

Social Protection and the Informal Sector in Central and Eastern Europe

Sub-regional Trade Union Seminar Report

Zagreb
5–7 October 2000

ILO Central and Eastern European Team
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Preface

Over the past decade, the countries of Central and Eastern Europe (CEE) have undertaken a broad restructuring of the social protection afforded to workers. They have established new contributory schemes to finance national health care, established unemployment benefits and social assistance, and in some cases placed new limits on maternity and child care. A major pension restructuring effort is now underway in every country in the region. In general, these pension reforms are aimed at making benefits more earnings-related and reducing scheme costs – but there is substantial variation from country to country in the approaches to achieve this.

These reforms have major implications for workers. They will determine who is covered by social protection, the conditions under which they will receive benefits, the adequacy of benefits in replacing lost income, and the type of benefit adjustments that will be made to reflect inflation and productivity improvements. It is critically important that workers understand these changes so that they might plan for their own futures and influence national policy making on social protection. Yet the extent of workers' awareness of (and involvement in) these reforms has varied widely between CEE countries. Given this variation, there is much to be gained from subregional training programmes that enable trade unionists to learn from each others' experiences.

In organizing this type of seminar, the ILO faced a dilemma in choosing topics, since the wide range of changes now underway means that it is impossible to cover them all in a meaningful way at a single meeting. Thus, two topics were given primary consideration – pension reform and the extension of coverage to excluded workers. These were selected because of their impact on workers and their families, and because of the important role that workers can play in influencing government decision making in these areas.

The Subregional Seminar on Social Protection and the Informal Sector was held in Zagreb on 5–7 October 2000. In preparation for the event, participants were asked to consider a short list of questions dealing with both pension reform and the informal sector. Regarding pension reform, they were asked to come prepared to discuss the role their organization has played in reform, their goals, the difficulties and challenges they have faced, and the lessons of their experience for other unions. With respect to the informal sector, they were asked to consider how their national social security system has been affected by the growth of this type of labour and what steps, if any, have been taken to extend social protection to excluded workers.

The conference produced a lively two and a half days of discussion, and a set of recommendations that can serve as a guide for future action by trade unions. The main points from the presentations and conference deliberations are summarized in this report.

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Thursday, October 5

1. Welcome and opening statements

**Moderator: Dimitrina Dimitrova, ILO CEET
Mr Jean-Pierre Laviec, ILO CEET
Mr Davor Jurić, UATUC**

Mr Davor Jurić, UATUC

It is my pleasure and honour to welcome you on behalf of SSSH, the largest trade union centre in Croatia, and I wish you a warm welcome. The workers of our countries share similar problems, challenges and hopes. The changes now underway are often seen as socially unjust and difficult to bear. Naturally, the need for change is not the issue, but rather the social cost of change. An economically efficient and prosperous society is a society of satisfied workers. With their motivation, working arrangements and creative potential they pull the wheels of progress forward. Therefore, it is no wonder that countries with a high level of social security are also stable and economically prosperous (e.g. Denmark, Sweden, France, Germany). They are proof that investing in people means investing in progress. You are here today, as our dear guests, in a small country with great extremes: 2.3% are exceptionally rich, 10% are absolutely poor, 25% are relatively poor, while the remainder consist mainly of the semi-poor who have to think about how to pay their electricity and heating bills and how to buy food on a daily basis. Among the absolutely poor, 48% are retired persons.

You are guests in a country that is in serious social and economic crisis. Here are just a few facts: Croatia's GNP is currently at a level that is only 78% of what was accomplished in 1989, industrial production is practically 40% of its 1989 level, and almost 40% of the working population has officially disappeared from the labour market. One portion has moved to the Employment Office, another has retired, while a third portion has emigrated for economic reasons. The official unemployment rate is 20.8%, and of all employed persons 8.5% do not receive wages for their work. As a result, there has been a drastic drop in the standard of living and a rise in general poverty. Under such conditions, 16% of the active population works in the informal sector of the economy. It is here that we find those who are unemployed, those in retirement, workers who do not receive wages and workers who receive low wages. Working conditions are not even considered: people consent to 12-16 hour working days, uncertain payment of wages and no social security. In this situation, workers are at the mercy of their employers, socially unprotected, and not organized in trade unions. The informal sector is estimated at 23-33% of official GNP (as stated by the Institute of Public Finance).

Our colleague is a drastic example. Unemployed, he got a job working illegally on a construction site as an unqualified worker, despite his academic title. On the construction site, which was unsafe, he had an accident on the job, and was left permanently handicapped and confined to a wheelchair. Later, he contacted the trade union for help, but the union was only able to conclude that they were unable to be of any assistance in proving and prosecuting his case in court. He did not receive any compensation, even though he sustained his injuries while on the job. None of his colleagues (some of whom were legally employed, while the rest were working illegally) wished to testify on his behalf, for fear of losing their own jobs.

There are various aspects of our insufficient effectiveness and helplessness in the struggle against the grey economy – a lack of formal democracy and a law-respecting society, corruption, the erosion of professional and business ethics. And also our insufficient awareness that with our vote, we can help bring about policies that will be carried out not only for the benefit of a handful of the rich, but for benefit of the majority of citizens in this country.

The system of social security has practically been destroyed, and the retirement and the health systems are on the verge of collapse. The newly adopted retirement law has made the situation of pensioners

much worse so far, and things do not look promising for those who will retire in the future. During the discussions on the reform of the retirement system, we were against the proposed solutions, since they made the material status of those currently in retirement worse and reduced the rights and the amount of pensions for those who will retire in the future. The solutions put forward upheld and expanded the privileged caste at the expense of current and future pensioners, and allowed their money to be spent without adequate public control.

We are convinced that a mandatory retirement security system, based on the principles of generational solidarity, should remain (following the example of most European countries), with needed improvements in responsible economic operations and public control of the inflow and expenditure of funds. Primarily those who finance pension security – the insured, employers and retirees – should run the Fund. Imperative changes and adjustments of the pension security system should be carefully measured and socially tactful. This is *not* impossible if there is enough good will. Similarly, SSSH feels that it is not necessary to reform the retirement system according to the principles of the World Bank, since the main problems of a society in transition are creating employment and a rise in the economy, and this will not be solved by any kind of pension reform. However, using three pillars – a mandatory retirement security system based on generational solidarity, a mandatory system based on individual savings, and a voluntary system also based on individual savings – significantly lowers the level of social security in retirement.

Calling upon demographic development as a reason to carry out reform is not a compelling argument. Without minimal social justice for all, there is no stability and peace, and without peace there is no progress. We have three days to take advantage of the opportunity to share experiences, knowledge, visions in order to find a more humane and economically efficient solution to the problems before us at this assembly. Suffice it to say that establishing an efficient economy is useless if it does not serve the greater good and create a better standard of living for the majority.

Mr Jean-Pierre Laviec, ILO-CEET

The informal sector is rather a new concept, and a new reality for CEE countries. Before 1989, when enterprises were owned and controlled by the state, the informal sector did not exist – at least officially – and social security was financed mainly through budgetary funds. During the transition process, new social protection schemes had to be established, such as unemployment benefit systems. At the same time, the entire social security system went through profound changes, through reform of pension systems, health care, and so on. In the informal sector, such reforms have been largely ineffective, and as a result, most workers have remained unprotected. This is a major problem in CEE countries, which this seminar is going to address.

Let me add a second remark. We have spoken of the “transition” process. Transition to what? The goals are rather clear, especially for countries that are candidates for accession to the EU. It means:

- First, political democracy, respect for human rights and the rule of law
- Second, a well functioning market economy
- And third, incorporation of the *acquis communautaire* in each country

Now, I would like to underline that even with political democracy and an effective market, the economy cannot and will not function without strong social cohesion and a fair and efficient social protection system. If these conditions are not met and implemented, CEE countries are likely to be faced with increasing inequalities; continuing growth of the informal sector, exclusion and poverty; and political instability that might place democratic institutions at risk. To fully incorporate social cohesion and social dialogue in the transition and in the accession process is not a plus – it is a must. And in order to achieve a meaningful social dialogue, a basic condition is to strengthen the capacities of workers’ organizations, of independent trade unions. Trade union leaders need to master the various options for social security schemes in order to promote the interests of workers in the preparation of new schemes, as well as to participate in the management of social security institutions. Mastery of social security issues can be achieved through analysis, advisory services and technical cooperation. This is the role of the ILO, of the experts and colleagues who will intervene in the discussions, and a basic purpose of this seminar. I am looking forward to a stimulating and successful seminar. Thank you for your attention.

2. Objectives of the seminar

Ms Dimitrina Dimitrova, ILO-CEET

This seminar is a major event organized by the ILO Bureau of Workers' Activities to address the issues of trade union participation in the reform of the social protection system, with particular attention to the pension reforms that have been at the top of the agenda in many countries in the region recently. The Seminar has been organized with the financial support of the Dutch government, which has rendered generous assistance for strengthening trade unions in Central and Eastern Europe during the last eight years. The major goals of this seminar are as follows:

- a) To discuss *different approaches* to social protection as they evolve
- b) To broaden the discussion by addressing the neglected issue of *extending coverage* for social schemes
- c) To analyze the current state of *how the schemes are governed* with a particular emphasis on trade unions' involvement in this process

First, let us examine some basic questions that the seminar will seek to answer.

1. *Why these goals?*

Following the collapse of the socialist welfare system in the early 1990s, there were no illusions that the state could afford to provide the previous generous social benefits any longer. The need to reform social security, including pension systems, stemmed from the deep economic crisis coupled with unfavourable demographic trends in virtually all countries, with a growing population of the elderly making pension schemes very costly.

