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What future for Decent Work in Europe and Central Asia

Opportunities and Challenges



What future for decent work in Europe and Central Asia: Opportunities and challenges

Tenth European Regional Meeting
Istanbul, 2–5 October 2017

Report of the Director-General

INTERNATIONAL LABOUR OFFICE

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Preface

The world of work is evolving rapidly, driven by factors such as demographic change, globalization, technological progress and climate change. People in Europe and Central Asia are deeply concerned by such megatrends that affect their daily working lives. Over the past centuries, the region has been at the heart of industrial revolutions and has produced social patterns that have inspired nations across the world. However, there is a general concern that former economic and social models may no longer work and that, if so, new responses will be needed.

This Tenth European Regional Meeting provides a timely opportunity to look back to the Oslo Declaration adopted at our last Meeting four years ago, which called for the creation of positive pathways to overcome the negative economic, social and political consequences of the crisis and restore trust. Since then, the pace of growth in the region has remained below expectations, and the aftermath of the 2008 financial crisis is still very much on the agenda.

Although national and subregional contexts may vary among the region's 51 countries, they share such characteristics as growing insecurities and inequalities. New jobs have been created, but often of a lower quality in terms of social protection, workers' representation and the ability to provide for people's livelihoods, further contributing to raising inequalities. Moreover, international tensions have increased over recent years, triggering a large influx of refugees from war-torn countries into the region. At the same time, and despite persisting low oil prices, Eastern Europe and Central Asia are going through some very dynamic developments, including through the Eurasian Economic Union.

The cumulative impact of recent developments has been a highly uncertain and volatile political environment, as evidenced by a number of elections and referendums across the region. Yet they have also triggered serious reflections on the future of the European Union, especially on reinforcing its social dimension. Such changes represent both opportunities and challenges for decent work in Europe and Central Asia. Decent work is a central tenet of the 2030 Agenda for Sustainable Development and the region needs to identify pathways to provide socially, economically and environmentally sustainable solutions for the future, as outlined in the 2030 Agenda and the Paris Agreement on climate change.

In 2013, I proposed the Future of Work Centenary Initiative as one of seven ILO initiatives leading up to its centenary in 2019. The great majority of European and Central Asian countries have contributed actively to the Initiative and held substantive national and regional dialogues. This Meeting needs to add to that process and enable the perspectives of the region to be taken fully into account as the ILO prepares to enter its second century.

I therefore hope that this Report, focused on the future of work in the region, can serve as a platform for the Meeting to engage in effective discussions and advance our joint efforts to create the future of work that we all want.

Guy Ryder

Contents

	<i>Page</i>
Preface	v
Acronyms	ix
Part I. What future for decent work in Europe and Central Asia: Opportunities and challenges	1
Chapter 1. Labour market trends across Europe and Central Asia	1
Sluggish economic growth and increasing challenges	1
The challenge of jobs and decent work	4
Standards and rights at work	11
Social protection and occupational safety and health (OSH)	13
Social dialogue	15
Responding to the challenges	18
Chapter 2. A wide range of policy responses.....	21
Changing macroeconomic policy responses.....	21
Employment policies: Between active measures and flexibility	23
Social protection and income policies	28
The changing context of labour market governance and social dialogue.....	32
Moving forward on the policy challenges	36
Chapter 3. Preparing the future of work.....	37
Work and society	37
Decent jobs for all	38
The organization of work and production	42
The governance of work.....	45
Looking ahead	48
Part II. From Oslo to Istanbul: Achievements 2013–17	51
Introduction.....	51
ILO structure in Europe and Central Asia	51

I. Employment.....	52
Employment promotion and youth	54
Skills development and labour migration.....	55
Enabling environment for sustainable enterprises (EASE).....	56
Supporting the creation of green jobs.....	57
II. Social protection.....	58
Developing and enhancing national social protection systems, including SPFs.....	58
Strengthening occupational safety and health	59
Fostering sustainable wage policies	60
Supporting the transition from the informal to the formal economy	60
III. Social dialogue	61
Strengthening labour law, social dialogue and collective bargaining	62
Labour inspection services	64
Direct support to constituents.....	65
IV. International labour standards.....	66
Fundamental principles and rights at work and the promotion of international labour standards	66
Eradicating forced and child labour.....	67
Decent work for domestic workers and non-discrimination.....	68
V. Partnerships	69
International advocacy.....	69
Partnerships with bilateral, multilateral and private development partners.....	70
VI. Lessons learned/evaluations	71

Acronyms

ALMP	active labour market policy
CEACR	Committee of Experts on the Application of Conventions and Recommendations
CEE	Central and Eastern Europe
CEELex	Central and Eastern European Labour Legislation database
CIS	Commonwealth of Independent States
CIS+	Commonwealth of Independent States plus Georgia
CSEE	Central, South-Eastern and Eastern Europe
DWCP	Decent Work Country Programme
EC	European Commission
ECB	European Central Bank
EECA	Eastern Europe and Central Asia
EESE	enabling environment for sustainable enterprises
EU	European Union
EU15	European Union of 15 Member States
EU28	European Union of 28 Member States
GDP	gross domestic product
ILO	International Labour Organization/Office
IMF	International Monetary Fund
MSME	micro-, small and medium-sized enterprise
OECD	Organisation for Economic Co-operation and Development
OSH	occupational safety and health
SDG	Sustainable Development Goal
SME	small and medium-sized enterprise
SPF	social protection floor

UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
VET	vocational education and training
WFP	World Food Programme

Part I. What future for decent work in Europe and Central Asia: Opportunities and challenges

Chapter 1. Labour market trends across Europe and Central Asia

1. Four years after our last European Regional Meeting, held in Oslo in 2013, and eight years since the 2008–09 financial crisis, the recovery in employment and economic output is only gradually taking hold across the 51 countries of the region.

2. Recovery is still being held back by rising levels of inequality and uncertainty about the future.¹ There are concerns about the ability of member States in the region to create the conditions that will enable enterprises to generate a sufficient number of decent jobs, improve the quality of employment and ensure that the gains of economic growth are shared in a fair and inclusive manner.²

3. The policy agenda agreed by the ILO’s tripartite constituents in Oslo remains as relevant today as it was in 2013. It focuses on finding sustainable solutions, including fiscal consolidation and structural reform, while investing in jobs and the real economy. But the global context is now marked, not only by continued weak and uncertain economic growth, but also by tensions at the national and international levels.

4. It is against this background that the present Report outlines the challenges to the achievement of decent work in Europe and Central Asia. In so doing, it traces potential pathways for a prosperous and inclusive future with decent jobs for all.

Sluggish economic growth and increasing challenges

5. Across the region, member States have experienced the crisis and the growing levels of uncertainty very differently. A small number of countries went through the crisis relatively unscathed, due to the nature of their economies or particular economic model. Others implemented policies that helped to mitigate the full impact of the crisis on their real economies and labour markets, by actively using fiscal stimuli and/or labour market policies to adjust to the unfolding crisis.

6. Economic growth forecasts across the region remain largely sluggish, with some encouraging signs of strong growth in some member States, and disappointing indicators of

¹ See, for example, E. Stockhammer: “Rising inequality as a cause of the present crisis”, in *Cambridge Journal of Economics* (39(3), 2013), pp. 935–958; and Organisation for Economic Co-operation and Development (OECD): *In it together: Why less inequality benefits all* (Paris, 2015).

² ILO: *World Economic and Social Outlook: Trends 2017* (Geneva, 2017).

slow or negative growth in others. In the European Union of 28 Member States (EU28), growth is expected to reach an annual average of 1.8 per cent in 2016–18, a slight increase from 1.6 per cent between 2012 and 2015. For the eurozone area, the annual growth rate is expected to be 1.7 per cent, compared with 0.5 per cent in 2012–15.³ Economic growth in the Russian Federation slowed markedly in 2012–15, to an average of 0.4 per cent, due to the sharp fall in oil prices and the effects of economic sanctions. The Russian Federation entered a recession of -3.7 per cent in 2015 and -0.6 per cent in 2016, but has since returned to growth. Gross domestic product (GDP) is now expected to rise by 1.5 per cent in 2017 and 1.7 per cent in 2018. In Turkey, economic growth is forecast to continue at 3.0 per cent annually in the near future, as it has since 2012, although uncertainties have arisen due to political challenges since 2016. In the Western Balkans and Central Asia, the forecast is for economic output to grow at an average rate of 3.2 and 4.9 per cent, respectively, in 2016–18.⁴

7. The enduring effects of the crisis, and the concentration of employment growth in larger urban centres and among the better skilled (leading to rising inequality and working poverty), have generated feelings of insecurity, anxiety and frustration. These, in turn, have added to a highly uncertain and volatile political environment, as evidenced by the results of a number of elections and referendums across the region.

8. The outlook for economic growth in the short term will depend on various factors, including the level of aggregate demand. But in the medium term, slow and negative demographic growth and poor productivity performance will start to weigh on the economy throughout the region.

9. Demographic challenges in the region are mounting, as population growth slows to less than half of 1 per cent, while life expectancy increases. The combination of these trends is placing increased strain on the sustainability of social protection systems. The working population (15–64 years) across the region (east and west) has started to decline, and this trend will accelerate in the coming decades. However, population growth is expected to continue at a sustained level in Turkey and some countries of the Commonwealth of Independent States (CIS).

10. Part of the demographic decline may be offset by labour migration. But migration patterns in the region have become highly complex. Migration flows are now increasingly multidirectional and more difficult to monitor. In addition, some countries are acting as transit points for larger refugee flows. For example, new transit and migration routes for refugees have emerged through the Balkans, in addition to the long-standing routes in the Mediterranean. Between 2000 and 2015, the share of international migrants in the total population rose by 4 percentage points or more in 11 higher-income Western European countries, but there was no increase in lower-income Eastern and Central European countries. The proportion of migrants in the total population is 10 per cent or more in 17 of

³ European Commission (EC): *European Economic Forecast: Winter 2017*, Institutional Paper 048, Feb. 2017.

⁴ IMF: *World Economic Outlook Update: A shifting global economic landscape* (Washington, DC, 2017).

the European Union (EU) Member States.⁵ Turkey is host to the largest refugee population in the region, numbering over 3 million in May 2017.⁶ Germany and the Russian Federation are hosting the largest number of international migrants (12 million each in 2015), followed by France and the United Kingdom (8 million each), and Italy and Spain (5.8 million each).⁷ The countries of origin of these migrants differ from one host country to another, and largely reflect historical, geographical and cultural factors, as well as economic ties (such as membership of the EU, CIS and the Eurasian Economic Union). The influx of refugees in the region is creating new challenges and exacerbating existing labour and social integration issues.

11. Countries that have experienced a steeper downturn in GDP have seen a sharp increase in net outward migration. In particular, educated youth have sought opportunities abroad in reaction to the domestic labour market crisis. Some countries, especially smaller States in integrated economic zones, have also suffered from the outward migration of highly skilled labour. Conversely, there have been increases in net inward migration in Western and Northern Europe. Over one third of the nationals of Western Balkan and Baltic countries now reside abroad. Planned and well-managed migration and mobility policies are needed to achieve Sustainable Development Goal (SDG) 10.7, which calls for the facilitation of orderly, safe, regular and responsible migration and mobility of people.

12. The trend throughout the region of falling labour productivity (the amount of real GDP produced per hour of labour) will also weigh on future economic growth. Despite rapid advances in information technology, computing power and machine learning, labour productivity is trending downwards across the entire region. In contrast with 1999–2006, when labour productivity grew at annual rates of between 2 and 5 per cent, it slowed considerably in 2007–15 to 0.9 per cent in Turkey, 0.5 per cent in the EU, and turned negative in the Russian Federation in 2015.⁸ Only in Central Asia is the growth rate of labour productivity still around 3 per cent, which can be explained by catch-up effects. Low productivity growth has direct implications on future wage growth and fiscal revenue, and complicates debt reduction. Taken together, these factors will weigh on social mobility and cohesion and on the ability to reduce inequality.

13. Views diverge on the reasons for the overall fall in productivity. One likely cause is a lack of investment, which is a clear casualty of the protracted recovery. Investment as a share of GDP is significantly below pre-crisis levels in both the EU and Eastern Europe, despite the cost of capital being at a record low and profit margins having almost recovered their pre-crisis levels. Unless productivity picks up, GDP growth will remain slow. The underlying reasons for the fall in investment are likely to include depressed domestic demand, the absence of structural reforms in several countries and an uncertain outlook marked by rising tensions.

⁵ Eurostat: Foreign-born population by country of birth, Jan. 2016. The data covers all EU Member States, as well as Iceland, Liechtenstein, Norway and Switzerland, which also all have a share of foreign-born population above 10 per cent.

⁶ Turkish Directorate-General for Migration Management, May 2017.

⁷ United Nations: *International Migration Report 2015*, ST/ESA/SER.A/384 (2016).

⁸ The Conference Board: *Total Economy Database*, May 2016.

14. These tensions can be seen in the outcomes of several recent elections and referendums, and in reactions to the refugee crisis. Dissatisfied voters have been turning against institutions and standing governments. This has been accompanied by a rising polarization of societies, distrust in institutions and political parties, and a growing scepticism towards regional integration and globalization processes. Anxieties about job security, and indeed security in general, rising income inequality and other obstacles to the improvement of living standards are surely important factors in this context.

15. Another view holds that the productivity gains from recent technological advances are yet to be realized. If historical patterns are maintained, we should see the positive effects on productivity and employment growth in due course.

16. The overall rate of income catch-up and convergence between countries remains far too slow in the region. However, the gap between low-to-medium income countries in Central and Eastern Europe (CEE) and high-income EU countries has narrowed. This has been driven largely by countries at lower-income levels, broadly from Central Europe eastward, growing at significantly faster rates than countries with higher incomes. But no such convergence has been observed within the eurozone, where the crisis has led to greater divergence between the core and the periphery.

17. All of this means that the policy-making environment is particularly challenging. National and international political leadership is needed to move towards achieving the objectives of the 2030 Agenda for Sustainable Development (2030 Agenda). Going forward, the role of tripartism and social engagement will take on greater importance in ensuring that everyone's voice is heard and that the future world of work includes decent jobs and protection for all.

The challenge of jobs and decent work

Recovery in employment rates, but not in hours worked

18. Across the region, employment has started to improve slowly once again, although with subregional differences. There are even some very positive signs in certain countries, where unemployment levels are at record lows, including for young workers. Yet, while unemployment has fallen, so has labour force participation in parts of the region. This means that job growth is only part of the story.⁹

19. A gradual improvement in the employment situation has been noted in the EU. Data for the EU28 show that by mid-2016 total employment had regained its pre-crisis level with a lag of eight years. But total hours worked were still 2.4 percentage points lower than in 2008, with average hours worked (per week) lagging by 1.9 percentage points. This difference can be explained by a 3.7 million increase in the number of part-time workers in the EU since 2009, while full-time employment has fallen by 2 million jobs. On average, one in every five workers is now in part-time employment. The figures are one in three for women and one in ten for men. The share of part-time work increased most for young workers (15–24 years) and for men.

⁹ ILOSTAT: Labour force participation rate.

20. Many of those who have returned to employment have done so in suboptimal conditions. The share of involuntary part-time work in the eurozone is just under one third of total part-time employment, and has risen three times more rapidly than total part-time employment, especially in the countries most severely affected by the crisis.

21. In the meantime, in the Commonwealth of Independent States plus Georgia (CIS+) countries,¹⁰ which fared relatively well during the 2008 crisis, labour market shocks have come with a delay. Employment continued to grow, but at a slower pace, while unemployment rose in response to the difficult economic situation in 2014–15.

22. Although there have been many positive and strong advances in the region, gender gaps remain widespread in terms of labour market participation, unemployment, involuntary part-time employment and income levels. In general, women are substantially less likely than men to participate in the labour market, and when they do, they are more likely than their male counterparts to be unemployed.¹¹

23. Enterprises and the private sector have continued to play a central role in generating value added and economic growth. Enterprises and entrepreneurship have contributed to the recovery in the region and have served as important drivers of employment growth. While the crisis affected firms of all sizes, micro-, small and medium-sized enterprises (MSMEs)¹² have tended to experience the negative effects of the crisis much more severely than larger ones, although with substantial variations between countries and sectors. Key challenges faced by enterprises have included: weak aggregate demand; difficulties in accessing credit and financial services, despite low interest rates; challenges in finding workers with the right skills in a rapidly changing environment; legal and regulatory barriers to establishing businesses; and uncertainty regarding the rule of law and secure property rights in some countries.¹³ Access to finance has been a particular challenge for MSMEs, which are often dependent on bank lending for their financial needs, while larger firms can often finance their research and development and capital investment through corporate savings, which have increased significantly across the region.¹⁴ Despite these challenges, and with growing uncertainties caused by Brexit, trade disputes, the emergence of new political forces and geopolitical tensions hampering investment, there are many growth opportunities for innovative enterprises. Business opportunities are also being seized in the new and emerging market for environmentally and socially sustainable solutions, in response to the drivers of change that will be further elaborated in the third chapter of this

¹⁰ Throughout the text, for analytical purposes, the CIS+ includes all Member States of the Commonwealth of Independent States, the two associate States Turkmenistan and Ukraine, as well as Georgia, which has withdrawn from membership.

¹¹ ILO: *World Economic and Social Outlook: Trends 2017* (Geneva, 2017).

¹² MSMEs are classified by the EU as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million. See: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en.

¹³ These challenges have been confirmed by a number of national assessment reports undertaken using the enabling environment for sustainable enterprises (EASE) methodology.

¹⁴ For an overview of developments in corporate savings rates in the OECD since the 1980s, see P. Chen, L. Karabarbounis and B. Neiman: *The global rise of corporate saving*, National Bureau of Economic Research Working Paper No. 23133 (2017).

Report. Especially in sectors of the digital economy, new forms of business and new jobs have sprung up in recent years, and demographic trends and climate change will create further opportunities for growth.

Sources and types of employment

24. Many newly created jobs have similar characteristics. Most of the new jobs throughout the region are in market services (commercial activities, such as retail shopping, real estate and finance). Close to 10 million jobs were created in market services in 2010–15. The next most important sector is non-market services (publicly provided services), with close to 4 million jobs. Total employment in manufacturing remained flat, despite significant increases in Turkey and some EU countries. Agriculture continued to lose jobs in all subregions, although agricultural output has increased steadily in the Russian Federation since 2015.

25. There is now a policy trend in the Russian Federation to foster import substitution and export-oriented production in all sectors, which can partly be seen as a reaction to EU trade sanctions and lower oil and gas prices. New drivers of economic growth in the country include agriculture, food processing, domestic tourism and chemicals. But greater investment and labour mobility will be needed to accelerate these structural changes.

26. In the South Caucasus and Central Asia, the labour market is now dominated by the services sector, which accounts for over 50 per cent of total employment. Informal employment remains high as a share of non-agricultural employment in several Central Asian and some Eastern European countries.¹⁵

27. Half of total employment in the EU is in enterprises employing fewer than 50 persons. Micro-enterprises (up to nine workers) account for 93 per cent of all enterprises, 30 per cent of total employment and 21 per cent of value added. Large enterprises (250 workers or more) employ 33 per cent of the workforce and generate 43 per cent of total value added. There is therefore considerable polarization between where jobs are created – mostly in small enterprises – and where productivity is highest – mostly in large enterprises. Employment is growing faster in small enterprises, and particularly in micro-enterprises.

28. The composition of the labour force has also changed. There are more women and older workers, and fewer younger workers in employment today than before the crisis. Several forces are at work here. Declining youth employment rates can be attributed to their high unemployment rates and greater participation in education, often as an alternative to searching for a job. The rising participation rates of older workers are a consequence of the changes in the pensionable age introduced over the past decade, and the more flexible working arrangements introduced for elderly workers.

29. Wage employment remains dominant across the region, with a share of 92 per cent in the Russian Federation, and an average of 85 per cent in the EU, 73 per cent in the Western Balkans and Turkey and 60 per cent in Central Asia (2015 figures). In 2006–15, wage employment increased significantly in Turkey and Central Asia, and rose marginally in the new EU Member States.

¹⁵ ILO: *Women and men in the informal economy: A statistical picture*, second edition (Geneva, 2014).

30. In Central Asia, wage employment is now rebounding, in contrast with the informal work and poor-quality self-employment that prevailed during the transition years. Nevertheless, the levels of the latter types of work remain high in the subregion. More needs to be done to formalize parts of the labour market, in line with SDG target 8.3, which calls for a reduction of informal employment with emphasis on encouraging the formalization of MSMEs.

31. In conclusion, despite mediocre economic growth, structural change has been rapid, with significant changes in the sectoral, age and gender distribution of the workforce.

Persistent high unemployment in many countries

32. The unemployment rate in the region in early 2017 (the latest available figures when this Report was drafted) ranged from 3.9 per cent in Germany to above 25 per cent in parts of the Western Balkans.¹⁶ The total number of unemployed persons in the region is estimated to be 35.6 million.¹⁷

33. Unemployment has been falling slowly in most of the EU since 2014, and has remained stable in the Russian Federation at around 5.5 per cent. However, it has risen in most other Eastern European and Central Asian countries as a result of recent economic shocks. Although the trend seems to be slowly reversing in 2017, unemployment remains higher than pre-2014 levels. And the figures may not reflect the full reality, as unemployment rates are nominally lower in countries where unemployment benefits are low or absent altogether. Following an initial recovery after 2009, the Western Balkans have also seen an increase in unemployment since 2014. Within the EU, there is a clear north/east–south/west divide.

34. The rise in unemployment in the EU after 2008 was primarily cyclical, and can be explained by the double-dip recession and the slow recovery since 2012. But there are two additional considerations. First, as noted above, structural change has continued unabated, with some economic sectors declining (agriculture and manufacturing) and others growing (mostly market services). Second, the longer the labour market remains depressed, the more the unemployed lose skills and employability. A labour market that is depressed over a long period tends to gradually transform cyclical unemployment into longer-term structural unemployment, with a growing mismatch between labour supply and demand, rather than just a cyclical decline in demand. This is demonstrated by certain characteristics of unemployment.

35. First, unemployment rates vary significantly within countries. Of the 276 regions in the EU, just over 20 per cent had an unemployment rate of half the EU average in 2015, while the rate was double the EU average in 10 per cent of them.¹⁸ Countries with higher unemployment rates generally show greater diversity, especially between urban and rural areas. Similar diversity can be observed between the various regions of the Russian

¹⁶ Eurostat and the World Bank: Seasonally adjusted quarterly unemployment rate.

¹⁷ ILO: Trends Econometric Models, Nov. 2016.

¹⁸ Eurostat: Unemployment statistics at the regional level, see: http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics_at_regional_level.

Federation, but less so in Central Asia, where informal employment is more common than open unemployment.

36. Second, the share of youth in total unemployment fell to 20.1 per cent in early 2017, down from 25 per cent in 2008. But this is still 3 points higher than the share of youth (15–24 years) in the working-age population. Young people are therefore still disproportionately affected by unemployment.

