loss of wages; and (4) the promotion of social dialogue among governments, workers, and employers to regulate work conditions and develop social policies.⁶ These concepts give shape to this regional analysis.

The paper draws evidence from several statistical data bases, including those of the ILO, UNDP, World Bank, United Nations Economic Commission for Europe, and the IMF, as well as information from national statistical offices. To put this data in perspective, occasional comparisons are provided with the EU. While these sources provide the best available systematic evidence of the countries' overall economic and social status, their weaknesses must also be recognized. Labour force surveys are conducted irregularly in many of these countries, and other data sources are of uncertain reliability, due both to limited technical capacities of the institutions charged with data collection and to the

¹ In this regard, Turkmenistan stands out as the country in which relatively little political movement has occurred.

² In August 2008 Georgia formally announced its withdrawal from the CIS.

³ Armenia, Azerbaijan, Georgia, and Tajikistan experienced violent ethnic conflicts. There was a four year war between Armenia and Azerbaijan, and Georgia battled secessionist groups in Abkhazia and South Ossetia and had a brief military conflict with Russian Federation.

⁴ Georgia is a noteworthy exception, with the status of the break-away regions, Abkhazia and South Ossetia, the focus of international attention.

⁵ See the recently adopted ILO Declaration on Social Justice for a Fair Globalization at http://www.ilo.org/wcmsp5/groups/public/-ed_norm/-relconf/documents/meetingdocument/wcms_094042.pdf, and (International Labour Office, 1999).

⁶ Five out of the ten countries have developed national programmes aimed at promoting Decent Work and signed agreements with the ILO to implement these. These Decent Work Country Programmes (DWCPs) are in effect in Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, and Tajikistan.

widespread existence of informal employment for which practically no government records exist. Moreover, many of the statistics presented come from a variety of sources, raising issues of comparability.

Yet the story that this data tells is largely a consistent one, suggesting that the trends they demonstrate are genuine and robust. On the positive side, they indicate that higher levels of economic growth since the late 1990s have generated measurable benefits for the national populations in most countries. Employment levels have increased, both minimum and average wages have risen, and the number of working poor has declined. Thus, it seems that most countries have overcome the severe dislocation and economic decline of the first years of independence and have integrated themselves more closely into the global economy. However, it is also clear that benefits to workers are small in relation to GDP growth, and much remains to be done to make growth more socially inclusive.

The conclusion of the analysis highlights two notions whose wider acceptance across the region could help promote such growth. These are, first, that improving conditions of work is not an impediment to economic growth but a productive factor; and second, that social dialogue can help to ensure that a country's economic growth is socially inclusive and sustainable, providing that certain pre-conditions for the success of such dialogue are in place.

I. ECONOMIC AND LABOUR TRENDS

The disaggregation of the Soviet Union triggered farreaching political and economic changes. The shift from communism towards democratic political systems was coupled with a shift from closed economies to more open, market-oriented ones. The processes of transition exposed national markets to global forces and fierce competition, while at the same time weakening the power of the state to regulate the economy. Together these changes resulted in a prolonged period of steep economic decline, causing a drastic fall in the living standards for most of the region's people.

Table 1 shows that all countries experienced negative economic growth during much of the 1990s. Tajikistan experienced the most extreme impacts, with its economy contracting by more than 16 percent annually on average during 1991–97.⁷ At the other extreme, Belarus' GDP declined annually by 4.6 percent during the same period, partly because the pace of economic change was slower with fewer reforms implemented.

The table also shows that economic growth started to pick up again in the late 1990s. With the economies adjusting to the initial shocks of change, the situation stabilized and the growth turned from negative to positive.

However, the rate of economic recovery was quite uneven across the region. Since 2002, Azerbaijan and Armenia have had average annual GDP growth rates of 10 percent and above. Then there is a middle group of seven countries with growth rates between 5 and 10 percent – Belarus, the Russian Federation, Georgia, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan. At the lower end of the continuum, Kyrgyzstan had GDP growth of slightly higher than 3 percent.

It is important to note that the great difference in the size of the economies means that these growth rates represent very different amounts of GDP. For Russia, with its vast economy, a moderate growth rate produces much more economic output than a high growth rate in a small country.

Table 1. Annual rate of economic growth (GDP) by country, 1991-2007

Countries	1991-1997	1998-2001	2002-07
<i>Eastern Europe</i>			
Russian Federation	-6.6	4.4	7.3
Belarus	-4.6	6.0	9.0
<i>Central Asia</i>			
Kazakhstan	-6.0	6.9	8.9
Kyrgyzstan	-9.1	2.9	3.2
Tajikistan	-16.6	5.4	6.9
Turkmenistan	-6.7	7.0	6.2
Uzbekistan	-4.9	2.8	5.7
<i>Caucasus</i>			
Armenia	-6.1	6.8	13.3
Azerbaijan	-12.8	8.7	18.5
Georgia	-10.9	4.0	9.0

Source: United Nations Economic Commission for Europe (UNECE), Statistical Division database, see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/2-MENA/2-MENA.asp>

Table 2 gives per capita GDP levels (at internationally comparable prices) for the same periods. It reveals that, in 2007, two countries had still not rebounded to their 1991 level of GDP: Kyrgyzstan and Tajikistan. Tajikistan sustained the most dramatic loss, with its 2007 GDP only about half that of 1991. On the other end of the continuum, Armenia, Azerbaijan, Kazakhstan and Belarus have made the largest recovery, with per capita GDP having increased by more than 50 percent during the 16-year period. However, the table also shows that per capita GDP levels in these countries are well below those registered for the Russian Federation, and even further behind the European Union.

⁷ This poor economic performance is also explained by its limited natural resources, civil war and aftermath, and an unfavorable geographic position.

Table 2. Level of Gross Domestic Product (GDP) per capita, in internationally comparable prices (PPP's of 2007), by country, 1991–2007

Country	1991	1995	2000	2007
<i>Eastern Europe</i>				
Russian Federation	12,017	7,854	8,606	13,867
Belarus	6,358	4,200	5,816	10,239
<i>Central Asia</i>				
Kazakhstan	6,289	4,497	5,405	10,242
Kyrgyzstan	2,286	1,232	1,510	1,904
Tajikistan	2,849	1,121	985	1,477*
Turkmenistan				..
Uzbekistan
<i>Caucasus</i>				
Armenia	...	1,663	2,157	5,014
Azerbaijan	4,732	1,888	2,534	7,519
Georgia	4,258	1,759	2,502	4,413
EU (27)	27,268			

* GDP for 2006

Source: United Nations Economic Commission for Europe (UN-ECE), Statistical Division database, see <http://w3.unece.org/px-web/DATABASE/STAT/20-ME/2-MENA/2-MENA.asp>

Table 3. Oil and natural gas production, by country, 2000-2007

Country	Oil*			Natural Gas**		
	2000	2006	2007	2000	2006	2007
<i>Eastern Europe</i>						
Russian Federation	6536	9769	9978	545.0	612.1	607.4
<i>Central Asia</i>						
Kazakhstan	744	1426	1490	10.8	24.6	27.3
Turkmenistan	144	163	198	43.8	62.2	67.4
Uzbekistan	177	125	114	52.6	55.4	58.5
<i>Caucasus</i>						
Azerbaijan	282	654	868	5.3	6.3	10.3

* 1,000 barrels per day

** billion cubic metres

Source: British Petroleum (2007): *Statistical Review of World Energy 2007*, see: <http://www.bp.com/productlanding.do?categoryId=6848&contentId=7033471>

Table 3 reveals one of the major engines for economic growth in the region. As shown, five of the countries are major oil and gas producers, and production has greatly expanded since the early 2000s in response to world prices. Armenia's robust growth is a noteworthy exception to this pattern; there booming exports (precious and non-precious metals) and expansion of the construction and services sector seem to have been the major drivers of growth.⁸

While oil and gas have contributed significantly to GDP growth and boosted government revenues, it is widely recognized that energy-based growth poses major challenges – how to ensure sustainability in the face of volatile prices on the one hand and how to ensure a broad-based sharing of wealth among the population on the other. Experience in other countries of the world has shown that oil and gas tend to distort the growth of the economy, with limited positive impact on employment and incomes of the working population.⁹

International experience points to four specific concerns. First, it is often the case that the working population does not share, or only marginally so, in oil and gas wealth. Oil and gas are frequently extracted with foreign direct investment in enclaves using imported technology and very little labour, and there are few economic linkages to the rest of the economy. Second, societies with substantial oil and gas reserves are heavily dependant on a single commodity and are more vulnerable to economic downturns. World oil and gas prices are volatile, and exporting countries face a high degree of uncertainty. Price variations may lead to situations where governments spend lavishly when prices are high, but are obliged to drastically cut expenditures when they fall. Third, there is the question of oil and gas being finite resources. They are not inexhaustible, and once these resources start to "dry up", the economy and population must make a transition to new sources of wealth and livelihood. This is often a risky and disruptive process that produces winners and losers and stirs social and economic conflicts. Fourth, there is the challenge of the so-called Dutch disease. This refers to a syndrome whereby the exploitation of natural resources crowds out activities in other sectors of the economy. The country's currency is likely to strengthen, which will hurt local producers who need to compete with lower-priced imports. At the same time, oil and gas investments may crowd out investments in other sectors.

⁸ In 2001–2003 construction growth was heavily financed by grants from the Armenian Diaspora and other donors while the construction boom of 2004–2006 was fuelled by growing domestically-financed private investments in real estate. See: World Bank. 2008. Armenia country brief 2008. Washington DC. World Bank, at <http://www.worldbank.org.am/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/ARMENIAEXTN/0,,contentMDK:20628754~menuPK:301586~pagePK:141137~piPK:141127~theSitePK:301579,00.html>

⁹ Humphreys & Sachs, et. al. (2007), pp.1–21.

In addition to oil and gas, cotton is a major regional export. As Table 4 shows, four of the ten countries have large areas cultivated with cotton. Uzbekistan and Turkmenistan are among the world's largest cotton producers.

Table 4. Hectares (millions) devoted to cotton production, by country, 2006-2008

Country	2006-07	2007-08 prelim.	World ranking*
<i>Central Asia</i>			
Kazakhstan	0.2	0.2	24th
Tajikistan	0.26	0.25	16th
Turkmenistan	0.6	0.6	8th
Uzbekistan	1.43	1.45	5th

* World ranking in terms of area cultivated

Source: United States Department of Agriculture (2008), Foreign Agricultural Service, see: <http://www.fas.usda.gov/psdonline/psdgetreport.aspx?hidReportRetrievalName=BVS&hidReportRetrievalID=851&hidReportRetrievalTemplateID=1>

Cotton-based economic growth also brings a number of problems and challenges, different from those of natural resource extraction. Unlike oil and gas, cotton is labour-intensive and generates employment for the local population. However, cash wages are usually very low, and small-scale cotton farmers are usually among the poorest segments of society. Moreover, the demand for labour is satisfied in part by children. School children are regularly engaged in cotton harvest in all the Central Asian countries.¹⁰ In Uzbekistan and Turkmenistan, cotton production quotas create pressure for local officials to close schools on a large scale during cotton picking season, and children are exposed to work place hazards, including the sun, toxic chemicals, and polluted water.

A. Population and Employment

Here the necessary starting point for analysis is the evolution in the size of the working population during 1991–2006. Table 5 shows that this population increased significantly in five countries – Azerbaijan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan; held more or less steady in four others – Belarus, Armenia, the Russian Federation, and Kazakhstan; and contracted significantly in a single country – Georgia. There are two main reasons for the low growth and contraction.¹¹ First, many people, including members of ethnic minorities, migrated during the first years following independence.

This trend was particularly marked in Kazakhstan, to which the Soviet government had previously encouraged migration by large numbers of Russian nationals and, at the same time, had relocated certain ethnic groups from other regions of the Soviet Union. Second, in Russia, Kazakhstan, Azerbaijan, Uzbekistan, and Tajikistan, transition brought about a decrease in life expectancy at birth.¹² This resulted in large part from high stress levels on the population due to the shocks of transition, and associated unhealthy practices such as alcohol and drug use. Further contributing factors included the abrogation of national health coverage and decreases in government expenditures on social services.

Table 5. Working-age population (age 15 and above), millions of persons, by country, 1991-2006

Country	1991	1998	2002	2006
<i>Eastern Europe</i>				
Russian Federation	115	119	122	122
Belarus	7.92	8.12	8.22	8.26
<i>Central Asia</i>				
Kazakhstan	11.4	10.9	11.0	11.7
Kyrgyzstan	2.77	3.06	3.37	3.66
Tajikistan	3.07	3.42	3.71	4.07
Turkmenistan	2.25	2.73	3.04	3.38
Uzbekistan	12.4	14.7	16.4	18.2
<i>Caucasus</i>				
Armenia	2.44	2.26	2.32	2.41
Azerbaijan	4.81	5.42	5.86	6.37
Georgia	4.09	3.74	3.67	3.62

Source: ILO: KILM 5th edition 2008 (ILO, Geneva)

Table 6 shows the trend of labour force participation over the period, i.e., the percentage of the working age population that is employed or is looking for work. Generally speaking, one should find an increase when economic conditions improve and people find it easier to hold onto their job or find one. Other factors, such as school enrolment rates, also impact on labour force participation, but economic conditions and job prospects are likely the most important. As expected, the table shows that the rates declined in six countries during the 1990s: in Russia, by 6 percentage points; in Armenia, by 18 percentage points; in Georgia, by 7 percentage points; in Tajikistan, by 6 percentage points; in Belarus, by 5 percentage points; and in Kyrgyzstan, by 1 percentage point. In other countries, the rates remained either stable

¹⁰ International Crisis Group (2005): The curse of cotton: Central Asia's Destructive Monoculture (ICG, Brussels), p.i.