Having said that, this does not mean that there is only one best way to address this issue, as some proponents of reform have claimed in recent years. Within certain limits, there are a number of options, which we would like to consider during the seminar. Indeed, some countries have opted for radical social security and pension reform relying on private principles. Others have succeeded in maintaining public control over their social security system. Yet even in the latter case, the system has undergone fundamental transformations.

2. *What are the policy options with regard to pension reforms in CEE?*

While adapting their social security systems to the changing economic and social environment, countries have followed different patterns with regard to the involvement of the social partners. An ILO conference was held in Larnaka, where the tripartite constituents unanimously adopted the Larnaka Declaration. At the early stage of social protection reforms, this declaration stressed the importance of the involvement of the social partners in the design and governance of these systems.

In the years since then, the experience of trade unions has varied largely across the region – from being marginalized (or merely informed), through being involved in formal (ritual) consultations, to actually participating based on a principle of shared responsibility with governments and employers. Indeed, trade unions around the world have learned their lesson: those who pay must codetermine the characteristics and the modus operandi of social security systems. They have learned that the economic question is not the only, or even necessarily the key question. There are also important social, cultural and political implications with regard to which social values and workers' expectations cannot be neglected.

3. *What role have trade unions played in the pension reform process, what have they achieved and what were the obstacles they faced in participating in this process?*

The seminar should also address an extremely important issue that has been sidelined in the heated debate over public versus private schemes. This concerns those who are excluded from social protection. Over the past years, the number of workers falling out from the formal system of social protection has increased dramatically throughout the region. Particularly vulnerable have been the workers of the informal sector.

There is now a growing consensus among unions in the region, expressed recently in the joint ILO/ICFTU meeting on the informal sector in CEE. The Round Table made it clear that this sector should not be considered as an alternative to poverty in CEE: that the shadow economy is unfortunately becoming an alternative to sustainable growth and decent work. It was recognized that trade unions should not voice the needs of a small and shrinking segment of workers in the formal sector, and should find a way to address the problems of unprotected workers as well.

4. How is it possible to reach out to vulnerable workers in precarious conditions outside unionized labour?

The whole discussion should lead us to a fundamental issue: how to strengthen the influence of trade unions in the process of decision making and control over the emerging new social security systems. In the period following the collapse of socialism, many governments were keen to keep those discussions behind close doors. In some cases, it was the IFI who decided together with governments – in other words, governments were opting for an orthodox liberal policy on their own, avoiding consultations with trade unions. Trade unions' participation is a matter of empowerment and democracy in the name of which the previous regimes were abolished. But rights are never granted. If they are, it is easy to take them away. They have to be defended and this is a constant struggle which is the only possible way to make the workers' voice be heard.

5. This brings us to the last but most important questions: Will the trade union strategy be adaptive, proactive, or a combination of both? When should formal tripartite mechanisms be used, and when is it best to choose lobbying? How can the ILO support trade unions' efforts to become strong players in social security reforms?

The structure of the seminar reflects the goals set out above, and seeks to answer these questions. Today, we will start with an overview of the current trends and characteristics of social security reforms, with a particular emphasis on pension reforms. Then during the panel discussion, we will consider the two most pronounced approaches, as they appear in four countries in the region – namely Poland, Hungary, the Czech Republic and Slovenia. This will be followed by a general discussion in which experts will be invited to share their own experiences and react to the panelists. It would be very useful, we believe, for the discussions to focus not so much on the details of national systems, but rather to describe major steps and forms of trade union involvement in the reform process. In short, at the end of this first day we have to conclude our discussion on *what happened*.

For the second day, we have made provisions for group discussions in which we will try to determine what would be appropriate trade union actions in order to improve their capacity to participate in the governance of social protection schemes. In a separate session, we will address the issues of both the formal and informal sectors.

We have chosen the panel and the group discussions because we thought that this would give us a better opportunity to exchange experiences. There are no ready-made solutions to the problems confronting workers in CEE countries. The experts of the ILO are here to bring the organization's experience, but we are also here to learn from yours. This will allow us to try to work out solutions together – without your knowledge and experience this is not possible. On the basis of our joint assessment of the situation, during the last session of the seminar, we will have to come up with clear *conclusions and recommendations for further action*.

3. The context for social security reform in CEE countries

**Keynote addresses: Mr Krzysztof Hagemejer, ILO Geneva
Ms Rosinda Silva, ILO Geneva**

Examination of the conditions that create a need for the reform of social security schemes in CEE countries, including labour market changes, demographic factors, and governments' early policy responses to the economic changes associated with transition. Examination of the legal context for reform, including the ILO Conventions on Social Security and the European Code of Social Security.

Mr Hagemejer presented the topic in several important segments. He characterized the major changes that were implemented in most CEE countries during the 1990s. These include separation of social insurance funds from the state budget; replacing national health services with social insurance arrangements; establishing new schemes to cope with unemployment and poverty (unemployment insurance, social assistance); and income or means testing to replace some universal schemes (e.g. family benefits).

He stressed, however, that the reforms introduced so far leave many of the policy, financing and governance problems unsolved. Social insurance schemes are under financial pressure due to a decreasing numbers of contributors (because of lower labour force participation, unemployment, the informal economy and evasion) and an increasing numbers of beneficiaries (relatively young pensioners pushed out of the labour market, the unemployed and poor). This results in financial deficits which require state subsidies. Dependence on state subsidies seriously limits the actual autonomy of the schemes and the role of tripartite governing bodies. Deficits force the policy of cutting benefits, or in some countries delaying benefit payments. This, often coupled with bad governance, undermines confidence in public schemes. Reforms leading to financial sustainability are a necessary condition for rebuilding autonomy and public confidence.

Most of the discussions on the reforms of social security have concentrated on pensions, leaving many other important areas of social protection untouched by serious debate. One example is health care. The switch to social insurance financing did not solve major problems, and did not by itself improve access to services, the quality of health services or their efficiency. Health care reforms are still pending, and they seem to be more difficult socially and politically than pension reforms. These reforms require a consensus of the state, medical providers and the general public – still quite distant in many countries. Regarding unemployment benefits, family benefits and social assistance, Mr Hagemejer stressed that under general public expenditure cuts, expenditures on pensions crowd out expenditure on other branches of social security. The consequences can be seen in all countries, because the schemes are under-funded. Only a small number of those in need are covered, cash benefits are dramatically low, and services are underdeveloped. Systemic changes are necessary to secure financing and ensure the desired levels of coverage in these areas.

The overall coherent concept of social policy in transition and beyond, well integrated with economic policy and reform agenda, has never been really developed and is urgently needed. Social policy should be shaped on a broad tripartite basis, and policy decisions should result from long-term social policy planning based on public debate and quantitative analysis. Trade unions should play an active role in the design of social policies.

Ms Silva delivered a presentation on the international labour standards on social security, emphasizing the importance of the ratification of the conventions as well as the supervision of their application. Her presentation is summarized below.

International social security standards

Social security is among the most important issues dealt with by the International Labour Organization. These issues appear in the preamble of the ILO constitution, which states that the ILO should help improve working conditions, paying special attention to:

- The prevention of unemployment
- The protection of workers against sickness, disease and injuries arising out of employment
- Provisions for old age

These questions were dealt with during the first sessions of the International Labour Conference (ILC) with the adoption of a number of instruments in this field. The ILC is the annual meeting of the three constituents of the ILO (representatives of governments, employers and workers).

The last convention adopted by the ILC in the field of social security was Convention No. 183 on maternity protection, adopted in 2000. Social security represents a significant part of the standard setting activities of the ILO – during the last 80 years, the ILC adopted 47 instruments on this field, 31 conventions and 16 recommendations.

Conventions and recommendations are instruments of a different nature. Conventions are international treaties, and as such are open to ratification. A country that has ratified a convention is legally bound by it. The country voluntarily commits that it will give effect to the provisions of that convention in law and practice, and accept international supervision. Recommendations, in contrast, are not open to ratification. They outline main principles, and act as guidelines for national legislation, supplementing conventions.

The impact of a convention lies in the practical effects of its ratification:

- A country that ratifies a convention must regularly report on the measures taken to give effect to its provisions.
- Copies of these reports should be communicated to employers and workers' organizations.
- Those organizations can submit their comments on the application of ratified conventions.
- The reports and comments are then examined by the Committee of Experts on the Application of Conventions and Recommendations (CEACR), a supervisory body composed of independent experts appointed from all over the world.

In the first stage of the supervisory mechanism, the CEACR evaluates the conformity of the situation in each country that has ratified the convention. The Committee formulates comments in the form of observations (which are issued in its annual report) or in the form of direct requests (questions of secondary importance or of a technical nature). These comments are transmitted to the countries concerned and to the most representative organizations of employers and workers.

In the second stage of the supervisory mechanism, the report of the CEACR is examined during the annual session of the ILC. The report is submitted to the tripartite committee on the application of standards. It is at this stage of the supervisory mechanism that representatives of trade unions play an important role: they directly examine the manner in which countries fulfil their obligations deriving from the ratification of conventions, and they can raise any question they feel to be important.

Let us consider more precisely the conventions on social security that have been adopted since 1919.

1. A general overview of the standard setting activities of the ILO in the field of social security

Historically and conceptually, conventions on social security can be divided into three groups, categorized as “generations” of social security conventions.

The first generation of conventions

The first generation of conventions on social security were adopted prior to the Second World War, and belong to the “social insurance era.” Their aim is to create compulsory insurance schemes against determined risk and to cover main categories of workers. They begin with risks that appear most urgent (work injuries, medical assistance). Those conventions would soon prove not well adapted to the international economic and social situation, and the notion of social insurance was later replaced with that of social security.