37. Third, the long-term unemployed (one year or more) account for a large share of the total – approximately half of all unemployed in early 2016. Those out of work for two years or more account for 30 per cent of the unemployed.

38. Fourth, many of the unemployed are low skilled. Moreover, in (non-EU) Eastern Europe and Central Asia (EECA), unemployment is not uncommon among the higher skilled. Skills mismatches therefore exist throughout the region, with both under- and over-skilling. The unemployment rate among the low skilled in the EU was nearly double the overall rate. The average share of low skilled (International Standard Classification of Education (ISCED) levels 0–2)¹⁹ in total unemployed in the EU was 36.3 per cent in 2015, almost twice their share in the labour force as a whole. Some 29 per cent of all unemployed youth in 2015 had only completed basic education, and 52 per cent intermediate education.

39. Fifth, the crisis has hit migrant workers hard. The outflow of remittances from the Russian Federation dropped by 40 per cent between 2014 and 2015. In the EU, the employment rates of more recent migrants are well below those who are more established. And the unemployment rate among migrants from outside the EU was over twice the general unemployment rate.

40. The situation of young people (15–24 years) who are neither in employment, nor in education or training (NEETs) calls for particular attention. It is addressed by a specific SDG target (8.6). The share of NEETs across the region ranges from 5 per cent or fewer in the Netherlands and Norway to over 30 per cent in Albania and Armenia. In 44 countries for which data is available, the median value is 11.9 per cent. In nine countries, the figure is between 15 and 20 per cent, and it is above 21 per cent in another nine countries. There have been strong increases in Albania, Croatia, Cyprus, Greece, Italy and Romania over the period 2008–15, and a steep decrease in Turkey.²⁰

41. Underemployment is also a persistent challenge, particularly in the eurozone. Combining the unemployed with those working part time, but who are willing to work additional hours, and those who are available and willing to work, but not seeking work – “discouraged workers” – gives an estimate of the available slack in the labour market. This slack was 18 per cent of the potential EU labour force in 2016, down from a peak of 20.8 per cent in early 2013, but still substantially higher than before the crisis (14.2 per cent).²¹ For

¹⁹ UNESCO: International Standard Classification of Education (ISCED).

²⁰ The steep decrease in Turkey is largely a result of rising enrolment in education over the past decade, with young people also continuing their education longer than in the past. This phenomenon is typical in economies transitioning to the secondary and tertiary sectors, and constitutes a catch-up effect. NEET rates are nevertheless higher than the regional average in Turkey. See OECD: *Society at a glance 2016: OECD Social Indicators – A spotlight on youth* (Paris, 2016).

²¹ Eurostat: Seasonally adjusted data, population aged 15–64.

youth, this rate is substantially higher, which is largely explained by enrolment in education, but has been increasing since the beginning of the crisis.²²

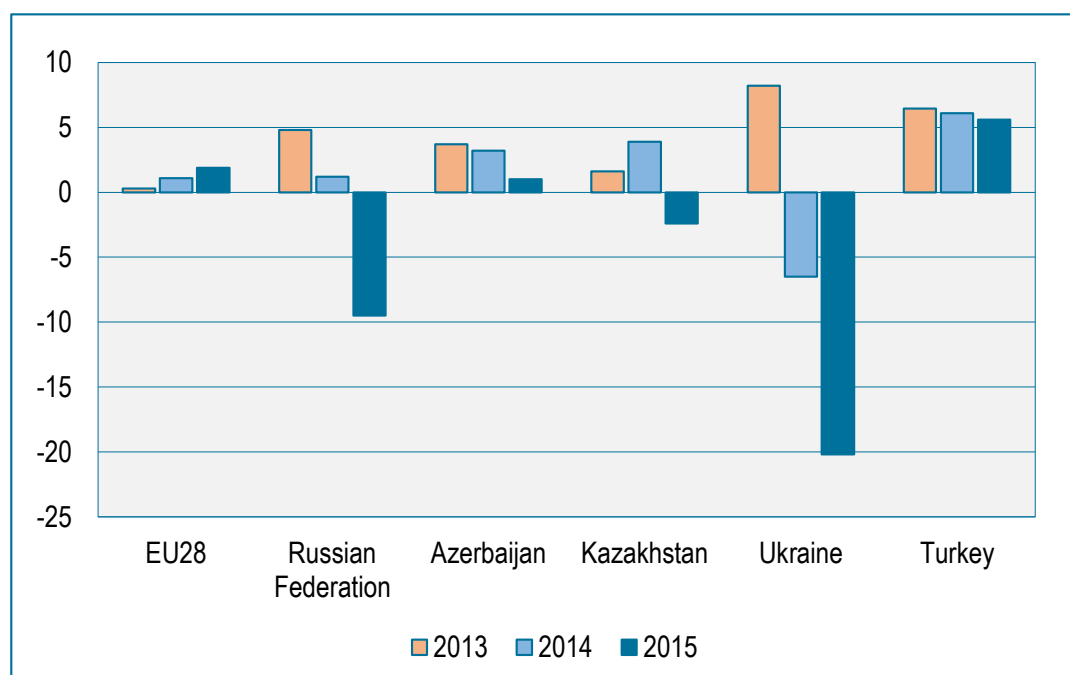
Divergent real wages across the region

42. Following several years of flat or falling real wage growth, average monthly real wages rose in 2015 by 1.9 per cent in the EU, and more strongly in Turkey. Within the eurozone, real wages grew by 2.2 per cent in Germany in 2015, but fell further in southern countries. The rise in real wages can be attributed to the modest recovery of economic growth and the low inflation rate.

43. In Greece, Hungary, Ireland, Italy, Portugal, Spain and the United Kingdom, real wages remained lower in 2015 than in 2009. In Greece, wages fell by 20 per cent, and there was also a steep fall in Ukraine in 2015. Real wages fell precipitously in the Russian Federation in 2015, before starting to grow very slowly once again in 2016 (plus 0.6 per cent).

44. In labour-exporting countries, such as Armenia, Kyrgyzstan, Tajikistan and Uzbekistan, remittances have declined in both absolute and relative terms as a result of the sharp devaluation of the rouble in 2014–15. They have recently recovered to pre-depreciation levels, but are still below the levels of 2014.

Figure 1. Real average monthly wages, per cent annual change, EU28 and selected countries



Source: ILO: *Global Wage Report 2016/17*.

²² Eurostat: *Statistics explained: People outside of the labour market* (2016).

Rising inequality of earnings and income

45. Most of the available studies show that the fruits of economic recovery, where it has occurred, have not been evenly shared, and that inclusive growth remains elusive. The trend towards rising income inequality observed over recent decades has not been reversed. The data shows that incomes at the bottom of the distribution are still well below pre-crisis levels, while high and middle incomes had recovered much of the ground lost during the crisis. SDG target 10.1 calls specifically for higher income growth for the bottom 40 per cent of the income distribution to combat rising inequality.

46. The distribution of income in the region, as measured by the Gini coefficient,²³ ranges from 24.8 in Ukraine to 44.2 in the former Yugoslav Republic of Macedonia (the lower the number the greater the income equality). This is indicative of stark differences in inequality within and between countries in the region. The proportion of low-wage-earners (earning under two-thirds of median hourly earnings) was 17.5 per cent in the EU28 in 2014. The incidence of low-wage-work was low in Nordic countries and Belgium (5–6 per cent), and significantly higher in CEE, and in Germany, Ireland and the United Kingdom (21–25 per cent).

47. Lower inequality can have a range of positive social and economic effects, including increased demand and higher growth.²⁴ Wage inequality reflects not only the characteristics of workers individually; it is also rooted in gender, enterprise size, type of contract and sector of activity. In Europe, women account for 50 to 60 per cent of all employees in the three lowest pay deciles, but only 20 per cent of the highest paid 1 per cent. The wage gap also appears to be increasing gradually, as individuals earn higher wages. Wage inequality within enterprises accounts for almost half of total wage inequality.²⁵

48. Gender equality is at the core of the SDGs. At least 24 explicit gender targets and indicators are largely aimed at achieving equality of opportunity. The most important is SDG 5, which calls for an end to all forms of discrimination against all women and girls everywhere (target 5.1), and women's full and effective participation and equal opportunities for leadership (target 5.5). Segregation by gender is commonplace and is often a symptom of underlying differences in opportunities for women and men, particularly in terms of access to different types of jobs. Addressing these gender gaps would have individual and economic benefits.²⁶

49. There is evidence that the fall in collective bargaining coverage has contributed to wage inequality. In many countries, the incomes of those covered by collective agreements rose in line with productivity, while real wages stagnated or declined for those

²³ The Gini coefficient measures the dispersion of incomes or wealth in a country, and is most commonly used to measure inequality. A value of 100 would imply that all wealth is owned by one person, and a value of 0 that every person in a country owns exactly the same amount of wealth.

²⁴ See, for example, J. Ostry, A. Berg and G. Tsangarides: *Redistribution, inequality, and growth*, IMF Staff Discussion Note (Washington, DC, 2014); and T. Piketty: *Capital in the twenty-first century*, (Belknap, 2014).

²⁵ ILO: *Global Wage Report 2016/17: Wage inequality in the workplace* (Geneva, 2016).

²⁶ ILO: *World Employment and Social Outlook: Trends 2017*, op. cit.

not covered by collective agreements.²⁷ Some of these differences are due to the predominance of collective bargaining in sectors where productivity growth may be higher. But differences are also visible within sectors if collective agreements are not extended beyond core employees. The decline of industrial manufacturing in the region has contributed to a rise in income inequality. In many countries, it has gone hand in hand with a decline in collective bargaining and its underlying principle of profit sharing between workers and employers, which remains stronger in industry than in the service sector. SDG target 9.2 seeks a solution through inclusive and sustainable industrialization, in recognition of the employment-intensive nature of industry.

Rising poverty in weak labour markets

50. A weak labour market pushes up the number of those in poverty.

51. In 15 of 27 EU countries where data exists, the incidence of relative poverty rose between 2008 and 2015. In ten countries, the increase was over 10 per cent. In six countries, relative poverty has fallen since 2008 by over 10 per cent. In 2015, it ranged between 13 per cent in the Czech Republic and 40.7 per cent in Bulgaria, with an EU median of 21.7 per cent.²⁸ In Turkey, relative poverty fell to 48 per cent in 2013, down 13 points from 2008. In the Russian Federation, the 2015 recession undermined several years of effort to reduce poverty, which is estimated to affect 13.9 per cent of the population in 2016 and 2017 (or 21 million persons).²⁹

Standards and rights at work

A high ratification rate of international labour standards, but significant challenges of application and compliance

52. The region can be proud of its achievement in ratifying the highest number of ILO Conventions. It is the only region in which all the member States have ratified all eight of the fundamental Conventions.

53. There is also a high level of ratification of the four governance Conventions (84 per cent). The Employment Policy Convention, 1964 (No. 122), has the highest number of ratifications (all but three countries), followed by the Labour Inspection Convention, 1947

²⁷ Wirtschafts- und Sozialwissenschaftliches Institut (WSI): *Europäischer Tarifbericht des WSI – 2015/16* (European collective bargaining report – 2015/16).

²⁸ Eurostat: News release: “The share of persons at risk of poverty or social exclusion in the EU back to its pre-crisis level: Contrasting trends across Member States”, 17 Oct. 2006. There is no available data for Croatia.

²⁹ Russian Federation, Ministry of Economic Development: Forecasts for 2017–19, see: <http://economy.gov.ru/minec/activity/sections/macro/prognoz/>; and World Bank: *The Russian economy inches forward: Will that suffice to turn the tide?*, Russia Economic Report, No. 36, Nov. 2016, Washington, DC.

(No. 81) (all but four countries), and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) (all but six countries).

54. A total of 65 new ratifications of fundamental, governance and technical Conventions have been registered in the region since April 2013, reflecting the strong commitment of member States. However, significant challenges of implementation and compliance remain across the region. ILO supervisory bodies have highlighted a number of trends and challenges in the application of Conventions including, for the fundamental Conventions.

55. *Freedom of association:* ILO supervisory bodies have noted significant restrictions on the full exercise of freedom of association, ranging from serious obstacles to the absence of independent workers' or employers' organizations. But there has also been progress, with the establishment of tripartite social dialogue institutions in Eastern Europe and the Western Balkans. In the EU, policy responses to the crisis have placed serious strains on industrial relations systems, as exemplified by the discussions concerning the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), in such countries as Greece and Ireland.

56. *Non-discrimination:* There are still significant challenges in almost all countries in the region for the effective application of this principle, especially with regard to gender equality, in line with the Equal Remuneration Convention, 1951 (No. 100), and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111). The challenges relate in particular to pay gaps and occupational segregation. The supervisory bodies have noted a lack of measures for the full implementation of equal pay for work of equal value, a principle that is also enshrined in SDG target 8.5. The SDGs include numerous targets for the promotion of equality, and most prominently SDG 5 for the achievement of gender equality and the empowerment of all women and girls.

57. *Labour inspection:* Despite broad recognition of the importance of labour inspection in promoting the Decent Work Agenda, many labour inspectorates are poorly resourced and/or have limited powers of enforcement and compliance. Changes in the world of work, including the prevalence of non-standard forms of employment and the persistence of informality and undeclared work, mean that strong and effective labour inspection systems are all the more important. The ILO supervisory bodies have noted serious deficiencies in some countries in Eastern and Central Europe and in Central Asia, where severe limitations in the frequency of labour inspections and/or restrictions on the powers of labour inspectors have been introduced, including moratoria and, in one case, the abolition of the labour inspectorate altogether.

58. *Child labour and forced labour:* Despite notable progress in the eradication of child labour, challenges remain. The inclusion of child labour issues in macro-level policies through their integration in national development policy frameworks has proven to be an effective way of achieving progress in the reduction of child labour. In addition, several countries in the CIS+ and Western Balkans face serious issues relating to forced labour, especially during harvest periods. While estimates place the number of forced labourers at 1.6 million in the countries of Central, South-Eastern and Eastern Europe (CSEE) and the CIS+, there are also a substantial number in Western Europe (1.5 million in the EU and developed economies). In the CSEE and CIS+, forced labour is often associated with manual and agricultural labour, while in developed economies it is predominantly sexual

exploitation.³⁰ The region has also made rapid progress in the ratification of the Protocol of 2014 to the Forced Labour Convention, 1930, registering eight of the total 13 ratifications worldwide. SDG 8.7 establishes the goal of eliminating all forms of forced labour by 2030.

59. *Migrant workers:* There are currently more migrants and refugees in the region than at any time since the Second World War. In the context of the complex migration challenges in the region, the ILO supervisory bodies have requested several European countries to provide information on the number, status and support provided to migrant women and men. The ILO's mandate is to protect the labour rights of all workers and this very much includes migrant workers, who are also referred to in SDG 8.8.

Social protection and occupational safety and health (OSH)

The critical stabilizing role of social protection systems, and challenges of coverage

60. The countries of the region have a long tradition of comprehensive and well-developed social protection systems. Social protection floors (SPFs) exist in most countries, but face differing challenges of coverage, adequacy and financial sustainability. Another issue in several countries is the inadequacy of benefit levels, which fail to ensure a decent standard of living, do not enable beneficiaries to escape from poverty and make it harder to re-enter the formal labour market by driving people into informal work. The ageing of the population and the changing world of work are placing greater pressure on the financial sustainability of social protection systems, as well as on sustainable development overall.

61. Social protection systems have played a key role in cushioning the impact of the crisis. Social protection expenditure, relative to GDP, has risen in all subregional groups since 2005, with variations between countries. These increases reflect improvements in the coverage of pensions, the expansion of targeted social assistance and the rising cost of unemployment benefits. There has been a sharp fall in expenditure on social protection in Ukraine (-6.5 percentage points of GDP), Belarus (-2.7 percentage points) and to a lesser extent in Germany (-1.1 percentage points). In contrast, there have been significant increases in Armenia, Bosnia and Herzegovina, Estonia, Finland, Ireland, Lithuania, Romania, Russian Federation and Spain.

62. Policy decisions to either expand or contract social protection spending have been observed across the region. Countries with the fiscal space to do so have often increased expenditure. Those facing pressure to trim the fiscal budget have pared back spending on social protection.

63. Expenditure levels differ significantly between Central Asia (8 per cent of GDP), CEE (16 per cent), Eastern and Central EU countries (19 per cent) and the European Union of 15 Member States (EU15) countries (27 per cent). Expenditure levels tend to be correlated with income levels and the size of the population aged 65 years and over. For instance, a high share of expenditure in Italy goes on old-age provision, while expenditure in Central Asia is mostly for low-income families.

³⁰ ILO: *Profits and poverty: The economics of forced labour* (Geneva, 2014).

64. In most countries in the region, old-age pension coverage exceeds 90 per cent and has been rising in recent years. Certain countries in southern and South-Eastern Europe, including Turkey, are the exceptions. In a few countries, coverage has fallen since 2000.³¹ More generally, pension coverage tends to be lower for women than for men in countries with contributions-based systems. Nevertheless, pensions and gender equality are receiving greater policy attention in more countries in the region.

65. Linking the adjustment of pension benefits to the cost of living has led to lower pensions in a number of countries, especially in a context of very low inflation. Spain decided in 2013 to delink pensions from any standard of living index.

66. The rise in non-standard forms of employment, including short hours and low pay, or both, is undermining the coverage and financing of social protection schemes, leaving some workers without protection altogether, while increasing inequality.³² This is especially true for contributory schemes. The general trend towards lower corporate taxation, as well as high-profile cases of tax and contribution evasion, have compounded the difficulties of financing social protection. More equitable outcomes are observed in countries where social protection is seen as a component of employment, taxation and macroeconomic policy. Acknowledgement of the interconnection between social, fiscal and wage policies is important, and will help to reduce inequality within and among the countries of the region (SDG 10, and especially target 10.4).

Challenges remain in OSH

67. Decent work must be safe work. The annual incidence of fatal occupational hazards in Europe and Central Asia ranges from four or more per 100,000 workers in lower-income countries to two or fewer in higher-income countries. Differences extend beyond income levels, and also reflect the economic composition of countries. The incidence of fatal hazards is higher in countries with more dangerous occupations, lower technical standards and a weaker enforcement capacity. The differences also partly reflect the use of different definitions (employees only, private sector only, some but not all economic sectors, or only insured hazards or insured persons), as well as the exclusion from the statistics of informal workers, who are often engaged in high-risk work.

68. The nature of occupational risks and hazards is evolving. This is mainly due to the changing ways in which work is organized and managed, as a result of an accelerating trend towards digitalization and the introduction of new technologies, among other factors.³³ Work-related stress has become a major hazard.³⁴ Stress due to job reorganization and

³¹ Particularly in Albania, Azerbaijan, Greece, Republic of Moldova, Spain and Tajikistan.

³² See J. Berg (ed.): *Labour markets, institutions and inequality: Building just societies in the 21st century* (Geneva, ILO, 2015); and ILO: *Non-standard employment around the world: Understanding challenges, shaping prospects* (Geneva, 2016).

³³ ILO: *Working together to promote a safe and healthy working environment*, General Survey on the occupational safety and health instruments concerning the promotional framework, construction, mines and agriculture, Report III (Part 1B), International Labour Conference, 106th Session, Geneva, 2017, paras 376–380.

³⁴ ILO: *Workplace stress: A collective challenge* (Geneva, 2016).

insecurity, hours worked or workload, are the forms most frequently cited in a recent EU opinion poll. One in five workers now work during their free time several times a month to meet work demands.³⁵

Social dialogue

69. Social dialogue³⁶ is a powerful tool for promoting decent work and correcting labour market imbalances.

70. Most countries in the region have at least one tripartite national social dialogue institution through which the social partners can be involved in policy-making. These institutions vary considerably in number, mandate and competencies, composition, functioning, resources and structure.³⁷ The institutionalization of tripartite social dialogue can help build and maintain trust between governments and the social partners. However, the crisis has shown that tripartite social dialogue is not self-sustaining, and that it requires a firm and renewed commitment by all the actors to recover its key role in policy-making.

71. There has been a decline in social dialogue in many countries of the region. This can be seen in the fall in trade union density and collective bargaining coverage, but also an increase in unilateral decision-making by governments in some countries, without consulting the social partners. The outcomes have been quite diverse.

72. Trade union membership has been falling in many countries. But there are some exceptions, such as Italy, where there has been a slight increase, and others, where it has remained stable.³⁸ In Eastern Europe, the rapid fall is commonly linked to the post-1989 transition. In other countries, a more likely cause is the changing industrial and occupational composition of employment, as well as growing employer resistance to trade unions. Another cause lies in the rise of non-standard forms of employment, due to the fragmentation of work processes, ranging from part-time and temporary employment, to subcontracting and disguised self-employment.³⁹

73. In 2015, the average rate of trade union membership among the workforce was 14.2 per cent in CEE EU countries (ranging between 4.5 per cent in Estonia and 25.6 per

³⁵ Eurofound: Sixth European Working Conditions Survey 2015 (2016).

³⁶ This Report follows the definition of social dialogue set out in the report on social dialogue submitted to the International Labour Conference in 2013. “Social dialogue is the term that describes the involvement of workers, employers and governments in decision-making on employment and workplace issues. It includes all types of negotiation, consultation and exchange of information among representatives of these groups on common interests in economic, labour and social policy.” ILO: *Social dialogue: Recurrent discussion under the ILO Declaration on Social Justice for a Fair Globalization*, Report VI, International Labour Conference, 102nd Session, Geneva, 2013, paras 14–16.

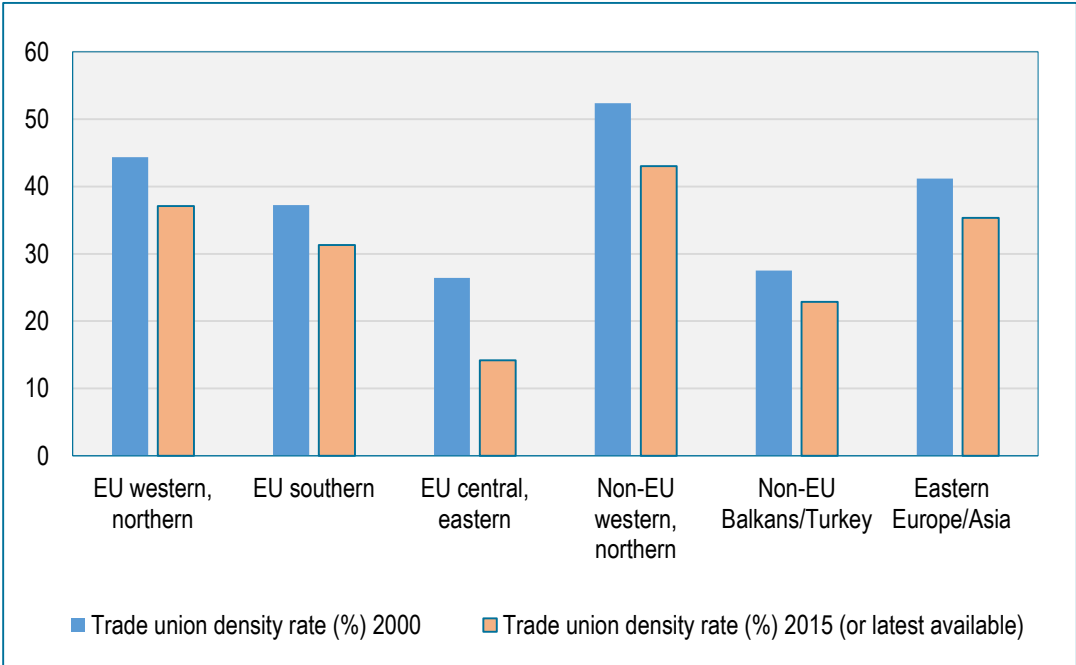
³⁷ ILO: *National tripartite social dialogue: An ILO guide for improved governance* (Geneva, 2013).