¹¹ UNDP (2005), p.42.

¹² Comparing 1992 and 2008 (estimate), the decreases were –1.22 years for males in Kazakhstan, –4.50 years for males in Azerbaijan and –2.82 years for Azeri women, –3.31 years for men and –1.46 years for women in Uzbekistan, and –3.31 years for men and –2.71 years for women in Tajikistan. OECD, *Black Sea and Central Asia: Promoting Work and Well Being*, 2008, Table 3.6.

(Azerbaijan, Uzbekistan) or experienced a tiny increase (Kazakhstan, Turkmenistan). However, if we look at the rates during the 2000s, taking into account the economic growth that occurred then in all countries, we do not see a corresponding upswing. In fact, labour force participation rates continued to decline in five countries during the period 2002–2006. They increased in only four countries, but by only 1 percentage point.

Table 6. Labour force participation rates, by country, 1991-2006

Country	1991	1998	2002	2006
<i>Eastern Europe</i>				
Russian Federation	75	69	70	71
Belarus	76	71	70	69
<i>Central Asia</i>				
Kazakhstan	75	76	76	77
Kyrgyzstan	71	70	69	68
Tajikistan	66	60	60	57
Turkmenistan	69	70	71	71
Uzbekistan	67	67	67	68
<i>Caucasus</i>				
Armenia	81	63	63	60
Azerbaijan	70	70	71	72
Georgia	78	71	67	63

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

Table 7 shows a similar trend. During the 1990s, the employment/population ratio declined in all but two of the ten countries. These exceptions were Turkmenistan and Uzbekistan, where relatively few reforms were implemented. Looking forward into the 2000s, one would expect a significant increase in the employment/population ratio following the upsurge in economic growth. However, Table 7 shows that there was only a turnaround in five countries, and these increases were small, in the range of 1–2 percentage points. Looking over the entire period (1991–2006), we see the same pattern as in the previous table.

What explains this disappointing job performance? First, there are two arguments to suggest that the increase in labour force participation and employment may in fact have been larger than what the data in Tables 6 and 7 show. During the 1990s, many enterprises engaged in "labour hoarding", i.e. they did not have enough work for some of their labourers but they kept them on their books as employees without paying wages. The reappearance of economic growth in the 2000s provided work again to many of these workers, but their reemployment would not have shown up in the statistics.

Another argument is that the breakup of many state enterprises lowered employment levels, and although some workers were kept formally on the enterprises' books, many turned to self-employment in the informal economy as their source of income. In most countries statistical systems were and are still largely geared towards measuring wage employment, and the definitions of employment used do not adequately capture own-account earning activities. Thus, it is likely that the shift into self-employment was under-reported and is not fully captured in the figures presented.

Yet a third explanation is that growth was driven by a very few industries or sectors that are capital intensive, notably natural resources. Consider Azerbaijan, where one-third of 2006 GDP was generated by the oil and gas sector, while it accounted for only one percent of total employment.¹³ Some governments, most notably Kazakhstan and Azerbaijan, are using a portion of their oil and gas revenues to try to diversify the economies and create employment. However, these efforts are still at an early stage, and the results are not visible in our data.

Table 7. Employment-population ratio, by country, 1991-2006*

Country	1991	1998	2002	2006
<i>Eastern Europe</i>				
Russian Federation	58.4	51.6	55.6	56.3
Belarus	59.4	53.8	52.9	52.2
<i>Central Asia</i>				
Kazakhstan	62.8	60.4	63.7	64.7
Kyrgyzstan	58.7	57.6	56.2	58.7
Tajikistan	54.4	50.0	50.3	47.9
Turkmenistan	57.6	58.7	60.0	59.6
Uzbekistan	55.9	55.9	56.6	57.7
<i>Caucasus</i>				
Armenia	67.6	52.2	51.3	48.6
Azerbaijan	58.5	58.2	59.0	61.2
Georgia	60.4	57.1	55.8	53.2

*Population of 15 years and above

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

Tables 8 and 9 present unemployment rates. Table 8 reports the unemployment rates from labour force surveys, where respondents reported whether they have a job and, if not, whether they are actively looking for one. As can be seen, such data are available on a more or less continuing basis for only three countries in the region. Table 9 gives the unemployment rates including only those unemployed who registered at the local employment office.

¹³ Godfrey (2007), p. 9.

The labour force survey data in Table 8 give a more realistic picture of unemployment because unemployed persons may decline to register for various reasons. Therefore, unemployment rates based on labour force survey data are usually higher. Table 8 shows two quite different patterns over time. In Russia, unemployment peaked in the 1998–2001 period and then declined. This same pattern is observable in Kazakhstan. In Georgia, by contrast, the unemployment rate was at a high 12.4 percent during the 1998–2001 period, and it increased even further thereafter, despite a rate of economic growth of more than 8 percent.

Table 8. Unemployment rates (based on labour force surveys), by country, 1992-2007

Countries	1992-97	1998-2001	2002-2007
<i>Eastern Europe</i>			
Russian Federation	8.3	11.4	7.4
<i>Central Asia</i>			
Kazakhstan	11.1	12.5	8.2
<i>Caucasus</i>			
Georgia	7.6	12.4	12.9

Source: United Nations Economic Commission for Europe (UNECE) Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

In the seven countries with data for registered unemployment (Table 9), only Tajikistan showed a significant improvement during 2002–2007 compared to the previous period. The average registered unemployment rate even increased in Armenia, despite its economic growth rate of 13.3 percent. However, that average masks a reduction in annual unemployment in this country during the 2002–2007 period, from 10.5 to 7.2 percent.

Table 9. Unemployment rates (registered unemployment), by country, 1992-2007

Countries	1992-1997	1998-2001	2002-2007
<i>Eastern Europe</i>			
Belarus	2.3	1.2	1.8
<i>Caucasus</i>			
Armenia	7.4	6.9	8.5
Azerbaijan	0.9	1.3	1.2
<i>Central Asia</i>			
Kyrgyzstan	2.0	3.1	3.1
Tajikistan	1.7	2.8	2.5
Turkmenistan	n.a.	2.5	n.a.
Uzbekistan	0.2	0.4	0.4

Source: United Nations Economic Commission for Europe (UNECE) Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

We have now examined three employment indicators – labour force participation, the employment/population ratio, and unemployment – to see how the countries fared. Considering these in combination, the best scenario would be where both labour force participation and the E/P ratio increased while unemployment declined, and the worst possible case would be the opposite – rising unemployment coupled with falling labour force participation and E/P ratio. We may now look at this combination of indicators during 2002–2007 and see if the countries with the higher rates of economic growth also performed better in terms of employment.

The four countries with average growth rates of 9 percent and above – Azerbaijan, Armenia, Belarus, and Georgia (see Table 1, final column) – scored rather poorly, with the exception of Azerbaijan. The latter had three positives – increasing labour force participation and E/P ratio and lower unemployment. The other three countries – Armenia, Belarus and Georgia – only had negative scores for each of the three indicators. The Russian Federation and Kazakhstan, with growth rates in the medium range, did rather well, with three positive scores each. The lower growth countries had mixed results. For example, Uzbekistan, with a growth rate of 5.7 percent during 2002–07, had rising labour force participation and employment, although unemployment remained unchanged. Tajikistan had lower unemployment but also declining participation and a lower employment-population ratio.

In sum, we can conclude that economic growth was not necessarily associated with corresponding gains in employment. With the exception of Azerbaijan, higher growth countries did worse than lower growth countries.

To take the analysis a step further, let us consider the relation between unemployment and education. Policy makers need to know who the unemployed are. Are they primarily the uneducated and unskilled, those with primary school completed, or those with a university-level education? In all the countries for which there are statistical data, unemployment is more prevalent among the educated, meaning those who have completed secondary or post-secondary schools (Table 10). The former are the largest group among the unemployed, except for Belarus and Azerbaijan, where those with post-secondary education predominate.¹⁴

Having observed increases in employment primarily in five countries during the 2000s (Table 7), it is important to know what kinds of jobs are being created. Are they predominately low-quality, insecure jobs, or well-paid, stable jobs with access to social protection? The percentage of workers in the informal sector is usually a good indicator of the quality of jobs held, but here

¹⁴ One would have expected the relation between the level of education and unemployment to be negative as it is in the poorer countries of South-eastern Europe. There, the unemployed are primarily the lesser educated. It is not immediately clear why the six

Table 10. Distribution of unemployed persons by education level, by country, 2004-2005⁽⁴⁾

Country ⁽¹⁾	Primary Education Completed	Secondary Education Completed	Post-Secondary Education Completed ⁽³⁾	Percentage Total
<i>Eastern Europe</i>				
Belarus	10.2	40.6	49.2	100.0
<i>Central Asia</i>				
Kazakhstan	7.3	53.1	39.6	100.0
Kyrgyzstan	9.8	79.5	10.7	100.0
<i>Caucasus</i>				
Armenia	6.2	79.8	14.0	100.0
Azerbaijan ⁽²⁾	4.4	30.2	65.4	100.0
Georgia	4.8	56.0	38.8	100.0

(1) All data are from labour force surveys, except Armenia and Azerbaijan which have only data on registered unemployment obtained from employment office records.

(2) Data for unemployed persons with primary school completed were not reported.

(3) Includes both vocational and university training.

(4) Data for some countries do not add up to 100 per cent because of no-response.

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

existing statistics are inadequate. Data on informal sector employment are usually poor but especially so in this region where many people are still formally registered as wage employees in state owned firms (i.e., in the formal sector) while they are actually earning income through self-employed in the informal economy. While studies have been carried out in some countries to estimate the extent of informal employment, there has not been a continuing monitoring of such employment to determine the trend over time (Table 11). Only in Russia is longitudinal data available for several years, and here we find a peak and marked decline in informal employment.

Under conditions of economic growth, agriculture generally absorbs less labour, and more workers find employment in manufacturing and services. So a key

question is, did workers in those countries where economic growth occurred move out of agriculture? And, if so, was the shift primarily to the manufacturing sector or into services? From Table 12, we see a decline in agricultural employment in relative terms in five of the six countries for which information is available, the exception being Armenia where the portion of agricultural employment increased. It can also be seen that, among the five countries where the share of agriculture declined, Kazakhstan and Kyrgyzstan had the largest share of new jobs in manufacturing. In Russia, the portion of manufacturing jobs actually declined with one percentage point whereas employment in services increased by 4 percentage points. In Georgia, manufacturing actually contracted along with agriculture, while service jobs expanded.

CIS countries in Table 10 show a different pattern. A more in-depth study is required to examine this divergent pattern and get to the reasons why. The relation we see in this table is very much similar to what is observed in many parts of the developing world. There the unemployed tend to be the better educated, mainly for two reasons. First, in countries with large amounts of informal employment, those with low education are likely to be concentrated in these jobs where they are ineligible for unemployment insurance, do not register with the employment service, and are not counted in unemployment rates. Hence they simply do not show up in statistics. Second, higher-level school graduates tend to have higher incomes and thus better able to go without a job while they look for work – and to wait to find one that corresponds to their qualifications. The data collected by the CIS employment services seem to indicate a large skills mismatch at the labour markets, whereas the pool of registered vacancies is skewed towards the vocational skills and «blue collar» professions, while many unemployed, notably the young ones have higher education.

Table 11. Informal sector employment as a percentage of total employment, by country, 1994-2004

Country	1994	1995	1999	2001	2002	2003	2004
<i>Eastern Europe</i>							
Russian Federation				14.3	14.4	16.1	10.7
<i>Central Asia</i>							
Kazakhstan		11.7					
Kyrgyzstan	8.2		24.9			24.2	
Turkmenistan			6.8				
Uzbekistan						29	
<i>Caucasus</i>							
Georgia			6.9				

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva) and, for Uzbekistan, Abdurakhmanov, SMU: "Poverty and inequality in Uzbekistan", in <http://www.development.net/index.cfm?module+ActoveWeb&Page=WebPage&DocumentID=618>

In sum, jobs shifted from agriculture to services in most of the countries with economic growth, without the benefits of significant job creation in manufacturing.

Table 12. Distribution of employment by economic sector, by country, 1997-2007

Country	Agriculture	Manufacturing	Services	Total
<i>Eastern Europe</i>				
Russian Federation (1997)	14	28	58	100
Russian Federation (2007)	11	27	62	100
<i>Central Asia</i>				
Kazakhstan (2001)	38	14	48	100
Kazakhstan (2004)	34	17	49	100
Kyrgyzstan (2002)	49	13	38	100
Kyrgyzstan (2006)	37	19	44	100
<i>Caucasus</i>				
Armenia (2002)	46	16	38	100
Armenia (2006)	47	15	38	100
Azerbaijan (1998)	43	10	47	100
Azerbaijan (2007)	40	11	49	100
Georgia (1998)	59	10	31	100
Georgia (2006)	54	10	36	100

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

B. The Gender Gap in the Labour Market

It is well-documented that, prior to the breakup of the Soviet Union, working women faced much less of a gender gap than their counterparts in other countries of a similar level of development. It was government policy to bring women into the production process by improving the balance between domestic work and paid work.