The second generation of conventions

The second generation of social security conventions came about in the “social security era.” The standard-setting activity of the organization was directed towards a global and expanded concept of social security. The idea was to unify and coordinate different social insurance schemes within a comprehensive social security system, covering all contingencies and all categories of workers.

This process culminated with the adoption of Convention No. 102 in 1952, which introduced the objective of a basic level of social security that should be attained by every Member State, corresponding to its economic and social development. For this reason the convention offers flexible formulas:

- Even though the convention covers nine branches of social security, countries that ratify it are not obliged to accept all nine, and can limit their acceptance to only three.
- The convention provides for a number of temporary derogations for countries whose economy and medical facilities are insufficiently developed (article 3). These countries can lean on temporary derogations with regards to the minimal scope of application of the protection, as well as the range and length of the benefits.
- The convention is cast in general terms flexible enough to take account of different methods of protection and levels of development. This flexibility is ensured, for example, in the definition of its scope of application, which allows for three different methods of personal coverage. Equally, the minimum level of benefits would vary according to the wage level of each country.
- Lastly, no strict terminology is used in defining administrative or financial models of organization, so that the convention can respond to the wide range of national solutions and to future changes.

The third generation of social security conventions

The third generation of social security conventions comprises the instruments adopted following Convention No. 102. The aim of these conventions is to complete the previous standards. They revise the conventions of the first generation, setting higher and more elaborate standards and covering wider categories of the population than Convention No. 102. These conventions follow the spirit of Convention No. 102.

Social security conventions and policy on the revision of standards

Having three generations of conventions following different forms of logic can result in “intergenerational conflicts.” Some conventions of the first generation are considered to be outdated due to their rigidity. The Governing Body decided that, in the context of the policy regarding the revision of standards, those conventions having to do with social security which no longer correspond to the actual needs should be shelved. These conventions are the following:

- *Convention No. 35 on old-age insurance (industry)*
- *Convention No. 36 on old-age insurance (agriculture)*
- *Convention No. 37 on invalidity insurance (industry)*
- *Convention No. 38 on invalidity insurance (agriculture)*
- *Convention No. 39 on survivors insurance (industry)*
- *Convention No. 40 on survivors insurance (agriculture)*
- *Convention No. 48 on maintenance of migrants' rights*

Shelving these conventions means that their ratification is no longer encouraged. On the contrary, the Governing Body is running a policy of promoting the ratification of revised and up-to-date conventions. It calls upon countries to contemplate ratifying the more recent, modern conventions, and if appropriate to denounce the older, outdated conventions.

2. Old age benefits guaranteed by Convention Nos. 102 and 128 and the main principles on which the systems that guarantee them should be based

The main objective of any system of old age protection is to guarantee security for people who have reached a determined age and adequate means for living for the rest of their lives.

a) Old age benefits guaranteed by Conventions Nos. 102 and 128

• When should one be protected?

Old age benefits should be guaranteed in the case of survival beyond a prescribed age. The prescribed age shall not be more than 65 years. However, the competent authorities can determine a higher age with due regard to the working ability of elderly persons in the country as well as to demographic, economic and social criteria. Although the required age is 65 years, Convention No. 128 provides for a lower age for persons who have been engaged in occupations that are deemed to be arduous or unhealthy.

• Who is protected?

Convention Nos. 102 and 128 avoid strictly, legally determining the definition of insured persons, in order to allow room for adjustment. The definition is not made according to a determined sector of activity or to the legal status of a person. These conventions refer to statistical criteria and offer governments a choice of three options by referring to employees, the economically active population, or the total number of residents.

• How should benefits be paid and under what conditions?

The right to benefits may be subject to a minimum qualifying period. The term “qualifying period” refers to a minimal period of contributions, employment or residence, which may be considered in order for the old-age benefit to attain the rate prescribed by the conventions. The normal amount of old-age benefits should be guaranteed after 30 years of contributions or employment or 20 years of residence. Reduced benefits have to be paid after 15 years of contributions or employment. Benefits should be paid in the form of periodical payments throughout the contingency (old-age benefits must be paid until the death of the beneficiary). The payment of a lump sum does not satisfy the provisions of these two conventions.

• The level of benefits

Convention No. 102 is the first social security convention that prescribes a minimum rate that benefits must attain. Convention No. 128 largely reproduces the provisions of Convention No. 102 with regard to the calculation of benefits, although it prescribes a higher rate of benefit. Old-age benefits for a standard beneficiary should amount to 40% of a reference wage (45% under Convention No. 128).

Convention Nos. 102 and 128 provide three formulas for calculating the level of benefits. These formulas take into account the methods for calculating benefits adopted by various states: 1) the amount of benefit may be based on the previous earnings of the beneficiary; 2) the amount of benefit may be uniform or include a minimum amount; and 3) the amount of benefit may be uniform and apply to all residents, depending on their incomes.

• Adjustment of benefits

The maintenance of pensions' purchasing power is one of the basic problems faced by social security systems. The conventions provide for the adjustment of long-term benefits to economic fluctuations. It is necessary to guarantee that the current level of old-age benefits will not decrease as a result of an increase in the cost of living.

The conventions stipulate that the rates of current periodical payments with respect to old age shall be reviewed following substantial changes in the general level of earnings where these result from substantial

changes in the cost of living. The conventions only state the obligation to adjust benefits; they do not stipulate the methods for discharging this obligation. States are free to choose the method of adjustment which they consider the appropriate in their national context. They are nonetheless required to maintain the real value of old-age benefits.

3. Administration and financing of the schemes

Administration

Convention No. 102 allows various methods to guarantee the protection provided for in the convention. The same is true of Convention No. 128. There is therefore no single model or paradigm for the administration of social security. For that reason, conventions do not use technical terminology – rather they set certain criteria regarding the administration of the system.

The conventions do not impose particular administrative structures. Where the administration is not entrusted to an institution regulated by public authorities or to a government department responsible to a legislature, representatives of insured persons shall participate in management under prescribed conditions. Furthermore, whatever the type of the administration, the state shall accept general responsibility for the proper administration of the institutions and services concerned in the application of the protection.

Financing methods of protection

Convention No. 128 does not include any provisions regarding financing. According to Convention No. 102, financing must be carried out by way of insurance contributions, taxation, or a combination of both. The modalities of financing must: 1) avoid hardship to persons of small means; 2) take into consideration the economic situation of the country and the classes of persons protected; and 3) in the frame of contributory schemes, the total of insurance contributions borne by the employees protected shall not exceed 50% of the total financial resources allocated to the protection.

Finally, whatever the method of financing, the state shall accept general responsibility for the due provision of benefits and shall take all measures required for this purpose. The state must, in other words, keep the funds for social security financially secure.

Conclusion

- The main principles on which social security is based are solidarity and the collective financing of benefits, with the aim of guaranteeing a division of risk on the entire community.
- Whatever the concept from which regimes are developed, social security represents a mechanism of general redistribution of the national product. Redistribution contributes to social stability and consequently to economic development. That is why agreement between the social partners during the reforms of regimes of pensions is very important. The three parties must be convinced of the vitality of the system.
- In parallel to Convention No. 102 is the European code of social security. The ratification of Convention No. 102 and the comments and advice that derive from this ratification are a precondition for integration into the European Union.

4. Alternative approaches to pension reform

**Keynote addresses: Ms Elaine Fultz, ILO-CEET
Mr Krzysztof Hagemeyer, ILO Geneva**

A review of reforms in countries that have made distinct policy choices related to pension restructuring. Comparison of those that have partially privatized their pension schemes with those that opted instead for the reform of existing public systems.

A. First approach to pension reform: The cases of Hungary and Poland

Mr Krzysztof Hagemeyer described the main features of the pre-reform pension schemes in Central European transition countries: coverage of nearly 100% of employed persons, social insurance type, pay-as-you-go financed, with contributions at relatively high rates paid mostly by employers and only in small part from employees' gross wages. There was a high degree of redistribution to lower income workers, but there was also an adverse redistribution to employees in special occupations, mainly with high earnings and not necessarily only those working in hazardous and unhealthy conditions. Public pensions were practically the only source of pensioners' income.

The major problems of the pre-reform pension schemes during the 1990s were unfavourable labour market developments, a low and decreasing actual retirement age, non-compliance in contribution collection, high contribution rates, low average benefit levels, a widening earnings distribution resulting in decreasing replacement rates for workers with above average earnings, and insufficient scope for supplementary pension provisions (high contributions, and no ceiling on earnings subject to contributions). In many countries the indexation of pensions based on prices rather than wages results in the continuous deterioration of pension levels relative to wages. Long arrears in the payment of pensions are affecting pensioners in several CEE countries.

In the upcoming decades, pension scheme financing will have to cope with growing tensions resulting from the demographic ageing process. Increased labour force participation and higher employment may in theory reduce the impact of demographic ageing. However, this would require more active and effective labour market policies. Otherwise, there are only three solutions available to cope with unfavourably changing proportion between the numbers of employed persons and pensioners: increasing the retirement age, lowering pension benefits, or increasing contributions. Contributions are already high and it is hard to imagine that a political consensus could be reached to increase them. Benefits, on the other hand, are low by international standards in most of the countries, and should be rather improved. What is left then is to encourage people to work longer and retire later.

This requires adequate labour market conditions, particularly lower unemployment and incentives to employers not to get rid of older workers. It is difficult to imagine this now, but in 20-30 years many of the countries in the region may face labour shortages rather than unemployment. It is also difficult to imagine now – particularly in those CEE countries where life expectancy is very low – that people will live longer and will be healthier and more willing remain active at current retirement ages. An increasing retirement age is only part of the solution. However, such increases should be done early enough and affect those who are still at the relatively early stages of their working lives. It will be always difficult to increase the retirement age of those who have only a few years left to the promised retirement.