³⁸ ILO: Industrial Relations Data (IRData): Trade union density.

³⁹ I. Guardiancich and O. Molina (eds): *Talking through the crisis: Social dialogue and industrial relations trends in selected EU countries* (Geneva, ILO, 2017).

cent in Croatia (2013)), 37.1 per cent in northern and western EU countries (ranging from 7.8 per cent in France to 67 per cent in Sweden), and 31.3 per cent in southern EU countries (ranging from 14 per cent in Spain to 51.4 per cent in Malta).⁴⁰ The exceptionally high and relatively stable rates of trade union membership in the Nordic countries and Belgium are mainly a result of the “Ghent system”, under which unemployment protection is linked to trade union membership.⁴¹ Outside the EU, the trade union membership rate was 35.3 per cent in EECA, although data is scarce. In the Western Balkans, membership ranged between 13.3 per cent in Albania and 30 per cent in Bosnia and Herzegovina, while in Turkey it remains relatively low at 12 per cent, but has recently increased.⁴² Between 2000 and 2013, the former centrally planned transition countries were those with the fastest fall in trade union density.

Figure 2. Trade union density (per cent) between 2000 and 2015
(or latest available figures)



Source: Industrial Relations Data (IRData).

74. The data suggests that the density of employers’ organizations has not fallen significantly, but there are indications of a process of consolidation and mergers between

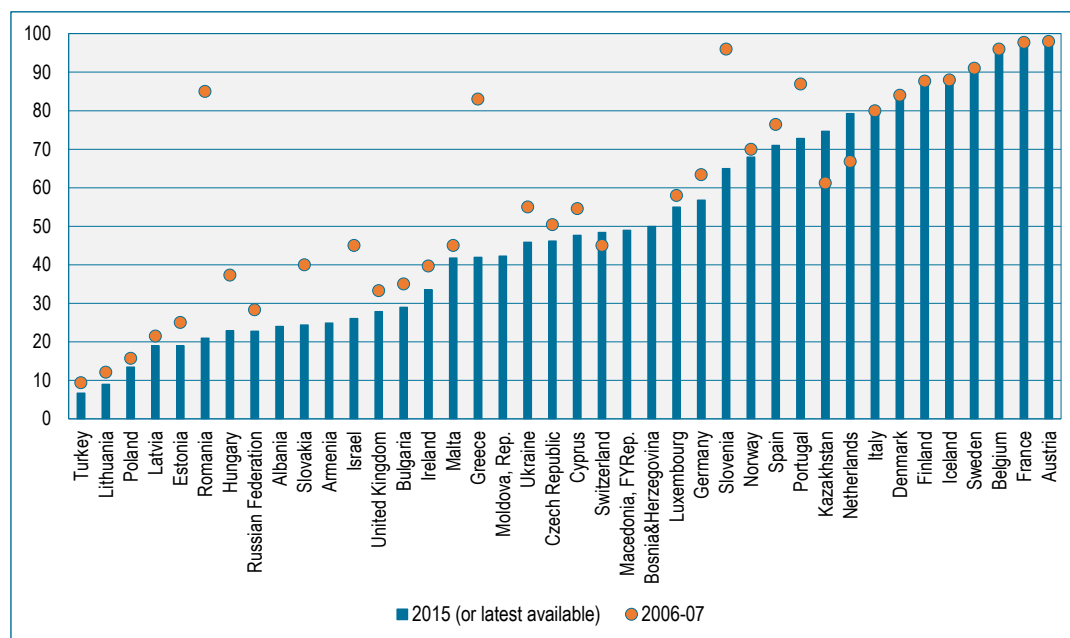
⁴⁰ ILO: IRData: Trade union density.

⁴¹ For the effects of the “Ghent system” see, for example, G. Bosch: “Shrinking collective bargaining coverage, increasing income inequality: A comparison of five EU countries”, in *International Labour Review* (154(1), 2015), pp. 57–66.

⁴² ILO: IRData: Trade union density; and Turkish Ministry of Labour and Social Security: *Official Gazette* (July 2013 and Jan. 2017).

employers' organizations and business or trade associations.⁴³ But information is scarce. In general, the existence of employers' organizations is a prerequisite for broad collective agreements and well-functioning social dialogue.

Figure 3. Collective bargaining coverage rates (per cent) in Europe and Central Asia



Source: IRData.

75. Trade unions and collective bargaining have a strong distributional effect in terms of equalizing earnings within and across enterprises. Weaker collective bargaining undermines this effect, as documented in a number of studies exploring the link between income inequality and labour market institutions.⁴⁴

76. Studies on trade union density and collective bargaining coverage show that the institutional setting, including the extension of collective agreements, contributes to more inclusive coverage. France and Austria are the most prominent examples, with collective bargaining coverage close to 100 per cent, even though trade union membership is relatively low (7.8 per cent in France and 27.4 per cent in Austria in 2013).⁴⁵

77. Enterprise size is an important challenge to collective bargaining. Trade union representation is more prevalent in larger than in smaller enterprises. Across the EU, 35 per cent of all employees have no formal trade union representation at their workplace. This is

⁴³ B. Brandl and A. Lehr: "The strange non-death of employer and business associations: An analysis of their representativeness and activities in Western European countries", in *Economic and Industrial Democracy* (2016).

⁴⁴ See, in particular, Berg: op. cit., 2015; and F. Jaumotte, and C. Osorio Buitron: *Inequality and labour market institutions*, Staff Discussion Note, SDN/15/14 (IMF, Washington, DC, 2015).

⁴⁵ ILO: *Trends in collective bargaining coverage: Stability, erosion or decline*, Labour Relations and Collective Bargaining Issue Brief No. 01 (Geneva, 2015).

especially true in small enterprises (from zero to nine employees), where only 20 per cent of establishments have some type of formal representation (trade union, works council or safety and health committee).⁴⁶

78. Against this backdrop, the trend towards greater decentralization of collective bargaining has continued since 2008, particularly in EECA countries, as well as southern Europe. Many reforms have aimed to decentralize collective bargaining to the enterprise, company and plant level. In some countries, this is the result of the negotiation of so-called “opening clauses” by the social partners, which allow for standards agreed at the sectoral level to be defined through subsequent negotiations at the enterprise level. This is intended to enable enterprises to adapt more rapidly to markets driven by intense competition and technological disruptions. In others, it is the result of government policies aiming to improve cost competitiveness through internal wage devaluation.⁴⁷

Responding to the challenges ...

79. Although growth has returned in most of the region, it has been uneven. Many of the jobs created have been of lower quality than those lost during the crisis. Developments have been quite diverse in terms of the quality and quantity of work, including social protection, and in participative mechanisms for the governance of the labour market.

80. The responses to these challenges are assessed in the next chapter.

Box 1
The UN 2030 Agenda for Sustainable Development
and the world of work

With a global context marked by continued weak and uncertain economic growth, but also by tensions at the national and international levels, the 2030 Agenda sets a context that acknowledges risks, yet calls on all countries to find socially, economically and environmentally sustainable development pathways. Decent work finds itself at the intersection of these three pillars of sustainability, wherefore it takes a prominent role throughout the set of Goals.

While Sustainable Development Goal 8 covers sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, SDG target 17.13 calls for enhanced global macroeconomic stability, including through policy coordination and policy coherence. Goal 12 calls for responsible consumption and production and Goal 9 for sustainable industrialization, thereby partly guiding where new decent jobs could be created, while drawing attention to the need to rethink production and consumption cycles to make them more environmentally sustainable. The Agenda is therefore fully in line with the ILO's repeated calls in various forums, including the G20, for the promotion of decent work throughout the international system.

The SDGs will guide policy in many countries. They offer a benchmark for the measurement of progress at the national and international scale. They also offer an opportunity for the ILO's tripartite constituents to prioritize decent work in national development frameworks, and to ensure that economic growth goes hand in hand with shared prosperity and environmental sustainability.

Tackling labour market inequalities and fighting exclusion lie at the heart of the region's 2030 Agenda, with its focus on inclusion and leaving no one behind. Through the SDGs, the aim is not only to achieve economic growth, but growth that creates decent jobs. This means growth that is beneficial for human development and the sustenance of livelihoods: growth that does not cause irreparable damage to the environment, thus putting the

⁴⁶ Eurofound: *Sixth European Working Conditions Survey: Overview report*, 2016.

⁴⁷ The latter has been observed in particular in EU countries implementing economic adjustment programmes.

jobs of future generations at risk. The 2030 Agenda is universal in its coverage. Its focus on inequality applies to all the countries in the region, regardless of their level of economic development.

As underlined in the resolution on Advancing Social Justice through Decent Work, adopted by the International Labour Conference in 2016, the ILO's principal route to achieving the SDGs is its Declaration on Social Justice for a Fair Globalization (the Social Justice Declaration), which is operationalized through the Decent Work Agenda. The SDGs recognize the importance of the ILO's mandate and the centrality of work in people's lives today and in the future. This applies in particular, but not only, to SDG 8 on inclusive growth and decent work. The achievement of decent work for all in line with the four pillars of the Decent Work Agenda has the ambition to be the contribution of the ILO and its constituents to improving the world in accordance with the three central tenets of the 2030 Agenda – social, economic and environmental.

Chapter 2. A wide range of policy responses

81. Many of the existing labour market challenges were magnified during and after the economic crises that have affected the region. Countries have tried to respond in a range of different ways.

82. This chapter outlines the responses across the region. It identifies gaps and assesses how countries have fared vis-à-vis the agreed objectives of the Oslo Declaration – to sustainably combine fiscal consolidation, structural reforms and competitiveness with stimulus packages, investment in the real economy and the creation of quality jobs.⁴⁸

Changing macroeconomic policy responses

83. The initial response to the shock of 2008–10 in the EU was to increase public spending. Public expenditure was subsequently reined in under pressure of mounting public debt and the surging cost of borrowing in some countries. This fiscal consolidation was a prime cause of the double-dip recession observed in 2012–13, which resulted in unemployment peaking in the first half of 2013. The consequences have been more severe in countries most heavily exposed to the crisis.

Box 2

Post-crisis macroeconomic policy stances

A subdued economic recovery from the crisis in Europe, despite accommodative monetary policies relying on unconventional measures, has fostered considerable debate on the appropriate stance of macroeconomic policies, with calls for continued fiscal consolidation on the one hand, and/or expansionary policies on the other. The 2013 Oslo Declaration underlined the importance that these not be “competing paradigms”. A more sustainable and job-rich recovery requires a coherent and integrated policy mix, and the balance between the two policy stances will vary by country.

The rationale for and risks of fiscal consolidation ...

The impetus for fiscal consolidation rests on the need to create fiscal space and maintain the confidence of international financial markets. Proponents argue that fiscal consolidation – coupled with structural reforms – sends a strong signal to the private sector that governments are committed to maintaining an enabling environment for business and boosting productivity and innovation. This attracts private investment, encouraging productivity gains and job creation. However, the validity of this mechanism, especially in light of the fall in aggregate global demand following the crisis and the risk of secular stagnation, has been questioned.¹ The latter is linked to the “hysteresis” hypothesis – that a temporary decline in aggregate demand can have long-term effects on potential output through its impact on investment and productivity, such as the permanent loss of skilled employees.² This risks permanently impairing the possibility of a recovery to the full and productive employment frontier.

... versus continued spending ...

Moreover, there is also the question of whether economies have sufficiently recovered for governments to further reduce spending (and thereby consolidate fiscally). It may prove unfeasible for governments to retrench their spending while sustaining economic recovery, as has been argued in the case of Greece.³ Estimates of the magnitude of fiscal multipliers by the International Monetary Fund (IMF) have yielded figures larger than one – much larger than the 0.5 previously assumed.⁴ This implies that any spending cuts will have a greater deceleration effect on the economy, whereas spending increases would lead to a concomitantly greater

⁴⁸ ILO: *The Oslo Declaration: Restoring confidence in jobs and growth*, Ninth European Regional Meeting, 2013, [GB.319/INS/6](#).

acceleration. In a situation of full and productive employment, expanding government spending would “crowd out” private investment, but the European and Central Asia region has not returned to anything resembling that stage.

For some EU Member States, fiscal rules under the Stability and Growth Pact limit fiscal expansion. In this regard, realigning the composition of the budget towards the real economy can yield dividends – ILO simulations indicate that employment-friendly policies are likely to enhance growth and lead to improvements in the labour market without disproportionately harming fiscal sustainability.⁵

... and the longer-term view

A longer-term view requires a “structural stimulus” approach, linking fiscal expansion with structural reforms to improve competitiveness and growth prospects.⁶ Governments can take advantage of low interest rates for investments to address supply-side bottlenecks to growth, such as skills mismatches and telecommunications infrastructure, and future challenges, such as the shift to the green economy. The longer-term question of fiscal sustainability needs to be weighed in light of productive investment: the new assets created should expand the production possibilities frontier and facilitate repayment (and growth) over the long run. A balanced policy towards responsible fiscal expansion for productive ends can help restore a self-reinforcing virtuous cycle of productivity-enhancing investment, quality jobs and stable and sustained economic growth. In turn, these will lead to a fuller recovery, leading to longer-term fiscal stability and resilience over the economic cycle.

¹ F. Saraceno: *Rethinking fiscal policy: Lessons from the EMU*, Employment Working Paper (Geneva, ILO, 2017).

² A. Fatás and L. Summers: *Hysteresis and Fiscal Policy during the Global Crisis*, VoxEU, 12 Oct. 2016 [accessed 12 July 2017].

³ J. Zettelmeyer, E. Kreplin and U. Panizza: *Does Greece Need More Official Debt Relief? If So, How Much?*, PIIE Working Paper 17-6, Peterson Institute for International Economics (Washington, DC, 2017).

⁴ O. Blanchard and D. Leigh: *Growth Forecast Errors and Fiscal Multipliers*, American Economic Review: Papers and Proceedings (Vol. 103(3), 2013), pp. 117–120.

⁵ ILO: *Global Employment Trends 2014: Risk of a jobless recovery?* (Geneva, 2014).

⁶ A. Posen: “Shinzo Abe’s stimulus is a lesson for the world”, in *Financial Times*, 2 Aug. 2016 (London) [accessed 22 Dec. 2016].

84. A second response came from the European Central Bank (ECB). In 2012, its incoming President affirmed that the ECB “... is ready to do whatever it takes to preserve the euro”.⁴⁹ In real terms, this has taken the form of a commitment by the ECB to quantitative easing, through the purchase of sovereign and other bonds, essentially enabling countries with volatile bond spreads (except for Greece) to keep the cost of borrowing close to the low financing costs of the core eurozone economies.

85. The main factors behind the mild recovery in economic output observed in the EU since 2014 have been low oil prices, rock-bottom inflation, a more favourable exchange rate and slightly more supportive fiscal balances. Inflation has rebounded in early 2017, approaching the ECB target of 2 per cent, although this has largely been due to the recent rise in oil prices.

86. Against this background, debate has crystallized around the role of countercyclical fiscal policy in addressing weak growth. The European Commission (EC) introduced an investment plan in November 2014, which triggered €138 billion in new investment in 27 countries during its first 18 months of operation. The IMF,⁵⁰ the

⁴⁹ M. Draghi, President of the European Central Bank, speech at the Global Investment Conference, London, 26 July 2012.

⁵⁰ IMF: *World Economic Outlook: Subdued demand: Symptoms and remedies* (Washington, DC, 2016).

Organisation for Economic Co-operation and Development (OECD)⁵¹ and the EC⁵² have pleaded for a greater role of fiscal policy in financing needed investment as a means of spurring economies onto a higher growth path, in line with the objectives agreed in the Oslo Declaration.

87. In the Russian Federation and other EECA countries, a combination of public spending and currency adjustments has been pursued to counter the plunge in oil prices in mid-2014. Greater emphasis has also been placed on import substitution programmes, targeted sectoral investment and increased economic diversification. But further diversification is still needed in countries that largely rely on remittances. While sovereign debt levels are still relatively low, budget deficits have increased substantially in recent years.⁵³

Employment policies: Between active measures and flexibility

88. In addition to supportive macroeconomic policy, employment promotion has focused on training, employment services and other active labour market measures designed to facilitate the labour market entry of young people, the promotion of entrepreneurship and labour mobility. Issues related to non-standard and diverse forms of employment are discussed in Chapter 3.

Labour market policy measures leading to a modest recovery in employment

89. A large number of new measures were adopted by EU Member States between 2008 and 2013 to address the crisis. These included, in particular, reforms of labour market regulation, followed by active labour market and wage measures.⁵⁴

90. More recently, attention has turned to employment subsidies, both targeted and non-targeted, to reduce the cost of recruitment. Registration and counselling for the long-term unemployed has been intensified, together with measures to improve the quality and attractiveness of apprenticeships. With a view to encouraging women's labour market participation, priority has been given in many countries to lowering the cost and increasing the availability of childcare. Tax reductions have also been introduced to encourage low-income earners to (re-)enter the labour market.⁵⁵

⁵¹ OECD: *Economic Outlook No. 100*, Nov. 2016 (Paris).

⁵² EC: *European Economic Forecast: Winter 2017*, Institutional Paper 048, Feb. 2017.

⁵³ IMF: *Regional Economic Outlook: Middle East and Central Asia* (Washington, DC, 2016), p. 57.

⁵⁴ F. Eyraud, A. Gama and C. Saget: *Inventory of labour market policy measures in the EU 2008–13: The crisis and beyond*, Synthesis report (Geneva, ILO, 2015).

⁵⁵ EC: *Draft Joint Employment Report from the Commission and the Council accompanying the Communication from the Commission on the Annual Growth Survey 2017*, COM(2016) 729 final, 2016.

91. In Central Asia, informal employment has been targeted through measures to develop the business environment, promote entrepreneurship and provide vocational training. But labour market institutions in the region are still largely ill-equipped to formalize jobs, and adequate incentives are lacking. Labour market institutions, including social dialogue and labour inspection, need to play a more prominent role in this regard. Policy efforts in the Western Balkans have been dwarfed by high migration outflows, recent inflows, chronically high unemployment and internal and external tensions.

92. Evaluations of labour market measures have shown the most effective to be job search assistance, essentially in the form of employment services and incentives for private sector hiring. In contrast, public employment programmes are the least effective. Training programmes have been found to have a positive impact in the medium and longer term, especially for women and the long-term unemployed, but less so for older workers. However, youth programmes have generally been found to be no better than general programmes.⁵⁶

93. Following a wide public consultation, the EC made a proposal to establish a European Pillar of Social Rights. The Pillar consists of 20 key principles in support of fair and well-functioning labour markets and welfare systems, structured in three categories: equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion. It will be accompanied by a variety of national and EU-level legislative efforts, continuous social dialogue, policy guidance and financial support, as well as a social scoreboard to measure progress against the principles.⁵⁷ The centrality of the social dimension of the EU was also reaffirmed by its Member States in the Rome Declaration.⁵⁸

Box 3

EU policy responses for upward socio-economic convergence

Social convergence could support economic outcomes: The recently launched “European Pillar of Social Rights” has highlighted the need to respond to the widening social imbalances emerging both across and within Member States. The Pillar and related legislative and non-legislative initiatives under its umbrella were presented on 26 April 2017 following an extensive (March–December 2016) consultation process with Member States, social partners, citizens and stakeholders at large. The Pillar is expected to be proclaimed jointly by the European Parliament, the Council and the Commission in late 2017.

The introduction of the Pillar of Social Rights acknowledges that to attain a virtuous path of upward convergence, what matters is not necessarily the convergence in average incomes per se, but rather how gains from growth are shared within each Member State. In fact, there is now a widespread view that inequality represents an important drag on growth and social cohesion, potentially hampering upward convergence itself. To support fair and well-functioning labour markets and welfare systems, the Pillar identifies 20 key principles, structured around three main dimensions of action: (i) equal opportunities and access to the labour market; (ii) fair working conditions; and (iii) social protection and inclusion.

Along with these 20 principles, which form the core of the Pillar, several legislative and non-legislative documents were released by the EC. In particular, a legislative proposal has been launched regarding work–life

⁵⁶ D. Card, J. Kluge and A. Weber: *What works? A meta analysis of recent active labor market program evaluations*, NBER Working Paper No. 21431, 2015.

⁵⁷ EC: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *Establishing a European Pillar of Social Rights*, COM(2017) 250 final, 2017.

⁵⁸ European Council: The Rome Declaration, 25 Mar. 2017.

balance,¹ which foresees, among other elements, ten-day paternity and five day care leaves. Additionally, two consultation papers were released, one concerning the revision of the written statement directive,² and one regarding access to social protection for all workers.³ A “social scoreboard” was also proposed, which should help monitor the implementation of the Pillar by tracking performances across EU countries within key domains in the context of the European Semester process.

However, the extent to which Member States will be able to implement the Pillar will ultimately depend on national action as well as on the degree of EU policy coordination in a range of policy and institutional levers, such as minimum income support, work and family reconciliation, employment promotion, unemployment protection and skills development.⁴

Employment-friendly macroeconomic policies can boost social convergence: At the same time, policy actions in the social sphere need to be complemented by measures to revive economic growth and investment, in an inclusive manner. The “Investment Plan for Europe” launched by the EC at the end of 2014 is a notable example in this direction. The Plan aims to mobilize public and private investments for a total of €315 billion over the period 2015–18, with the potential to add 1 percentage point to economic growth each year from 2015 to 2017 and create up to 1.3 million additional jobs. Two-thirds of the way through its original timescale, preliminary evaluations suggest that the Plan has been successful in many respects. For instance, the European Fund for Strategic Investments (EFSI) – the ad hoc financial entity created to manage the funds – has so far mobilized €154 billion expecting to benefit almost 377,000 small and medium-sized enterprises (SMEs).⁵ Given these results, the EC is currently considering the reinforcement of the Plan by extending its duration until the end of 2020 and increasing the investment target. However, and especially in light of a possible extension, it is important to keep in mind that investments encouraged by the Plan have so far been allocated predominantly to the stronger EU economies. This may risk exacerbating further current socio-economic divergence across Member States. Giving consideration to unemployment levels in allocating the funds from the Plan could instead yield larger and more equitable job gains for the EU as a whole. Under such a scenario, total employment gains would approach 2 million, while countries in greatest need would observe the highest increases in employment and thus narrow the labour market disparity across the EU.⁶ At the same time, there is scope to allocate part of the funds towards measures to support skills and human capital development, so creating synergies between the Plan and the Pillar of Social Rights.