Women had access to social services, such as kindergartens, and various other subsidies from the state and the state enterprises. Female labour force participation was high, and the proportion of women in the higher-income occupations also exceeded that elsewhere. The table below indicates that the labour force participation rates continue to remain high by international standards. Seven of the ten countries had rates above the average for the European Union.

Table 13. Ratio of female to male labour force participation (15-64 years old), by country, 1995-2006

Country	1995-2006 ⁽¹⁾
<i>Eastern Europe</i>	
Russian Federation	0.89
Belarus	0.91
<i>Central Asia</i>	
Kazakhstan	0.93
Kyrgyzstan	0.77
Tajikistan	0.75
Turkmenistan	0.85
Uzbekistan	0.80
<i>Caucasus</i>	
Armenia	0.84
Azerbaijan	0.86
Georgia	0.68
<i>European Union</i>	0.79

(1) Latest year available during this period.

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

To determine whether women have equal access to employment, we now look at the employment/population ratios of women and men. Table 14 below shows that the female employment/population ratio is lower than that for men in all the countries. This is typically the case throughout the world. On average, the gender gap is 13 percentage points for the ten countries, which is

the below the average of the European Union (16 percentage points). The smallest gap between women and men is in Kazakhstan and Belarus, where the female employment/population ratio is only 10 percentage points below the male ratio. Armenia and Turkmenistan are close seconds. In terms of longitudinal trends, it is noteworthy that the gender gap has narrowed in all countries except Georgia.

Table 14. Female and male employment/population ratios (15 years and above), by country, 2000-2006

Countries	2000		2006	
	Female	Male	Female	Male
<i>Eastern Europe</i>				
Russian Federation	0.48	0.61	0.51	0.63
Belarus	0.48	0.59	0.48	0.58
<i>Central Asia</i>				
Kazakhstan	0.55	0.68	0.60	0.70
Kyrgyzstan	0.49	0.68	0.50	0.68
Tajikistan	0.42	0.57	0.41	0.55
Turkmenistan	0.54	0.67	0.54	0.65
Uzbekistan	0.49	0.64	0.51	0.65
<i>Caucasus</i>				
Armenia	0.45	0.59	0.44	0.55
Azerbaijan	0.53	0.66	0.56	0.67
Georgia	0.49	0.66	0.43	0.65
<i>European Union</i>			0.43	0.59

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva)

While it appears that women have more or less retained their important roles in the labour market, one must ask as well what has happened to their wages. Table 15 captures the gender gap in earnings, that is, the ratio of female to male income. It shows a substantial difference between men and women. Azerbaijan has the smallest difference, but even here female earnings were on average only 65 percent of male earnings in 2006. Gender discrimination in income earnings seems to be an issue of particular concern in Georgia. On average, women earned only one-third of the average male income in 2006. Moreover, there is a widening income gap between women and men in seven of the ten countries. The only good news is that most countries still have a smaller gender gap in income than the European Union (2006).

Table 15. Ratio of estimated female to male income, by country, 2002-2006

Country	2002	2003	2004	2005	2006
<i>Eastern Europe</i>					
Russian Federation	0.64	0.64	0.64	0.62	0.62
Belarus		0.65	0.65	0.64	0.63
<i>Central Asia</i>					
Kazakhstan		0.59	0.64	0.63	0.63
Kyrgyzstan		0.65	0.65	0.58	0.58
Tajikistan		0.62	0.62	0.57	0.57
Turkmenistan		0.63	0.63	0.64	0.64
Uzbekistan		0.66	0.66	0.60	0.60
<i>Caucasus</i>					
Armenia		0.69	0.70	0.63	0.63
Azerbaijan		0.57	0.58	0.64	0.65
Georgia	0.41	0.40	0.42	0.37	0.33
<i>European Union</i>					0.58

Source: UNDP: Human Development Reports, various issues (New York)

Although the economic activity of women is high throughout the sub-region, a significant proportion of them are informally employed and their share in family workers is still much higher than men's.¹⁵ Women continue to be disproportionately represented in lower-quality jobs, characterized by low pay, poor working conditions and lack of social protection. This can be explained in large part by their greater family responsibilities and the challenges of combining family and work. In addition, for many women, lack of affordable child-care and family support facilities impedes a move from informal or unpaid work to wage employment.

C. Youth Employment

The portion of young people varies considerably among the ten countries, as shown in Table 16. The Central Asian countries as well as Azerbaijan and Armenia have high portions of young people, in the range of 20–22 percent. Belarus, Georgia, and the Russian Federation have lower portion, around 13–17 percent. These three countries are experiencing demographic aging.

¹⁵ In 2006, the percentage of female family workers among the total employed was higher than that of male family workers in three of the four countries for which statistics are available – Kazakhstan, Kyrgyzstan and Georgia.

Table 16. Percentage of national populations aged 15-24 years, 2006

Country	% population 15-24 years
<i>Eastern Europe</i>	
Russian Federation	17.0
Belarus	16.4
<i>Central Asia</i>	
Kazakhstan	19.6
Kyrgyzstan	21.2
Tajikistan	21.6
Turkmenistan	20.6
Uzbekistan	21.4
<i>Caucasus</i>	
Armenia	19.0
Azerbaijan	20.2
Georgia	16.5
<i>European Union (27 countries)</i>	12.7

Source: United Nations Economic Commission for Europe (UNECE) Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

Large populations of youth offer hopeful prospects for national development, if they have access to relevant training and jobs that utilize their skills. This is major challenge across the countries. Vocational training systems and public employment services have been scaled down drastically by budget cuts, and in several countries these government functions have been eliminated. As a result, youth are turning more and more to the informal sector or self-employment. Table 17 shows youth unemployment rates for those countries that report these statistics to the ILO. It is interesting to note that Armenia and Georgia, with smaller populations of children, have rates of youth unemployment that are well above those for the other countries for which data is available – Armenia, dramatically so, with a 54.6 percent rate in 2005, and Georgia, with a rate of 28 percent that same year. It is also noteworthy that Russia, Kyrgyzstan, and Tajikistan have rates of youth unemployment that are below the average for the European Union.

Furthermore, it seems that over time, the situation has improved in Russia, Kazakhstan, Kyrgyzstan and Armenia. In Georgia, by contrast, the level of youth unemployment has continued to rise since 1999.

Table 17. Youth unemployment rates (15-24 years), by country, 1998-2006

Countries	1998	1999	2000	2001	2002	2003	2004	2005	2006
<i>Eastern Europe</i>									
Russian Federation		26.8	20.7	18.0	15.6	17.5	17.2	15.7	16.5
<i>Central Asia</i>									
Kazakhstan				19.1	17.3	14.5	14.3	13.4	
Kyrgyzstan					20.1	15.4	15.2	14.5	
Tajikistan			12.8				10.0		
<i>Caucasus</i>									
Armenia				65.6	66.7	60.0	57.6	54.6	
Azerbaijan						21.8			
Georgia		24.6	21.1	20.1	27.9	24.9	28.3	28.3	
<i>European Union</i>								21.7	20.2

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva) and United Nations Economic Commission for Europe (UNECE) Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

Table 18. Ratio of youth unemployment to adult unemployment, by country, 2000–2007

Country	2000	2001	2002	2003	2004	2005	2006	2007
Georgia	1.9	1.8	2.2	2.2	2.2	2.1	2.2	2.4
Kazakhstan		1.8	1.9	1.6	1.7	1.7	1.6	1.3
Kyrgyzstan			1.6	1.6	1.8	1.8	1.8	
Russian Federation	2.0	2.0	2.0	2.1	2.2	2.2	2.3	2.4
<i>European Union</i>								

Source: United Nations Economic Commission (UNECE) Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

To get a sense of the relative severity of youth unemployment, it is useful to compare it with adult unemployment (see Table 18). Here the needed data are only available for four countries, but we see that in all four the youth unemployment rate is well above the rate for adults. This is in line with global trends: youth tend to have higher rates of unemployment than older workers. There is no clear sign of this ratio diminishing in the region, which is what is observed globally as well. As shown above, youth unemployment was on the rise in relative terms in three of the four countries, but on the decline in Kazakhstan.

D. Child Labour

On a worldwide basis, it appears that economic growth and poverty reduction linked with political commitment have led to significant progress in combating child labour. However, this trend does not extend to Eastern Europe and Central Asia, where large informal economies continue to foster the exploitation of children. In urban areas, many street children still fall victim to the worst forms of child labour – sexual exploitation, drug trade, and other work that is harmful to their physical and mental development. In rural settings, children still perform hazardous work in agriculture, especially during cotton and tobacco harvest.¹⁶

Work in cotton is considered as one of the worst forms of child labour, and it occurs in all five of the cotton producing countries of Central Asia – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. In Kazakhstan, a key problem involves children of workers who migrate there during harvest time to earn higher wages.¹⁷ In Tajikistan, poverty, large scale migration of family bread winners, and deterioration in the school system are the main driving factors. In Turkmenistan and Uzbekistan, child labour in cotton is both tolerated and promoted by the State. Local officials are given quotas for cotton harvest by the central governments, and they order schools and universities closed and take the students to the cotton fields. In Uzbekistan, the number of children forced to work in cotton harvest is estimated at 1.6 million.¹⁸ Formally, these countries have outlawed child labour and occasionally issue declarations denying it. In Kyrgyzstan,

by contrast, the government acknowledges the existence of child labour and has adopted a state programme to tackle it.¹⁹ As the Table 32 (International Labour Standards) shows, all countries except Turkmenistan have ratified both ILO Conventions on child labour.²⁰

The use of children in cotton harvest not only exposes them to risks and denies them education; it also accentuates other labour market problems. It deprives ready and willing adults of employment, further worsening poverty. Such poverty drives workers, mostly men, to seek jobs in neighboring countries, thus leaving their families alone in difficult conditions. A major step forward would be to discontinue those production systems in which the state determines the use of land and/or sets prices and quotas, allowing farmers to choose which crops to grow and to market them at prices negotiated with buyers.

E. Poverty and wages

Earlier it was shown that economic growth has improved the employment situation noticeably in some countries, but in others, has made hardly any difference. Let us now take the analysis a step further by asking the question: Given the patterns of economic growth since the early 2000s and the accompanying changes in the employment situation, how did the incomes and wages of the working population change?

Looking back to the early 1990s, incomes and wages declined substantially as a result of the economic and social turmoil of transition. Many state enterprises ceased to function and left their workers with no pay for extended periods. Implicit price subsidies were reduced or eliminated, including those for fuel.²¹ Transport prices were raised. Moreover, members of many ethnic groups returned to their countries or regions of origin, and many skilled Russian workers left their countries of residence in Eastern Europe and Central Asia to return to the Russian Federation.

A partial answer can be found in the number of working poor. Table 19 shows the number of working people who live in households where the per capita household income is less than USD 2 a day. It reveals that, during the earlier

¹⁶ Furthermore, children from rural areas are trafficked to urban centres or wealthier countries for labour exploitation. Reliable statistics on the magnitude of trafficking remain unavailable, since data from government agencies mostly relate to prosecutions and, therefore, underestimate the extent of the problem.

¹⁷ In addition, some schools in the south of the country continue to close during cotton harvest as they did in Soviet times and to take the children to the fields.

¹⁸ At a 2006 regional trade union conference of EVROZES countries on issues of employment and labour migration, the Chair of the Uzbekistan Council Federation of Trade Unions stated that 1,641,690 school-children in grades 5 to 11 were regularly used for cotton picking.

¹⁹ Late in 2007, the Government adopted the State Program on Actions of Social Partners on the Worst Forms of Child Labour for 2008–2011 and committed its own funds (USD113,000) for a portion of activities in the program. However, there are many reports from within the country that forced child labour continues.

²⁰ However, as of November 2008, Uzbekistan's ratification of C. 138 had not been recorded by the ILO, due to its failure to specify clearly a minimum age for work.

Table 19. Number ('000) and percentage of working poor at USD 2 a day, in total employment, by country, 1993-2007

Country	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2007
<i>Eastern Europe</i>											
Russian Federation*		21.6 31%		21.5 34%		17.8 29%		23.0 36%	16.4 25%	13.3 20%	
Belarus	717 16%	855 19%		291 7%	271 6%		251 6%	242 6%	233 5%		2%
<i>Central Asia</i>											
Kazakhstan	1671 24%		1754 26%					779 11%	2013 29%	1624 23%	16%
Kyrgyzstan	403 25%		909 53%	444 25%	710 40%	328 18%	925 50%	755 40%	818 43%	668 33%	21%
Tajikistan						1384 81%				1270 66%	
Turkmenistan	1128 81%				1000 62%						
Uzbekistan	2817 39%				5321 65%				5584 60%	5670 59%	
<i>Caucasus</i>											
Armenia			580 47%			767 66%		773 65%	658 55%	557 46%	31%
Azerbaijan		1951 66%						1589 47%			
Georgia			287 13%	272 12%	401 19%	451 21%	489 23%	484 22%	703 34%	781 37%	

* The number of working poor in Russia is in millions

Source: ILO: KILM 5th Edition 2008 (ILO, Geneva), the 2007 data are from a different source but based on the same methodology (General Confederation of Trade Unions, 2008)

1990s, the percentage of working poor increased in those countries for which data are available. One can also observe that this trend was reversed in the 2000s in all countries except Georgia, which continued to experience a rise in the percentage of working poor.