ILO experts have compared the reformed Polish pension system with the Hungarian one. In both countries, pensions and overall pension expenditure were relatively high compared to many other countries of the region. There was thus a strong pressure from the Ministries of Finance to introduce reform that would decrease expenditure. Both reforms introduced a second, funded and privately managed pension tier. In Hungary, the retirement age is being raised to 62 for both sexes (from 55/60), gradually until 2008. In Poland, the minimum retirement age is now becoming 60/65, and all early retirement provisions are being gradually phased out.

In Hungary, the new first-tier system provides a defined benefit: each year of contributions gives 1.22% of the average earnings from the whole working career (48.8% after 40 years of service). In Poland, the

new first tier is based on so-called notional defined contributions: the level of pension depends on the sum of all the contributions paid and average statistical life expectancy at the age of retirement.

In both countries, there is a minimum pension set as a nominal amount (about 65% of the minimum wage) and adjusted with price increases (thus the relative level of the minimum guarantee will deteriorate with time). In Poland, the minimum pension guarantee applies to the pension from both tiers, in Hungary only to the first-tier pension.

The adjustment of pensions in payment is in both countries based on a weighted average of price and wage increases, but in Hungary respective weights are 50-50%, while in Poland the split is 20% for wage increase and 80% for the price increase. It has not been decided whether pensions from the second tier are to be adjusted to inflation.

In both countries, reforms introduced ceiling on earnings subject to contributions: 200% average earnings in Hungary (but only for workers' contributions) and 250% of average earnings in Poland. (In Hungary, the ceiling on contributions has since been removed by legal changes effective in 2001.)

The contribution rate to the second, funded tier in Hungary is 6% of earnings (26% to the first tier), and in Poland 7.3% (29.3% to the first tier). While second-tier contributions cover only old-age pensions (annuities), first-tier contributions are paid to finance old age, disability and survivors' pensions (Poland and Hungary) and also sickness, maternity and employment-injury insurance (Poland).

Mr Hagemeyer concluded that actuarial simulations show that increasing the retirement age to 65 would stabilize or reduce pension expenditure until 2035, even under the pre-reform systems. The reforms undertaken in both countries aim at a retirement age lower than 65, but will result in reduced replacement rates and lower pensions. After 2035, further increases in the retirement age might be necessary to stabilize expenditure. This concerns those entering the labour market now, and it would be advisable to debate the issue well in advance – that means now.

B. Second approach to pension reform: The cases of Slovenia and the Czech Republic

Ms Elaine Fultz described the pension reforms in two other countries, the Czech Republic and Slovenia. She contrasted these reforms with those that occurred in Hungary and Poland, described in the previous presentation by Mr Hagemeyer. While in those countries national pension schemes were partially privatized, in the Czech Republic and Slovenia, governments decided to maintain the existing public pay-as-you-go schemes, but to restructure them in order to reduce costs and modernize benefits and administration. Thus, the two sets of countries represent two different paths to reform, and allow for comparisons of the pros and cons of each approach.

The Czech Republic

The reform process in the Czech Republic began a bit earlier than in most other CEE countries: a major increase in the retirement age was enacted in 1995.¹ Moreover, reform is continuing to this day. In all, the national pension insurance law was amended 13 times in 1990-1999, and a Senate Subcommittee on Pension Reform was recently established to develop additional reforms.

As a result of the restructuring that has occurred so far, the Czech Republic has a two-pillar system consisting of:

- a public pension scheme operated on social insurance principles, which provides benefits according to a set formula (a defined benefit system) with pay-as-you-go financing
- supplemental coverage provided through a voluntary system of individual savings, privately managed and supported by state contributions

¹ The retirement age was increased gradually to 62 for men and 60 for women, from 57-61 and 53-57.

The factors which keep the reform process continuing in the Czech Republic are as follows:

- Benefits are not high. In fact, they are still below their real value from when the transition started. In 1991, the average benefit constituted 55% of an average worker's gross wages, whereas in 1999 it constitutes just 45%.
- The government believes that intragenerational solidarity is too high. The current scheme replaces 58% of a low-income worker's earnings, but provides only a 26% replacement rate for workers who earn three times the national average wage. The Czech government calls this "too much redistribution."
- The scheme is not ready for the ageing of the population, which is already on the horizon. The contribution rate is currently 27% of wages, but to maintain current benefits levels the contribution rate would have to rise to 30% in 2010, 40% in 2030 and 51% in 2050. This is not acceptable politically, and would be far too burdensome on the economy.

As for the content of planned reforms, the Czech government is seeking to restructure the first pillar in a way that strengthens its financing and at the same time keeps it dominant. They do not want to reduce the size of the first pillar and create a mandatory private scheme in its place, as in Hungary and Poland. To reform the public scheme, they plan to tighten conditions on early retirement; reduce the periods during which credit toward retirement is given without contributions being made (these constitute nearly a third of all contributory periods in the Czech Republic); restrict the benefit adjustments that are provided to pensioners due to inflation; and start discussion of an additional retirement age increase for 2007.

The second pillar will be reformed through incentives to increase participation in voluntary savings by more workers, through ensuring the safety of savings with stricter regulations of private pension firms, and through introducing new forms of private, voluntary insurance.

The minority coalition in the Czech Republic has a different idea – they favour privatization along the lines of Hungary and Poland. The government opposes this approach for several reasons. First, they say that the transitional costs of moving from pay-as-you-go financing to pre-funding would be too costly and burdensome for current workers. Second, the Ministry feels that the Czech population accepts solidarity among generations and therefore finds the current scheme appropriate. Third, trust of the private financial sector is not as high as trust of the government in the Czech Republic. Fourth, international experience shows that the administrative costs of a private, mandatory scheme will be high. In addition, the Czech population has a high savings rate already, so there is no need to require private individual savings.

For the past several years, the minority party in the Czech Republic has blocked the government's efforts to increase contributions to the current scheme, which is running a deficit. This is its way of insisting on its preferred reform strategy of pension privatization. So the political system is deadlocked on the issue of pension reform at present, and a new Senate Subcommittee has been created to find a reform approach that can attract a majority in parliament. The view of trade unions will be important in this situation, and that will be presented in the next panel.

Slovenia

Like the Czech Republic, Slovenia has also chosen to retain its public, pay-as-you-go pension scheme as the primary means of support for retired workers. In December 2000, it enacted a major new law to reform and strengthen the public scheme. However, the content of this law changed greatly in the course of its consideration by the government. When the Labour Ministry first drafted the law, they proposed a partial privatization of the pension scheme along the lines proposed by the World Bank. Parliament rejected this, however, and only the provisions of the bill which restructured the public system were approved. This change was largely the result of trade union pressure. Slovenia is a case where workers had great influence on the shape of pension reform.

The need for reform in Slovenia is rooted in many of the same conditions as in other CEE countries – pension benefits were used as a "cushion" to absorb excess unemployment in the early years of transition, and this has proven costly for the scheme. In addition, there is a need to modernize the scheme structure to correspond to the new political and economic environment of Slovenia. However, unlike in many other CEE countries, benefit levels are very adequate in Slovenia – 80% of earnings for many workers. Thus,

it is projected that the scheme will experience rather severe financial strains as the population ages and the work force shrinks in size.

Under the new law, solidarity elements have been retained, so that risks will continue to be pooled across the work force, and benefits will continue to be based in part on need. As a result, workers who suffer a disability early in life will receive more in benefits than they paid in contributions, whereas highly paid workers who die shortly after retirement with no dependent family members will receive less. In addition, pay-as-you-go financing has been retained – except for government workers, there will be no mandatory private savings accounts.

The reforms also include an increase in the retirement age. For men, it will rise gradually from 58 to 63, and for women from 53 to 61. Early retirement will be permitted as young as age 58 with 40 years of contributions for men, or 38 years of contributions for women. In addition, benefit levels will be reduced significantly. Under the reform, workers will receive benefits equalling only 1.5% of their average earnings for each year of contributions, whereas under the old law they received 2%. More years of work will be used in the computation of benefits (18 instead of the current 10), a measure that improves the fairness of the benefit formula.

As for voluntary supplementation, this must be agreed to collectively by an employer and employees, in which case they can form a savings plan under rules set out in the law. For heavy and hazardous work, these rules have more detail: the employer will be charged a higher contribution rate specified in the law and this extra revenue will be allocated to the Supplemental Pension Fund, from which revenues can be used to provide early retirement or to supplement public retirement benefits. In addition, workers themselves may create a voluntary savings scheme with no employer involvement, in which case they receive a tax exemption. In all cases, worker savings will be managed by private financial institutions, regulated by the government. A high participation rate in these new private voluntary schemes is expected, based on Slovenians' high participation in voluntary supplementary health insurance.

In sum, the key features of the Slovenian reform are that it focused on restructuring the public scheme, that no mandatory private pillar was established, and that the government reform proposal was altered substantially through the political process. These features contrast with the reforms in Hungary and Poland, as described by Mr Hagemeyer. The Slovenian case also demonstrates that workers can have a major impact on pension reform if they are organized, become expert on the issues, and cooperate in carrying out a national strategy.

5. Panel discussion: The role of trade unions

Presentations on the main issues trade unions have faced in the reform legislation, how they resolved these issues within the union, how they attempted to influence government policy, the extent of their success, and the lessons of their experience.