¹ Proposal for a directive of the European Parliament and of the Council on work–life balance for parents and carers and repealing Council Directive 2010/18/EU.

² First phase consultation of social partners under Article 154 TFEU on a possible revision of the Written Statement Directive (Directive 91/533/EEC) in the framework of the European Pillar of Social Rights, EC consultation document, C(2017) 2611 final.

³ <http://ec.europa.eu/social/BlobServlet?docId=17848&langId=en>.

⁴ ILO: *Building a social pillar for European convergence* (Geneva, 2016).

⁵ EC: *Investment Plan for Europe – Evaluations give evidence to support its reinforcement*, communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (Brussels, 2016).

⁶ ILO: *An employment-oriented investment strategy for Europe* (Geneva, 2015).

Youth employment policies and programmes

94. Youth employment remains one of the core challenges of our time. It features prominently in the SDGs, and particularly SDG 8.

95. While the current generation of the young is the most educated ever, access to employment remains subdued, with severe implications for future earnings, economic demand, demography and social stability. Unemployment rates among young women and men (15–24 years) are only marginally lower than in 2016, and will remain high in 2017 at 18.7 per cent in the EU, 17.5 per cent in Central and Western Asia and 16.2 per cent in

Eastern Europe.⁵⁹ In all cases, youth unemployment rates are significantly higher than those of adults, which can lead to substantially lower lifetime earnings and pension entitlements than previous generations. SDG 8.b calls for the development and operationalization of a global youth employment strategy as a coherent and coordinated response to this challenge.

96. For example, a regional network for youth employment promotion has been set up in EECA with tripartite support and ILO assistance. National youth employment frameworks in these countries have been assessed by a number of voluntary peer reviews, leading to the strengthening of institutional reforms and the capacities of constituents, as well as the dissemination of knowledge by the ILO on good practices for employment promotion. As a result, Kazakhstan adopted an action plan for youth employment, and youth employment partnerships have been established in three Russian regions, including the piloting of active labour market policies (ALMPs). In Azerbaijan, a National Employment Strategy aligned with the SDGs has been developed, together with an entrepreneurship programme and a package of policy measures, including for economic diversification, have been implemented with ILO support.

97. The European Council's Recommendation of April 2013, which established the Youth Guarantee, provides a common policy framework for addressing the youth employment challenge in EU Member States. It calls for the implementation of a Youth Guarantee to ensure that all young people under 25 receive a good-quality offer of employment, an apprenticeship, a traineeship or continued education within four months of leaving formal education or becoming unemployed.⁶⁰ All Member States have set up national implementation plans.⁶¹ The measures implemented include vocational education and training (VET), support for young entrepreneurs, apprenticeships, wage and recruitment subsidies, a reduction in non-wage labour costs and second-chance schooling for early leavers. Since 2014, over 9 million young persons in the EU received an offer through the Youth Guarantee. Although it is too early to fully assess the impact of the guarantee over other factors, such as macroeconomic and demographic trends, it is worth noting that the number of unemployed youth fell by 1.4 million in the past three years.⁶²

98. As detailed in the implementation part of this Report, there has been extensive EC–ILO collaboration on the EU Youth Guarantee. An ILO review of Youth Guarantee programmes has found that countries have combined capacity building and employment intermediation measures as recommended, but that the resources allocated so far fall short of the required levels.⁶³

⁵⁹ ILO: *World Employment and Social Outlook: Trends for youth 2016* (Geneva, 2016).

⁶⁰ European Council: Council Recommendation of 22 April 2013 on establishing a Youth Guarantee, 2013/C 120/01, 2013.

⁶¹ The criteria were those Member States in which the youth unemployment rate was 25 per cent or above, or where the youth unemployment rate was 20 per cent, but had been increasing by 30 per cent or more in 2012.

⁶² EC: *Fact Sheet: Questions and Answers – Communication on the Youth Guarantee and Youth Employment Initiative* (2016).

⁶³ V.Escudero and E. López Mourelo: *The Youth Guarantee programme in Europe: Features, implementation and challenges*, Research Department, Working Paper No. 4 (Geneva, ILO, 2015).

99. Evaluations of longer-standing Youth Guarantees implemented in several Nordic countries show that they can play a critical role in reducing job search time and facilitating labour market (re-)entry.⁶⁴ As observed in “The youth employment crisis: A call for action”, adopted by the International Labour Conference in 2012, long-term structural solutions require a combination of interventions at both the macro- and microeconomic levels.

Entrepreneurship as an essential element of employment growth

100. Developing entrepreneurship is an important public policy objective in the region. In April 2013, the EU adopted an Entrepreneurship 2020 Action Plan. In the Russian Federation, and more broadly in EECA, with a view to increasing investment, productivity growth and economic diversification, efforts are being made to strengthen property rights and the business climate.

101. Entrepreneurship can be classified into three broad categories: (i) local service and trade businesses; (ii) innovation-driven enterprises; and (iii) self-employment akin to dependent employment. The first category is where there is most job churning, as very small businesses open and close depending on local market and personal circumstances, skills and assets. The second category offers better prospects for growth and job creation, and tends to be associated with digital technologies. The third combines features of independent and dependent employment, and raises a host of legal issues, as discussed in Chapter 3.

102. A number of framework conditions are generally considered to be critical for the development of entrepreneurship, while access to finance, competition from the informal sector, tax rates and political instability are cited as major constraints.⁶⁵

A renewed interest in VET

103. Skills policies in the region have had to address the combined challenges of the deskilling of the workforce caused by high unemployment, increased skills mismatches resulting from the changing composition of employment and economic activity, and the ageing of the workforce.

104. The multiple aims of national policies throughout the region have included: making VET more attractive; improving the definition of core competences in national qualification frameworks; increasing options for work-based learning within VET; and tightening quality assurance requirements among training providers. Cooperation between VET providers, employment services and employers’ and workers’ organizations has been strengthened in several countries. This collaboration, which takes on many different forms,

⁶⁴ ILO: *Policy brief – Youth guarantees: A response to the youth employment crisis?* (Geneva, 2013).

⁶⁵ ILO customized question in the World Bank Enterprise Surveys for the following 36 countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Germany, Greece, Hungary, Ireland, Israel, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania, Republic of Moldova, Montenegro, Poland, Portugal, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Sweden, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Ukraine and Uzbekistan.

has also been used to foster a more proactive approach to lifelong learning, focusing on those most in need.

105. In the Russian Federation, policies have been aimed at strengthening the access of persons with disabilities to the labour market and the development of VET programmes, including through closer consultation with employers' and workers' organizations. A National Agency for Skills Development has been established to support the new system of professional standards created in 2014. On 1 January 2017, the law on independent qualification assessment came into force, allowing employers and trade unions to create an independent qualification assessment system for professional standards, based on confidence among employers, employees and applicants in the quality of the assessment.

New challenges for labour mobility

106. The free movement of labour is an important feature of the CIS and the Eurasian Economic Union. It allows Member States to maintain open labour migration policies and cover labour demand relatively rapidly.

107. The cross-border mobility of labour is also a pillar of the EU. In 2014 some 14 million EU residents of working age were not living in their country of birth (4 per cent of the working-age population), and there were 28 million third-country migrants (8 per cent of the working-age population). The majority of migrants live in Western and northern Europe. The economic benefits of well-managed migration, which have been documented by various studies, include partially compensating for adverse demographic trends.⁶⁶ As an essential aspect of integration, national policies have focused on upgrading the vocational and language skills of their foreign-born population.

Social protection and income policies

108. The vital role of social protection is reflected in SDG 1.3, which calls for appropriate social protection systems and measures for all, including SPFs. The effectiveness of social protection systems is not just a question of the level of benefits, but needs to be balanced against costs and the corresponding impact on the economy at large. Social protection also plays a redistributive role, which smoothes out risks over the life cycle and can help to reduce inequalities, as highlighted in SDG 10.4, for which the ILO is the custodian agency.

Minimum wages

109. Almost all the countries in the region have a statutory minimum wage policy, a measure that has proven to be effective at reducing wage inequality and working poverty in many countries in recent years, especially in the aftermath of the financial crisis. In fact, since the 1990s eight countries in the region – Czech Republic, Estonia, Ireland, Poland, Slovakia, Slovenia, United Kingdom and more recently, Germany – have adopted a statutory minimum wage, while countries such as Finland, Norway and Sweden set legal wage floors through collective agreements. In Sweden, the merits of introducing a minimum wage are

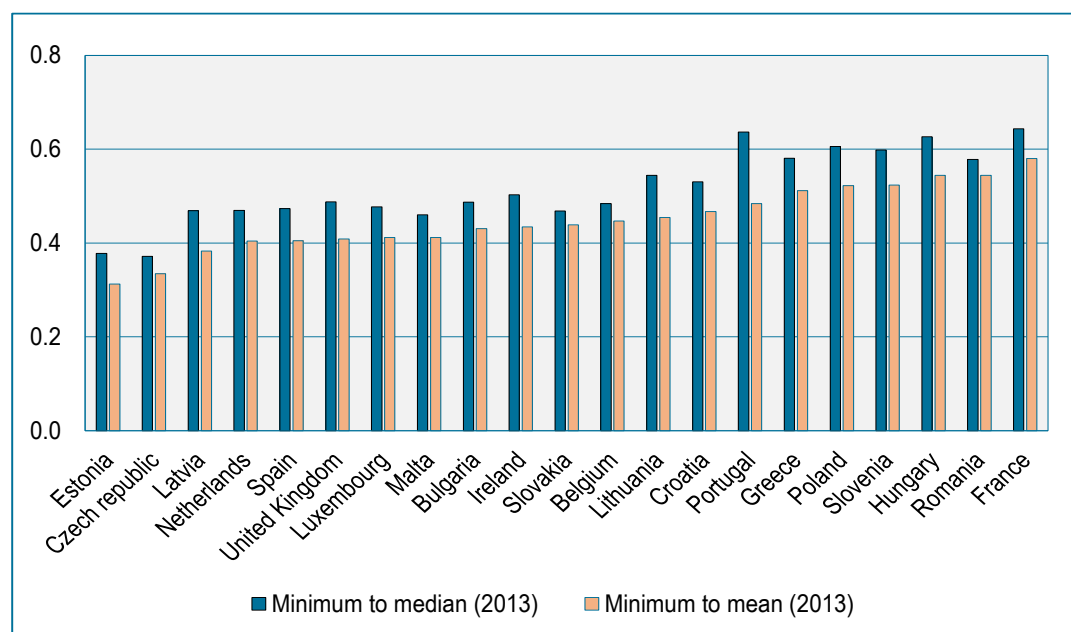
⁶⁶ EC: *Employment and Social Developments in Europe 2015*, Chapter II.2, “Mobility and migration in the EU: Opportunities and challenges” (Luxembourg, 2016).

under discussion, including because of its potential to achieve equal conditions for the employment of posted workers.

110. Recent evidence shows that when minimum wages are set at an adequate level and adjusted regularly to reflect the cost of living and economic factors, they can raise the wages of low-paid workers – many of whom are women – without significantly negative effects in jobs. This has been the finding, for example, in Europe of the UK Low Pay Commission (2014)⁶⁷ and of the first evaluation of the new national minimum wage in Germany (2016).⁶⁸

111. The levels of minimum wages vary widely across the region, as well as within the EU, broadly reflecting the differences between countries in their cost of living and labour productivity. The statistical indicator most frequently used to evaluate the level of minimum wages relative to national economic and social circumstances is the Kaitz Index, which estimates the ratio of minimum wage to the country's mean or median wage. Figure 4 shows estimates for 21 European countries. These estimates show that in the case of Estonia or the Czech Republic someone who earns the minimum wage receives about 37 to 38 per cent of what the median earner receives, while in France, Hungary or Portugal that ratio increases to more than 60 per cent. Most countries in the figure have a minimum wage between 45 and 60 per cent of the median wage. Looking at the ratio between the minimum wage and the mean wage (which is on average 15 per cent higher than the median wage), the ratio most frequently lies between 40 per cent and 55 per cent. The weighted average for Europe as a whole is of minimum wages set at approximately 50 per cent of median wages.

Figure 4. Minimum wages relative to median and mean wages, selected European countries in 2013 (the Kaitz Index)



Source: *Global Wage Report 2016/17* using data from Eurostat's European Union Statistics on Income and Living Conditions (EU-SILC).

⁶⁷ Low Pay Commission: *The future path of the national minimum wage*, Cm. 8817 (London, 2014).

⁶⁸ Mindestlohnkommission: *Erster Bericht zu den Auswirkungen des Gesetzlichen Mindestlohns* (Berlin, 2016).

112. Whereas most European countries have adopted a minimum wage – either statutory or through collective bargaining – two countries have recently adopted a “living wage”. The Committee of Experts on Conventions and Recommendations (CEACR) noted that “the concept of a living wage ... refers both to the existence of a minimum level of remuneration and to an acceptable standard of living”.⁶⁹ A living wage was adopted in Ireland in 2014 and is currently set at €11.70 per hour; although its implementation is entirely voluntary, a small number of employers have adopted it. In contrast, the statutory national minimum wage, which all employers should respect is currently set at €9.25 per hour. In the UK, the national minimum wage is known since April 2016 as the “national living wage”. It is set for workers over 25 years of age at £7.50 (benchmarked to median earnings).

Sustainability of pension systems

113. In response to rising life expectancy and the ageing of the population, a number of reforms have been introduced to ensure the sustainability of pension systems. Incentives for early retirement have been gradually phased out, and longer contribution periods for a full pension phased in. Statutory retirement ages have been raised in a number of countries, sometimes drastically, and the retirement ages of women and men have been equalized. Nevertheless, concerns remain regarding the adequacy of future pension levels for women, in view of their generally lower contribution periods and levels throughout their working life.

114. Even so, there remain major differences between countries in terms of the effective and normal retirement age. In CEE, the effective retirement age was 62.5 years for men and 59.6 years for women in 2014. In the Russian Federation, Turkmenistan and Uzbekistan, it is 60 for men and 55 for women. However, starting from January 2017, the retirement age of Russian civil servants will be gradually increased from 55 to 63 for women and from 60 to 65 for men by 2032. In the EU15,⁷⁰ the effective retirement age is close to 63 years for men and 62 for women. The countries most affected by the crisis, such as Greece and Portugal, have taken measures to increase the retirement age.

115. The financing of pensions in Central Asia and the South Caucasus is affected by the high levels of informal employment and labour out-migration, as pension systems depend on current contributions and transfers from the state budget. The coverage of old-age pension benefits in line with SDG 1 is close to universal in the region, with the lowest levels in the Western Balkans and Central Asia. However, the decrease in coverage in Albania, Azerbaijan and Greece in recent years is noteworthy.

116. In the EU, pension reforms have broadly achieved the aim of ensuring the financial sustainability of public pensions systems. However, concerns remain regarding the adequacy of benefits,⁷¹ and whether future pension reforms will be able to ensure sufficient

⁶⁹ See ILO: *Minimum wage systems*, General Survey of the reports on the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), Report III (Part 1B), International Labour Conference, 103rd Session, Geneva, 2014, §53.

⁷⁰ The EU15 are the 15 Member States which joined the EU prior to 2004.

⁷¹ EC: *The 2015 Ageing Report: Economic and budgetary projections for the 28 EU Member States (2013–2060)* (Brussels, 2015).

protection against poverty in old age.⁷² The main grounds for concern are the reduced levels of expected pensions, diminishing future pension replacement rates, the greater role of funded systems dependent on uncertain and volatile capital markets, and inadequate protection for those with shorter careers and lower earnings.

117. What do these trends imply for social protection policy? In order to ensure good social conditions and combat poverty, public systems should seek to include provision for minimum old-age pensions through existing or new redistributive measures to protect those who are unable to build sufficient entitlements under contributory systems as a result of career breaks or low earnings. In many countries in the region, the increasing diversity of employment status and chequered employment records are associated with a widening gap in current and future levels of social protection.

118. This calls for greater attention to equity across gender, occupation, income and skills categories in current pension and social policy reforms. It also requires continued attention to ensuring coherent and integrated employment and social protection policies.

Targeting taxation towards growth and employment

119. In countries where a large proportion of social protection expenditure is financed through contributions on wages, rather than general taxation, a recurrent debate revolves around the impact on labour costs and employment. Social security contributions account for between 20 and 37 per cent of total labour costs in the EU. Employers' social security contributions are over 22 per cent in around half of EU countries. Denmark is an exception, with negligible social security contributions. A particular issue in Central Asia is the high level of non-wage labour costs, which are often linked to the low growth of formal employment.

120. Faced with weak employment growth, one response has been to lower the total cost of labour, particularly for employers. A second argument has been to increase the numbers returning to work, rather than receiving social benefits, with a view to raising labour force participation. However, reductions in social benefits have also generated negative feelings among recipients, and while these reforms have had some impact on overall unemployment, they have had little impact on the activation of the long-term unemployed. There is also evidence that a substantial number of those returning to the labour market have done so outside the standard employment relationship.⁷³

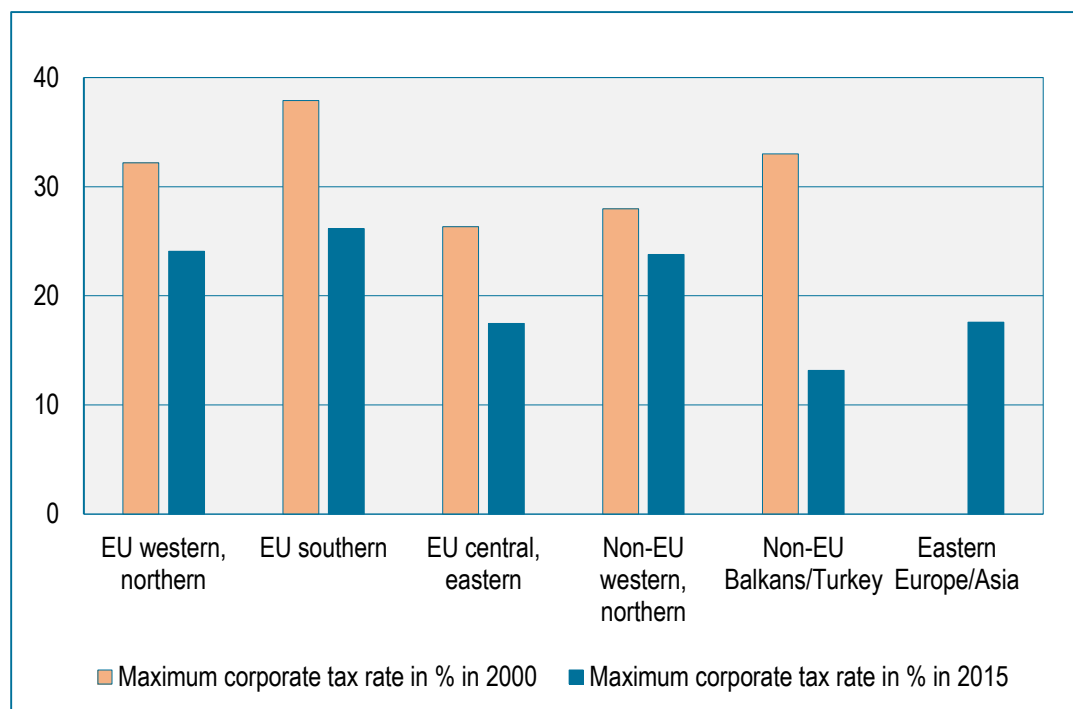
121. Recent reforms, particularly in the EU, have aimed to decrease labour taxation in general, especially for low-wage-earners. The reductions have generally been financed by increases in value added tax and duties on fuel, tobacco and alcohol, which are regressive in nature. At the same time, competition relating to business taxes continues to pose the challenge of balancing global competitiveness with the financial sustainability and adequacy of social protection systems. Since 2000, there has been a steep reduction in corporate tax rates across the region (figure 5). Tax-to-GDP ratios have subsequently declined slightly in

⁷² EC: *The 2015 Pension Adequacy Report: Current and future income adequacy in old age in the EU* (Luxembourg, 2015).

⁷³ See, for the case of Germany, T. Rothe and K. Wälde: *Where did all the unemployed go? Non-standard work in Germany after the Hartz reforms*, Discussion Paper No. 1709, Gutenberg School of Management and Economics (2017).

Western, northern and southern Europe, which has been partially compensated by increases in consumption taxes and the effectiveness of collection. In contrast, the ratio has increased in EECA, mainly as a result of progress in tax collection, as well as the formalization of the labour force.

Figure 5. Maximum corporate tax rates, by subregion



Source: KPMG Corporate Tax Rates Survey.

122. More generally, measures to reduce tax competition, avoidance, evasion and fraud have gained prominence in a context of slow revenue growth and large public debt. The emergence of digital business models has also increased the need to modernize taxation systems.

The changing context of labour market governance and social dialogue

Employment protection legislation to lessen labour market segmentation

123. All of the countries in the region have been striving to find a balance between facilitating the task of employers to manage their businesses and the rights and protection of workers. International labour standards and the supervisory mechanisms provide a benchmark for an appropriate balance. The reforms enacted since 2008 throughout the region have generally given priority to increasing labour market flexibility through the adjustment of the employment relationship to the dynamics of social and economic realities, with the aim of stimulating investment and economic growth. Existing statutory provisions, particularly respecting hiring and firing, have in many cases been considered too rigid and an obstacle to economic development. In some cases, centralized wage-fixing mechanisms,

where established in collective agreements at the national and sectoral levels, have also been challenged.

124. This trend partly reflects recent developments in international economic governance. For example, the 2015–18 Reform Agenda for Bosnia and Herzegovina negotiated with the EU provides for labour market reforms to be enacted “as agreed with the IMF and the World Bank and in consultation with the social partners”, including the revision of the Labour Code to “increase flexibility in working conditions”. In CEE, employers’ organizations have strongly advocated revisions of labour law to achieve greater competitiveness and improve the business environment. Trade unions have mostly been opposed to such reforms and have tended to emphasize the improvement of law enforcement and the application of current legislation.

125. Most reforms of employment protection legislation have focused on reducing costs for employers and introducing greater flexibility into the employment relationship, to facilitate the hiring of the unemployed. The cost of dismissing permanent workers has been reduced (shorter notice periods, limitations on reinstatement, the capping of wage arrears, reductions in severance pay), combined with measures to facilitate recruitment and some improvement in protection for temporary workers. Definitions of fair dismissal, the protection of workers in the event of unfair dismissal, provisions on severance pay and legal recourse procedures differ widely across the region. Some EU countries have undertaken comprehensive labour market reforms.

126. Activities in the informal economy and undeclared work are significant in parts of the region. Efforts are being made to curb it in Albania, Greece and Portugal, and the issue has also become more prominent at the EU level.⁷⁴ Several countries have also strengthened legislation to limit the use of temporary, third-party and posted workers in an attempt to improve protection for the national labour force.