Two qualifications are in order. First, this table is based on incomes from labour and other sources, including remittances from family members abroad. Therefore, a decline in poverty does not necessarily mean that the labour market is performing better (more jobs, higher wages). Secondly, these figures are national averages and thus may mask variations within countries. For example, a recent World Bank study of Russia concluded that poverty levels varied substantially by region, and that the extent of poverty increased in certain regions while the national average declined.²²

A second partial answer to the question can be found in wage levels, since wages are a fairly good indicator of the extent to which workers share in the benefits of economic growth. Table 20 gives manufacturing wages only. These are typically the wages at the upper end of the labour market, i.e. the "good" jobs in large modern enterprises. The data presents a mixed picture for the 1993–97, showing that the real value of wages declined in Kazakhstan and Tajikistan, but also revealing a rise in Armenia and Kyrgyzstan. The regional pattern is clearer from 1997 forward. With economic recovery, manufacturing jobs produced higher real wages in all countries for which figures are available.

²¹ For example, it has been estimated that Russia's price subsidies to the Central Asian countries amounted to \$40 billion. UNDP (2005), p. 37.

²² World Bank (2005). Russian Federation: Reducing poverty through growth and social policy reform (Washington DC).

Table 20. Real manufacturing wage indices*, by country, 1993-2006

Country	1993	1997	2001	2004-5**	2006
<i>Eastern Europe</i>					
Russia Federation		98	120	171	228
<i>Central Asia</i>					
Kazakhstan	100.0	82.2	104.1	130.7	
Kyrgyzstan	67.4	74.5	110.7	158.9	
Tajikistan	220.0	107.1	n.a.	n.a.	
<i>Caucasus</i>					
Armenia	40.0	65.4	118.6	178.2	
Azerbaijan	n.a.	65.1	105.0	162.2	
Georgia	n.a.	66.2	116.2	161.2	

*Base year is 2000

** Latest year available

Source: ILO: KILM 5th Edition 2007 (ILO, Geneva) and (International Labour Office, 2008)

Table 21 provides a broader picture of wage trends. Whereas Table 20 only covered the upper segment of wage workers, those in large-scale manufacturing, this table covers all wage earners and reports their average wages. The trend that is observed is consistent with that

of manufacturing wages during the late 1990s and beyond. Following a dip in wage levels during the late 1990s in some countries, average wages then increased in all the countries except one, Uzbekistan. The increase in Russia is particularly noteworthy, especially giving its higher starting point.

Since both average wages and high wages have generally been rising since the late 1990s, it is important to determine what happened to lower wage workers. Did they also share in the benefits of the surge in economic growth? The table below shows that minimum wages increased in real terms since the year 2000. There was an initial dip in some countries during the first few years but then, since 2003, they have risen significantly.

Of course from this we cannot conclude that real wages at the lower end of the labour market kept up with manufacturing wages. We do not know the extent of enforcement of the minimum wage legislation. In many developing and transition countries, there is substantial evidence that minimum wages are frequently used as maximum values for wage setting of low-level occupations. In such situations, the percentage of wage workers earning less than the minimum wage can be substantial. There is no systematic empirical evidence to assess to what extent this is the case in these countries.

Table 21. Gross average monthly wages (US\$, at current exchange rates), by country, 1995-2007

Countries	1995	1998	1999	2002	2005	2006	2007
<i>Eastern Europe</i>							
Russian Federation	103.6	108.4	61.2	138.9	302.4	391.2	528.9
Belarus	65.5	100.5	78.5	105.5	215.7	275.4	323.4
<i>Central Asia</i>							
Kazakhstan	78.5	123.7	99.3	132.6	256.3	323.5	434.4
Kyrgyzstan	34	40.3	26.9	35.9	63.7	76.1	106.6
Tajikistan	7.5	11.8	9.4	11.8	26.8	35.2	48.0*
Turkmenistan	68	55.5	63.6	182.7	484.6	n.a	n.a
Uzbekistan	35.4	47.3	57.2	39.2	n.a.	n.a	n.a
<i>Caucasus</i>							
Armenia	17.4	35.6	37.7	47.7	113.8	149.7	n.a
Azerbaijan	14.2	43.5	44.8	64.9	130.7	158.2	n.a
Georgia	n.a.	39.9	33.3	51.7	112.6	156.1	n.a

Source: United Nations Economic Commission for Europe (UNECE), Statistical Division Database – see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/3-MELF/3-MELF.asp>

* The 2007 average wage for Tajikistan is from General Confederation of Trade Unions, 2008

Table 22. Real minimum wages (2000=100), by country, 2000-2006

Countries	2000	2003	2006
<i>Eastern Europe</i>			
Russian Federation	100	284	380
Belarus	100	367	878
<i>Central Asia</i>			
Kazakhstan	100	143	176
Kyrgyzstan	100	88	243
Tajikistan	100	51	162
Turkmenistan	–	–	–
Uzbekistan	100	84	112
<i>Caucasus</i>			
Armenia	100	91	318
Azerbaijan	100	472	–
Georgia (1)	100	87	68
(2)	100	87	392

- (1) Public sector only
(2) Private sector only

Source: The calculation is based on nominal minimum wage levels from the US State Department: *Country Human Rights Reports, 1999-2006* (Washington DC) and, for 2006, information provided by the ILO National Coordinators. The price deflators are from United Nations Economic Commission for Europe (UNECE), *Statistical Division database*, see <http://w3.unece.org/pxweb/DATABASE/STAT/20-ME/2-MENA/2-MENA.asp>

Even though real minimum wages were on the rise, it appears that they are still very low. A recent ILO review of minimum wages in the CIS countries concluded that they are set at a level "well below the poverty line and thus fail to protect the most vulnerable workers".²³ Table 23 shows that the 2007 minimum wages in Georgia, Kyrgyzstan, and Tajikistan were well below the subsistence income for a worker and family, and only slightly below in the case of Kazakhstan. Another study came to a similar conclusion.²⁴ It showed that minimum wages were roughly comparable to the subsistence minimum only in two countries: Belarus and Kazakhstan. In other CIS countries, the ratio of the minimum wage to the subsistence wage varied between 0.1 and 0.85.

Table 23. Minimum wage as a percentage of the subsistence income*, CIS countries, 2006

	Minimum wage/subsistence minimum
<i>Eastern Europe</i>	
Russian Federation	60.3
<i>Central Asia</i>	
Kazakhstan	97
Kyrgyzstan	12
Tajikistan	41
Turkmenistan	–
Uzbekistan	–
<i>Caucasus</i>	
Armenia	63
Azerbaijan	62
Georgia	17

* Subsistence income is defined as the subsistence income for a worker and an average size family

Source: (International Labour Office, 2008)

A final measure of the extent to which low-wage workers are sharing in the benefits of economic growth is the ratio between minimum wages and average wages. When both wages are on an upward trajectory, a narrowing of the gap would indicate that low-wage workers are sharing more in the benefits of growth. Data limitations do not allow such a straightforward comparison in the countries under analysis, but contrasting the information in Tables 21 and 22 above suggests that there is not a clear trend. The gap between minimum wages and average wages appears to have narrowed in Armenia, Belarus, Georgia (private sector only) and Kyrgyzstan. But it appears that the gap widened in Russia, as well as Kazakhstan and Tajikistan.

This leads to a final question: Given the wage trends since economic growth resumed, how did income inequality change? Available data are quite sketchy, and it would be necessary to compare these with the more in-depth country-level studies that have been carried in recent years. The numbers that are presented here give a mixed picture (Table 24). Income inequality declined in four of the ten countries. Of the other six, income inequality remained fairly stable in three – Azerbaijan, Tajikistan and Turkmenistan – while rising significantly in Belarus and Georgia and, to a lesser extent, in Uzbekistan. Again, it is important to note that these are national averages. Income inequality may well have risen in certain regions even if overall inequality remained constant or declined.²⁵

²³ International Labour Office (2008b). *8th European Regional Meeting – Thematic report*. Geneva: ILO.

²⁴ General Confederation of Trade Unions (2008).

²⁵ Many of the countries have "poverty pockets", that is, areas where the rates of poverty are substantially higher than national averages. These include the Shirak region in Armenia, the Nakhichevan region in Azerbaijan, the Imereti region in Georgia, the Naryn and Talas regions in Kyrgyzstan, GBAO in Tajikistan, and the Kashkadarya and Surkhandarya regions in Uzbekistan.

Table 24. Income inequality: Ratio of richest 10% to poorest 10% of the population, by country, 2000-2006

Country	2000	2003	2006
<i>Eastern Europe</i>			
Russian Federation	23.3	20.3	12.7
Belarus	3.9	6.9	6.9
<i>Central Asia</i>			
Kazakhstan	9.8	7.1	8.5
Kyrgyzstan	11.9	6.0	6.4
Tajikistan	7.9	8.0	7.8
Turkmenistan	12.3	12.3	12.3
Uzbekistan	8.2	6.1	10.6
<i>Caucasus</i>			
Armenia	15.3	11.5	8.0
Azerbaijan	9.8	9.7	9.7
Georgia	12.0	12.0	15.4

Source: UNDP: Human Development Report, various years (New York)

In summary, the labour market shows positive changes, as far as incomes and wages are concerned. Both manufacturing wages and average wages mostly increased, minimum wages also rose in real terms, and the percentage of working poor declined in most countries. On the other hand, the level of the minimum wage is still well below subsistence in nearly all countries. Data on income inequality presented here are incomplete and they do not show a clear trend. It appears that inequality declined in most countries but there was a widening of the gap between average and minimum wages, leading to an expectation of greater income inequality than is actually observed in Table 24. Here Georgia stands out as a case in point. It is clear that more in-depth analysis is needed at country level to identify income equality trends and see how these were influenced by the wage trends.

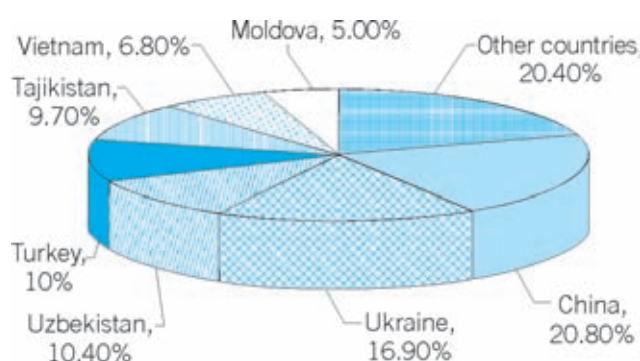
F. International Migration

Labour migration is a major demographic, social, and economic phenomenon in the region. During the early 1990s, there was substantial migration among the

countries, with many members of ethnic minorities returning to their countries or regions of origin.²⁶ A second driving force was the fall in living standards, which lead people to move in search of better income earning opportunities. Sociopolitical instability and civil conflicts also contributed to these cross-border movements. In some countries, emigration was on such a scale that, despite natural increase, the population has more or less the same size as it did in the early 1990s (Table 5).

Most regional migration was and is toward Russia, with Kazakhstan constituting the second receiving country. Figure 1 shows that most migrants to Russia are from other countries and regions, but Uzbekistan and Tajikistan are among the important sending countries. Since the 1990s, as conflicts diminished and economic growth picked up again, migration to Russia from the Caucasus has slowed down.²⁷ However, work migration from the CIS countries, most of which is seasonal, has not diminished, nor do the main receiving countries, Russia and Kazakhstan, record any reduction²⁸ (Figure 2).

Figure 1. Legal migration to the Russian Federation during 2005-2006, %, by country of origin



Source: Federal Migration Service of Russia

Table 25 below shows that the absolute number of the foreign-born population has declined in all the countries, including Kazakhstan and Uzbekistan, while continuing to rise in Russia.²⁹ However, these statistics do not provide a complete picture, since they do not capture the phenomenon of temporary migration for work.

