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# Decent work in Europe and Central Asia

ILO activities  
1995-2000

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## Acronyms and abbreviations

CEEP	European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
CIS	Commonwealth of Independent States
COMECON	Council for Mutual Economic Assistance
EBRD	European Bank for Reconstruction and Development
ETUC	European Trade Union Confederation
EU	European Union
EUROSTAT	Statistical Office of the European Communities
FAO	Food and Agriculture Organization of the United Nations
GTZ	German Agency for Technical Cooperation
ICFTU	International Confederation of Free Trade Unions
ICLS	International Conference of Labour Statisticians
IMF	International Monetary Fund
IMO	International Maritime Organization
IOE	International Organisation of Employers
IPEC	International Programme on the Elimination of Child Labour
ISCO	International Standard Classification of Occupations
ISEP	International Small Enterprise Programme
JIU	Joint Inspection Unit
MDT	Multidisciplinary advisory team

OECD	Organisation for Economic Co-operation and Development
Phare	Programme of Community aid to Central and East European countries
PSI	Public Services International
RBTC	Regular Budget for Technical Cooperation
SIYB	Start and Improve Your Business
STEP	Strategies and Tools against Social Exclusion and Poverty
Tacis	Technical assistance to the Commonwealth of Independent States (EU)
TUAC	Trade Union Advisory Committee to the OECD
UNDCP	United Nations International Drug Control Programme
UNDP	United Nations Development Programme
UN/ECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICE	Union of Industrial and Employers' Confederations of Europe
UNICEF	United Nations Children's Fund
UNMIK	United Nations Interim Administration Mission in Kosovo
UNOPS	United Nations Office for Project Services
WCL	World Confederation of Labour
WHO	World Health Organization
WTO	World Trade Organization





# 1. Development trends in Europe and Central Asia

## Introduction

The ILO's European and Central Asian region covers 50 countries at different levels of development. In terms of per capita GDP, for example, the spectrum ranges from US\$33,505 for Luxembourg at one end to \$1,041 for Tajikistan at the other (see table 1 in the statistical annex). While these differences do not necessarily denote division, they do present different challenges for the realization of decent work in the region.

A new dynamism has emerged in Europe, particularly in terms of the transition of the countries of Central and Eastern Europe and Central Asia to democracy and a market economy, and the accelerating process of integration in Western Europe. During the period under review certain Western European countries, such as Denmark, Ireland and the Netherlands, made good progress towards full employment and unemployment is now falling across Western Europe. The transition countries have had the difficult task of tackling high inflation rates, sharp GDP contraction, emergent unemployment and poverty and the need to adapt or create institutions compatible with a market economy in areas such as social dialogue and social protection. Some countries have made clear progress towards meeting these goals, particularly in Central Europe, but much remains to be done.

In the countries of the Commonwealth of Independent States (CIS) and those of Central and South-Eastern Europe the challenge of transition was compounded by the impact of the Russian financial crisis in 1998. The CIS countries of Central Asia have some of the lowest levels of development in the region as well as some of the most serious problems in dealing with transition and responding to the challenges of globalization.

Reconstruction presented another challenge for several conflict-afflicted countries in the region. Conflicts have, in turn, provoked major refugee crises, illustrated, for example, in the peak of 700,000

refugees fleeing Kosovo. The Stability Pact for South-Eastern Europe, designed to promote peace, democracy, respect for human rights and economic prosperity, should benefit conflict-afflicted countries in this region.

Generally, there is evidence of progress in overcoming political and economic differences and there are strong indications that more and more countries of the region are aspiring to the social policies and institutions of the countries of the European Union (EU). The enlargement process provides an extremely strong incentive for the applicant countries to complete the transition process, modernize their economies and pursue this model.

### **Western European countries**

For the industrialized countries in Western Europe, the period 1995 to mid-2000 ended better than it had begun, with unemployment, while remaining high in a number of countries, showing marked signs of decreasing. The average unemployment rate for the EU as a whole fell from 10.5 per cent in 1997 to 9.7 per cent in 1998 and 8.9 per cent in 1999. The unemployment rate is forecast to fall still further to around 8.4 per cent in 2000 and 8.0 per cent in 2001 (IMF, 2000).