Changing practices in social dialogue and collective bargaining

127. Social dialogue played a key role in mitigating the immediate negative employment and social impact of the crisis, for example through the short-time working arrangements negotiated in several countries.⁷⁵ But social dialogue has also suffered tremendously in large parts of the region. Trade union membership has continued to decline, with few exceptions, and collective bargaining coverage has fallen dramatically in several countries, largely due to legislative changes.⁷⁶ Yet there are some positive aspects of changing practices in tripartite social dialogue, including the more active involvement of the social partners in policy debates and stronger inclusion of workers in SMEs and in non-

⁷⁴ The EU established the “European Platform tackling undeclared work” for exchanges on approaches and best practices.

⁷⁵ See, for example, A. Hijzen and S. Martin: “The role of short-time work schemes during the global financial crisis and early recovery: A cross-country analysis”, in *IZA Journal of Labor Policy*, 2(5) (2013).

⁷⁶ See, for example, Eurofound: *Mapping key dimensions of industrial relations* (2016).

standard forms of employment. Within the EU, there is an ongoing effort to enhance social dialogue.⁷⁷

128. The role of national tripartite social dialogue institutions has been strengthened in policy-making in the Western Balkans, including in minimum wage fixing. In the South Caucasus, tripartite social dialogue institutions have been established in Azerbaijan and Georgia. In the Russian Federation, general tripartite agreements are concluded regularly on a variety of topics, and the role of the tripartite commission for social dialogue has been strengthened. In the EU, efforts to involve the social partners in the European Semester have been stepped up since 2013, including recommendations for their involvement in the design and implementation of national reform programmes, an important mechanism for economic policy coordination across EU Member States.⁷⁸

129. The organization and representation of temporary agency workers has improved in some countries, and some collective agreements have been extended to posted and subcontracted workers working on-site. Collective bargaining on working-time arrangements has featured prominently in several enterprises. Germany and Switzerland have adapted their policies on the extension of collective agreements, with the aim of making them more inclusive by including public interest criteria and consideration of whether parties are sufficiently representative.

130. But in other countries, the depth of the crisis has placed social dialogue under strain. Legal and institutional reforms have had an adverse impact in a number of countries with a strong collective bargaining tradition.⁷⁹

131. While there has been considerable diversity at the national level in the crisis and post-crisis periods, there have also been some common features. Some trends that were evident before the crisis have continued.

132. Bipartite social dialogue⁸⁰ has been playing a more prominent role in many EU countries. In most cases, this takes the form of union–employer peak level or inter-sectoral collective bargaining, except in Ireland, where it consists of collective bargaining in the public sector. Bipartite social dialogue sometimes occurs in the absence of tripartite social dialogue, while in other cases both systems function. Bipartite social dialogue could be interpreted as a response by the social partners to an erosion of trust in governments and a means of restoring some degree of coordination in collective bargaining and industrial relations in the post-crisis period. In so doing, trade unions and employers’ organizations are

⁷⁷ EC: *A new start for Social Dialogue* (Brussels, 2016).

⁷⁸ Eurofound: *Involvement of the social partners in the European Semester: 2016 update* (2017).

⁷⁹ See, for example, S. Hayter: “Unions and collective bargaining”, in J. Berg (ed.): *Labour markets, institutions and inequality: Building just societies in the 21st century* (Geneva, ILO, 2015).

⁸⁰ Bipartite social dialogue refers to any form of social dialogue between workers’ and employers’ representatives, at the national, industry or enterprise levels.

seeking to enhance their legitimacy and autonomy in industrial relations, modelled on the Swedish collective bargaining tradition.⁸¹

133. Another interesting development is the greater emphasis on processes through which the social partners and governments share information and views. This approach can be seen in several countries, including France, Germany and Slovakia. In the case of Germany, the crisis and post-crisis periods have shown how ad hoc, non-formalized social dialogue can be very effective in responding to the challenges posed by the economic context.

134. While institutional capacity is improving, a particular challenge in some countries is the lack of mutual trust between the parties. This is especially the case in countries where social dialogue mechanisms were suspended or severely curtailed in response to the financial crisis. With a view to restoring trust between the social partners and the government, agreements have been concluded in some countries on specific issues. For example, in Spain, an agreement on a plan to protect and redeploy the long-term unemployed was signed in the post-crisis period. In Greece, a roadmap has been agreed on undeclared work, following a period when social dialogue had been severely curtailed in view of the adjustment required by creditors during the sovereign debt crisis.⁸²

135. Certain other good practices can be highlighted. In some countries (Germany and Slovakia), new tripartite social dialogue institutions have been created to address the challenges posed by the crisis, including at the subnational level. This experience was linked to the previous lack of institutionalization of social dialogue and the low coverage of collective bargaining in parts of the country. Similarly, in Poland, employment councils and the former tripartite commission on social and economic affairs have been replaced by new tripartite labour market councils and a tripartite social dialogue council, respectively. In other countries, rather than creating new institutions, dormant social dialogue institutions have been reactivated. For example, in France, even though social summits had been organized before the crisis, they had only been held under exceptional circumstances. Another example is Greece, particularly in the public sector.

136. A trend appears to be emerging in many countries for the institutionalization (or strengthening) of social dialogue at the regional/local level. Such dialogue involves local public authorities, employers' and workers' organizations, as well as other stakeholders. This reflects the willingness of governments and the social partners to bring consultation and tripartite deliberation processes closer to the realities of local labour markets. With a view to making it more inclusive, some countries have also lowered the representativeness criteria for the participation of the social partners in tripartite social dialogue.

137. Social dialogue institutions need to be used to their full potential to bring the tripartite actors together. Only in this way can consensus be built around policies to address the many challenges involved in strengthening growth and employment, and reducing inequalities and imbalances. The depth of the economic and social challenges faced mean that it is indispensable for the social partners to be actively involved. And, for policy design

⁸¹ See, in particular, S.K. Andersen, J.E. Dolvik and C. Lyhne Ibsen: *Nordic labour market models in open markets*, Report 132, European Trade Union Institute (Brussels, 2014).

⁸² Eurofound: *Collective bargaining in Europe in the 21st century* (Dublin, 2015).

and implementation to be successful, it is crucial to strengthen the capacities and resources of the social partners and of social dialogue institutions.

Moving forward on the policy challenges

138. The years since the 2008 financial crisis have seen a flurry of policy activity throughout the region, as the above analysis has shown. While job creation has returned, many deficits remain, particularly in terms of the quantity and quality of jobs. Countries have often successfully addressed specific labour market problems and challenges, and have focused on the inclusion of the most vulnerable.

139. But there is still a considerable need to strengthen the coherence of macroeconomic, labour market, education and social policies. The forces shaping the labour market are moving faster than ever before, due to demographic change and shifting migration flows, technological progress and environmental change. It is now time to move on from responding to economic crises and to take up the challenge of forging a sustainable, adaptable and coherent vision for the future.

140. And the future promises ample challenges and opportunities, as discussed in the next chapter.

Chapter 3. Preparing the future of work

141. The preceding chapters have outlined the situation of the world of work in the region today, with the drivers and policy responses that have brought us here. And they have also highlighted the many challenges. Now we turn to the future.

142. People are profoundly aware of the far-reaching and accelerating changes that are affecting their daily working lives. Globalization, technological progress, climate change and demographic challenges, including migration, are having a major impact on the future of work and society.

143. But we also need to remember that the policies that have got us where we are today were not just responses to these drivers of change, but often deliberate choices. All the countries in the region are ultimately facing similar challenges, despite differences in time frames and national contexts. And many citizens are experiencing a growing feeling of insecurity and inequality.

144. The region has played a leading role in the industrial revolutions of the past. It has developed a social model that has been disseminated worldwide. But there is a growing concern that traditional social models are not offering an adequate response to increasingly diversified labour markets, and may need to be adapted to this new global context.

145. This chapter looks at the challenges ahead in the region, primarily from four interrelated perspectives: how people see work, particularly in relation to society; how decent jobs can be created; how work and production are organized; and how the governance of the future world of work should be organized.

Work and society

146. There has been much talk of “the end of work”. And yet work remains a central pillar in our lives. It gives people meaning, purpose and dignity, and provides a platform for social interaction and integration. It allows us to make an active contribution to society. And there is clear evidence that work has a positive impact on well-being and happiness.⁸³

147. The region has played a pre-eminent role in philosophical and economic thinking, in which work has played a central role. Adam Smith, Karl Marx, Sigmund Freud and others have emphasized the role of work in defining our identity, status and self-esteem. Jean-Jacques Rousseau tried to strike a balance between equality and freedom in society through a social contract, while Vladimir Soloviev described labour as an interaction between people and the material world that must secure a worthy existence for all.⁸⁴ These philosophical currents were synthesized in the ILO Constitution and the Declaration of Philadelphia, which emphasizes that “labour is not a commodity” and that “all human beings ... have the right

⁸³ J.M. De Neve and G. Ward: “Happiness at work”, Chapter 6, in J. Helliwell, R. Layard and J. Sachs (eds): *World Happiness Report 2017*, New York, Sustainable Development Solutions Network, 2017.

⁸⁴ V.S. Soloviev: *Justification of the good: An essay on moral philosophy* (1897).

to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity”.

148. But the very nature of work is changing. A single job for life is no longer the rule. Although a multiplicity of jobs throughout working life offer opportunities for broader social networks, they can potentially limit the depth of social interaction. Geographically disjointed work and new forms of business are changing interactions between workers and employers, as well as among workers and among employers. At the same time, whether through communication technologies or improved public transport infrastructure, technology offers opportunities for enhanced access to the labour market for disadvantaged groups, including people with disabilities, older workers and those seeking more flexible working arrangements.

149. Anxiety about work is widespread. Globalization and new forms of production are considered by many to be making it harder for workers to assert their rights and are leading to a greater feeling of helplessness. Technological progress is spurring fears that jobs may be destroyed, and that there is a risk of some sort of a dehumanization of working life and industrial relations. Climate change poses a challenge to our current modes of consumption and production, and to the ability of future generations to enjoy and benefit from our planet.

150. Expectations towards work are changing. The aspiration for fulfilling work, rather than just working to survive, is strong in the region, especially among the younger generation.⁸⁵ This is finding expression in the concern for a better work–life balance, although expectations differ between population groups. Young parents seek better family care arrangements. Many adults wish to invest in personal development and learning. Some, constrained by too few working hours, would like to work more, while others who are under the pressure of very long hours, would prefer to work less. Elderly workers seek arrangements adapted to their physical condition.

151. And this implies changes in the way that work is distributed in society. For instance, no one disputes that care work, which is part of social reproduction, is important for both individual and societal well-being. But this type of work is typically seen as “women’s work”, and is often marginalized and undervalued. This has much to do with the duality between paid productive work and unpaid reproductive work, which privileges some types of activity over others. In the end, it boils down to the question of working time, which is close to many people’s hearts. But it is also a question of the value we place on this type of work.

Decent jobs for all

152. The next critical question is how to create decent jobs for everyone in the future. Two factors are particularly significant, and have invited lively debate: the persistence of weak growth, and rapid technological change.

⁸⁵ Eurofound: Sixth European Working Conditions Survey, 2016.

A future of slow economic growth?

153. First, although the prospects for future economic growth have improved recently, growth forecasts remain weak and uncertain, as was shown earlier in this Report. While job growth has returned in most of the region, many of the jobs created do not fit the model of the standard employment relationship.⁸⁶ And growth has not been sufficient to create the decent jobs that are needed. Growth projections for most of the region are relatively low. There is reason for concern that this is not just a temporary phenomenon.

154. There is talk, not only of a subdued recovery from the 2008–09 crisis, but of “secular stagnation”, with deficient aggregate demand resulting from an excess of savings and low levels of investment.⁸⁷ This is combined with lower demand, due to the prolonged suppression of wage growth and higher levels of inequality. Indeed, long-term projections for Europe and Central Asia up to 2060 suggest a future of slow economic growth, with rates of output growth of between 1 and 2 per cent, and a somewhat higher level in Turkey and Central Asia.⁸⁸

155. These concerns are compounded by demographic changes, with societies ageing as population growth slows almost to a halt in most of the region. Populations are already declining in many countries.

Technology and jobs in the future

156. New waves of technological change, while improving productivity and growth, are often seen as weakening the capacity of the economy to create jobs.⁸⁹ Some alarmist studies have raised the fear of job displacement through technology,⁹⁰ and recent years have seen various forms of “techno-pessimism”.

⁸⁶ A standard employment relationship in this context consists of a full-time job with an unlimited contract, adequate protection against dismissal, access to a broad set of rights and protections, including respect of all fundamental rights of employees, coverage by social protection schemes and the right to participation in decision-making through social dialogue and workers’ representation within enterprises.

⁸⁷ C. Teulings and R. Baldwin (eds): *Secular stagnation: Facts, causes and cures*, Centre for Economic Policy Research (CEPR), 2014.

⁸⁸ EC: *The 2015 ageing report: Underlying assumptions and projection methodologies*, European Economy, No. 8, 2015; The Conference Board: *Global Economic Outlook 2016*; OECD: *Looking to 2060: Long-term global growth prospects*, Economic Policy Papers No. 3, Paris, 2012.

⁸⁹ See, for example, K. Schwab: *The Fourth Industrial Revolution*, World Economic Forum, 2015.

⁹⁰ See, for example, World Bank: *World Development Report 2016: Digital dividends*, Washington, DC, for the Western Balkans and Central Asia, 2016; C.B. Frey and N. Osborne: *The future of employment: How susceptible are jobs to computerisation?*, Oxford Martin Programme, 2013; and J. Bowles: “The computerisation of European jobs”, blog post, Bruegel, 24 July 2014. However, a recent study by the OECD argues that a better way of assessing the potential of technology to substitute human labour is to examine job tasks rather than entire occupations. The study finds that only 9 per cent of jobs on average across a sample of 17 European countries face a high risk (70 per cent or more) of automation over the next one or two decades, with some variations between countries. See M. Arntz,

157. These concerns are not new. And experience in the region offers a basis for some concern. Advances in digital technology have already proliferated across most of the region. But they do not seem to have led to a similar growth spurt as previous industrial revolutions. Instead, they have tended to shift the focus from bricks and mortar enterprises to a few global digital winners. This has involved the extensive reallocation of jobs and workers, but without compromising the total volume of employment.

158. The impacts of technology are extensive and complex, with conflicting effects on employment. It could substitute human labour. But it could also complement existing labour and occupations, or create unforeseen new occupations (such as “social media management” in large corporations). Due to the considerable variations in labour markets across the region, the impacts will differ, and some parts of the economy will hardly be affected.

159. Policy also plays an important role. If technological displacement were to become prevalent, the distribution of work through policy measures could significantly alleviate the resulting pressure. Some propose a universal job guarantee, with the public sector acting as an employer of last resort. This would clearly have significant implications for public finances, tax policy and competitiveness. Others advocate a general reduction in working time, with jobs being shared and everyone working fewer hours.

160. Recent experiences are telling in this regard. Evidence shows that, in countries where technological advances have spread through major parts of the economy, such as the use of industrial robots in Germany, fears of worker replacement have to date been largely unfounded. Instead, technology operates alongside workers, increasing productivity, but also improving working conditions by releasing workers from the most arduous tasks, enhancing OSH and opening up more space for creative and fulfilling tasks. Research on the use of robots in industry in a sample of 17 countries (mostly Western and northern European) in 1993–2007 confirms the positive effect on labour productivity and added value, but finds no overall effect on total hours worked. Nevertheless, there are still concerns that certain middle-skilled workers, in particular, are at higher risk of being replaced.⁹¹

New sources of job creation

161. Over and above technological advances, demand is growing in other economic sectors. One is the care economy. The need for formalized care is rising with the ageing of populations. This offers a major opportunity to create a large number of jobs in which technology could play a substantial role in bridging the care gap, and in allowing those who currently bear the burden of unpaid care work to participate in the labour market and contribute to economic growth.⁹² But what is not clear is how these jobs can be financed. Social protection systems are already under strain, and old-age poverty remains a problem

T. Gregory and U. Zierahn: “The risk of automation for jobs in OECD countries: A comparative analysis”, OECD Social, Employment and Migration Working Papers No. 189 (Paris, 2016).

⁹¹ However the hours worked by low-skilled workers, and to a lesser extent by middle-skilled workers, saw a decline. See G. Graetz and G. Michaels: “Robots at work”, Centre for Economic Performance Discussion Paper No. 1335, 2015.

⁹² See, for instance, Agency for Strategic Initiatives and Skolkovo Management School: *Atlas of emerging jobs* (second edition), Moscow, 2015, pp. 31, 39.

in many countries. Increased individual savings would therefore at most be part of the answer. Other ways of monetizing and institutionalizing care work need to be found.

162. The value accorded to care work is closely related to the overall appreciation of unpaid work. There are still dramatic gaps between the volume of unpaid work done by men and women in the region. Unpaid work is one of the reasons why the labour market participation of women is still lower than that of men.

163. Other sectors that are likely to experience growth are green industries, including renewable energies, health, education and training, and the leisure and tourism industry. But whether this will lead to employment growth also depends on the policy choices made. Environmental sustainability will be a central consideration in the policy choices that will determine the structure of future economies, as highlighted in my Report to the Conference this year.⁹³

164. Yet it is not clear what types of enterprise will be the primary engines of job creation in these growth areas, and the types of employment that will be available.

Skills needs in a high-tech future

165. Technologies, as well as new social and economic developments, are creating new opportunities. But these opportunities can only be realized if the workforce is adequately skilled. Capacities in science, technology, engineering and mathematics (STEM) are in high demand, and there is a substantial skills gap in these fields. And jobs requiring creativity and emotional and personal skills are less exposed than others to transformation and substitution. Jobs will increasingly require a combination of technical and IT skills, which puts the onus on upskilling rather than job substitution.

166. Work-related skills will therefore remain a central concern of policy-makers. To shape the skilled workforce needed for future growth, which can adapt to the increasingly rapid changes in the world economy, it would be necessary to focus on developing a broader set of cognitive skills, adapting to labour market needs and improving the access of everyone to education throughout their lives. This would entail efforts on three fronts: (i) the upskilling of workers through lifelong learning; (ii) the reskilling of those outside the labour market to facilitate their reinsertion; and (iii) the development of new skills to create a workforce adapted to emerging jobs and occupations. The importance of quality education for all, and the special role of vocational training in developing a labour market-oriented workforce, are highlighted in SDG 4.

167. The erosion of the stable employment relationship is creating other challenges for skills development. Continued training was traditionally provided within enterprises, which often retained most of their workforce for life. But the likelihood of remaining in the same job throughout working life is now slim. The increasing prevalence of temporary work, the rise in the number of part-time workers and a variety of other forms of more flexible work (including agency and service work, on-call work and also disguised self-employment)⁹⁴

⁹³ ILO: *Work in a changing climate: The Green Initiative*, Report of the Director-General, Report I, International Labour Conference, 106th Session, Geneva, 2017.

⁹⁴ For a more detailed discussion, see ILO: *Non-standard employment around the world: Understanding challenges, shaping prospects*, op. cit., 2016.

make it less likely that enterprises will invest in developing the long-term skills of their workforce. At a time of a growing need for lifelong learning, this stands to transfer responsibility to the individual worker. Fragmentation of the workforce in businesses is increasing inequality between different types of workers, and is finding expression in differences in working conditions and in access to further training. The burden of investing in training is falling increasingly on the individual worker. The risk and the cost are therefore being individualized, but ultimately at the risk of an increasing skills gap for employers.

168. To improve their linkages to the labour market, it will be necessary to seek more partnerships between traditional educational institutions, such as universities and vocational schools, and enterprises. It is becoming increasingly important to design curricula together with industry representatives, including workers, while also offering practical training within enterprises. This is the successful formula behind the dual vocational training systems in some Western European countries, such as Austria and Germany, and is likely to have contributed significantly to their low youth unemployment rates.

169. Young people are now, at least on paper, the best trained generation of all times. Yet, employers regularly complain in enterprise surveys about the inadequate skills of new labour market entrants. The number of university graduates has skyrocketed, especially in the former Soviet countries and the Western Balkans, yet the economic dividends have been limited. This suggests that the quality of what is learned does not match labour market requirements. Participation in tertiary education has also risen in Western Europe, but many graduates are only able to enter the labour market in precarious settings.

170. In short, national policy choices will determine the distribution and ease of access to skills, and therefore their impact on wage inequality and job quality in general.⁹⁵

The organization of work and production

171. Job dynamics are evolving, and so are the ways in which we work and produce.

Global and complex production chains

172. The international economy and the world of work have undergone significant changes over recent decades. Traditional methods and patterns have been affected or replaced by new and emerging forms of work and production. In the drive for greater competitiveness and flexibility, enterprises are key vectors of change, particularly through their organization and structure – economically, financially, geographically, and in terms of size. All of this has had a fundamental effect on the nature of their workforce.

173. These changes are affecting all types of enterprises, big and small. But, even though enterprises are in a state of flux and uncertainty, they will continue to be the main units of work and production, and therefore the most important source of decent jobs.

174. Many factors are changing the way in which work and production are organized. They include the rapid development of global financial networks, the growing use of

⁹⁵ D. Vaughan-Whitehead, R. Vazquez-Alvarez and N. Maitre: “[Is the world of work behind middle class reshuffling?](#)”, in D. Vaughan-Whitehead (ed.) *Europe’s disappearing middle class? Evidence from the world of work* (Geneva, ILO, 2016).

outsourcing and subcontracting, the expansion of third-party agencies and other intermediaries, and the development of multiple networks of enterprises of varying sizes, all interconnected with one another through global supply chains. The effects can be seen at the local, subnational, national and cross-national levels, within and across member States.

175. The financialization of the economy has also had significant consequences for workers, as well as employment and industrial relations systems. The decoupling of the ownership of enterprises from management and workers raises many questions in terms of diverging interests and inequalities in the labour market. And the traditional role of finance and investment in employment creation is under challenge from increasingly complex financial products, which have weak linkages to the real economy.

Growing pressure on the employment relationship

176. These changes are having, and will continue to have, far-reaching consequences for workers, employers and society. The increasing diversification of forms of production, and the resulting flexibilization of the workforce, are changing the relationship between the central actors in the labour market. Connections between enterprises and workers are more erratic, and workers seldom remain with the same employer throughout their working life. Employment is increasingly moving away from the classic full-time open-ended relationship, to “non-standard” forms of work, including part-time, fixed-term and flexible contracts. These changes are gradually challenging the traditional understanding of the employment relationship as the normal contractual arrangement between an enterprise and a worker.

177. The blurring of the lines between enterprises and workers is also calling into question the adequacy of protection mechanisms attached to the employment relationship. The share of informal employment in its various forms, including own-account workers, the self-employed, informal employers and unpaid family workers, remains considerable, particularly in the east of the region. It is unclear whether these changes, whatever their form, are in the long-term interests of either enterprises or workers.

178. Against this background, the role of the State in setting the regulatory framework is changing, although presumably it will continue to have a fundamental role to play in ensuring the good functioning of labour market institutions, especially the administration that facilitates employment flows, the legal framework governing enterprises and workers, and the agents ensuring that rules are followed. In this context, it is important for governments to be not only reactive, but also proactive in shaping change, and steer a policy process underpinned by serious debate through tripartite social dialogue.