Moderator: Kastriot Muco, KSSH

Josef Suchel (ÈMKOS, Czech Republic) provided details of the years of the trade union's struggle in the Czech Republic for changes to the retirement insurance system. Their first goal was to maintain and strengthen the public pension scheme by enforcing a one-pillar system, separating retirement insurance from the state budget, and introducing tripartite decision making. So far, pension legislation has been changed 13 times, but a crucial step was taken in 1994 when private supplemental insurance was introduced. At that time, trade unions did not accept it as being the wisest solution, and it turned out that some of the funds became insolvent. Today there are only 22 investment pension funds left of the original 44. Some were not even able to repay the clients their savings. Then in 1995, a law increased the retirement age, with a transition period until 2006. For men it was raised to 62 years, and for women from 57 up to 61, depending on the number of children they have. This element of including the number of children will probably be excluded from the law in the future.

Trade unions are against further retirement age increases. It is positive, however, that tripartite decision making was introduced, so that the vice president of ÈMKOS is on the board of the subcommittee for retirement insurance.

For the government there is still the dilemma of whether to keep the first pillar system or to finance additionally through capitalization. The trade union is decidedly in favor of keeping this basic level of retirement insurance. Which is better – public law or a private first pillar system? Then, whether to accept an increase in the age limit due to the ageing of the population? ÈMKOS is against increasing the retirement age, but the right wing demands to increase it even up to 70 years. The trade union is for dropping the rigid concept for the retirement age, instead they want a flexible age to be made law, as in some other countries (e.g. France, Sweden). This would depend on the years of insurance.

Edvard Krzisnik (Neodvisnost, Slovenia) reported that all four trade union confederations in Slovenia, even though they have many conflicts, were united in fighting for the prevention of the radical changes in the retirement system immediately following the “white book” published by the government in 1998. Trade unions, working with employers, succeeded in creating great pressure. It was certainly important that approximately 70% of all employees are members of one of the country's four main trade union centrals. They feel that their greatest accomplishment is that workers who are 58 years of age can receive a full pension, if they have 40 years of working experience (men), or 38 (women). They are also satisfied that they were able to secure a reduction in the retirement age for women for every child they rear, eight months for the first child, 20 months for two children, and 20 months for every additional child. The maximum pension was restricted to three times the lowest pension, and a social pension was introduced, so that all persons at least 65 years of age receive a pension, even if they do not have a single day of working experience.

Trade unions are not against voluntary private insurance, but everything must be well thought out. Trade unions have made quite an effort, holding three powerful protest actions that resulted in a change to the initial proposal of the government for partial privatization. The fact is that Slovenia has large pensions compared to other countries, the net average is 870 DM, while 705 DM is the average for a disability pension, and 640 DM is the lowest pension for retirement. Therefore, in Slovenia today there is the absurdity that young people do not have high enough salaries, so their parents help them to survive.

He pointed out that Slovenia is among the best-developed transition countries, but there is still the problem of the ageing population. Trade unions are now glad they stopped the introduction of the three-pillar model for retirement insurance, but that some form of a second pillar system is left on a voluntary basis. No one has anything against the individual right of a worker to save up for retirement.

Ryszard Lepik (OPZZ, Poland) pointed out that in his country there is a tendency toward decreasing the real value of pensions, and that the government avoids negotiations with trade unions. Currently, there is a system that relies on the first pillar of retirement (obligatory) insurance administered by the reformed Bureau for Social Security. The second pillar consists of funds with a private board, and has about 10 million members. The third pillar is voluntary savings for retirement, which exists in many forms. Besides individual savings, there is also a collective system, regulated by law. Elaborated programs for retired workers exist in four forms: the retirement fund, investing workers' benefits in an investment fund, life insurance, and investment in insurance companies. The trade unions' evaluation is that employers have not received any legal incentive for additionally insuring their employees.

László Orbán (MSZOSZ, Hungary) added from Hungary's experience that trade unions showed an understanding for the aim of decreasing the share of pensions within total social expenses, but this resulted in disputes with the Ministry of Finance, which was for total liberalization of retirement insurance. The disputes lasted for about three years. The fact is that today no one in Hungary is satisfied, especially the workers, because the changes brought about a high level of insecurity.

6. Group work

Participants meet in groups to discuss ways of increasing trade unions' effectiveness in influencing national social security reform.

After the panel discussion, the participants divided into two groups and contemplated ways trade unions can go further, how the models and the system of social security could be redesigned. The two groups were language-based; one was Russian while the other was English speaking. Almost all participants took part in the discussions. The following were among the most frequently asked questions:

- *How can trade unions be involved in designing the social security model?*
- *Has the government asked trade unions what kind of model they desire?*
- *Were trade unions involved in creating the current model?*
- *What was the trade union's involvement in passing new laws on retirement insurance?*
- *What is the trade union's involvement in the management of the pension fund and health insurance?*
- *How is it possible to stand up to corruption?*
- *How is it possible to ask for help from international structures?*

A representative from *Macedonia* said that their centre participated in all stages of reform and accepts the need for reform, but they do not accept the privatization model and took a stand against the law being passed. Now retirement benefits are divided into first and second pillars. Employers are not interested in reform, while the government imposes its solutions. A representative from the *Czech Republic* said that they accepted government proposals, but presented special demands. Among the demands, they emphasize insuring handicapped people, early retirement, and so on. A trade unionist from *Montenegro* pointed out that their entire reform has been brought to a halt. The trade union makes an effort to participate in revising the law, however, it really is unable to do more than take palliative measures, to participate in humanitarian aid and the like.

A representative of *Poland's Solidarnosc* stated that their confederation participates in discussions on pension reform and in the management of the fund, however they are not satisfied with tripartite governance. An *Albanian* trade unionist said that they have a tripartite body that is independent from the Ministry of Labour and Social Welfare, and that pensions are increasing gradually. The rural population is still a problem, since a large number of farmers do not pay any contributions. The government is trying to show that it is socially sensitive, but trade unions are usually not asked for their opinions.

In *Republika Srpska* the old Yugoslavian law is still in effect, but there is an attempt to change this. Meanwhile, the Pension Fund is insolvent due to low wages and late payments. They feel that they are under tremendous pressure from the IMF and World Bank. In the *Federation of Bosnia-Herzegovina*, it is said that funds are collapsing and there is not even a chance that payments of minimum pensions will be made. A large number of employers and individuals do not pay retirement insurance contributions.

Debating in the second, Russian-speaking group, the trade union representatives from *Ukraine, Russia, Lithuania, Estonia* and *Bulgaria* pointed out very similar problems. However, partly from the point of view of countries in which reforms have not yet fully come to life, models have not been determined and the economic basis for reform is too small or does not exist. Trade unions are often in conflict with each other, or they are under pressure from the government and are not recognized. They sometimes serve merely a decorative function, and are not involved in true tripartism. Not even the orientation of trade unions with regard to pension reform is clear yet, especially since trade unions neither have enough expert knowledge in that area nor do they have qualified experts or accessible information on the practice and experience of other countries. Both groups concluded that trade unions have to commit and be very active, and that they themselves have to suggest models and solutions. Overcoming trade union fragmentation and strengthening cooperation among unions in a given country has been considered crucial for the success of trade union involvement in pension reform.

Friday, 6 October

7. The reform debate

Moderator: Ms Elaine Fultz, ILO-CEET

Review of the economic rationale for reform by international financial institutions including the World Bank and IMF; subsequent analysis and debate by the ILO, the International Social Security Association (ISSA), and other organizations and analysts.

Along with answering numerous questions posed by trade unionists in her introduction, **Ms Fultz** emphasized that the proportion of people over age 60 is growing dramatically. There is a threat of a serious age crisis, because the percentage of the population in that age group is growing to 12-18%. She presented the three-pillar system suggested by the World Bank, the first pillar being the public retirement system, the second pillar obligatory additional insurance of workers, and the third pillar voluntary individual savings.

She emphasized that she does not agree with the thesis that the portion that is spent in any country on the total systems of social security is an indicator of a country's poorer working status. International competitiveness does not decrease if a larger portion of GNP is allocated for social security, or if the percentage that the employer allocates for retirement benefits for the workers is larger. She concluded that this thesis is wrong, that there are no arguments to support it, and that a reformed retirement system can speed up the development of the economy. However, mixed systems for retirement insurance can be useful to workers, since they offer protection from demographic changes and instabilities.

She explained the meaning behind the three pillars. The first is practically security against poverty, for those with low incomes, financed by the state budget. The second pillar is intergenerational solidarity, and the payment of benefits depends on the amount of the salary. The third pillar is individual savings, which could be obligatory and/or voluntary.

There is no easy answer regarding which model is best, but it is quite clear that important preconditions must exist before approving a plan for retirement reforms and introducing the second and third pillars. First, enforcement capacity is necessary, so the government can guarantee a positive rate for refunding saved benefits. Second, the existence of regulatory capacity is important; i.e. the government must be able to ensure that the workers' money is handled under quality supervision, so that there are no risky investments made by private financiers, and that there are no false rates of refunding the money saved. Third, it is necessary to educate the public on the possibility for individual savings. Fourth and finally, administrative costs should be reduced, because in some countries these can reach up to 40% of total savings, and are often 20-25%, which is far too much.

Henri Lourdelle of ETUC said that pension reform is of special concern for him, since he is involved in the domain of social protection and pension reforms (legal and additional) in the European Union as well as in Central and Eastern Europe. Last year CES jointly created a White Book on social protection in the countries of Central and Eastern Europe, as well as on the reforms in this area. (However, for the time being, it is only available in French.)