With a view to reducing unemployment levels, the need to achieve economic growth has remained high on the agenda of decision-makers in Western Europe, in accordance with the Amsterdam Treaty and the Conclusions of the extraordinary European Council meeting on employment (European Jobs Summit) held in Luxembourg. GDP growth reached 2.7 per cent in the EU in 1998 and 2.3 per cent in 1999. It is forecast to return to 3.2 per cent in 2000 (IMF, 2000). Should the present rate of economic growth be sustained, and taking into account demographic developments, which will reduce the size of the workforce, some experts predict that the unemployment rate will drop to around 5 per cent by 2005.

### ***The Employment Chapter of the Amsterdam Treaty***

The Member States of the EU are now better equipped to tackle the structural causes of unemployment, particularly in view of the inclusion of the Employment Chapter in the Amsterdam Treaty. In November 1997, even prior to the ratification of the Treaty, the European Jobs Summit started the process of putting the Employment Chapter into effect. The centerpiece of the strategy is the definition and implementation of employment guidelines each year, which are

adopted by the Member States at the proposal of the Commission. The action taken includes a country monitoring procedure, based on the implementation of national action plans and the submission of yearly implementation reports. At the special meeting of the European Council in Lisbon in March 2000, it was decided to set the target of raising the overall labour force participation rate in the EU from its present level of 61 per cent to as close as possible to 70 per cent by 2010.

### *Labour market success in four smaller countries*

Several smaller Western European countries have experienced a relatively high level of success in adapting to the globalized economy and at the same time improving the performance of their labour markets. It is noticeable that the smaller countries were first to achieve success in their labour markets. With some exceptions, such as Finland and Sweden, most European countries with a population of under 10 million have achieved unemployment rates of under 5 per cent, while the rates in several of the larger countries are still well over this threshold. Among the smaller countries, Austria, Denmark, Ireland, Luxembourg, Netherlands and Portugal, as well as Norway and Switzerland, have made real progress towards the goal of full employment. Although much still remains to be done, they have demonstrated that employment success is feasible in the context of the European social model.

The labour market situation in four of these countries (Austria, Denmark, Ireland and the Netherlands) has recently been examined in an ILO study (Auer, 2000), which suggests that their success is due in large part to three policy areas: *social dialogue*, *macroeconomic policy* and *labour market policy*. According to the study, social dialogue has created a climate of confidence among the principal social actors, which is particularly visible in countries which suffered a major economic and labour market crisis before their present recovery. It was only after this crisis that social concertation was put in place or reinvigorated, and that the economic recovery commenced which eventually resulted in labour market recovery.

The new climate of confidence led to wage moderation and to reforms in social protection systems. Wage moderation was linked to a stabilization-oriented *macroeconomic policy*, which led to low inflation and low interest rates. The study adds that *labour market policy*, including social protection in general, created the necessary flexibility for labour market adjustment. Labour market policy measures include training, retraining and income security schemes, which provide both security for workers and adjustment flexibility for employers. In the Netherlands, the policy of promoting part-time work has been

successful in facilitating the labour market integration of women. Rather than isolated policy actions, the study therefore tends to show that labour market success appears to result from an efficient combination of factors which take into account the needs of both workers and firms in a rapidly changing environment.

### *The persistence of high unemployment rates*

Nevertheless, the persistence of high rates of unemployment in many Western European countries continues to be a fundamental economic and social problem and is still an important source of poverty. Long-term unemployment remains stubbornly high, leaving a significant number of individuals effectively excluded from the labour market. Even though the number of long-term unemployed has declined slightly in the EU over recent years, the figure for the very long-term unemployed, defined as persons who have been looking for a job for two years or more, was higher in 1998 than in 1994 (EC, 1999b).

The level of youth unemployment has also tended to remain high, particularly in Greece, Italy and Spain. In these three countries, there were more than 1.5 million long-term unemployed persons between the ages of 15 and 24, or 62 per cent of the EU total in 1998. Some EU countries however (Austria, Denmark, Germany and Ireland for instance) managed to keep the rate of youth unemployment less than twice as high as the rate for other workers.