179. The content of work is also changing. The hollowing out of the middle class, alluded to above, is reflected in the changing tasks and roles of workers. At the top of the income distribution, the complexity of work has often increased, in line with the growing complexity of enterprise structures. The increasing fragmentation of production systems is fostering the growth of a broad layer of “one-dimensional” workers, such as the many “click-workers” on platforms. The lack of complexity of their work means that they can easily be replaced which, together with the fact that they are often unorganized and unrepresented, drives down their wages and may limit their protection.

The “on-demand economy”

180. It is important to delve deeper into the specific technology-driven phenomena that have created new sectors altogether, or replaced old ones. Words such as “uberization”, “gig”, “share”, “platform” and “crowdwork” have entered the lexicon of international policy-makers and the public alike. They are a result of the digital economy and the emergence of platform enterprises, which connect workers and end users through the Internet and its applications, overcoming the need for physical proximity. Platform enterprises are growing rapidly in number, size and market share in many sectors of the economy, driven by low entry costs, supportive (often lax) regulatory environments and the global marketplace.

181. The implications can already be seen. While the disruption of traditional forms of enterprises and established markets can spur competition and innovation, it also raises issues of market dominance and anti-competitive behaviour, as well as taxation and fiscal policy, and working conditions.

182. The main regulatory concern is that the gig economy is resulting in a blurring of the distinction between wage and self-employment. The status of self-employment for the provision of services has more to do with commercial law. A key concern is therefore to determine whether the self-employed are so dependent on a single contractor that they are e quasi-equivalent of dependent employees. This issue has increasingly been taken up by national legal systems, and also by the ILO supervisory mechanisms.⁹⁶

Providing protection for all

183. The expansion of new modes of engagement in the labour market may suit those who want work, but for whom the commitment to a full-time standard job is overly limiting (or even impossible). It can also suit employers seeking flexibility as a means of adjusting to harsh levels of competition. But women, youth, the low skilled and migrants are disproportionately represented in non-standard forms of employment. For them, these forms of work facilitate labour market entry, but do not offer security or protection.

184. The consequences and challenges arising out of these trends are manifold and significant. While some workers may appreciate the increased freedom to shape their own lives, in many cases this is accompanied by severe restrictions on their participation in decision-making and the shifting of a variety of risks to individual workers, who often lack representation to help assert and enforce work-related rights. The challenges are all the more important for workers in informal work. The fragmentation of the labour market could lead to a situation in which responsibility for social protection and pensions lies increasingly with the individual, wages are falling for many, working-time boundaries are being lost and workers are competing with one another for their next project.

185. This leads on to the (critical) question of the governance of work in the future.

⁹⁶ The ILO supervisory bodies have considered cases in which the status of workers as either employees or independent contractors (under competition law) raised issues regarding the application of the right to collective bargaining (see the discussion in the Committee on the Application of Standards at the 105th Session of the International Labour Conference, 2016, of the application by Ireland of the Right to Organise and Collective Bargaining Convention, 1949 (No. 98)).

The governance of work

186. The transformative changes outlined above offer both opportunities and challenges. In order to foster the former, and circumscribe the latter, strong capacities are needed to anticipate and manage change. In particular, the diversification of forms of employment highlights the need for a coherent and comprehensive policy framework and the broad application of international labour standards, as well as regional and international cooperation. The whole range of labour market governance institutions and processes will need to function effectively to ensure that “no one is left behind”, as stated in the SDGs.

A need to build trust in institutions

187. Building consensus around a model of society in which people wish to live is becoming more difficult. In the EU, opinion surveys show that distrust of national parliaments and governments is averaging over 60 per cent.⁹⁷ Political parties are not faring much better. While confidence in institutions has rebounded slightly following the shock of the global recession, the historical trend of declining levels of trust is continuing. There are indications that this is linked to widening income inequality.⁹⁸

188. Levels of confidence in the labour market actors vary across the region, and reliable data is limited. But trust in trade unions and large enterprises rarely tops 50 per cent across the region, and is often substantially lower.⁹⁹

189. Rebuilding confidence needs then to be a priority concern of public policy. The management of change to achieve inclusive growth and decent work is reliant on strengthening dialogue with all members of society. This warrants a fresh look at the pillars that can develop trust in policy-making, which include transparency, inclusiveness, legitimacy and effectiveness.

The crucial role in governance of labour market institutions

190. The crucial role of labour market institutions in shaping, facilitating and accommodating the rapid changes across the region cannot be overstated. In many ways, labour market governance can be seen as an ecosystem, with symbioses and dependencies between the various institutions and processes. No country in the region has yet found the perfect mix. And, in any case, labour market governance is an evolutionary process that needs to adapt and evolve over time.

191. At least three core components of the governance ecosystem require consideration. One is the legislative framework governing the relationship between the different labour market actors, and their respective rights and responsibilities. The second is social dialogue, which plays a crucial role in defining an appropriate legislative framework, and needs to ensure that the voices of all the actors in the real economy are heard. The third,

⁹⁷ EC: Standard Eurobarometer No. 85, 2016.

⁹⁸ Edelman Trust Barometer, 2016.

⁹⁹ World Values Survey, Wave 6 (2010–14).

for lack of a better term, is the labour administration system, which is responsible for the implementation of the legislative framework, facilitates employment flows and ensures that workers are covered by social protection systems and can exercise their rights. To fulfil these functions, the labour administration system is composed of a series of intricately interlinked institutions, including labour inspection, public employment services and labour market information systems.

192. In terms of the legislative framework, mechanisms need to be found to ensure that fundamental rights and principles are applicable throughout the labour market. Many future decisions will have financial implications affecting the ability of governments and other institutions to provide the necessary protection for the development of an inclusive labour force that can adapt to changing economic and social requirements. It is therefore impossible to talk of social justice without taking a critical look at taxation. Tax systems need to ensure that everyone in the labour market makes a fair contribution to financing the governance system and the protection mechanisms outlined in previous chapters, while ensuring that enterprises remain competitive.

193. Social dialogue has been under strain in many parts of the region, as this Report has shown. To fulfil its important functions of giving a voice to all workers, ensuring participation and underwriting the legitimacy of the policy-making process, social dialogue will have to be revived and strengthened. Informality and the rapidly emerging new forms of employment have left many workers and enterprises without legislative coverage and bereft of representation by the social partners and collective bargaining.

194. The challenge is to create legislation and institutions that reach all categories of workers and curb the trend towards increasing labour market segmentation. Social dialogue institutions may need to be reformed. The legislative framework will have to accommodate enterprises and workers which at times do not fully match traditional definitions. The social partners will need to explore new avenues of communication, outreach and activism with a view to attracting and including those who currently have no voice in the labour market.

Changes to the social contract?

195. The issues for social dialogue, while broad and challenging, may amount to a question of reshaping the social contract that is currently under so much strain. If higher levels of flexibility further increase the number of people with a patchwork history of employment, a core question will be how to ensure income security. This is particularly crucial in view of the stagnation of real wages, the gaps in protection for the growing share of workers in non-standard forms of employment and the challenges facing social protection systems.

196. There is no easy answer. In terms of income security, the proposal of a universal basic income¹⁰⁰ has made headlines. It is currently being tested on a small scale in some countries, and is under discussion in others. The approach is hotly disputed, and proposals vary. Proponents argue that it is an answer to the displacement of jobs by technology, that it empowers individuals to make their own choices and is a tool for eliminating poverty, while reducing the administrative costs of existing social protection mechanisms. Opponents see

¹⁰⁰ While there are many different proposals on the table, a universal basic income usually refers to an unconditional income paid by the government to all citizens, irrespective of whether or not they are in work.

it as a disincentive to work. They fear increased inequality and the erosion of social protection systems and public services. They consider that it may undermine collective bargaining and have an adverse effect on those who voluntarily leave the labour market for a period of time. Moreover, the proposals vary widely in terms of suggested benefit levels and coverage, and often lack clear estimates of financial costs and financing mechanisms.

197. The idea of income security over the life cycle is central to the concept of a nationally defined SPF, as part of comprehensive social security systems. An SPF would offer the scope for basic income provisions, recognizing that the “process of building comprehensive social security systems cannot stop at the ground floor of protection”.¹⁰¹

198. The Social Protection Floors Recommendation, 2012 (No. 202), acknowledges the need to provide higher levels of protection, usually through social insurance schemes. It emphasizes the importance of a coherent policy approach that promotes productive economic activity and formal employment as part of a broader Decent Work Agenda.¹⁰² Through this approach, national social protection systems can be combined optimally with various mechanisms linked to residence or employment, with appropriate financing through taxes or contributions.¹⁰³

199. The debates and dialogue on these issues will continue. But there have already been multiple efforts in the region to develop new models, and potentially to define a new social contract. One example is the European Pillar of Social Rights, which aims to support fair and well-functioning labour markets and welfare systems, focusing on inclusiveness and equal opportunities, working conditions and social protection.

200. The national dialogues on the future of work that have been organized as part of the ILO Centenary Initiative on the Future of Work have also yielded many promising proposals. The German White Paper¹⁰⁴ sketches out a new model of innovation within a social market democracy. The approach of the Russian Federation gives priority to humanizing work, and places strong emphasis on an inclusive society and labour market (especially for youth, women and workers with disabilities), efficient institutions and improved working conditions.¹⁰⁵ Other contributions, including the French paper,¹⁰⁶ focus more on the need to strengthen the future role of the ILO, and particularly its standards

¹⁰¹ ILO: [Resolution and conclusions concerning the recurrent discussion on social protection \(social security\)](#), International Labour Conference, 100th Session, Geneva, 2011, para. 11 of the conclusions.

¹⁰² [The Social Protection Floors Recommendation, 2012 \(No. 202\)](#), Para. 10.

¹⁰³ ILO: *Non-standard employment around the world: Understanding challenges, shaping prospects*, op. cit., 2016; and ILO: *World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice* (Geneva, 2014).

¹⁰⁴ Weißbuch Arbeiten 4.0, <http://www.bmas.de/DE/Service/Medien/Publikationen/a883-weissbuch.html>, 2016.

¹⁰⁵ Ministry of Labour and Social Protection: *The future of work in Russian Federation: Humanization, quality jobs and efficient institutions* (2017).

¹⁰⁶ French contribution, http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-paris/documents/publication/wcms_548773.pdf, 2017.

mechanisms. The contribution of the Nordic Council emphasizes the need to redefine the employment relationship and the importance of gender equality.¹⁰⁷

201. Such discussions need to be elaborated through tripartite social dialogue and adapted to the national context, but not lose sight of the interconnectedness at the regional and global levels. They need to ensure adequate rights and opportunities for workers and employers, while also incorporating the responsibilities of all actors – workers, employers and governments – to ensure social justice, reduce inequalities and tackle existing tensions. The social contract also has to take into consideration intergenerational fairness and environmental sustainability. But the underlying questions still remain. What do we want our society of the future to look like? And what role will work take in it?

Looking ahead

202. The principles set out in the Declaration of Philadelphia lie at the heart of the ILO's world view of a social contract between society and the State. These principles call for a “just share of the fruits of progress to all”, to be achieved through national and international action “... in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare”.¹⁰⁸

203. This vision remains fully relevant and timely, even in an era such as our own, characterized by the unevenly shared fruits of globalization, rising inequality and the persistent challenges of poverty. More inclusive and coherent policy-making is needed to ensure that everyone enjoys a just share of the results of progress. The relevance of this vision was reaffirmed by the International Labour Conference last year, when it emphasized that “... Members' efforts ... should be based on the urgent need to promote ... greater ownership, policy coherence and complementarity of national, regional and international approaches” and “cooperation among Members, as well as between Members and international organizations”.¹⁰⁹

204. The region is well placed to make a major contribution to this process through a variety of national, regional and international dialogue forums. The already strong integration in the region needs to be put to good use to come together and shape the future that we all want; to ensure that, instead of a race to the bottom, we can find the right common and coherent solutions to forge an economy that works for all and achieves social justice, guided by the principle of decent work for all. These dialogue forums can also serve as a platform for exchanges on the lessons learned throughout the region. There are already many positive examples of embracing change as an opportunity, and shaping a positive future of work, as shown by the many policy responses on the journey from Oslo to Istanbul.

205. The tripartite constituents in the region are also well placed to continue playing a significant role within the ILO of the future, and to play a crucial part in defining priorities

¹⁰⁷ Nordic Council of Ministers: *Delingsøkonomien: muligheter og utfordringer* (2017).

¹⁰⁸ ILO: [Declaration concerning the aims and purposes of the International Labour Organisation](#) (Declaration of Philadelphia), 1944.

¹⁰⁹ ILO: [Resolution on advancing social justice through decent work](#), International Labour Conference, 105th Session, Geneva, 2016, para. 13.

for the path ahead. The labour market and the social trends and perspectives described in this Report, and the challenges and opportunities identified in relation to technology, the quality and quantity of jobs, the sustainability of social protection systems, labour legislation and social dialogue, once again bear witness to the crucial importance of free tripartite discussion to identify the way forward.

206. Experience shows that the ILO's methods of work can be a powerful instrument at the service of inclusive development. The challenges are formidable, and the responses are coloured by the diversity of national situations, cultures and history. But it is only in a context of strong tripartite and bipartite agreement, founded on legitimate and broad representation, that a meaningful response will be found to the challenges outlined in this Report.

Part II. From Oslo to Istanbul: Achievements 2013–17

Introduction

207. This part of the Report presents an overview of the results achieved by constituents and the Office in the region since the Ninth European Regional Meeting, held in Oslo in April 2013. The information provided complements that contained in the ILO programme implementation reports covering the same period, as discussed by the Governing Body every two years. The period has seen a change in the ILO programming structure, with a move from 19 outcomes to ten policy outcomes.

208. During this period, the assistance provided to constituents was based on the guidance set out in the Oslo Declaration (2013), as well as issues that have come to the fore since then, including: migration and informality; the rapid economic, social and political developments throughout the region; crisis issues requiring an immediate reaction, such as the Soma mine accident in Turkey, displaced people in Ukraine and the refugee crisis; the adoption in 2015 of the 17 SDGs of the 2030 Agenda; and the reaffirmation by the International Labour Conference in 2016 of the ILO Social Justice Declaration.

209. Sections I–IV of the present Report are structured according to the ILO’s strategic objectives to capture the full range of the support provided in the region. Sections V and VI then provide an overview of partnerships and the lessons learned from the ILO’s work.

ILO structure in Europe and Central Asia

210. The ILO’s assistance to constituents in the region is channelled through its field structure of offices and national coordinators, with the Geneva-based Regional Office for Europe and Central Asia providing political and strategic direction. The two Decent Work Technical Support Teams/Country Offices (DWT/COs) based, respectively, in Budapest and Moscow are supported by a network of national coordinators. There are Country Offices in France, Germany, Italy, Portugal, Spain and Turkey, and the Brussels Office covers EU institutions and the Benelux countries.

211. The offices in Moscow, Budapest and Ankara focus largely on implementing the Decent Work Agenda through programmes and projects that respond to the needs expressed by constituents, particularly in Decent Work Country Programmes (DWCPs).¹¹⁰ All the offices, including those in the EU, have four broad functions: communication/visibility; representation/partnerships; resource mobilization; and policy advice. The Brussels Office

¹¹⁰ DWCPs during the period were agreed in the following countries: Albania, Azerbaijan, Bosnia and Herzegovina, Republic of Moldova, Montenegro, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, Ukraine and Uzbekistan.

also plays a central role in facilitating the relationship between the ILO and the European institutions as partners and donors.

212. Europe and Central Asia is the second largest ILO region in terms of the number of countries. It is also a challenging region for resource mobilization. It has a two-year budget representing some 3.1 per cent of the ILO regular budget in 2016–17 and 5 per cent of its staff. Emphasis has continued to be placed on making the best use of the available resources, including through prioritizing the flexible use of Regular Budget Supplementary Account (RBSA) ¹¹¹ resources to respond to demands from constituents in crisis situations. Active participation in the Office-wide Outcome Coordination and Global Technical Teams has also allowed better coordination between ILO headquarters and the field and a more interdisciplinary approach in implementing the Decent Work Agenda.

213. There have been regular contacts with the International Trade Union Confederation (ITUC)/European Trade Union Confederation (ETUC) and the International Organisation of Employers (IOE), including participation in their major events in the region. Great attention is given to ensuring that social partners' voices are heard and their priorities reflected in United Nations Development Assistance Frameworks (UNDAFs) and national SDG processes. The ILO has also focused on strengthening joint work with United Nations (UN) partners, the G20 and other organizations such as the Council of Europe, Eurofound, ¹¹² European Investment Bank, ¹¹³ OECD and the Regional Cooperation Council (RCC).

I. Employment

214. In a context of weak and uncertain economic growth, and in line with the emphasis placed by constituents in the Oslo Declaration, employment remained the principal priority of the ILO's work in the region. The assistance provided focused in particular on developing employment strategies, the promotion of youth employment, skills development, the labour market integration of migrant workers, an enabling environment for sustainable enterprises (EESA) and the creation of green jobs.

Main achievements with ILO support

- Voluntary peer review mechanism on youth employment established in 14 countries in EECA (Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo,* Kyrgyzstan, Montenegro, Russian Federation, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, Turkmenistan and Uzbekistan).
- Law on independent assessment of qualifications adopted in 2016 in the Russian Federation.
- National Outreach Strategy for non-registered young unemployed and inactive young people in Portugal adopted in 2017.
- National Employment Strategy 2017–20 adopted in Azerbaijan in 2017.

¹¹¹ Donors providing RBSA are: Belgium, Denmark, Germany, Italy, Luxembourg, Netherlands, Norway and Sweden.

¹¹² Framework for Cooperation signed in 2015.

¹¹³ Memorandum of Understanding signed in 2015.

- Active labour market measures targeting rural youth entrepreneurship and quality apprenticeships implemented in urban areas in Azerbaijan.
- White Paper on recommendations for policy options for youth employment developed in Montenegro.
- National action plans on youth employment adopted in Cyprus, Kazakhstan and the former Yugoslav Republic of Macedonia.
- 15 occupational profiles established in the tourism, agriculture and construction sectors in Ukraine and six occupational standards (two in agriculture and four in construction) developed in the Republic of Moldova.
- National Employment Strategy adopted in the Republic of Moldova.
- Migration module in the labour force survey piloted in the Republic of Moldova and Ukraine.
- First Women’s Employment Action Plan adopted in Turkey.
- National assessment reports using the EESE methodology prepared in Albania, Armenia, Georgia, Kyrgyzstan, Montenegro, Republic of Moldova, the former Yugoslav Republic of Macedonia and Ukraine.

¹ All references to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

215. Support was provided in the former Yugoslav Republic of Macedonia for outcomes related to more and better jobs and improved active labour market policies. Together with the United Nations Development Programme (UNDP) and the World Bank, the ILO assisted in the development of the National Employment Strategy of the Republic of Macedonia 2016–20, which addresses both supply-side issues and entrepreneurship, SME development and sectorial policies.

216. In the Republic of Moldova, the National Employment Strategy for 2017–21, developed with ILO and UNDP support, is the first-ever programming document building on localized SDG targets and indicators related to decent work.

217. An ILO Inter-Departmental Task Force on European crisis countries focused on those which had faced the largest increases in unemployment during the global crisis, and particularly Cyprus, Greece, Ireland, Portugal and Spain. National studies were undertaken proposing policies to overcome the employment crisis. The studies offered a basis for the ILO, on the occasion of national tripartite conferences in all five countries, to identify areas for cooperation, leading to the provision of assistance on the Youth Guarantee (see box 2) and advice on best practices for labour law.

Box 1

Package of policy measures in Azerbaijan

New macroeconomic approaches in response to the economic downturn and labour market challenges have been adopted by constituents in Azerbaijan following examination of a country report commissioned by the ILO on macroeconomic trends and policies, containing recommendations for anti-crisis measures and strategic policy choices, and the delivery of a tailor-made course on macroeconomic approaches to labour market development and the formulation of employment policies. These interventions led to the formulation of a comprehensive employment policy framework. Support was also provided for the development of ALMPs targeting rural youth entrepreneurship and quality apprenticeships in urban areas. The implementation of two pilot programmes on wage subsidies for young jobseekers in Baku and young entrepreneurs in rural areas, which covered 1,600 families, also resulted in the allocation in 2016 of US\$4 million from the Presidential Reserve Fund for the institutionalization of a new national programme on entrepreneurship development. These interventions and measures have since been incorporated in the Employment Strategy 2017–20, which was developed with ILO support and is aligned with the SDGs.

Employment promotion and youth

218. Based on the conclusions on “The youth employment crisis: A call for action”, adopted by the Conference in 2012, and the Governing Body follow-up plan, support was provided to constituents for the implementation of a multipronged approach on decent jobs for young women and men. The assistance focused on knowledge development and dissemination, technical assistance and capacity building, and partnerships and advocacy. Information on good practices was provided to assist in the design of youth employment policies and programmes. This included 12 national school-to-work transition surveys in eight countries (Armenia, Kyrgyzstan, Republic of Moldova, Montenegro, Russian Federation, Serbia, the former Yugoslav Republic of Macedonia and Ukraine), mutual learning events on labour market transitions for young people in EECA and employment services for youth (September 2014). Knowledge was also expanded and disseminated through the YouthPOL database, which contains 220 youth employment policies from 22 countries in the region. Support was provided for national reviews of policies on jobs and skills for youth, which were discussed by tripartite constituents and used for the implementation of policy reforms through a national action plan in Cyprus, a youth employment action plan in Kazakhstan and the revision of education and training legislation to introduce work experience components in schools in the Russian Federation. Support was also provided for the establishment and implementation of a voluntary peer review mechanism and a network of experts from nine EECA countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan)¹¹⁴ on policy analysis and development. ILO support in the former Yugoslav Republic of Macedonia was designed to assist the development and implementation of a national action plan based on new employment services and programmes for young people.

Box 2

ILO–EC support for the implementation of Youth Guarantee schemes

In the framework of ILO–EC collaboration on the Youth Guarantee, and as a follow-up to the support provided for the development of Youth Guarantee plans in selected EU countries, a joint action was implemented by the ILO between 2015 and 2017. The action enhanced national capacity to assess the performance of Youth Guarantee schemes, including apprenticeships. It strengthened monitoring functions for evidence-based policy-making in Latvia, Portugal and Spain and provided direct support through advisory services and policy dialogue in the areas of early intervention, activation and youth labour market integration. A number of results were achieved: (i) outreach strategies for inactive youth, and the implementation of approaches for their identification, profiling and support, with a first nationwide outreach strategy launched in Portugal; (ii) monitoring and evaluation frameworks were developed in Portugal and Spain to assess the performance of measures, analyse results and take corrective action; (iii) enhancement of the quality of Youth Guarantee through the development of a methodology that was used for policy dialogue and to shape action to promote decent work for youth in the three countries; and (iv) benchmarking what works in youth employment. This exercise resulted in a community of practitioners from the central administration and Autonomous Communities of Spain, who have shared knowledge and good practice on what works in youth employment and have fostered policy coherence through enhanced collaboration and coordination.