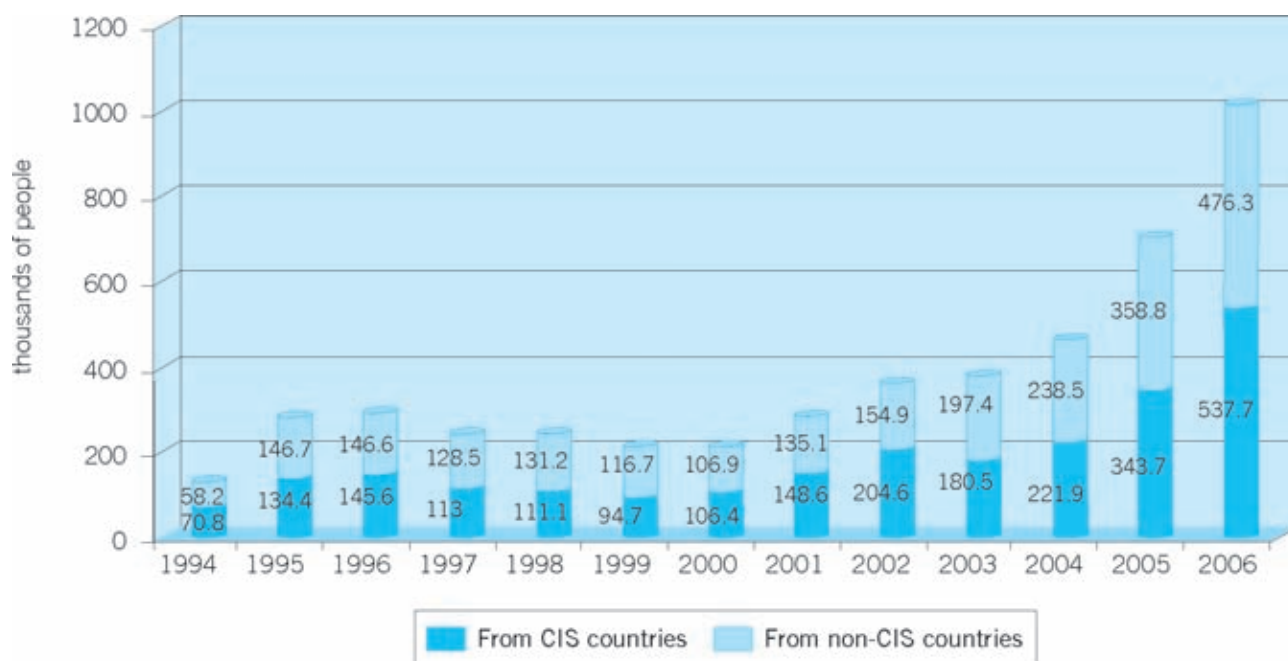
²⁶ As discussed previously, this trend was particularly marked in Kazakhstan, which lost large numbers of Russians and gained ethnic Kazakhs.

²⁷ However, the recent conflict between Georgia and Russia will certainly affect this trend.

²⁸ According to the Federal Migration Service, labour migrations to Russia increased from 130,000 to one million annually between 1994 and 2006.

²⁹ One country, Azerbaijan, experienced a small rebound in absolute numbers in 2005.

Figure 2. Migration to the Russian Federation from the CIS and non-CIS countries, 1994-2006



Source: Federal Migration Service of Russia

Table 25. Foreign-born population, numbers and as a percentage of total, by country, 1995-2005

Country	1995	2000	2005
<i>Eastern Europe</i>			
Russian Federation	11,706,951 (8%)	11,891,829 (8%)	12,079,626 (8%)
Belarus	1,268,500 (12%)	1,283,700 (13%)	1,191,220 (12%)
<i>Central Asia</i>			
Kazakhstan	3,295,400 (21%)	2,871,300 (19%)	2,501,77 (17%)
Kyrgyzstan	481,614 (10%)	372,296 (8%)	287,791 (6%)
Tajikistan	304,900 (5%)	330,300 (5%)	306,433 (5%)
Turkmenistan	259,600 (6%)	241,000 (5%)	223,732 (5%)
Uzbekistan	1,473,700 (6%)	1,366,900 (6%)	1,267,839 (5%)
<i>Caucasus</i>			
Armenia	454,806 (14%)	314,016 (10%)	235,235 (8%)
Azerbaijan	291,858 (4%)	160,365 (2%)	181,818 (2%)
Georgia	249,900 (5%)	218,600 (5%)	191,220 (4%)

Source: World Bank: World Bank Development Indicators 2008 (Washington DC)

Remittances are now a major source of national income in several countries, providing a survival strategy for migrants and their families and a financial safety net. This is in sharp contrast to the mid 1990s when remittances were practically non-existent. Table 26 presents remittances as a percentage of GDP. As shown, they rose steeply in three countries – Armenia, Kyrgyzstan, and Tajikistan – while rising modestly in Azerbaijan and falling in four others – Russia, Belarus, Georgia, and Kazakhstan.³⁰

Table 26. Workers' remittances as a percentage of GDP, by country, 1998-2006

Country	1998	2002	2006
<i>Eastern Europe</i>			
Russian Federation	1	0	0
Belarus	2	1	1
<i>Central Asia</i>			
Kazakhstan	0	1	0
Kyrgyzstan	2	2	12
Tajikistan	n.a.	6	36
<i>Caucasus</i>			
Armenia	5	6	18
Azerbaijan	0	3	4
Georgia	10	7	6

Source: World Bank: World Bank Development Indicators 2007 (Washington DC)

³⁰ However, this may still mean that the absolute volume of remittances increased, simply because GDP may have grown still faster. For Georgia, the reduction may have been due to imposition of visa regime in Russia, but remittances remain an important source of national income there.

ILO research in progress shows that many migrants from Central Asia fill an unoccupied niche in labour markets in Russia, Kazakhstan, and elsewhere by taking jobs that nationals do not choose.³¹ They often work in the informal sector without regular status and thus lack of legal protection and are vulnerable to exploitation. In this situation, liberalizing national legislation to provide legal status to the numbers of migrants that are actually needed in the receiving countries would improve migrants' working conditions and general welfare, while at the same time avoiding a downward pull on national wage levels caused by large groups of illegal migrants. In this way, both sending and receiving countries could benefit more fully from regional migration.

³¹ This research is being carried out under the ILO project, "Toward Sustainable Partnerships for the Effective Governance of Labour Migration", with financial support from the European Commission.

II. SOCIAL PROTECTION

A. Social Security

In the Soviet Union, social security coverage extended to nearly everyone, benefits were relatively generous, and protection was provided against a wide range of risks. Broad social security coverage was a major achievement of the Soviet era. These systems did not, however, fare well during the transition. Unemployment caused the demand for benefits to soar, while enterprises experiencing financial difficulties delayed making required contributions or ceased altogether. During the early 1990s, most regional governments tried to preserve the pre-transition benefit structure, which included extensive family benefits and generous pension coverage.³² At the same time, they moved to create new systems of unemployment insurance and social assistance, both unknown during the Soviet period.

However, as the financial squeeze continued to tighten throughout the 1990s, there were reductions in coverage, benefit levels, and spending.³³ In Azerbaijan, the ratio of the average pension to the average wage fell from 104.3 percent to 35.2 percent. In Georgia, it was 90.0 percent to 23.6 percent. In addition, most governments increased the retirement age, a difficult political move in a period of decreasing life expectancy and rising unemployment, but forced by the conditions. As shown in Table 27, all countries except Russia, Belarus, and Uzbekistan have raised the pensionable age, enacting increases in the range of two to three years for both men and women. In Georgia, the financial collapse of the system fueled the need for an immediate five year increase. All countries except Armenia have so far chosen to maintain a retirement age preference for women. This is often justified on the basis of their family/child care.

Table 27. Pensionable age for men and women, respectively, by country (1999-2006)

Country	1999	2002	2004	2006
<i>Eastern Europe</i>				
Russian Federation	60 / 55	60 / 55	60 / 55	60 / 55
Belarus	60 / 55	60 / 55	60 / 55	60 / 55
<i>Central Asia</i>				
Kazakhstan	60 / 55	63 / 55*	63 / 58	63 / 58
Kyrgyzstan	60 / 55	60 / 55	62 / 57	63 / 58
Tajikistan	60 / 55	n.a.	n.a.	63 / 58
Turkmenistan	60 / 55	62 / 57	62 / 57	62 / 57
Uzbekistan	60 / 55	60 / 55	60 / 55	60 / 55
<i>Caucasus</i>				
Armenia	60 / 55	63.5 / 58	63 / 59.5	63 / 61.5**
Azerbaijan	60 / 55	62 / 57	62 / 57	62 / 57
Georgia	60 / 55	65 / 60	65 / 60	65 / 60

* For public (PAYG) system, pensionable age for women is 58

** Women's retirement age will be 63 in 2011 with 0.5 year increase in each year

Source: US Social Security Administration (2008). *Social Security throughout the world*. Washington DC: SSA, at <http://www.ssa.gov/policy/docs/progdsc/ssptw/>

With the improvement of the economic situation since the early 2000s, did social security spending increase, so that workers are now better protected against work-related risks such as illness, unemployment and the loss of income as a result of old age? Here available data present a mixed picture (Table 28). Since the early 2000s, social spending has clearly been on the rise in Russia and Armenia, flat in Belarus, and declining in three other reporting countries.

³² Retirement was at age 60 for men and 55 for women and wage replacement rates in the neighborhood of 70 percent.

³³ Refers here to the average pension as a percentage of the average wage. Dobronogov (2003), Table 3.

Table 28. Government expenditures for social benefits, as a % of total*, by country, 2000-2005

Country	2000	2001	2002	2003	2004	2005
<i>Eastern Europe</i>						
Russian Federation			27.4	31.4	28.5	33.3
Belarus			32.9	32.6	32.8	
<i>Central Asia</i>						
Kazakhstan	31.4	26.7	28.4	27.2	24.9	20.4
Kyrgyzstan	8.6	11.6				
Tajikistan				12.7	9.6	
Turkmenistan						
Uzbekistan						
<i>Caucasus</i>						
Armenia				23.8	23.7	27.9
Azerbaijan						
Georgia				30.0	29.8	23.0

* Social benefits are defined as transfers in cash, or in kind, to protect the entire population or specific segments of it against certain social risks. Examples of such benefits are the provision of medical services, unemployment compensation and social security pensions

Source: International Monetary Fund: Government Financial Statistics Yearbook, various issues (IMF, Washington D.C.)

Another important issue concerns the costs of social security for employers. These costs may be considered as a proxy for the extent of coverage against work-related risks, with caveats as described below. Table 29 presents non-wage labour cost (including all social security payments and payroll taxes associated with hiring an employee) as a percentage of salary. It explains that Belarus has the highest rate at 39 percent and Russia, the second highest, 31 percent, while Kazakhstan has the lowest rate at 14 percent. On average, employers in Eastern Europe and Central Asia contribute 24 per cent of the aggregate wage bill to social protection, which is higher than the OECD average.³⁴ The table also shows that there is a clear decline of non-wage cost in all countries except Armenia, Belarus, Kazakhstan, and Tajikistan.

Table 29. Non-wage labour cost as a percentage of salary, by country, 2005-2007*

Country	2005	2006	2007
<i>Eastern Europe</i>			
Russian Federation	42	31	31
Belarus	39	39	39
<i>Central Asia</i>			
Kazakhstan	14	14	14
Kyrgyzstan	24	24	21
Tajikistan	n.a.	25	25
Turkmenistan	n.a.	n.a.	n.a.
Uzbekistan	31	31	25
<i>Caucasus</i>			
Armenia	18	18	19
Azerbaijan	27	22	22
Georgia	31	20	20
<i>Eastern Europe and Central Asia</i>			24
<i>OECD countries</i>			21

*The non-wage labour cost indicator includes all social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions) and payroll taxes associated with hiring an employee.

Source: World Bank: Doing Business 2008 (Washington DC, 2008)

³⁴ The Soviet system required no contribution of workers, and most systems still retain this design feature. However, some countries like Azerbaijan, Kyrgyzstan and Uzbekistan have initiated very gradual and limited worker contributions.

It is significant that a number of governments have also extended obligatory pension coverage for self-employed persons. Such laws were passed recently as a response to the growth of informal employment. The extent of coverage and eligibility rules differ considerably, but the effort to extend coverage to this group is a clear regional trend.

What we do not know today about social security in these countries is also important. First, there are no comparable statistics on how many workers are covered, nor can we extrapolate the amount of coverage per worker. Both can vary substantially without the percentage of non-labour costs changing. Second, the observed decline in contribution rates does not necessarily mean that absolute per capita social benefits fell. In some countries, like Kazakhstan, government revenues increased substantially as a result of oil and gas exports. Thus, per capita government expenditures may have increased even though social spending, as a percentage of total spending, declined. Third, the high levels of informal employment that have grown up in the countries mean that the revenues from current employer contributions must be 'stretched' to cover a large cohort of pensioners who earned their eligibility during the socialist period, when everyone was working in the formal sector and covered by social security. In this situation, seemingly high employer contribution rates may not translate into adequate benefits for today's pensioners.

B. Occupational Safety and Health

There is perhaps no better indicator of a country's commitment to decent work than the level of working conditions at enterprises.³⁵ There can be little argument that decent work is safe work. But while occupational

accidents and diseases are matters of health and well-being, they are also important aspects of economics and of employment policy.

Investing in OSH is sound economics. The losses incurred as a result of occupational accidents and diseases can be huge and the economic gain that can be achieved through risk prevention can be important. The ILO estimates that the direct costs of work time lost due to reported occupational accidents and diseases is equivalent to 4 per cent of GDP globally, with a figure of around 2.6 per cent for the European Union in 2002.³⁶

The early 1990s witnessed a breakdown of the occupational safety and health (OSH) systems that were in place during the Soviet period at both the national and the enterprise levels.³⁷ Basic prevention measures were often neglected, causing a sharp deterioration in the working conditions. Enterprises ceased to file regular reports on work related accidents and deaths.³⁸ In addition, most of the new governments discontinued the Soviet system whereby trade unions had exercised responsibility for occupational safety and health at the enterprise, shifting this authority back to the state. A time gap between these two events that typically spanned several years contributed further to lax enforcement of work safety and poor safety statistics.⁴⁰

Today the underreporting of accidents continues to be huge across the region, especially among small and medium-size enterprises and in the informal sector. To estimate the real incidence of work-related accidents and deaths, the ILO has developed a methodology (Hamalainen et al, 2005), the latest results of which are provided in Table 30.⁴¹ As shown, the estimates derived from the ILO method greatly exceed official totals of employment related accidents and diseases in all the countries.