### *The rise of services and "atypical" forms of employment*

The economies of all the Western European countries have continued to become increasingly service-oriented, with a shift towards higher-skilled occupations and more flexible forms of employment. Indeed, both in the established market economies and in the transition countries, skilled workers are finding it much easier than the unskilled to take advantage of the new opportunities in the modern service economy, particularly in view of the ever greater role played by information technology in all aspects of working life, as reviewed in greater detail in Volume I.

At the same time, there has been a notable increase in "atypical" forms of employment in Western Europe. These include much higher levels of part-time work, sometimes for just a few hours a week, as well as fixed-term contracts, work for temporary employment agencies and on-call work. There has also been a rise in telework and non-agricultural self-employment. A new diversity of working time patterns has brought a new heterogeneity to the world of work.

### *The situation of women workers*

The labour markets of Western European countries are still marked by significant differences between the employment characteristics of women and men. Women, in particular, work part time even more often than before. They account for 80 per cent of all part-time employment in the EU, with an average of 32 per cent of all women workers being in part-time jobs. In some countries, and particularly the Netherlands, part-time work has been promoted as a significant avenue for workers seeking to combine gainful employment with family responsibilities. On average, women still tend to be less highly skilled and to earn less than men. A disproportionate number of the lowest-paid 10 per cent of wage earners are women, while men are over-represented in the highest-paid 10 per cent (EC, 1999b). The burden of caring for children and other family members is overwhelmingly borne by women, whose labour force participation rate in the EU in 1998 was 51 per cent, compared with 71 per cent for men. At the European Council in Lisbon in March 2000, it was decided to set the target of increasing the participation rate of women to over 60 per cent by 2010.

### *Social dialogue*

While tripartism is well-established in most Western European countries, it is not uniform or static. As indicated in the *World Labour Report 1997-98* (ILO, 1997), there is a growing trend towards decentralization: national and industry-wide bargaining are losing ground, and there is a corresponding increase in enterprise negotiation. It is in the United Kingdom that the decentralization of negotiation has been most pronounced, with bargaining essentially devolving to the enterprise level. However, in the majority of Western European countries, industry-wide bargaining continues to play a major role, while the strength of national bargaining in several countries is illustrated, for example, by the “social pacts” process in Ireland.

The Social Chapter of the Amsterdam Treaty assigns greater powers and responsibilities to the social partners in the EU. It opens up a real area for bargaining with the possibility of drawing up social agreements. The first three European framework agreements have been concluded by the European social partners.<sup>1</sup> These cover parental leave, part-time work and fixed-term contracts. The parental leave

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<sup>1</sup> Union of Industrial and Employers' Confederations of Europe (UNICE), European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) and European Trade Union Confederation (ETUC).

agreement was implemented as a Council Directive in June 1996, the part-time work agreement in December 1997 and the fixed-term contracts agreement in June 1999. In the area of home work, the Commission decided not to submit a proposal for a directive, but instead to recommend the ratification of the Home Work Convention, 1996 (No. 177). Negotiations on a possible framework agreement on work for temporary employment agencies also started in mid-2000. These agreements mark the growing institutionalized role played by the European social partners in the field of labour regulation at the EU level.

### *Social protection*

Countries at all levels of development have been looking closely at the effectiveness and long-term viability of their systems of social protection. Whereas the focus in the transition countries has been on the adaptation of existing systems to the conditions of a market economy, in Western Europe the need to review social security systems arises more from changes in the labour market and in family structure and demographic shifts, in particular the ageing of the population.

Western European countries have developed sophisticated social security systems covering the vast majority of their population. Although they face problems, these are qualitatively different from those in most other regions of the world, where large sections of the population are excluded from any social protection.

The problem which has attracted most attention in recent years concerns the long-term financing of social security systems, and particularly old-age pensions. Very low birth rates and a continued rise in life expectancy will together lead to a very significant increase in the ratio of pensioners to contributors by the middle of the twenty-first century. This has been the main factor in leading various countries to reform their public pension systems. Gradual increases in the pensionable age have been adopted in a number of countries and early retirement provisions have been tightened. Changes in benefit formulae and adjustment mechanisms have made public schemes in various countries less generous. People are being encouraged to make greater individual provision for old age.

The rising cost of health care is another source of concern in a number of countries. In others, controls introduced in previous years have been effective in stabilizing health-care expenditure as a proportion of GDP. However, in certain cases, expenditure has been subject to such strict control that serious concern has been expressed

by patients and health-care personnel about the implications for the quality of care.