219. Technical support was also provided for the development of the: Employment and Skills Strategy 2015–20 in Albania; the National Employment Strategy 2017–20 and the design of ALMPs in Azerbaijan; capacity building on employment services and ALMPs, with training sessions for some 900 officials, in Azerbaijan and Uzbekistan; a national action

¹¹⁴ For further details, see box 13.

plan on youth employment in Kazakhstan; and a White Paper containing recommendations for policy options for youth employment in Montenegro.

Roma

220. With an estimated population of between 10 and 12 million, the Roma constitute Europe's largest minority group. Promoting decent work for Roma youth, particularly for women and girls and young people with disabilities, offers hope of a better future by breaking the poverty cycle. To facilitate the labour market integration and access to decent employment of Roma youth, a resource guide was developed, accompanied by training modules to deepen understanding among constituents of Roma-related issues and strengthen the knowledge basis on Roma youth.

Women's employment

221. Turkey's first Action Plan on Women's Employment is now being implemented by the Turkish Employment Agency (İŞKUR). The Action Plan, prepared by a national technical team commissioned by the ILO, supports an inclusive and coherent policy to increase decent employment for women, in line with the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The capacity of İŞKUR to promote women's access to jobs was also strengthened through increased awareness and knowledge at the managerial level on mainstreaming gender equality principles. The ILO designed and carried out with İŞKUR a review and audit of current practices in public employment services from a gender equality perspective. The labour market survey which is regularly conducted by İŞKUR has also been reviewed from a gender perspective, and an updated survey questionnaire, including new questions on women's employment, has been adopted for use in the future.

Skills development and labour migration

222. Assistance to address mismatches between workers' skills and labour market needs focused on responding to requests for support from constituents.

223. With a view to modernizing and developing occupational standards and linking them with educational standards, a National Council on Vocational Qualifications was established in 2014 in the Russian Federation, under the authority of the President. The Council is chaired by the Head of the Russian Union of Industrialists and Entrepreneurs, and includes sectoral branches. The technical assistance provided on the modernization of occupational standards, and the development of qualification assessment tools and procedures, included the collection, summarizing and analysis of international experience in this field. The occupational standard for the staff of the public employment service, which is one of the most recent standards, was developed with ILO support. Advice was also provided on the draft law on the independent assessment of qualifications, which came into force in January 2017.

224. Assistance was provided for the establishment in Ukraine of 15 occupational profiles for three sectors (tourism, agriculture and construction) and six occupational standards in the Republic of Moldova (two in agriculture and four in construction).

225. The ILO led the employment-related part of the Recovery and Peacebuilding Assessment (RPA) in Ukraine, which was carried out jointly by the World Bank, EU and

UN in 2014–15. The ILO facilitated consultations on employment solutions for internally displaced people and provided support to the State Employment Agency to mainstream the Start and Improve Your Business programme.

Labour market integration of migrants

226. Initiatives in the region in support of the labour market integration of migrants included EC-funded research on new immigrants in Europe, carried out by the ILO in 2013–14 in cooperation with the Migration Policy Institute. Since 2015, the ILO has been providing advisory services and facilitating tripartite policy dialogue in Italy on the analysis of labour market integration policies for migrants. This resulted in the pilot implementation of labour market integration pathways for migrant workers, based on the findings of two national reports prepared with ILO input.

Box 3

ILO response to the Syrian refugee crisis in Turkey

Turkey is a major refugee-hosting country. The ILO is playing a significant role in the livelihoods cluster of the Regional Refugee and Resilience Plan (3RP),¹ coordinated by UN agencies and development partners.

The ILO has facilitated tripartite consultations at the local and national levels in support of an employment-rich response to ensure better working and living conditions and protect vulnerable categories of Syrian refugees, such as children and women. Emphasis has also been placed on increasing the knowledge base on these issues and improving the quality of employment services for both Syrian refugees and host communities.

Several projects have been implemented under the ILO's overall strategy of enhancing the livelihoods and social cohesion of Syrian refugees and host communities in Turkey through the promotion of labour market integration and inclusive economic growth, underpinned by the principles of decent work. In 2016, 1,487 Syrian and Turkish citizens were provided with vocational, technical and skills training. Local labour market and employer assessments were carried out to facilitate job matching and improve the identification of needs. Training was supplemented with language courses to facilitate labour market access.

¹ A coordination plan for refugee response in Egypt, Iraq, Jordan, Lebanon and Turkey.

Enabling environment for sustainable enterprises (ESEE)

227. With a view to developing the capacity of constituents to assess, develop evidence-based reports and advocate changes in the business environment, the ILO's ESEE methodology has been applied in EECA. Stronger awareness and knowledge among employers' organizations led to the preparation of ESEE assessment reports in Armenia, Georgia, Kyrgyzstan, Tajikistan and Uzbekistan. In Armenia, Georgia and Kyrgyzstan, these reports raised the awareness of national stakeholders concerning the need for an enabling environment and paved the way for further cooperation.

228. In line with the priority of promoting socially responsible SMEs with a view to ensuring sustainability and growth, the Sustaining Competitive and Responsible Enterprises (SCORE) programme has been implemented by the ILO in Turkey, in partnership with the Kocaeli Chamber of Industry and the East Marmara European Turkish Business Centres Network (ABİGEM). The "training the trainer" component of the programme has built an effective local trainer capacity and constituents have been assisted with the development of a training and in-factory counselling methodology. SMEs that have implemented the programme report productivity gains and improvements in working conditions, communication and worker motivation. The second phase of the programme started in 2017.

Supporting the creation of green jobs

229. Turkey is one of the pilot countries for the ILO global project, Decent Work in the Green Economy, which focuses on the employment aspects of the transition to a green economy. Country-level activities were reinforced by a global knowledge-sharing strategy, which offers access to up-to-date information and policy guidance, and strengthens networks and cooperation among stakeholders. A report assessed and mapped Turkey's potential in the green economy, and a multistakeholder task force was established, bringing together government agencies and the social partners, to provide technical support for the development of green jobs and policies. The task force developed recommendations for a green jobs strategy, based on the findings of the green jobs assessment study, as well as national development plans, strategies and action plans.

Box 4

Improved environment for sustainable enterprises in the Republic of Moldova, Montenegro, Serbia and the former Yugoslav Republic of Macedonia

Based on EESE assessments and using evidence-based policy and an advocacy toolkit, employers' organizations in these countries achieved significant results.

In Montenegro, the research findings allowed the Montenegrin Employers Federation (MEF) to develop a strategic policy framework, "Five killers of business". The MEF has further strengthened its advocacy skills and capacity. In 2015, it influenced the adoption of the law on foreigners (providing for a single residence and work permit for workers from non-EU countries), and in 2016 the law on health insurance (requiring the payment of wages and contributions for employees on pregnancy leave). Following another MEF initiative, the law on the prevention of illegal business was adopted in 2013 to reduce the informal economy and unfair competition.

In 2014, the Government of Serbia adopted amendments to the Labour Law, in line with the recommendations of the Serbian Employers' Federation. The maximum duration of a fixed-term employment agreement was extended from 12 to 24 months (in some specific cases even longer) and severance pay is now calculated in line with the length of service with the employer in question.

In the former Yugoslav Republic of Macedonia, the Business Confederation of Macedonia (BCM) and the Organisation of Employers' of Macedonia (ORM), based on the research findings, jointly elaborated a strategic policy framework, "Business priorities for sustained growth". Between 2014 and 2016, both organizations continued their work on EESE and developed five position papers with policy recommendations (access to finance, entrepreneurial culture, fair competition, an enabling legal and regulatory framework, and rule of law and secure property rights).

In the Republic of Moldova, the findings of the EESE report were used by the National Confederation of Employers (CNPM) to develop a strategic policy framework entitled "Seven obstacles for business", which was launched in late 2013 at the largest ever business summit in the country organized by the CNPM. In September 2014, the CNPM signed a Memorandum of Understanding with the Government, which undertook to improve social dialogue and the business environment in the country, and to focus on reducing the share of the informal economy, unfair competition and corruption.

230. Over the past four years, constituents in the Western Balkans have shown a growing interest in the green economy as a source of jobs, especially in the areas of recycling, energy efficiency and renewable energy. The support provided included training and two green jobs projects:

- In Serbia, the project Strengthen Social Cohesion in the Labour Market through Support for Disadvantaged and Vulnerable Groups, assessed the economic, social and institutional aspects of obstacles to a pilot recycling scheme, and proposed a scheme to transform informal work into green and decent employment in the recycling sector.
- In Montenegro, the project Fostering Competitiveness and Innovation of Montenegro through Sustainable Economic Growth Policies (2016–17) has promoted a more

conducive environment for the creation of a green jobs cluster of companies and employers in waste management, energy efficiency and renewable energy at the local level.

II. Social protection

231. In view of the challenges faced by employment and social protection policies due to the low levels of economic growth, slow recovery and fiscal consolidation measures in many countries, the ageing of the population and high rates of informality, the assistance provided focused on the promotion of adequate and sustainable social protection systems, the improvement of OSH, equitable wage policies and support for the transition from the informal to the formal economy.

Main achievements with ILO support

- In Armenia, the pay system for public sector workers was reformed and the national legislation amended, based on ILO recommendations.
- Ratification by Turkey of the Safety and Health in Construction Convention, 1988 (No. 167), and the Safety and Health in Mines Convention, 1995 (No. 176).
- Ratification by Ukraine of the Social Security (Minimum Standards) Convention, 1952 (No. 102), in respect of all nine branches of social security.
- In Greece, a roadmap to combat undeclared work was established by the Government and social partners for 2016–19.
- In Tajikistan, a Strategy for the Development of Social Protection 2016–20 and a National Programme of Rehabilitation of Persons with Disabilities 2017–20 were endorsed.
- Social security coverage was extended in Kyrgyzstan by prioritizing national SPFs and the adoption of the Social Development Programme 2015–17 (Decree No. 85 of 27 February 2015).
- Kazakhstan approved decrees in 2015 on the calculation of the subsistence minimum, based on ILO recommendations and advice. A National OSH Action Plan was adopted in 2015.
- The Republic of Moldova signed bilateral social security agreements for migrant workers with Belgium, Hungary and Poland in 2013, Lithuania in 2014 and Germany in 2017 to coordinate social security entitlements and benefits for migrant workers and their families.
- In Cyprus, an actuarial valuation report of the national social insurance scheme, carried out by the ILO, was endorsed by the tripartite constituents.

Developing and enhancing national social protection systems, including SPFs

232. Further to the comments of the CEACR, ILO actuaries are currently assessing the capacity of the national social security systems in Greece and other European countries including Estonia, Portugal and Romania to maintain the persons protected above the poverty threshold.

233. In Cyprus, ILO recommendations and guidance contributed to strengthening the sustainability, reliability and predictability of social protection benefits and increasing confidence and trust in the social security scheme. An actuarial valuation report of the national social insurance scheme was prepared and endorsed by the tripartite constituents in 2016. Capacity building was also provided. A quantitative assessment of the social and

financial impact of proposed reform measures on contributory and non-contributory social security schemes is being undertaken in 2017.

234. The ILO has also produced technical notes on 35 countries in the region on the application of the social security provisions contained in international social rights treaties (including the European Code of Social Security and the European Social Charter). These comprehensive assessment tools link the econometric analysis of statistical data with the corresponding legal obligations. The ILO and the International Training Centre in Turin (Turin Centre) offer a training programme on the integrated management of compliance and reporting obligations under ratified international treaties on social rights, such as Convention No. 102, which was ratified by Ukraine in June 2016.

235. With ILO assistance, constituents in Kyrgyzstan made progress in building a comprehensive social protection system and extending social protection coverage by giving priority to national SPFs. The Programme of Social Protection Development 2015–17, adopted in 2015, and its Action Plan, include a direct reference to Convention No. 102 and Recommendation No. 202, and are focused on low-income families with children, persons with disabilities and older persons. An Assessment-based National Dialogue on Social Protection (SP-ABND) was included in the Action Plan as a tool for improving national SPFs. The SP-ABND process was led by the ILO in collaboration with the United Nations Children’s Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO), UN Women and the World Food Programme (WFP).

Box 5

Protecting the rights of Moldovan migrant workers through social security agreements

The Republic of Moldova is a major provider of migrant workers in Europe, with an estimated 600,000 to 1 million Moldovan nationals working in Europe and beyond. The Republic of Moldova’s dependence on remittances is the second highest in the world.

With ILO assistance, in order to protect the social security rights of migrant workers, the Republic of Moldova has concluded a number of bilateral social security agreements with EU Member States, including Belgium, Hungary and Poland in 2013, Lithuania in 2014 and Germany in 2017.

236. At the EU level, ILO work on social protection statistics and decent work indicators and benchmarks, including benefit adequacy, reference wages and income replacement rates, served to advise the EC’s 2015 Pension Adequacy Report.

Strengthening occupational safety and health

237. Much of the assistance provided for the improvement of OSH in the region has focused on responses to crisis situations, especially in Turkey following the tragic accidents in the mining sector. A national tripartite meeting, organized by the Ministry of Labour and Social Security in cooperation with the ILO, led to the provision of technical support for the improvement of OSH, in line with ILO standards and the comments of the supervisory bodies, and the ratification by Turkey of Conventions Nos 167 and 176. A gap analysis compared existing Turkish legislation and the provisions of the newly ratified Conventions, and a multidisciplinary study on contractual arrangements in Turkish coalmines mapping the economic context of the mining industry and its management and regulatory structure, was validated by the tripartite constituents. With a view to raising awareness of a safe work culture, OSH training modules for a number of occupations were included in the vocational training provided to Syrian refugees and host communities.

238. National OSH profiles were updated in Kazakhstan and Kyrgyzstan and validated by the tripartite constituents. In Kazakhstan, a national action plan, adopted by Parliament in 2015, includes policies and activities to improve working conditions. A national OSH programme was adopted in Kyrgyzstan at the end of 2016. In Tajikistan, the national OSH profile, updated by a tripartite working group, was validated in November 2016 and will be used as a main input for the development of a national OSH programme.

Fostering sustainable wage policies

239. Empirical evidence on the importance of wages and wage policies in determining income distribution in the countries in the region was provided by the *Global Wage Report 2014/15: Wages and income inequality*. The *Global Wage Report 2016/17: Wage inequality in the workplace* offers further evidence on wage inequality, based on the European Structure of Earnings Survey. The provision of assistance on wage issues, both globally and at the national level, was enhanced through the ILO's upgraded analytical, statistical and information dissemination capacity. ILO analysis of minimum wage issues also informed discussion of the European Pillar of Social Rights.

240. Assistance on wage policies, supported by the creation of an ILO policy guide on minimum wages, was provided to Albania, Azerbaijan, Bulgaria, Georgia, Montenegro, Russian Federation, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia and Ukraine. The support focused on minimum wage setting and public sector pay.

241. In Armenia, based on ILO recommendations, the pay system for public sector workers was reformed and the law on public sector pay was amended.

Supporting the transition from the informal to the formal economy

242. Understanding of issues relating to informality was improved and knowledge of the informal economy and informal employment was deepened through the organization of a first subregional conference on the informal economy in the Russian Federation in November 2013 for the countries of EECA. An ILO paper on facilitating the transition to formality in selected CIS countries was presented at the conference, which adopted policy recommendations. One outcome of the conference was a report on "Facilitating transition to formality in the selected CIS countries".

Box 6
Supporting the transition from the informal to the formal economy in Greece

In August 2015, the European Stability Mechanism support programme for Greece was approved by the Greek authorities and the EC. Its Memorandum of Understanding set the objective of adopting an integrated action plan to combat undeclared work. In that context, the ILO has been implementing a project since 2016 in collaboration with the Government and the social partners to address undeclared work and strengthen the labour inspection system. A roadmap on undeclared work for 2016–19 was agreed with the Government and social partners. With a view to sharing knowledge and promoting best practices from other EU countries, workshops on labour inspection strategies were organized and an inter-institutional task force set up to develop an inspection campaign.

243. As a follow-up to the adoption of the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), a series of technical interventions were carried

out in relation to the informal economy in Bosnia and Herzegovina, Republic of Moldova and Montenegro. Knowledge sharing among tripartite constituents in the region was promoted through the organization in Montenegro in 2015 of a regional conference on formalizing the informal economy in Europe and Central Asia.

244. Based on a national study on the quantitative and qualitative dimensions of the informal economy and informal employment, tripartite strategies have been validated and appropriate monitoring mechanisms developed in the Republic of Moldova. Awareness-raising activities to sensitize public opinion concerning the benefits of the formalization of the economy were carried out in cooperation with the tripartite constituents. Staff from the labour inspectorate, social security institutions, statistics offices and employers' and workers' organizations were trained to reach out to the informal economy.

III. Social dialogue

245. The ILO continued to promote strong and responsible social partnership through social dialogue at all levels with a view to contributing to equitable distribution, social progress and stability, based on productivity-oriented wage policies, as called for by the Oslo Declaration. The assistance provided was designed to build the capacities of governments and the social partners, help establish and/or strengthen tripartite and bipartite institutions for social dialogue and policy coordination, and improve labour law.

Key achievements with ILO support

- National Tripartite Commission re-established in Georgia in 2015.
- National Tripartite Commission on Economic and Social Affairs created in Azerbaijan in 2016.
- Establishment of a national mechanism for the peaceful settlement of collective labour disputes and six local economic and social councils (ESCs) in the former Yugoslav Republic of Macedonia.
- Employers' organizations in Armenia, Georgia and Uzbekistan adopted action plans for the development of OSH training services for their members.
- A subregional labour legislation database covering 13 Central and Eastern European countries became operational (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Republic of Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, the former Yugoslav Republic of Macedonia and Ukraine).
- A law to increase transparency in the wage structures of private undertakings, leading to equal pay and pay negotiations for men and women, was adopted by the German federal cabinet in January 2017.
- The first collective agreements reflecting informal workers' interests and needs were signed in Kyrgyzstan, Tajikistan and Azerbaijan.
- Strategic plans have also been developed and adopted by employers' organizations in Albania, Montenegro, Republic of Moldova, Serbia, the former Yugoslav Republic of Macedonia and Ukraine.
- Trade unions in Azerbaijan, Kyrgyzstan, Montenegro, Republic of Moldova and Tajikistan have developed action plans on the protection, representation and organization of informal workers.
- Trade union education systems were modernized in Georgia, Kazakhstan and Uzbekistan.
- Peer reviews of the functioning of national ESCs were undertaken in the Western Balkan countries and peer recommendations were identified for implementation by each ESC.

Strengthening labour law, social dialogue and collective bargaining

246. The provision of technical assistance on labour law reform is an important aspect of the support provided by the ILO to the countries in the region. The following countries have received such assistance since 2013: Albania (2014); Armenia (2015 and 2017); Azerbaijan (2013); Georgia (2013 and 2016); Greece (2014, 2015, 2016 and 2017); Kazakhstan (2013 and 2015); Portugal (2013 and 2015); Romania (2015); San Marino (2016); Serbia (2014); the former Yugoslav Republic of Macedonia (2016); and Ukraine (2013 and 2016).

247. In some cases, the technical assistance was related to general labour laws, addressing issues such as labour relations, termination of employment, working conditions, equality and non-discrimination, freedom of association and collective bargaining. In other cases, requests for assistance were related to specific laws or issues: such as labour migration (Georgia 2013); termination of employment (Portugal 2013); individual labour disputes (Portugal 2013); and forced labour (Portugal 2015). Many requests for technical assistance on labour law reforms were also related to issues of freedom of association, collective bargaining and social dialogue (Greece: 2014, 2015, 2016 and 2017; Kazakhstan: 2013; Romania: 2015; and the former Yugoslav Republic of Macedonia: 2016).

248. Assistance on labour laws and collective bargaining systems also included the provision of technical support to national social dialogue institutions, comparative evidence-based facilitation of national tripartite consultations on labour law and industrial relations reforms, knowledge generation at the national level (Albania, Azerbaijan, Bosnia and Herzegovina, Georgia, Kyrgyzstan, Montenegro, Republic of Moldova, Serbia, the former Yugoslav Republic of Macedonia and Ukraine) and subregional level (the Network of Agencies for the Peaceful Settlement of Labour Disputes in the Western Balkans, Bulgaria and Romania).

249. The tripartite social dialogue institutions which received ILO support in the region included the National Economic and Social Council of the former Yugoslav Republic of Macedonia to improve its legal basis, composition, organization and functioning, and enhance its role and impact in policy-making (for example, the determination of minimum wages).

Box 7

Reforming the Labour Code in Georgia

The new Labour Code adopted in Georgia in 2013 includes provisions, developed with ILO support, establishing the grounds for the legal and unlawful termination of employment and providing for a right of appeal against unfair dismissal. These replaced provisions allowing the termination of an employment contract at will. Other changes include new provisions on freedom of association, tripartite social dialogue and its institutions, and a mediation mechanism for collective labour disputes.

250. In Azerbaijan, the joint efforts of the ILO and the tripartite constituents since 2013 to institutionalize a national tripartite social dialogue mechanism resulted in the creation of the National Tripartite Commission on Economic and Social Affairs, which was officially endorsed in September 2016 in parallel with the signing of a new DWCP 2016–20.

251. The Tripartite Social Partnership Commission in Georgia was also revitalized with ILO support. The adoption of its Strategic Plan in 2016 has opened opportunities for progress in thematic areas of the labour reform process.

252. In the former Yugoslav Republic of Macedonia, the technical capacity of the social partners to engage meaningfully in social dialogue and collective bargaining has been strengthened in six sectors (construction, textiles, agriculture, trade, transport and energy). With ILO assistance, the coverage rate of collective bargaining at the sectoral level has increased by 10 per cent.

253. Workers' organizations in the region contributed to the discussion and development of Recommendation No. 204, and then in 2015 to the preparation and implementation of national and subregional action plans. National awareness-raising campaigns on the representation and protection of the rights of informal workers were conducted in Azerbaijan, Kyrgyzstan and Tajikistan. The first collective agreements reflecting the interests and needs of informal workers were signed. Tajik trade unions actively promoted the ratification of Convention No. 144), and the implementation of the Home Work Convention, 1996 (No. 177).

254. Russian trade unions, with ILO support, have promoted international labour standards. The all-Russia campaign Putting Decent Work at the Heart of Social Policies in 2012–14 aimed at promoting the Decent Work Agenda and covered over 800 trade union leaders and activists from 83 Russian regions. Following initiatives by the Russian trade unions (Federation of Independent Trade Unions of Russia and the Labour Confederation of Russia), the Russian Federation ratified Convention No. 144.

Box 8

National Tripartite Committee for Decent Work and Development Cooperation in Tajikistan

In July 2016, the National Tripartite Committee for Decent Work (NTCDW) was established in Tajikistan as part of an ILO pilot initiative in 15 countries aimed at strengthening the role of the tripartite constituents in the design, implementation, monitoring and evaluation of ILO programmes and projects and the nationalization of the 2030 Agenda.

The NTCDW facilitated social dialogue among key national stakeholders to advance the Decent Work Agenda and support national decent work priorities. The priority areas integrated into the national DWCP include the Labour Market Strategy, the 2013–16 National OSH Programme, the 2016–25 Social Protection Strategy, the 2016–20 State Programme of Social Protection for People with Disabilities and the 2016–20 UNDAF.