³⁵ International Labour Office (2008c).

³⁶ Ibid.

³⁷ At the enterprise level, the cuts applied to safety departments, safety engineers, and the payment of compensation for victims of occupational accidents and diseases.

³⁸ One Soviet practice, however, proved resistant to change: provision of rewards to those working in unsafe conditions. These rewards include milk, higher pay, extended leave, and early retirement. The outdated mentality that supports them still exists in many countries and stands as a barrier to shifting the national OSH policy emphasis to ensuring safe work.

³⁹ This is the arrangement called for in the ILO Conventions. The motivation for this shift, however, had largely to do with reducing the sphere of authority of the trade unions.

⁴⁰ The practical results of termination of accident and disease compensation by enterprises, before the governments started to develop national occupational accident insurance systems, was discontinuation of reporting of accidents.

⁴¹ This estimation method was developed because many countries worldwide base their OSH system management on figures that are on their face unrealistically low, thus creating the wrong impression that major improvements have occurred (see Appendix).

Table 30. ILO estimates of work related accidents in CIS countries, 2004-07

Country	Economic active population (1)	Total employ- ment (2)	Estima- ted number of fatal acci- dents (3)	Fata- lity rate (4)	Non-fatal accidents =3 days' absence				
					Lower limit (0.19%) (5)	Upper limit (0.10%) (6)	Average (7)	Accident rate (8)	Fatalities reported in Natl. Profile, latest year (9)
<i>Eastern Europe</i>									
Russian Federation	68,264,225	63,600,000	6,974	11.0	3,670,389	6,973,740	5,322,065	8,368	2,881-4,301* (2006)
Belarus	5,000,000	4,416,600	496	11.2	261,161	496,205	378,683	8,574	
<i>Central Asia</i>									
Kyrgyzstan	1,762,539	1,704,900	316	18.6	166,542	316,429	241,486	14,164	27 (2006)
Tajikistan	1,778,000	1,143,000	212	18.6	111,653	212,141	161,897	14,164	23 (2006)
Turkmenistan	2,340,000	2,346,000	420	17.9	220,995	419,890	320,442	13,694	n.a.
Uzbekistan	10,000,000	8,157,500	1,471	18.0	774,190	1,470,960	1,122,575	13,761	714 (2004)
<i>Caucasus</i>									
Armenia	1,476,400	739,900	70	9.5	37,075	70,442	53,759	7,266	17 (2006)
Azerbaijan	2,927,300	3,701,500	619	16.7	325,576	618,595	472,085	12,754	54 (2005)
Georgia	2,367,000	1,731,100	306	17.7	161,083	306,058	233,571	13,493	7 (2007)

* Three different institutions are collecting statistics on fatal accidents in Russia. The numbers represent the range of their figures.

Source : Hamalainen P., Takala J., Saarela K: *Global Estimate of Occupational Accidents, Safety Science (2005)*

Consider, for example, Georgia, where the ILO estimation method comes up with 306 fatal work-related accidents in 2006, while the national OSH profile reported just 7 accidents. This huge discrepancy results in part from the Government's decision to terminate the state Labour Inspection as part of its radical labour law revision. However, Georgia's situation is not unique. By comparing columns 3 and 9 in the above table, large discrepancies can be observed in the other countries as well.

When these ILO estimates appeared, some observers questioned their credibility. In Russia, where three different agencies collect statistics, the official government figures in 2006 ranged from 2,900 to 4,300 deaths, whereas the ILO estimate was more than double the higher figure, or approximately 6,900 work related fatal accidents.⁴² However, the Russian authorities have since taken a large step toward recognizing this problem. The Government's Draft National OSH Programme "Besopasnij trud" (2007) included an estimate of more than double the ILO figure – 15,000 fatal accidents a year. This estimate provides further evidence that the ILO estimations are not out of line with reality and may even underestimate the true extent of the problem. The new Russian estimate has, in addition, brought about

the emergence of a new commitment to address workplace safety.

Across the region, other governments are also beginning to recognize the economic and human losses resulting from unsafe work and to give workplace prevention measures higher priority. However, due to underreporting, reliable statistical evidence that would show the extent of these problems or the results of their efforts is not available.

C. HIV/AIDS

The incidence of HIV/AIDS is uneven across the region, as shown in Table 31. Russia is the hardest hit country, with an incidence that exceeds both the European and world averages. In other countries, the rates of infection are lower, but they are rising. A recent UNAIDS study showed that the number of people living with HIV/AIDS rose to 1.5 million in 2007 in the countries of Eastern Europe and Central Asia.⁴³ Almost 70 percent of these HIV positive people live in the Russian Federation. It is estimated that 110,000 people became infected with HIV in this region in 2007.⁴⁴ Uzbekistan now has the largest epidemic in Central Asia.

⁴² This figure also includes so called "hidden traumatism", i.e. accidents which were not investigated in time by State Labour Inspection. In 2006 2425 hidden accidents and 461 fatalities were detected in addition to accidents and fatalities which had been investigated earlier. Rudakov M. (2008). OSH management at the national level: system approach in Russia. Barents Newsletter on OHS, Vol. 11, No. 1, pp. 7 – 12.

⁴³ The estimate range is 1.1 million–1.9 million, see UNAIDS Epidemic Update (2007).

⁴⁴ The estimate range is 67,000–180,000.

Across this region, HIV is heavily concentrated in the group of injecting drug users. This is due in large part to the existence of drug trafficking routes through the countries of Central Asia. However, as elsewhere in the Eastern European and Central Asia countries, the HIV epidemic is maturing and its patterns are changing, with sexually transmitted HIV cases comprising a growing share of new diagnoses. This corresponds with the spread of the epidemic from high-risk groups (injecting drug users, commercial sex workers, etc.) to the general population.

Another factor in the spread of HIV is migration, both regular and irregular. During 11 months of 2007, 1,618 new cases of HIV/AIDS were recorded among migrants to Russia (Uzbekistan – 294 cases, Tajikistan – 129).⁴⁵ The geography of identified HIV cases coincides with the geography of the areas where migrants are mostly concentrated (Russian central region, 574 cases). At the same time, the rate of HIV among migrant workers coming to Russia is lower than that among Russian citizens. Thus, migrant workers are at higher risk of contracting it when in Russia.

Controlling the spread of HIV/AIDS is thwarted by inadequate health and education services, as well as a near total lack of HIV education for migrants. Screening of blood donations for HIV also needs to be improved. In Tajikistan, it is estimated that 1.8 percent of registered HIV cases were due to blood transfusions.⁴⁶ While low in Western and Central Europe, HIV prevalence in blood donations has increased in Eastern Europe and Central Asia – from less than one HIV-infected donation per 100,000 in 1995 to 40.3 in 2004. The trend reflects the

spread of HIV but also underlines the need to ensure blood donations are more tightly screened and controlled. There is also a need to expand the focus of HIV AIDS prevent from medical interventions to public education, including programmes at the workplace.

Table 31. Incidence of HIV/AIDS among working age population (ages 15-40 years), by country, 2005-06

Country	Percentage of working age Population
<i>Eastern Europe</i>	
Russian Federation	1.1
Belarus	0.3
<i>Central Asia</i>	
Kazakhstan	0.1
Kyrgyzstan	0.1
Tajikistan	0.1
Turkmenistan	<0.1
Uzbekistan	0.2
<i>Caucasus</i>	
Armenia	0.1
Azerbaijan	0.1
Georgia	0.2
<i>Europe</i>	0.5
<i>World</i>	0.9

Source: Population Reference Bureau (2008): 2007 World Population Data Sheets (Washington DC)

⁴⁵ Ordinance of the Russian Federation Chief Sanitary Inspector No 86 (2007).

⁴⁶ Report by the Ministry of Health of Tajikistan (2007).

III. LABOUR STANDARDS, LABOUR LAW, AND WORKER-EMPLOYER RELATIONS

A. International Labour Standards

International labour standards can play a key role in enabling workers to share in the benefits of economic growth. They are mechanisms for promoting national policies to protect and benefit workers and reduce abusive labour practices. What has been the experience with international labour standards in the region since the late 1990s when economic growth took off again? This section reviews four different indicators: the ratifications of selected ILO Conventions, reports received on ratified ILO Conventions, comments made by workers' and employers' organizations, and comments provided by the ILO Committee of Experts.

With the dissolution of the Soviet Union, Belarus was the only country among the ten under examination whose ILO membership and obligations were unaffected, since it was the only one that was an ILO member state in its own right. The Russian Federation assumed all the international rights and obligations of the former Soviet Union. When the newly independent States of Caucasus and Central Asia joined the ILO during 1992 and 1993, they were invited to continue to apply Conventions ratified by the Soviet Union. Three countries – Azerbaijan, Kyrgyzstan and Tajikistan – did so.

The ILO attaches special importance to two groups of Conventions: first, those embodying Fundamental Principles and Rights at Work, of which there are eight; and, second, a group of four priority Conventions considered by the ILO Governing Body as instrumental to achieving decent work.

(1) Ratification

The 1998 Declaration on Fundamental Principles and Rights at Work specifies a set of minimum conditions that all Member States are expected to respect, no matter what their level of economic development, type of political system, or cultural practices – and even regardless of whether they have ratified the Conventions. The conditions include freedom of association and recognition of the right to bargain collectively; the elimination of all forms of forced or compulsory labour; the elimination of discrimination in respect of employment or occupation; and the effective abolition of child labour. These Conventions are nearly universally ratified in the region, as shown below. Only two countries, Turkmenistan and Uzbekistan, have not yet ratified all of them.

Table 32. Ratification of the ILO fundamental Conventions, by country*

	Forced Labour		Freedom of Association		Discrimination		Child Labour	
	C. 29	C. 105	C. 87	C. 98	C. 100	C. 111	C. 138	C. 182
<i>Eastern Europe</i>								
Russian Federation	1956	1998	1956	1956	1956	1961	1979	2003
Belarus	1956	1995	1956	1956	1956	1961	1979	2000
<i>Central Asia</i>								
Kazakhstan	2001	2001	2000	2001	2001	1999	2001	2003
Kyrgyzstan	1992	1999	1992	1992	1992	1992	1992	2004
Tajikistan	1993	1999	1993	1993	1993	1993	1993	2005
Turkmenistan	1997	1997	1997	1997	1997	1997	–	–
Uzbekistan	1992	1997	–	1992	1992	1992	–	2008
<i>Caucasus</i>								
Armenia	2004	2004	2006	2003	1994	1994	2006	2006
Azerbaijan	1992	2000	1992	1992	1992	1992	1992	2004
Georgia	1993	1996	1999	1993	1993	1993	1996	2002

* Situation as of 30 September 2008

Source: APPLIS database, (ILO, Geneva) see <http://webfusion.ilo.org/public/db/standards/normes/appl/index.cfm?lang=EN>

From a historical perspective, it is noteworthy that six of the (then) seven fundamental Conventions were ratified by Soviet Union, the missing one being the Abolition of Forced Labour Convention, 1957 (No. 105), which prohibits the use of forced or compulsory labour as a means of political repression. However, this Convention is now in force in all the successor countries.

Compared to the fundamental Conventions, the four priority Conventions are less widely ratified. Only two countries in the region – Azerbaijan and Kazakhstan – have so far ratified all four of them (Table 33).

Table 33. Ratification of ILO priority Conventions, by country*

	Employment	Labour Inspection Policy		Tripartite Consultation
	C. 122	C. 81	C. 129	C. 144
<i>Eastern Europe</i>				
Russian Federation	1967	1998	–	–
Belarus	1968	1995	–	1993
<i>Central Asia</i>				
Kazakhstan	1999	2001	2001	2000
Kyrgyzstan	1992	2000	–	2007
Tajikistan	1993	–	–	–
Turkmenistan	–	–	–	–
Uzbekistan	1992	–	–	–
<i>Caucasus</i>				
Armenia	1994	2004	–	2005
Azerbaijan	1992	2000	2000	1993
Georgia	1993	–	–	–

* Situation as of 30 September 2008

Source: APPLIS database, (ILO, Geneva) see <http://webfusion.ilo.org/public/db/standards/normes/app1/index.cfm?lang=EN>

The Employment Policy Convention, 1964 (No. 122) has been ratified by all the countries except one.⁴⁷ The two priority Conventions on labour inspection are less widely ratified. Four countries have yet to ratify the Labour Inspection Convention, 1947 (No. 81), and the Labour Inspection (Agriculture) Convention, 1969 (No. 129) is ratified by only two countries. The type of labour inspection inherited from the Soviet times, and the role it assigned to trade unions in labour law enforcement, may be perceived as an obstacle to ratification. The Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), is ratified by only five of the ten countries.