CES does not wish to make any evaluation of the work performed in any of the countries of the region, but rather to contribute to the considerations so that perhaps the mistakes that were made in the EU are not repeated in CEE. The reforms under way should be redirected towards what is more in line with the values of trade unions: solidarity and increasing social cohesion. CES hopes that the unions at the seminar will share its experience, but Lourdelle said he does not have many illusions in this regard, as an old saying says that "experience is a huge book which everyone wishes to write but nobody ever reads." However, this is of no importance – the main point is to improve the system. He quoted a saying that goes: "tell me whom you visit, I shall tell you who you are." By analogy, Lourdelle said "tell me what social protection you use, and I shall tell you which type of society you are a part of."

There are two main types of question. First is the overarching question: "Why reforms?" Second, there are some questions that the CES has faced from the experience of the reforms.

- *What are the reasons for undertaking such reforms?*

The reasons are demographic, as has often been heard during the last two days. Of course there are unquestionable constants: the population is ageing and decreasing at the same time. The conclusion was (perhaps too hastily) drawn from this fact that there is a need to reform, especially with regard to our pension systems.

What is stunning is that everyone has been looking for solutions in a hurry, before even analyzing the causes of this phenomenon. The population is, on average, getting older. But why is ageing such a burden? In other words, what is being done for people who grow old to become "factors of economy," or consumers rather than people receiving aid, with respect to the participants of informal economy? The burden is becoming even heavier with the number of the active population decreasing due to an increase in unemployment and what is known as the "brain drain," with people from the CEE region working in the European Union or elsewhere. And what action has been undertaken to answer the question, to stop the drain or to fight unemployment? What is being done in the countries of the region for work to become "attractive"? To improve qualifications, especially of elderly people? What is being done to enable women to keep their jobs, or to get one if they choose to do so? What investments are being made in the social domain? Is it enough simply to say that reforms are needed?

This is not to say that reforms are not needed – just that questions need to be formed well in order to get the right answers. A hierarchy of answers needs also to be made. Having a desire to "reform" before answering all the right questions is the same as "bandaging a wooden leg" – and would have the same effect. By focusing too much or almost entirely on demographic issues (which is true for the European Union as well) we risk the possibility of not presenting the right problems.

Actually, if this is indeed the issue of key importance – if it comes down to natality, and not to fertility – then Asia, India or Africa, or closer to home Russia or Ireland, would be extremely rich countries, since their natality rate is (or was) the highest. The reality is different, because there are not enough jobs or growth. In France, for example, a social welfare system was established after 1945. At that time, demography was the most critical factor. But at that time there were jobs in reconstruction, and labour was brought in from Spain, Portugal, Italy, Poland and other countries. Those workers paid their insurance and made it possible to introduce the systems that are still operational today.

Actually, the most urgent issue is that of increasing the number of jobs, in the European Union as well. The Commission will publish its report within the next few days on the long-term situation of the pension systems in the Union. The report will say that in order to address the demographic challenge, new jobs need to be created. Even the Commission has stopped using the previously agreed language, which was using demographic developments as an excuse for trying to question the existing systems of social protection.

There is another important reason of economic character (especially for the World Bank, the International Monetary Fund and others), with arguments that reforms and especially the founding of a regime of additional, "capitalized" pensions will efficiently contribute to the development of the national economy. This statement requires additional remarks, on several levels.

First, let us assume that this is the case. Do the countries of this region have (or will they have) the financial resources to absorb the entire potential "capitalization"? One should be careful of the risk of creating an "abstract bubble."

In any case, the founded systems mostly use savings as an initiator (savings and the capitalization of insurance), and they are competitive. In Poland, employees choose the "vehicle" into which they wish to invest the insurance amount, but they can change this every year. What will the "vehicles" be doing – or in other words, the bodies invited to manage the savings amounts – in order to attract more employees / clients? Will they be searching for the best financial options? And how will they find these? By investing

into the most successful markets – in other words abroad, in the markets of “emerging” economies? What good is there in this for the national economy?

One can also say that it is enough for a certain percentage of the funds to be used in the “national” economy. However, is that not in conflict with the principle of cautious safety of placements in order to reduce the level of risk? One should also not forget that there is a 40-year rather than a 10-year perspective on these funds.

In regions where salaries are low and jobs still more insecure than in the EU, who will be able to pay insurance? Are we not heading towards a society of several gears? Certainly, since the system can be made mandatory, as is the case in Poland. This creates several problems. The first is: why should an employee be forced to invest into such a savings system, when he or she can “profit” more by investing into other “vehicles”?

In any case, such an obligation carries certain risks as well - particularly an increase in the “grey economy.” This is not just a make-believe risk. For example, in Chile – which is so often taken as an example – wages are low and insecurity high. Only about one half of the employee “members” of private pension schemes, about 2.5 million of the total 5 million, actually pay premiums into those systems. The other half would rather have their employers pay them “cash,” or declare only a part of their (low) salaries and pay insurance amounts accordingly.

This type of reform, in the conditions of CEE economies, could become a “time-bomb,” causing much disappointment. Again using the example of Chile, what will happen in several decades when today’s workers reach an age when they should start receiving their pension? How much will it actually amount to? Will the promises related to payments stand the test of time? Look at what happened in Great Britain – several hundreds of thousands of retired people who were once encouraged by Margaret Thatcher to leave the system of additional state pensions and enter privately owned systems that were not able to keep their promises were left with no additional pensions – in other words, they get only basic, extremely low pensions, equalling about 20% of average active salaries. They are therefore turning towards the state, feeling cheated.

This is the same situation facing the 2.5 million Chileans who have not been able to pay their insurance amounts. They will once again become a burden to society. The real issue is the “time-bomb” facing these societies. The discussion on pension reforms is therefore not technical, it is in fact a discussion about society as a whole and the priorities that need to be set.

- *What about previous agreements?*

Although it appears as if everyone is aware of the urgency with which reforms, occasionally drastic ones, need to be carried out, they are often made in a hurry according to political factors, without having reached necessary and essential agreements beforehand, especially with the social partners. This is why it sometimes looks as if they only wish to measure the “acceptability” to the population of the reforms designed, especially in the case of the workers (since workers are in any case the first to contribute and the first to suffer the consequences). Therefore, the social partners, and through them the workers, suffer and may even rise against them.

- *What are the consequences in the domain of social cohesion?*

The basic level of pensions is at the same time the one which is the most “universal” and most solid. (The term “level” may be more appropriate than “pillar”. This makes the architecture of the system more clear – in order for a building to stand, the ground level must be solid enough to be able to support the upper levels.) Even in countries where the informal economy is especially strong, should not universal systems be given priority over “individual” ones?

When reforms are postponed, does it not increase the risk of widening the gaps in society? A gap must come about between those who have access to the second level – who will for a long time be a minority with special privileges – and those who must make do with the regime of legal prescribed pensions at an average level.

8. The informal economy

Moderator: Maria Svorenova

Keynote address: Jasna Petrović, ICFTU

An examination of the relations between the informal sector and the transition process; a reflection on the social implications of the expansion of the informal sector in the region.

The informal sector in Central and Eastern Europe: The trade union perspective

1. The ICFTU, in cooperation with FGTB, ILO and FES, organized a round table on 13 September 2000 in Budapest on the theme "The informal economy and the role of trade unionism." Experts from selected countries of Central and Eastern Europe (Albania, Bulgaria, Croatia, Lithuania, Moldova, Poland and Romania) participated in this round table, which was the first organized on this issue in this region. The aims of this round table were:

- a) To discuss the concept of the informal economy and its relevance to CEE
- b) To analyze the situation in selected countries in relation to the policy of the reform process
- c) To define recommendations to guide the policies of the trade union movement in the region

2. The concept of the "informal sector" was proposed by the ILO 30 years ago to analyze the situation of specific activities, mostly home-based, having a status that varies between self-employment, employment of a few people, and a dependent situation. This kind of activity generates incomes for people and contributes to improving GNP. It should be stressed that this sector should *not be considered unorganized*. Rather, the people working in this sector are in general not covered by social protection or by collective agreements. We can talk about unprotected labour and unprotected workers.

3. The participants prefer to use the term "informal economy" rather than "informal sector," as it is difficult to consider this kind of activity as a trade or industrial sector as such. Also, it is indeed considered that an informal economy is present in all spheres of the larger national economy. Other terms could also express this reality, such as the "shadow" economy or the "grey" (sometimes black) economy. There is also a *diversity of forms* for this informal economy, ranging from self-employed persons performing an activity without paying taxes or being covered by social insurance, through to criminal activity, which of course has developed by itself outside all categories of the legal framework. Some use the concept of the "shadow economy" to include the grey and black economies and even criminal practices.

4. The informal economy in Central and Eastern Europe is a product of a number of factors:

- a) The bankruptcy of the old (socialist) economy
- b) The failure of public companies to restructure themselves to become more competitive in a market situation
- c) The privatization process
- d) Massive unemployment
- e) An often dramatic increase in poverty

In many countries, unemployment benefits are too low, so it is clear that people have to find other ways of earning money. Sometimes even workers who keep their jobs in their company have to perform informal activities, because they are poorly paid, are paid after long delays, or not paid at all (the non-payment of wages occurs very often and is a mass phenomenon in the region).

Several trade unionists have described what could be called a "semi-formal economy," with people being employed in the formal sector at minimum wages but getting in fact more money "illegally" or under the table. This is a very dangerous type of "informalization" that costs a great deal to the sound part of society (for example at the expense of social protection schemes).

Companies also have a tendency not to pay taxes or social security contributions, of neglecting to pay their workers or of paying them officially only in part. The informal economy is diffused all along the system of the economy – public, private, formal and informal.