255. The high-level tripartite meeting on social dialogue facilitated by the ILO in Greece in 2014, which addressed key labour issues, and particularly collective dismissals and industrial relations, led to the provision of technical assistance to Greece. In 2016, in the framework of the Memorandum of Understanding concluded between Greece and EU institutions, the ILO provided advice to the Group of Independent Experts, which developed proposals to reform the legislation on collective bargaining, collective dismissals and industrial action.

256. Technical assistance was provided to Belarus in February 2016 for the application of Conventions Nos 87 and 98.

257. In Turkey, with a view to building the capacity of the social partners and relevant public institutions and raising awareness concerning social dialogue at all levels, a project was initiated in 2016 with EU support for the provision of technical assistance to improve social dialogue in working life.

Box 9

National mechanism for the peaceful settlement of labour disputes established in the former Yugoslav Republic of Macedonia

A mechanism for the peaceful settlement of collective labour disputes has been established for the first time in the country, following the provision of policy and legal advice to the tripartite constituents for the amendment of the relevant legislation. In cooperation with the Turin Centre and the Irish Workplace Relations Commission, a permanent training curricula was developed, which has been used to train trainers, and a roster of 90 trained labour conciliators and arbitrators has been created. An electronic Case Management Information System (CMIS) has been developed and, together with the Registrar of Labour Conciliators and Arbitrators, is used by the Ministry of Labour and Social Policy to administer the mechanism for the peaceful settlement of collective labour disputes.

258. In order to explore new ways of working at the local level with the public authorities and the social partners, a study was carried out on tripartism and territorial social dialogue. The research project focuses on France, with some comparative European perspectives, especially from Germany and Italy. The study was used in 2016, in the context of the establishment of the new French regions, to promote consultations between regional social partners and the new regional executives. In Dijon, the ILO was involved in the preparation of the first regional conference on employment, training and the role of social dialogue (November 2016). In early 2017, in association with the *Institut National du Travail, de l'Emploi et de la Formation Professionnelle* (INTEFP), the study was used in a training session for regional social actors.

259. In cooperation with the Turin Centre, the ILO is implementing the capacity-building components of an ILO–EU Joint Management Agreement on Industrial Relations and Social Dialogue project. Between 2013 and 2016, a total of 1,495 persons received training (692 workers, 473 employers and 330 government officials).

Box 10

CEELex database and network of national legal experts on labour and industrial relations in CEE countries

The Central and Eastern European Labour Legislation database (CEELex) is a compilation of legal texts pertaining to labour law and industrial relations in 13 CEE countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Republic of Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, the former Yugoslav Republic of Macedonia and Ukraine). It is designed as a tool to help policy-makers by providing comparative data updated every six months through a network of experts in these countries. CEELex went online in June 2017.

Labour inspection services

260. The assistance provided to several countries was designed to develop more effective labour inspection services. In Ukraine, assistance was provided for the establishment of an effective state labour service that integrates the labour inspection services covering compliance with labour legislation, OSH, employment relations, compulsory state social insurance and the supervision of state mining.

261. In Georgia, based on a gap analysis of the current monitoring system, recommendations were made for the establishment of a national labour inspectorate that is in compliance with ILO standards. Training was also provided on labour inspection, hazard identification and work accidents.

262. In Armenia, assistance is being provided to strengthen the labour administration system in the framework of a development cooperation agreement undertaken by the ILO and the EU.

Direct support to constituents

263. One of the mainstays of ILO support for workers' organizations is capacity building so that they can ensure more effectively that labour law is drafted and implemented in line with international labour standards. The capacities of trade unions to make use of the ILO supervisory mechanisms were enhanced in the Republic of Moldova. Support was also provided for capacity-building activities in Armenia, Kazakhstan and the Russian Federation. ILO manuals on multinational enterprises, employment promotion and the informal economy have also been translated and tested in the region.

264. With a view to sharing information on gender issues, the informal economy and OSH, a network of national trade unions from Armenia, Azerbaijan, Georgia, Kazakhstan and Kyrgyzstan was established at the subregional level.

265. Significant support was provided to employers' organizations in Armenia, Georgia and Uzbekistan to help in the development of sustainable services for their members. With ILO support, employers' organizations in these countries have designed and implemented action plans for the development of OSH training services for their members. Strategic plans have also been adopted and are being implemented by employers' organizations in Albania, Republic of Moldova, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Ukraine. The Montenegrin Employers' Federation launched a new service on the elimination of discrimination in the workplace, which includes training, guidelines and a code of practice for employers. The Serbian Employers' Association (SAE) developed a training programme and published a new guidebook in response to the amendments to the Labour Law adopted in July 2014.

266. In the context of the EU-funded project on social dialogue in the former Yugoslav Republic of Macedonia, assistance was provided to the Organization of Employers of Macedonia (ORM) and the Business Confederation of Macedonia (BCM) for the development of strategic plans identifying their mission, vision, strategic goals, strategies, critical success factors and key performance indicators. The strategic plans are now being implemented, resulting in the decision by both organizations to work on increasing their visibility and profile. With ILO technical assistance, market research was conducted and marketing/communication plans developed by both organizations in 2015. Implementation of these plans has included road shows, significantly increased media coverage, improved websites, increased appearances in social media and the development of corporate video and promotional materials. The impact on membership growth was significant. The ORM and the BCM reported an increase in their membership of 12 and 10 per cent, respectively, as a result of the project.

267. The ILO assisted the National Confederation of Employers of the Republic of Moldova (CNPM) in 2014 to set up ten territorial organizations and to expand its services to the regions. To assist newly established employers' organizations, the CNPM produced advocacy materials and provided training and practical guides on good governance, strategic planning, social partnerships, risk assessment at the workplace, information materials on taxes and guides for employers on labour discipline and labour disputes.

268. Three territorial tripartite commissions for consultation and collective bargaining were also established in the Edinet, Balti and Cahul districts of the Republic of Moldova. The direct involvement of local employers' organizations in the negotiations resulted in the signature of six territorial collective agreements (one third of such agreements that are currently in force).

IV. International labour standards

269. In support of the full realization of the Social Justice Declaration, the assistance provided for the promotion of international labour standards focused on making ratification a priority for all and ensuring the effective implementation of standards. This included support for the eradication of forced and child labour, and action to combat workplace discrimination and ensure equal pay for men and women.

Main achievements with ILO support

- 68 ratifications of technical Conventions in 29 countries since April 2013, including 13 ratifications of the Maritime Labour Convention, 2006, and seven of the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187).
- Ratification of Convention No. 87 by Uzbekistan. As a result, this is now the first region where all the fundamental Conventions have been ratified by all countries.
- 11 ratifications of the Protocol of 2014 to the Forced Labour Convention, 1930.
- Two ratifications of Convention No. 144 (Russian Federation and Tajikistan).

Fundamental principles and rights at work and the promotion of international labour standards

270. In supporting the efforts of Members to fulfil their obligations to respect, promote and realize fundamental principles and rights at work, the ILO has continued to pursue an integrated rights-based strategy for the strengthening of the relevant legislation and institutions, including employers' and workers' organizations, and the commitment of national duty bearers, rights-holders and enterprises. In this context, the setting of priorities, choice of action and selection of country-specific interventions have been guided by the comments of the CEACR.

271. Following legal and implementation gap analyses and tripartite national workshops, Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia ratified the Labour Relations (Public Service) Convention, 1978 (No. 151), and the Collective Bargaining Convention, 1981 (No. 154).

272. In late 2016, the Council of the EU agreed to transpose a European social partners agreement on the implementation of the Work in Fishing Convention, 2007 (No. 188), into EU law by means of a Directive. As at early May 2017, the Convention had been ratified by Bosnia and Herzegovina, Estonia, France, Lithuania and Norway.

273. In the context of the discussions on the European Pillar of Social Rights, the ILO highlighted the relevance of international labour standards and published a study on *Building a social pillar for European convergence* (2016).

274. In the Republic of Moldova, assistance was provided to strengthen the capacity of constituents to comply with international labour standards and fulfil reporting obligations. A case law database created in 2015 to improve the discharge of reporting obligations enables legal experts to generate statistical reports on labour litigation and to access information and statistical data on the application of fundamental labour standards by national judges. Approximately 100 Moldovan judges and labour inspectors benefited from capacity-building activities on international and national legislation and practice on labour-related issues, and the application of international law. In December 2014, the Supreme Court of Justice decided to foster the use of international labour standards, especially in cases of inconsistency with domestic law.

Eradicating forced and child labour

275. One of the priorities in combating forced and child labour has been to develop a sound knowledge base and support evidence-based policies through data gathering instruments, including capacity building for national statistical institutes. The first national surveys on child labour were carried out in Armenia, Georgia, Kyrgyzstan, Tajikistan and Ukraine, and research was undertaken on fundamental principles and rights at work in the tobacco sector in Turkey.

Box 11

CLEAR project to combat child labour in Serbia

The country level engagement and assistance to reduce child labour (CLEAR) project has enhanced the Serbian legal framework, in accordance with international labour standards, and has improved monitoring and the enforcement of laws and policies by building the capacities of labour inspectors, the police and centres for social work. Hazardous types of child labour have been listed and a specialized protocol for labour inspectors prepared to improve coordination with the police and centres for social work in all 26 inspection districts in Serbia.

276. National action plans on child labour were developed in Kosovo, Kyrgyzstan, Tajikistan, Turkey and Uzbekistan. The first survey on recruitment practices and working conditions in the agricultural sector in Uzbekistan provided the methodology for the monitoring of child labour and forced labour during the 2016 cotton harvest.

277. The integration of child and forced labour issues into national policy frameworks has proved to be an effective way of achieving progress, including in: Kyrgyzstan (mainstreaming child labour issues in the Constitution and the National Social Protection Development Strategy); Tajikistan (the State Labour Market Development Strategy 2013–20); Uzbekistan (2016 action plan to improve labour conditions, employment and social protection for workers in the agricultural sector); and the new Constitution of Turkmenistan adopted in September 2016.

278. ILO support for the development, revision and/or updating of national legislation has included assistance for the preparation and/or updating of lists of hazardous types of work in Azerbaijan, Kosovo, Republic of Moldova, Tajikistan, Turkey and Turkmenistan.

279. The capacities of national institutions and the social partners have been strengthened for the implementation of ILO child labour and forced labour Conventions in Azerbaijan, Kazakhstan, Kyrgyzstan, Republic of Moldova, Serbia, Tajikistan, Turkey, Ukraine and Uzbekistan. One example is the institutionalization of child labour training in the curriculum for teachers and the extra-curriculum for schoolchildren in grades 5–11, which was approved by the Ministry of Education and Science of Tajikistan providing

around 3,000 teachers and several school administrations with knowledge of child labour. The State has taken over and institutionalized the ILO's training tools in its curricula.

280. Subregional cooperation in addressing the worst forms of child labour has been facilitated by the exchange of good practices and approaches, for example through a tripartite study tour for ILO partners from Azerbaijan, Kazakhstan and Tajikistan and subregional workshops on good practices for participants from Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey and Uzbekistan. Good practices emerging from ILO interventions in Kazakhstan, Kyrgyzstan and Tajikistan were compiled in a regional document.

281. The Government of the United Kingdom worked with the ILO to develop the Modern Slavery Act, 2015, which defines and criminalizes the offences of slavery, servitude, forced and compulsory labour and human trafficking. In 2016, a workgroup of the German Government and the Länder to combat human trafficking, in which the ILO participated, led to the approval of a strategic plan, including both prevention and the provision of data and guidance, and to the adoption of new legislation in 2016 to tighten the law on human trafficking. Following a colloquium on forced labour organized in 2015 by the ILO and the National Consultative Commission on Human Rights, France ratified the Protocol of 2014 to the Forced Labour Convention, 1930.

282. In the framework of SDG target 8.7 on forced and child labour, and through Alliance 8.7, European and Central Asian regional consultations were organized by the ILO in 2017 with a diverse group of over 100 representatives from 30 countries. This event, hosted by Hungary and co-organized by the Organization for Security and Co-operation in Europe (OSCE) and UN partners, provided a forum for exchanging experience and working together to put forward clear priorities for action.

Box 12
Decent work in Uzbekistan

Further to the conclusions of the Conference Committee on the Application of Standards (June 2013) concerning the implementation by Uzbekistan of the Worst Forms of Child Labour Convention, 1999 (No. 182), the ILO monitored child labour in the 2013 cotton harvest.

Building on the development of good cooperation with the Ministry of Labour, the Federation of Trade Unions and the Chamber of Commerce and Industry of Uzbekistan, the first DWCP 2014–16 was signed and has been extended in February 2017. The DWCP focuses on: strengthening social partnership for the realization of fundamental principles and rights at work; fostering decent employment opportunities; and improving working conditions and social protection.

The implementation of the government action plan to improve labour conditions, employment and social protection for workers in the agriculture sector is supported by the DWCP and the ILO–World Bank partnership to monitor child and forced labour during the cotton harvest.

The first survey of recruitment practices and seasonal employment in agriculture in Uzbekistan was carried out by the ILO during the 2014–15 cotton harvests, resulting in the identification of the recruitment practices used during cotton harvests, and an assessment of the number of workers involuntarily involved in cotton picking.

In December 2016, Uzbekistan ratified Convention No. 87.

Decent work for domestic workers and non-discrimination

283. Assistance to promote the ratification of the Domestic Workers Convention, 2011 (No. 189), focused on migrant domestic workers. The Irish Presidency of the EU hosted an Informal Ministerial Meeting in 2013, where the ILO presented the challenges and

opportunities relating to the application of Convention No. 189. As at early May 2017, within the region, the Convention has been ratified by Belgium, Finland, Germany, Ireland, Italy, Portugal and Switzerland.

284. Research findings and policy recommendations on promoting policy coherence between migration, gender and welfare policies were developed on the basis of an EU-funded project covering Belgium, France, Italy and Spain. Another EU-funded project focused on migration for domestic work along the Ukraine–Poland corridor. In December 2015, the Ukrainian Labour Code was amended to extend the scope of employment law and social security provisions to domestic work. These changes have set into motion a process for the ratification of Convention No. 189.

285. An annual barometer on workplace discrimination in France has been developed by the ILO in partnership with the *Défenseur des Droits*, and is now widely recognized as the reference point for discrimination in enterprises and government administrations. The barometer details all perceived discrimination in the workplace on grounds of sex, age, origin or nationality, health or union membership. The latest editions have focused on specific causes of discrimination, such as youth, origin and physical appearance.

286. In Germany, a law to increase transparency in the wage structures of private undertakings, leading to equal pay and pay negotiations for men and women, was developed with ILO inputs and adopted by the federal cabinet in January 2017.

V. Partnerships

287. The improvement of the ILO’s impact in member States and for constituents has been achieved, among other means, through the ongoing strengthening of partnerships within the UN and through public–private and other types of partnerships, including with other agencies such as the World Bank. The SDGs have also given the ILO an opportunity to enhance its impact in the region, particularly through the added value of international labour standards, social dialogue and, more broadly, the Decent Work Agenda.

International advocacy

288. The provision of support, analysis and reports further strengthened ILO partnerships with international and regional organizations and forums, including in particular:

- The Russian G20 Presidency (2013), which chose jobs and growth as its priorities. The joint Labour and Financial Ministerial Meeting has been an important step in building global dialogue and coherence in economic, financial and social issues. The Russian Federation is also strongly involved through the Russian-funded partnership on “Applying the G20 Training Strategy”.
- The German G7 Presidency (2015), particularly for the improvement of OSH for workers in global supply chains, for which purpose the Vision Zero Fund was established.
- The Turkish G20 Presidency (2015), organized a joint Labour and Finance Ministers Meeting, which focused on inequalities and the growth–employment relationship. The

Labour Ministers agreed on a target to reduce by 15 per cent by 2025 the proportion of young people who are at the greatest risk of being permanently left behind in the labour market.

- The Italian G7 Presidency (2017), on innovation, skills and labour and the future of work, gender equality and women's economic empowerment, and the impact of investments in the energy sector on employment.
- The German G20 Presidency (2017), scaled up the ILO-administered Vision Zero Fund within the G20 economies and facilitated debate on inclusive growth and fair globalization in relation to the future of work, the labour market integration of refugees and migrants, and gender equality, as well as youth employment and social dialogue.
- The BRICS (Brazil, Russian Federation, India, China and South Africa), where labour and employment issues have gained importance since the first-ever meeting of BRICS Labour Ministers held under the Russian Presidency in January 2016, which adopted a Declaration on quality jobs and inclusive development policies.
- ILO–EU high-level meetings in 2014, 2015 and 2017, where priorities were set for cooperation. The ILO has also helped to foster collaboration with European institutions on a wide range of policy issues, as demonstrated by the references to the ILO and its instruments in at least 100 resolutions and reports adopted by the European Parliament in 2013–16. Relations with the Directorate-General for Trade of the European Commission and the Committee on International Trade of the European Parliament were also strengthened, resulting in cooperation projects to promote ILO standards in several countries that have trade relations with the EU.

Partnerships with bilateral, multilateral and private development partners

289. The ILO continued to develop partnerships with both traditional and new development partners:

- Partners in the region, including the EC/EU delegations (which ranked first as donor to the ILO for 2013–16), are traditionally important supporters of cooperation projects.
- New partners since Oslo include the Russian Federation, LUKOIL and the Association of Chocolate, Biscuit and Confectionery Industries of Europe (CAOBISCO) (see box 13 for further details regarding these two last partners).
- Other partners include Canada, Czech Republic, Finland, France, Germany, Israel, Netherlands, Norway, Poland, Portugal, Sweden, United States, UNDP, United Nations Office for Project Services (UNOPS) and the World Bank. The resource mobilization base in the region has also been enlarged through public–private partnerships and trust funds.
- A new Programme of Cooperation has been signed with the Russian Federation for the period 2017–20 based on priorities in national strategies and the Decent Work Agenda.
- The ILO–France cooperation agreement for the Future of Work Initiative was signed in June 2015 and the ILO Office in France has engaged in a partnership with the College of France, the Paris–Dauphine University and the Ministry of Labour.

- The ILO initiated strategic partnerships within the UN, known as issue-based coalitions, on youth development and social protection. The ILO is also leading an SDG Alliance 8.7 on forced and child labour and is participating actively in issue-based coalitions on gender and health. In addition, the ILO has strong collaboration with the UN Economic Commission for Europe (UNECE) on data collection and statistics. The ILO established a tripartite partnership with the Regional Cooperation Council (RCC) for the Western Balkans to provide technical expertise and to facilitate the effective involvement of employers' and workers' organizations in the RCC's work regarding the third pillar of the economic reform programmes and the coordination of the public employment services subregional network.

Box 13

Public–private partnerships

In 2013, a project funded by the Public Joint Stock Company LUKOIL (Russian Federation) was launched in Azerbaijan, Kazakhstan and the Russian Federation as a public–private partnership in response to the pressing need for action on youth employment. The project aims to improve the capacity of constituents to design, implement, monitor and evaluate youth employment policies and labour market programmes to reduce the risk of social exclusion among young women and men, and to increase competitiveness and economic growth in the region. In addition to the three focus countries, the regional component of the project covers Armenia, Georgia, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, which allows the effectiveness of action to promote youth employment to be improved through interventions at the subregional, national and subnational levels and the sharing of knowledge on what works for youth employment. The project has led to changes in the labour legislation in the Russian Federation, the introduction of ALMPs targeting young people, the elaboration of an employment strategy in Azerbaijan, the adoption of the Action Plan for Youth Employment Promotion in Kazakhstan and improved cooperation between the nine countries in the network. A voluntary peer review mechanism on youth employment was established in 2014 and is currently operational.

In Turkey, the ILO and the Ministry of Labour and Social Security initiated a public–private partnership project on eliminating the worst forms of child labour in seasonal hazelnut harvesting with the financial support of the Association of Chocolate, Biscuit and Confectionery Industries of Europe (CAOBISCO) and the Netherlands. An education-based intervention model developed by the ILO reached out to 3,154 children and has led to 2,296 children being withdrawn from or prevented from entering work since 2013. Families, rural intermediaries and hazelnut garden or plantation owners have received counselling and training. The project has fostered awareness raising and encouraged national and local ownerships, including by transferring knowledge and skills to the relevant institutions. A monitoring system has been established to track the school attendance of targeted children and a circular issued by the Ministry of National Education on the access to education of the children of seasonal agricultural workers.

VI. Lessons learned/evaluations

290. Evaluations carried out since 2013 have found that the overall relevance and effectiveness of the ILO's work in the region corresponds to the standards and targets set. However, the pace of implementation has been influenced by external factors, such as changing governance and management frameworks in target countries, political instability in some countries and limits to the absorption capacity of tripartite constituents.

291. A key lesson learnt is the importance during implementation of adapting interventions to the local situation in the country. When a long-term ILO programme is implemented, the situation in the region and each of the countries concerned is very likely to evolve over its lifetime. Some of these changes cannot be anticipated at the design stage and others may occur due to the programme. If the programme is not adjusted to the changing environment and emerging needs of constituents, its effectiveness and relevance may decline. Flexible design and the adaptability of activities make it possible to meet the needs

of constituents in a timely manner in response to what is learned during the initiative, or new challenges that arise as a result of the initiative and/or other internal and external factors.

292. Donors also play an important role in allowing programmes to be adaptable. The extent to which a programme may be changed during its implementation should be negotiated with the donor as early as possible.

293. With regard to sustainability, there has been a strong focus on strengthening the institutional capacities of governments and the social partners, and on embedding activities in organizations. However, sustainability depends very much on the capacity of partners to mobilize their own resources. Although the ILO tries to ensure sustainability through the institutionalization of results and the mobilization of funding for further support, programmes should also explore ways of ensuring the effective integration of their objectives and outcomes in government budget plans with a view to their longer-term sustainability.

Box 14

**Independent evaluation of DWCP strategies
and actions in the Western Balkans**

A high-level evaluation of DWCPs, strategies and activities in the Western Balkans in 2012–15 noted that DWCPs take account of the priorities expressed by constituents during consultations, including employment, social dialogue, social protection, the strengthening of employers' and workers' organizations and international labour standards. They are also aligned with international development agendas, such as UNDAFs, as well as national development objectives and strategic agreements with the EU.

The key factors of success appear to be related to the ILO's comparative advantage as a value- and knowledge-based organization. The constituents interviewed widely recognized the advantage of having access to the ILO's knowledge base. The external challenges most frequently mentioned were political instability and lack of social dialogue. High staff turnover and constantly changing interlocutors also inhibit the efficiency and effectiveness of ILO work.

294. The assistance provided by the ILO in 2015–16 was also assessed by the Multilateral Organisation Performance Assessment Network (MOPAN). The assessment points out that “the ILO has not been using its considerable assets and comparative advantages to maximum effect and that there is further scope to improve efficiency”. However, the overall conclusion was that the ILO “is a highly relevant and improving organization. [It] demonstrates a very good understanding of the contemporary challenges in the world of work.”