(2) Reporting

An important indicator of the effectiveness of ratification is whether countries submit reports on the application of ratified conventions on time and in full. By ratifying a Convention, an ILO Member State makes a commitment not only to apply it in law and practice, but also to report to the ILO at regular intervals on this application.⁴⁸ For the ILO supervisory machinery to function properly, it is essential that these reports are complete, timely, and include replies to any comments made by the Committee of Experts on the Application of Conventions and Recommendations.

Many Governments in this region encounter serious difficulties in discharging their reporting obligations: reporting is non-existent in some countries, insufficient or erratic in others. A rough indicator of the situation is a ratio of reports received to those requested, with a ratio equal to one being the perfect score and zero indicating no reporting at all. As shown below, the ratio for Belarus is consistently equal to one and for Turkmenistan, to zero. In most other countries, the pattern is erratic: during 2004–08, the percentage of received reports moved up and down, varying from 35 to 60 percent.

Table 34. Reports on ratified Conventions (received/requested), 2004-2008

	2004	2005	2006	2007	2008
<i>Eastern Europe</i>					
Belarus	14/14	11/11	14/14	17/17	8/8
Russian Federation	12/13	14/15	18/21	11/15	24/24
<i>Central Asia</i>					
Kazakhstan	11/11	4/13	15/15	15/16	9/12
Kyrgyzstan	0/43	4/43	6/45	5/45	7/47
Tajikistan	0/36	0/38	40/40	0/8	0/20
Turkmenistan	0/6	0/6	0/6	0/6	0/6
Uzbekistan	0/11	11/11	0/2	0/6	6/6
<i>Caucasus</i>					
Armenia	0/7	0/7	0/9	7/14	18/22
Azerbaijan	21/26	0/24	29/34	19/19	11/11
Georgia	0/10	3/14	13/14	5/6	5/16
Percentage of requested reports that were received	41	35	58	41	60

Source: Reports of the ILO Committee of Experts, as updated by the Reports of the Conference Committee on Application of Standards, 2004-08

⁴⁷ Historically, this was also the only priority Convention ratified by the Soviet Union.

⁴⁸ In accordance with article 22 of the ILO Constitution.

(3) Comments by workers' and employers' organizations

Employers' and workers' organizations can contribute in several ways to the supervision process. In accordance with the ILO Constitution, governments must provide them with copies of all reports and information sent to the ILO, thus making it possible for them to comment on or supplement these.⁴⁹ Where Convention No. 144 on tripartite consultations is ratified, these organizations must not only be informed, but also consulted beforehand on the content of the reports. Whether or not they have been consulted, employers' and workers' organizations may provide direct comments at any time. Both the Committee of Experts and the Conference Committee on Application of Standards have emphasized the value of such comments. However, in this region, the short list of comments either sent directly or transmitted by governments shows that few worker or employer organizations make use of this opportunity (Table 35).

Table 35. Observations from national employers' and workers' organizations on the application of ratified ILO Conventions, 2004-2008

	2004	2005	2006	2007	2008
<i>Eastern Europe</i>					
Russian Federation	–	–	–	W (95)	–
Belarus	W (87, 98)	W (87, 98, 144)	–	–	–
<i>Central Asia</i>					
Kazakhstan	–	–	–	–	–
Kyrgyzstan	–	–	–	–	–
Tajikistan	–	–	–	–	–
Turkmenistan	–	–	–	–	–
Uzbekistan	–	–	–	–	–
<i>Caucasus</i>					
Armenia	–	–	–	–	E(131), W(131)
Azerbaijan	–	–	–	–	–
Georgia	–	W (88, 181)	–	W(29, 105, 138, 182)	–

Source: Reports of the Committee of Experts, 2004-08

(4) Comments by the ILO Committee of Experts

Reporting would be futile if it did not result in an improved application of ratified Conventions. A measure of that improvement is given by the Committee of

Experts, which publishes each year a list of cases of progress. The Committee may express its satisfaction – where action was taken to achieve fuller compliance – or its interest – for indications that progress can be expected in the near future through continued dialogue with the government and social partners. Two regional examples illustrate these practices. In its 2008 report, the Committee of Experts noted with satisfaction, in the context of the application by Armenia of the Right to Organize and Collective Bargaining Convention, 1949 (No. 98), the adoption of provisions ensuring protection of workers against acts of anti-union discrimination. In its comments on the application by the Russian Federation of the Protection of Wages Convention, 1949 (No. 95), the Committee expressed its interest in the drafting of a Bill on the protection of wages in case of insolvency of the employer.

Table 36 shows an increase in the number of ratified Conventions where progress was noted by the Committee of Experts, from 6 in 2004 to 11 in 2008.

To sum up, the high rate of regional ratification of fundamental conventions does not extend to other priority conventions. The Committee of Experts has taken increasing note of progress in the compliance with key conventions in recent years. Yet across the region, there are serious shortcomings in reporting, and workers and employers make little use of their right to comment on their governments' compliance. Thus, there is still much progress ahead in making ratified conventions genuine social norms in the countries.

Table 36. Cases of progress in the application of ratified ILO Conventions, 2004-08*

	2004	2005	2006	2007	2008
<i>Eastern Europe</i>					
Russian Federation	138	87	52, 105, 138	115, 160	81, 95, 111, 138, 156
Belarus	52, 103, 138	111	155	77, 87, 182	81, 87, 98
<i>Caucasus</i>					
Armenia	–	–	–	–	98
Azerbaijan	103	148	111	160	29
Georgia	–	–	–	–	–
<i>Central Asia</i>					
Kazakhstan	98	81, 138	–	182	81
Kyrgyzstan	–	–	100	81	–
Tajikistan	–	–	–	–	–
Turkmenistan	–	–	–	–	–
Uzbekistan	–	–	–	–	–

* Mention in bold italics denotes an observation of satisfaction

Source: Reports of the ILO Committee of Experts (2004-2008)

⁴⁹ Article 23 (2) of the Constitution.

B. Labour Legislation – How Flexible?

Beyond the Fundamental and Priority Conventions, ILO Conventions provide governments with guidance in many other areas of labour law, including wages, vocational training, occupational safety, and social security. In recent years, the impact of such rules on job creation has become an important and controversial issue. Expert views are divided as to the effect of strict laws protecting workers on the growth of employment. On the one side, it is argued that many labour markets are "over-regulated" and that this has an adverse effect on the creation of new positions. Unemployment could be reduced, so this argument goes, by allowing employers to hire and fire workers with fewer restrictions. The counter argument is that labour regulation not only protects workers but also has positive economic effects. Work by the ILO and others has shown that workplace regulation can boost productivity in several ways.⁵⁰ Weighing the costs against benefits, they claim, it is not always the case that less stringent labour market regulation produces more jobs.

A 2005 consultation with ILO's European constituents revealed that there is no consensus for a deregulated approach.⁵¹ Instead, they favoured a position giving more credit to the role of European labour market institutions, while not entirely dismissing the positive effects of some additional elements of labour market flexibility on employment and unemployment. This position gave a major boost to the ILO's so-called flexicurity approach.

The rationale of this approach is that enterprises face growing competition as a result of globalization, and they need to adapt quickly to rapidly changing markets. At the same time, workers need a certain level of job and income security. To meet both requirements, the flexicurity approach advocates a policy of flexibility and security for enterprises and for workers. Such a policy emphasizes training opportunities to improve employability, job search assistance, income support and social protection. Critical elements in balancing flexibility with security are tripartite social dialogue in the framework of broader national macroeconomic strategies, collective bargaining and respect of labour legislation.

Considering the labour reforms which our countries have adopted in recent years, can it be said that they have moved closer to the flexicurity approach?⁵² Providing an answer requires a detailed analysis which goes well beyond the scope of this report, but it is possible to make a few general statements about the degree of labour market regulation.

First, labour legislation is already at a fairly low level by international standards. The World Bank has attempted to rank all countries by their level of labour market regulation, and if we accept these data it appears that the CIS countries tend to have fewer regulations than the majority of countries.⁵³ Seven out of the ten countries which are ranked were above the median level on labour market flexibility, with Georgia and Kazakhstan among the 25 countries with the lowest level of labour market regulation.

Second, there is evidence of an ongoing effort to deregulate labour markets. Since 2004, 35 countries worldwide have reduced the level of regulation, and 15 of them are in Eastern Europe and Central Asia.

Third, unlike Central and Western Europe where the relationship between employment creation and labour market regulation has been studied extensively, there have not been any studies, empirical or conceptual, on the linkage in Eastern Europe and Central Asia.⁵⁴

Fourth, the governments' capacity to enforce labour legislation is generally weak across the region, as evidenced by the existence of widespread informal employment. Thus, it is possible that weak enforcement of laws, rather than the degree of stringency of the laws themselves, is a significant explanatory factor.⁵⁵

C. Worker-Employer Relations

Given the growth that is now occurring in most economies in the region, we may ask whether it is being accompanied by institutional development that gives workers a voice in shaping the issues that affect their lives. A crucial question in this regard concerns the development of autonomous and independent trade unions and employer organizations, and the fostering of a meaningful dialogue between these organizations and with government.

Here experience across the region is uneven. In some cases, progress has been made in establishing more representative organizations of workers and employers, as well as in their involvement with governments in social dialogue on economic and social issues. However, most countries are still only beginning a process of transforming their labour administration systems into ones with independent social partners and an effective dialogue. Though the structures for social dialogue are

⁵⁰ Cazes & Nesperova (2007).

⁵¹ This was held during the seventh European Regional Meeting of the ILO in Budapest, February 2005.

⁵² The relationship between employment creation and labour market regulation in the Russian Federation was examined earlier by the ILO (Cazes & Nesperova (2003)).

⁵³ World Bank (2008).

⁵⁴ World Bank (2005), p. 22.

⁵⁵ Rutkowski, Scarpetta, & Banerji (2005).

mostly in place, these institutions do not yet function effectively.

This should naturally be seen in a larger context. These countries have been independent for less than two decades, and they are still in the process of transforming their political systems into ones based on principles of voice and accountability.⁵⁶ Table 37 provides a measure of this, showing the degree to which the countries' citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.⁵⁷ As shown, progress was made during the 1998–2007 period in several countries, but there was backsliding in others. The level is well below that in Russia in six countries (the exceptions being Armenia, Georgia, and Kyrgyzstan) and, in all, well below the level of the Central European and Baltic countries.

Table 37. Voice and accountability by percentile rank*, by country, 1998–2007

Country	1998	2003	2006	2007
<i>Eastern Europe</i>				
Russian Federation	32	33	24	20
Belarus	24	11	4	4
<i>Central Asia</i>				
Kazakhstan	28	20	20	18
Kyrgyzstan	29	19	28	28
Tajikistan	4	12	11	11
Turkmenistan	4	1	1	1
Uzbekistan	6	3	2	3
<i>Caucasus</i>				
Armenia	33	32	27	30
Azerbaijan	19	23	15	15
Georgia	37	35	45	42
<i>Central Europe And the Baltics</i>				
	61	66	65	64

* Measures the extent to which citizens can select their government, as well as freedom of expression, freedom of association, and an independent media. The percentile rank indicates rank of country among all countries of the world. Zero corresponds to the lowest rank and 100 to the highest rank.

Source: World Bank (2007): *Governance Matters 2007* (World Bank, Washington DC), see also <http://info.worldbank.org/governance/wgi2007/home.htm>

⁵⁶ Krumm (2007).

⁵⁷ Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, 2007. *Governance matters VI: Governance indicators for 1996-2006* (Washington DC), see http://papers.ssrn.com/sol3/papers.cfm?abstract_id=999979.

⁵⁸ Visser, Jelle, 2006, see : <http://www.bls.gov/opub/mlr/2006/01/art3full.pdf>

⁵⁹ On the financial side, unions are still impeded by decisions made by the Soviet trade unions in their final days, namely, to collect and retain the far largest portion of member dues at the local/enterprise level. This deprives the leadership of resources needed to be active on national issues, as well as making them dependent on non-membership related incomes.

⁶⁰ This leads them to concentrate on issues that are currently popular with the donor community, i.e., child labour, migration, and HIV-AIDS.

Table 38 gives the number of trade union members by country. It shows that, even with significantly reduced membership during the transition period, the average level of trade union affiliation is high by international standards – higher, in fact, than in the EU14.⁵⁸ With the exception of Belarus and Georgia, one quarter to two thirds of the labour force is organized. In Belarus, the percentage of organized workers is a high of 91.6 percent, largely because this is a de facto obligation to belong to a trade union in state-owned and in most large private companies. By contrast, trade union membership in Georgia is a low 12.6 percent.

Still, on average less than half the work force is organized; and the unions' capacity to attract new workers is limited. This is due in part to their narrow role in the new social orders in these countries, as well as to complicated registration procedures and limitations on the right to strike in some countries. Today trade union membership tends to be concentrated in large enterprises, while workers in small and medium sized enterprises are almost entirely un-unionized, as are the region's large informal economies.