5. It could be considered that an informal economy enables people to perform some activities, to earn some money and therefore to alleviate the misery of the population struck hard by the reform process. That is true. However, the problem is that:

- a) The informal economy tends to be considered by governments and by organizations like the IMF as a social safety net they find too expensive to set up properly. Some governments tolerate the informal economy because they find it useful for some political reasons, good for social peace, etc.
- b) The informal economy tends not to be a temporary way of earning some kind of living. At times, reforms produce economic revival, but pull the entire economic system downward, and there are estimates that this illegal economy is becoming ever larger – from 10% but even up to 80% of some countries' GDP!
- c) When it becomes as generalized as it is in countries like Ukraine, Moldova, Bulgaria or Croatia, softening the blow of reforms is not a possibility. *It is a clear sign of the complete failure of reforms* and the incapacity of the state to promote a positive direction in the reform process. The growth of the shadow economy may come to harm the “normal” economy.

6. *The informal economy should be considered destructive to the rule of law* and the respect for any rules formulated by the state or in a signed collective agreement. Any economy, including a market economy, needs rules. It is part of the myth of neo-liberalism that the transition should be an emancipation of all restrictions and inflexibility inherited from the past, and that the economy will then spontaneously take a new start and develop on its own. What we see in many countries of the region is on the contrary a *worsening process* – the bankruptcy of the old economy leading to resignation by the state from all economic and social responsibilities; the development of social dumping; a lack of investment; short-term activities; falling salaries; non-payment of taxes, social security contributions and wages; and an incapacity of the state to assume its responsibilities. The trend is continuing in this manner, and the situation is going from bad to worse.

7. It should not be forgotten that the perverted functioning of the shadow economy attacks the morale of the population and its confidence in democratic processes. And it is something that trade unions should deal with. Beware, some politicians have an interest in maintaining the shadow economy, either as a diversion for justifying inaction in the macroeconomic and social fields, or because the shadow economy provides ways and means of corruption.

8. Among the categories of people most affected by the informal economy and unprotected work are the weakest categories of the population – women, unskilled people, and young people without professional experience. Women are in the majority in the informal labour market. Also, particularly in single-industry regions, mature persons used to work for a period of 20 years in the same activity, with the same skills, which are no longer in demand. In some countries, where the informal economy has tended to become dominant, it is also the only way for educated people and qualified youngsters to earn money. Employees in the budgetary sector are also a major concern, as teachers and civil servants are not paid or paid poorly.

9. Most often *trade unions are not present among the people working in the informal economy*. There are some initiatives in this regard. But these require strong and representative trade unions in the formal economy first. Against a backdrop of people in fear of losing their jobs and concern for day-to-day survival, it is of course not easy for unions to assert themselves. But also this shows the necessity for the trade unions to really consider this issue. Unions are still, everywhere in the region, the most representative organizations. *Trade unions should therefore speak on behalf of the whole workforce – be it in the public sector, in private companies or in the informal economy*. Whenever necessary, trade unions should adapt their structures to make them closer to the various categories of the population, to make them more representative, and to be able to recruit and to organize members more easily. One of the important aspects of these strategies is *to promote confidence in the trade union and to raise people's awareness about their rights and the importance of collective action to promote and defend them*. All these strategies must be integrated, and have to involve the different levels of trade union action and structures, such as branch organizations.

The trade unions have also to answer a number of questions, such as: Are their current structures and *modus operandi* relevant to tackling the shadow economy? What type of alliances might be built with NGOs?

10. The informal economy should be on the agenda for discussions with the government and employers' associations. With *employers*, because the unions and the employers have a common interest in fighting against unfair trade and industrial practices, and against any form of economic and social dumping. With the *government*, because the informal economy tends to destroy the role of the state, to dangerously reduce its direct and indirect resources, and to abolish the rule of law.

Therefore the social and public partners should together elaborate ways and means to put an end to this dangerous trend by adapting fiscal and labour legislation as well as by promoting industrial activity, economic recovery and employment development. It is only through new and sustainable economic dynamism that the informal economy may be reduced and its most dangerous aspects eventually eliminated.

11. Finally the ILO, as a producer of international standards, has to be involved in the fight against the shadow economy. The ICFTU appreciates the way the ILO is now looking at the shadow economy as a perverted form of economy rather than as a possible means of survival for people. This trend should be maintained, as it helps to suppress any justified basis for the existence of the shadow economy.

Keynote address: Mr Wouter van Ginneken, ILO Geneva

Examination of recent innovative efforts to extend social security to workers in the informal sector in other parts of the world; consideration of the relevance of these approaches for CEE countries.

Extending social security coverage to the informal sector

In his introduction, Mr van Ginneken presented facts on the informal sector, emphasizing that half of the world labour force is not covered by social security, and that only 5-10% of the population in the poorest parts of the world is covered by a system of retirement insurance, which excludes the majority of the population in many countries. In South America and Asia, 40-80% of workers are covered by insurance, since they are more concerned about health insurance and educating their children. A person in the informal sector of the economy will not want 20% of their income taken for social security, they may be willing to pay a mere 5% for health insurance. But, how can we expect the 10% of those employed in the formal sector to cross-subsidize those who are unable or unwilling to pay statutory social insurance contributions? Most developed and transition countries have reached almost full coverage, but not for all contingencies.

The general characteristics of the informal economy are low capital, skills, incomes, working conditions and access to organized markets and technology. They are outside the scope of government regulation and of social and labour protection. There are three types of workers in the informal sector: owner-employers of micro-enterprises (small-scale businesses, without formal accounting and labour contracts); own-account workers with no wage labour, but sometimes with family labour; and dependent workers (often wage earners who had to adopt self-employment status). The last two categories of workers can be objects of trade union policy.

There are three ways to extend personal coverage. First is extending and adapting statutory social insurance through improved administration (benefit payments, record keeping, compliance and publicity). But adaptations are needed to open up new benefits that are more suitable to the priority needs and contributory capacity of workers in the informal economy. Second, micro-insurance is based on low contributions, usually small-scale organizations, social control and low administrative costs. There are special schemes, often set up with government support and financing. Third, tax-based social benefits are focused on certain groups, with or without a means test.

In most countries, coverage for the self-employed is voluntary. The problem is "double" contributions in some cases (e.g. India). Extension of coverage has more success if the government is willing to provide

some financing. For example Beedi workers in India are covered by so-called welfare funds that pay their full contribution to the Employees' Provident Fund. Mr Van Ginneken also presented examples from China and Malaysia.

Micro-insurance schemes are focused on a priority need for health, with options for primary or tertiary health care. There is a great cost advantage, but it has not yet been shown that this can be extended to large groups of workers. Special schemes are labour welfare funds (e.g. in India), financed from earmarked taxes on output. They provide a variety of benefits, such as employment injury, housing loans, medical services, and educational grants. At the moment there is too great a variety of benefits.

Tax-based social benefits can include social pensions, child benefits, or social assistance benefits, which can be paid in cash or in kind (e.g. as meals for pensioners, winter boots for school children, discounts, etc.).

The informal economy is less developed in CEE countries than in the countries cited as examples, but informal labour relations are more prevalent. Social security systems, and in particular their institutions, are much more developed. The self-employed in the formal sector are often covered, as are farmers. Only family businesses may not be covered.

Casual wage earners often collude with employers to avoid social security contributions and to achieve higher take-home pay. Such workers also take on self-employment status, such as construction and home workers, so as to avoid social contributions. They are often also not covered by unemployment benefits, which typically reach only 35-50% of the unemployed.

What could be the moral of the story? First, extend coverage, but also adapt statutory social insurance schemes. In adapting these, emphasis on compliance and legal extension only is not enough – the benefit and contribution structures must also be adapted to the needs and contributory capacity of workers in the informal economy. It is important to determine priorities in each country, depending on its circumstances, and trade unions have to determine their priority groups and benefits, on the basis of an assessment of overall social protection policy.

The role of trade unions should be active. They may get involved in special schemes, together with co-operatives and NGOs, or in new partnerships. These questions might also become a part of collective bargaining. But special schemes could be needed for special groups of workers, with governmental support – e.g. in the construction sector, for home and domestic workers, and so on.

9. Group work

Participants met in groups to discuss strategies for extending coverage to informal sector workers in CEE countries.

From the reports of the group chairpersons, it is obvious that trade unionists believe that the relation towards the informal sector needs to be articulated, explored, and definitely included on the trade unions' agenda. It is extremely important to make an estimation of which target groups trade unions will concentrate on in their campaign to include new members.

The ways in which informal work can be legalized or registered were given special consideration. For this, it is primarily necessary to review the existing legal system and carry out the necessary changes – e.g. by introducing flexible work forms with an adequate level of social and health insurance. It was further concluded that it is of special importance for workers in the informal sector to be informed of their rights and to make an attempt to organize them through trade unions, since otherwise they will remain the exploited part of the working class, absolutely humiliated in their human dignity.

Trade unions should be present in all the bodies that make decisions related to economic and social policy, so that they can influence the position of workers in the informal sector as well. When it comes to the informal sector, there is also the role of the state that controls the area, and ILO observers should carry out certain inspections or visit the countries in the region to study the true status of the informal economy, and of the implementation of international labour standards. The informal economy is a fact – and the fact is that an ever larger number of workers are shifting into the informal economy due to changes on the labour market.

Trade unions need to explore the needs and priorities of the workers in the informal sector, learn what troubles them and what they want, and thereafter approach them with adequate campaigns. Consideration needs to be given to what types of social security schemes can be more attractive for workers in the informal economy. A too-high level of solidarity could have an adverse effect.

It was concluded that trade unions have not shown enough interest so far for those engaged in the informal economy. The majority of trade union leaders believe that trade unions have too many problems with their own members, and that trade unions have nothing to do with workers who are not formally employed. All participants expressed their conviction that it was of high importance to make it clear to trade unions that this matter is a very important union-related issue. They also emphasized the importance of continuing with reforms (or transformation) of trade unions, and increasing the level of internal democracy, the influence of certain interest groups (e.g. women and young people, or the unemployed). Some participants noted that by fighting for more rights for persons in the informal sector and for their status to be legalized, we also fight to preserve the rights of current trade union members.