Most existing major trade unions are a continuation of the Soviet model, with leaders who were officials of their unions during Soviet times. While the legal frameworks in the countries now allow freedom of association, various obstacles still limit the creation of new trade unions. There is a need for reforms that make management more directly accountable to members.⁵⁹

As the State was the sole employer prior in Soviet times, employer associations are a relatively recent phenomenon in the region. All countries now have some form of a national employers' organization (EO), but many of these are small organizations, still in the process of developing their institutional bases (Table 39). In contrast with EOs in Western Europe, which tended to develop as counterparts for trade unions, most of these new EOs were created to promote members' commercial interests. Thus, they specialize in lobbying but have weak organizational structures and limited reach to the regional or local levels of the country. Donor funds and projects provide a financial lifeline for many EOs.⁶⁰

Moreover, these new EOs must often compete with larger and better financed Chambers of Commerce and Industry (CCIs), parastatal organizations with close affiliation with the Governments and mandatory membership. A few of these CCIs engage in collective

Table 38. Trade union membership, by country, 2006-2007

Countries	Economically Active Population (000's)	Trade Union Members ('000s)	% EAP Unionized	Number of Firms with Collective Agreements
<i>Eastern Europe</i>				
Russian Federation	73,800	34,037	46.1	180,000 (approx.)
Belarus	4,400	4,031	91.6	20,432
<i>Central Asia</i>				
Kazakhstan	8,100	2,345	28.9	67,698
Kyrgyzstan	2,116	969	45.7	7,158
Tajikistan	2,055	800	38.9	4,537
Turkmenistan	2,017	1,300	64.5	
Uzbekistan	10,380	6,300	60.7	157,919
<i>Caucasus</i>				
Armenia	1,201	299	24.9	2,270
Azerbaijan	3,906	1,200	30.7	11,821
Georgia	1,960	248	12.6	301
EU (14)	–	–	24	–

Source : Regional figures compiled by ACTRAV, Moscow. The EU 14 data from Visser, Jelle (2006), see: <http://www.bls.gov/opub/mlr/2006/01/art3full.pdf>

Table 39. Employers' organizations in Eastern Europe and Central Asia

Country	Employers' organizations or other business associations representing employers	Date of establishment
<i>Eastern Europe</i>		
Russian Federation	Russian Union of Industrialists and Entrepreneurs (RUIE)	1991
Belarus	The union of non commercial organizations' confederation of industrialists and entrepreneurs (employers) –CIE(E)	1993
	Business union of entrepreneurs and employers named after professor M.S. Kunyavski (BSPN)	1990
<i>Central Asia</i>		
Kazakhstan	Confederation of Employers of the Republic of Kazakhstan (KRRK)	1999
	National Economic Chamber "Atameken" (initially created as National Union of Employers and Entrepreneurs)	2005
Kyrgyzstan	The National Confederation of Employers of the Kyrgyz Republic (NCEKR)	2002
Tajikistan	Union of Employers of the Republic of Tajikistan	2006
	National Association of Small and Medium Businesses of Tajikistan	1993
Turkmenistan	Union of Entrepreneurs of Turkmenistan (liquidated in May 2008)	1993
Uzbekistan	Chamber of Commerce and Industry	2004
	Business Women's Association	1991
<i>Caucasus</i>		
Armenia	Republican Union of Employers of Armenia	1996
Azerbaijan	National Confederation of Entrepreneurs' (Employers') Organizations of Azerbaijan Republic (ASK)	1999
Georgia	Georgian Employers' Association	2000

Source: ILO Moscow and ACTEMP, ILO Geneva

bargaining and serve as the counterparts for governments and trade unions in tripartite social dialogue.

Thus, the key challenges for region's new employer organizations are two-fold: first, to develop services that will increase their value to the members and enable them to attract new ones, thereby strengthening their institutional base and financial independence; and second, to develop higher levels of expertise on labour and social issues, so as to become more effective counterparts for governments and trade unions in social dialogue to shape national policies.

In terms of collective bargaining, all the countries except one have ratified the ILO conventions prohibiting forced labour and protecting the right to organization (Conventions Nos. 87 and 98), as shown in Table 32. In addition, half of them have also ratified the Collective Bargaining Convention, 1981 (No. 154). The new labour codes adopted across the region contain provisions on collective agreements and procedures for collective bargaining, as well as for the settlement of collective labour disputes.⁶¹ The most recently amended codes also include specific chapters on the principles and institutions of social partnership. However, the ILO supervisory bodies have identified persistent and undue restrictions in some countries on freedom of association and the right to collective bargaining – in particular, restrictions on the right to strike, on the right of the organizations to determine their activities and programmes, and on their right to affiliate to international organizations and receive assistance from them.

The success of social dialogue also depends on the capacity of the social partners to meaningfully engage in it. In that respect, both trade unions and employers' organizations continue to face multiple challenges linked to the transition to market economy, as described above. The structure of social dialogue in this region bears resemblance to the typical European multi-layer system. In most countries, "general tripartite agreements" are concluded at the national level,⁶² in some cases as a result of the work of a permanent tripartite national body.⁶³ They address issues such as employment policy, minimum wages, occupational safety and health, and social security, but in the form of political commitments rather than legal obligations. In addition, the role of the governments is often different than in other parts of Europe. Instead of promoting collective bargaining with legal and institutional tools, as envisaged in Convention No.154 or Recommendations Nos. 91 and 163, they tend to be directly involved in negotiations. This poses a risk of limiting the autonomy of the parties.

At the regional, local or sectoral levels, many countries have no agreements due to the absence or weakness of industrial level representative organizations of social partners, mostly employers. Most of the agreements that do exist include the government as the third signatory partner, and few countries have the practice of concluding bipartite sectoral agreements. Enterprise level bargaining exists mainly in larger – formerly state-owned – enterprises, while in the new private sectors, and especially in smaller enterprises, collective bargaining is underdeveloped or non-existent. The scope of bargaining is also seriously reduced by the large informal economies in all the countries.

⁶¹ In one case, however, the Committee of Experts on the Application of Conventions and Recommendations found that, since the new Labour Code repealed the laws on collective bargaining and on collective labour disputes without including relevant provisions in the new code, the new legislation left "numerous components of freedom of association not sufficiently protected in law" and did not promote collective bargaining.

⁶² For example, five general agreements were signed at the national level from 1997 to 2007.

⁶³ National tripartite bodies exist in Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation.

CONCLUSIONS

The preceding pages show that the early years of the post-Soviet transition were traumatic. The loss of GDP and increases in poverty were huge, and inequality rose sharply. There was a period of tacit stabilization during 1996-97, but the economic crisis of 1998 interrupted this process. Real wages and incomes dropped sharply while unemployment climbed again. The turn of century brought more stability, and today more than half the countries have surpassed their pre-transition GDP levels, some by significant margins.

The analysis also showed that the impact of the transition was not uniform. Greater losses were incurred by those countries in which transition was accompanied by civil strife or military conflict. In several cases, smaller initial losses were experienced by those countries that adopted fewer reforms. However, many of the second group are now experiencing problems arising from structural imbalances in their economies and deteriorating infrastructure.

Available statistics also provide strong evidence that since the turn of the century, economic growth has benefited a measurable portion of lower-income workers in most of the countries. Labour force participation and the employment/population ratio are up in a number of countries, and unemployment has declined in a majority of them. The percentage working poor has also dropped, and both average and minimum wages have risen. Social protection spending, on the other hand, has declined a percentage of total expenditures in the majority of countries reporting. This same occurred with employer contributions for social protection (as a percentage of wages).

Together these indicators suggest an uneven picture in which some countries have been considerably more successful than others, and a few have hardly made any progress. Yet even in the best cases, the benefits to workers are small compared to the economic gains.

Clearly much remains to be done to make economic growth more socially inclusive.

To this end, the ILO has been supporting governments and their social partners within the general framework its Decent Work Country Programmes (DWCPs).⁶⁴ As described previously, these agreements call for joint action aimed at achieving concrete improvements in labour and social conditions within specified periods.⁶⁵ Experience to date in these efforts points to a number of common regional challenges, some of which involve resource shortages and capacity limitations, while others involve gaining acceptance for new concepts and ideas. Among the latter, broader acceptance of two key concepts could help to pave the way for economic growth that benefits larger segments of the work force.

The first such concept is that decent work is a productive factor in economic growth. This has come under challenge by neoliberal economic theory, which holds that a country's quickest path to growth involves minimizing worker protections – i.e., giving enterprises broad latitude in hiring and firing, allowing market forces to determine wage levels, and cutting the employer payroll charges that finance social protection.⁶⁶ However, there is a growing body of evidence to the contrary. For example, the ILO has shown that social protection can make life-time careers safer and therefore encourage beneficial risk-taking.⁶⁷ Child benefits can contribute to the development of human capital, and universal pension coverage can encourage labour mobility. Moreover, recent studies of investment behavior show that entrepreneurs generally prefer geographic locations with good public services and labour markets that are regulated, thus creating a level economic playing field for economic competition.⁶⁸ The European Commission has weighed in on this issue, recognizing the role of decent work as a driver of economic growth and making it part of all its Neighborhood Agreements.

⁶⁴ Now in effect in five countries – Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, and Tajikistan.

⁶⁵ As noted previously, the DWCPs focus on realization of the ILO Fundamental Principles and Rights in the countries – freedom of association, collective bargaining, non-discrimination in employment, and eliminating child labour – as well as on promoting entrepreneurship and small business, making work safer, strengthening social security, modernizing wage determination systems, protecting the rights of migrant workers, and building stronger trade unions and employer associations.

⁶⁶ This perspective has had significant influence on economic reforms in some countries of the region. The Georgian government has gone furthest in following this policy prescription, with a labor code that eliminated labour inspection and placed restrictions on collective bargaining.

⁶⁷ This is the flexicurity concept, see Cazes & Nesperova (2007).

⁶⁸ Namely, effective government regulation can protect enterprises from the need to pay bribes to do business, and good governance can help to ensure that public services that facilitate doing business are in place.

The recognition that decent work contributes to inclusive growth implies a need for greater investment in education and training, for improving safety at the work place, for establishing a minimum social benefit package for all workers, and for creating more enabling environments for individual entrepreneurs and small businesses, so that people with innovative ideas can put them to economic use.

The second idea whose acceptance could fuel more inclusive growth has to do with social dialogue. It is that, through open dialogue with workers and employers, governments can formulate reforms that are well suited to national environments, stable, and enduring – *if* certain prerequisites for social dialogue are in place. The first prerequisite is that workers and employers must have freedom to organize themselves and to join, or not join, any organization. Such freedom helps to promote the development of organizations that are strong, independent, and representative. Second, all parties must have political will to resolve issues collectively and to support the results of such negotiations in practice. Third, the parties must have technical expertise in labour and social issues.

As shown, the legal structures for social dialogue are largely in place in the region: most of the relevant conventions have been ratified, and most national laws have been drafted to comply with them. In practice, however, the basic prerequisites for success are yet to be fulfilled. Achieving them constitutes a major challenge for the regional economic development agenda, and progress can be expected to take time. Such efforts are strongly justified by the large potential pay-offs for workers, families, and economies at large. The ILO Conventions provide a useful guide.

APPENDIX

The ILO methodology for estimating workplace accidents

The ILO has made global estimates of *work-related deaths caused by diseases* using attributable fractions for work-related mortality due to specific disease categories and injuries. Calculations were made using two methods: one used the attributable fractions for different age structures and the second those for different sexes separately. An attributable fraction can be defined as “the fraction of a disease [or injury] which would not have occurred had the factor been nonexistent in the population in question”.⁶⁹ These attributable fractions or percentage figures for different disease categories are based on data about existing exposures to known factors of work-related diseases and their proven impact on exposure – outcome relationship and morbidity to these diseases, in particular, in industrialized countries.

Such studies have been carried out only to a limited extent, if at all, in developing countries. However, the exposure/disease relationship is expected to be largely consistent with that in industrialized countries, although a few exceptions may exist (see ILO Introductory Report to the World Congress in Vienna in 2002⁷⁰).

The number of *fatal occupational accidents* was estimated firstly using reported frequency rates of fatal accidents (fatal accidents/100 000 workers) obtained from ILO member States that report their accident data most reliably, in three economic sectors:

1. agriculture/fishing/forestry
2. manufacturing industries and construction
3. service industries

These rates were complemented by country data when available and then applied to the total employment figures obtaining the fatality figures by the three economic sectors and by country⁷¹.

Non-fatal occupational accidents were estimated using the reasonably stable ratio of fatal accidents to non-fatal accidents that cause an absence of 3 days or more. This

accident pyramid ratio is roughly 1/1000, or every thousandth accident leads to a fatality when high quality and reliable recording and notification systems are used. Three different estimates were used.

1. the highest estimate was based on the average reporting rates of Finland, France, Germany and Luxembourg,
2. the lowest estimate was 50% of the above
3. the average estimate, shown in the tables above, was 75 % of the country rates between fatal and non-fatal accidents.

Reported and estimated numbers are shown next to each other. Major factors influencing the work-related death figures were listed in the Introductory Report to the World Congress in 2002.

⁶⁹Nurminen M., Karjalainen A.: Epidemiologic estimate of the proportion of fatalities related to occupational factors in Finland. Scand J, Work Environment Health 2001; 27(3):161-213.

⁷⁰ www.ilo.org/public/english/protection/safework/wdcongrs/ilo_rep.pdf - ibid.

⁷¹ Hamalainen P., Takala J., Saarela K: Global Estimate of Occupational Accidents, *Safety Science* (2005).

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