Defining the area of the informal economy of interest to trade unions is another dilemma, since apart from those employed in the informal economy, the self-employed, small crafts and the like, the wider term “informal economy” may also include truly illegal activities such as tax evasion, organized crime, smuggling, prostitution and drug dealing. It was concluded that it would not make sense to deal with these aspects of crime. Trade unionists were very pragmatic in discussing their two channels of influence to change the current status of the informal economy. Direct trade union activities make it possible to assess the situation, talk to the workers in the informal sector, organize them through trade unions and teach them their rights. Indirectly, they can influence government policies through tripartite decision-making bodies and through labour inspection.

Saturday, 7 October 2000

10. Plenary session

The participants of the Sub-regional Seminar on Social Protection and the Informal Sector in CEE jointly compiled their conclusions and recommendations, and adopted them in the form of a document through which they invite all their trade union leaders and structures to strengthen trade unions and seek greater union involvement in the design of a social security policy.

Conclusions and recommendations

WHAT TRADE UNIONS SHOULD DO TO MEET THE CHALLENGES OF THE SOCIAL PROTECTION REFORMS

Strengthening trade unions

Strengthening the representativeness of trade unions through:

- Organizing and recruiting new members:
 1. Targeting specific groups such as women, young workers, ethnic minorities, migrant workers, etc.
 2. Gaining more members in the private sector, including multinationals
 3. Addressing unprotected workers in the informal sector and the shadow economy
- Rendering better quality services to members
- Promoting collective bargaining, including at the sectoral level
- Ensuring efficient operations of the dispute settlement machinery
- Improving trade unions' internal democracy and enhancing communication within their structures and greater involvement of trade union members in decision making
- Overcoming fragmentation in the trade union movement
- Improving the public image of trade unions
- Engaging in cooperation with other legitimate actors in society (building coalitions and lobbying)
- Introducing new innovative forms of action reflecting the special social situation in CEE countries
- Fighting corruption
- Strengthening trade unions' expert knowledge in dealing with macroeconomic issues in order to enhance their capacity to design and implement credible alternative policies at the national level, including with international financial institutions, whenever necessary

Seeking greater trade union involvement in the design of social security policy

- Participation in the design of reform strategies from the very beginning and securing continuous involvement in the process
- Strengthening the expertise of trade unions in the field of social security
- Engaging in public debate on social security systems, since those systems are the result of a political choice; shaping public opinion, including broader use of media
- Involvement in drafting legislation and regulations
- Effectively engaging in social dialogue
- Using the full range of actions open to unions to impact the reform in ways that protect workers' interests
- Focusing on strengthening public social security schemes including the establishment of a minimum level of protection for all workers
- Engaging in an exchange of ideas with other CEE countries and with international organizations as an integral part of the reform process
- Influencing policy making at all levels of government including parliamentary, ministerial and social security institutions

- Striking a balance between employment policy and social protection systems – the currently experienced financial crisis is a crisis of job generation, not so much a crisis of the welfare state
- Acting in a coordinated manner to ensure balance between various schemes based on a long-term vision and broad social solidarity
- Pushing to overcome a lack of communication among relevant institutions, as well as institutional mismatches and fragmentation
- Pressing for trade union involvement in tripartite bodies, ensuring trade unions have adequate powers and a mandate to manage portfolio systems
- Building coalitions with other legitimate actors in society, and lobbying with various institutions

Trade unions' involvement in the implementation of schemes

- Strengthening trade unions' participation in the management and supervision of social security schemes
- Support measures to provide transparency in the management of social security funds and to ensure that they are used exclusively for social security purposes
- Ensuring that trade union representatives on the boards of social security institutions are elected democratically and are accountable to their members
- Advocating procedures for the operation of tripartite management boards, which give trade union members a genuine voice in policy decisions
- Securing policy for proper adjustment to inflation, regular pay, and pay in full
- Addressing the problems of unprotected workers in the informal or shadow economy

ILO action

- Promotion of worker-sensitive policies and action-oriented research on social protection
- Training of trade union experts on financial and administration issues
- Translating relevant materials
- Initiating research on the informal sector in Central and Eastern Europe

Annex 1

Sub-regional Seminar on Social Protection and the Informal Sector in Central and Eastern Europe

Zagreb, 5-7 October 2000

Final Programme

Thursday, 5 October 2000

8:30 **Registration**

9:00 **Opening and welcome:** Mr Davor Jurić, UATUC
Mr Jean-Pierre Lavier, ILO-CEET

Objectives of the seminar: Ms Dimitrina Dimitrova, ILO-CEET

9:30 **The context for social security reform in CEE countries**

Mr Krzysztof Hagemeyer, ILO Geneva

Ms Rosinda Silva, ILO Geneva

Examination of the conditions which create a need for reform of social security schemes in CEE countries, including labour market changes, demographic factors, and governments' early policy responses to the economic changes associated with the transition. Examination of the legal context for reform, including the ILO Conventions on Social Security and the European Code of Social Security

10:30 Coffee break

11:00 **Alternative approaches to pension reform**

Ms Elaine Fultz, ILO-CEET

Mr Krzysztof Hagemeyer, ILO Geneva

Review of reforms in countries that have made distinct policy choices related to pension restructuring. Comparison of those which have partially privatized their pension schemes with those that opted instead for reforms of existing public systems.

12:30 Lunch break

14:00 **The role of trade unions – panel discussion**

EMKOS, Czech Republic

MSZOSZ, Hungary

OPZZ, Poland

Neodvisnost, Slovenia

Presentations on the main issues trade unions have faced in relation to reform legislation, how they resolved these issues within the union, how they attempted to influence government policy, the extent of their success, and the lessons of their experience

15:30 Coffee break

16:00 **The role of trade unions (continued)**

Floor open for participants to react to the panel and share their experience

Friday, 6 October 2000

9:00 **The reform debate**

Ms Elaine Fultz, ILO-CEET

Review of the economic rationale for reform by international financial institutions including the World Bank and IMF; subsequent analysis and debate by the ILO, the International Social Security Association (ISSA), and other organizations and analysts

10:30 Coffee break

11:00 **The Foundations of Pension Reforms in Central and Eastern Europe: The ETUC Point of View**

Mr Henri Lourdelle, ETUC

11:30 **Group discussion**

Participants meet in groups to discuss ways of increasing trade unions' effectiveness in influencing national social security reform

13:00 Lunch break

14:30 **Informal sector in Central and Eastern Europe: The trade union perspective**

Ms Jasna Petrović, ICFTU

Examination of the relations between the informal sector and the transition process; reflection on the social implications of the expansion of the informal sector in the region

Extending social security coverage to the informal sector

Mr Wouter van Ginneken, ILO Geneva

Examination of recent innovative efforts to extend social security to workers in the informal sector in other parts of the world; consideration of the relevance of these approaches for CEE countries

16:00 Coffee break

16:30 **Group discussion**

Participants meet in groups to discuss strategies for extending coverage to informal sector workers in CEE countries.

Saturday, 7 October 2000

9:00 **Plenary reports from group chairpersons on conclusions reached during the group discussions**

10:30 Coffee break

11:00 **Conclusions and recommendations**

12:30 **Adjournment**

Annex 2

Sub-regional Seminar on Social Protection and the Informal Sector in Central and Eastern Europe

Zagreb, 5-7 October 2000

List of participants

Albania

BSPH Xhevdet Lubani
KSSH Kastriot Muco

Bosnia Herzegovina

CITUBH Ferid Zenunovic
SSRS Velka Odtakovic

Bulgaria

KNSB Valentin Nikiforov
Podkrepa Myca Zaykova

Croatia

UATUC Davor Juriè
Marina Kokanoviè
Evelin Toth Mucciacciaro
HUS Darija Dular
ITUC Željka Obradoviè
Nina Milicevic

Czech Republic

ÈMKOS Josef Suchel
Hana Popelková
Helena Èornejova

Estonia

EAKL Harri Taliga
TALO Vaino Verlin

Hungary

ASZSZ Mihály Tóth
LIGA István Sziklai
MSZOSZ László Orbán
SZEFE Zsolt Szilágyi

Latvia

LBAS Brigita Fricsons
Irina Homko

Lithuania

LPSS Algirdas Zvicevicius
LWU Birute Barisauskiene

Macedonia

CCM Liljana Jankulovska
FTUM Atanas Lefterov

Moldova

FGSRM Margalina Slonovschi
Serafima Turcan
Ludmila Guzun

Poland

OPZZ Ryszard Lepik
Solidarnosc Andrzej Matla

Romania

Cartel Alfa Daniela Cezarina Stan
CSDR Nicolaie Vlasceanu

Russia

FNPR Igor Grigorievich Shanin
David Fedorovich Shavishvili
VKT Valery Fomine
KTR Natalia Anatolievna Chanova

Slovakia

KOZ SR Maria Svorenova
Zdena Dvoranova

Slovenia

Neodvisnost Edvard Krzisnik

Ukraine

FPU Grygoriy Ossovy
Sergiy Kondryuk
FTUU Michail Volynets

Observers

ETUC Henri Lourdelle
ICFTU Jasna Petroviè
WCL Olga Nicolae
SSSCG Svetlana Jovovich

Resource persons

ILO-CEET Jean Pierre Laviec
Dimitrina Dimitrova
Elaine Fultz
Eszter Szabó
ILO Geneva Krzysztof Hagemeyer
Rosinda Silva
Wouter van Ginneken