Expenditure on social protection accounts for 28.5 per cent of the GDP of the European Community. Some 63 per cent of this is spent on pensions and health care. While concern is often expressed at the high levels of social security contribution rates, it cannot be doubted that social benefits play a considerable role in the redistribution of income. If social transfers did not exist, it is estimated that almost 40 per cent of households in the EU would be living below the relative poverty line. As a result of social benefits and tax systems, this figure is currently 17 per cent.<sup>2</sup>

Gender equality in social protection continues to pose problems. The challenge is not so much to eliminate the few remaining provisions that are directly discriminatory, such as the lower pensionable age for women, as to address problems of indirect discrimination which leave women much less well protected on average than men. The non-coverage of part-time work in certain countries is a particularly striking example. Another challenge, of a more subtle character, is to ensure that formal equality (notably in the field of survivors' benefits, where provisions for widows are tending to be cut back to the level of those for widowers) is phased in gradually, with due respect for the legitimate expectations of those cohorts of women whose lives were shaped by conditions and values that were very different from those which now prevail.

While unemployment has fallen in many Western European countries, the rates of long-term unemployment have often remained high. At a time when two-earner households are becoming the norm, long-term unemployment is also producing the phenomenon of jobless households. The social security system may be a contributing factor, as in some countries the benefits payable to the long-term unemployed are subject to a household means test, which may well discourage the spouse from going out to work.

The slow growth of employment in Western European countries, and the fact that much new employment is part time, has meant that the increased revenue from contributions has been much lower than would have been expected in past economic upturns. In some countries, there has been a pronounced tendency for firms to exploit the exemptions accorded to workers whose earnings or working hours are below a certain threshold. There has also been a trend, often in

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<sup>2</sup> A Concerted Strategy for Modernising Social Protection, COM(99) 347 final.

the same countries, towards greater use of contracts which do not oblige firms to pay social security contributions. This not only has financial implications for the schemes and for the other categories of insured persons (whose contributions are exposed to upward pressure), but it means that a greater proportion of the labour force may not in future enjoy adequate benefit entitlements.

In view of the considerable changes that have taken place in labour markets in industrialized countries, including the rise in the numbers of part-time and temporary jobs, and in other non-traditional forms of work, such as home work and teleworking, the challenge for social security systems is to ensure that this greater flexibility does not lead to a loss of social protection. The examples of Denmark and the Netherlands suggest that the existence of a high level of social protection can in fact facilitate the introduction of greater flexibility. However, certain other examples reveal a growing cleavage in the labour force between those with stable jobs and good social protection, and those with minimal job security and little or no social protection.

Pension reform will continue to give rise to debate in many Western European countries. The challenge will be to maintain systems with a strong element of national solidarity, which provide predictable and secure benefits, but to phase in such changes as are necessary to ensure that they continue to be affordable in the future. Technically this is possible. The real challenge is to achieve unity of purpose among governments, employers and workers in order to make it politically feasible, with a view, as proposed by the European Commission, to achieving a Europe for all ages, by promoting prosperity and solidarity between generations.

## The transition countries

### *The legacy of the past*

The current situation of the transition countries in Central and Eastern Europe and Central Asia cannot be properly understood without adequate reference to their past. The experience of the last ten years shows that it is all too easy to underestimate the true scale of the changes which are expected of the former planned economy countries. In practice, transition has turned out to be a longer and much more complicated and controversial process than expected. The social costs have been much higher than foreseen.

In the first place, the prevailing structures were based on the exercise of authority, not dialogue. Decision-making within official

bodies was highly centralized. However, representative democracy cannot work without the delegation of authority. The development of democratic methods of consensus building, therefore, called for a cultural change.

Policy-makers in transition countries also had little, if any, experience of modern economic policy-making and there were very few trained economists. As a result, the state institutions and trade unions were not well prepared to play their new roles effectively. Furthermore, independent employers' organizations had to be created.

In the former system, quasi-full employment went hand-in-hand with low productivity, while the skills acquired in school and professional education were undermined by weak incentives for efficient work. Collective agreements served a supervisory role, with state bodies imposing duties on workers. Many people were educated in a formalistic manner. They therefore experienced difficulty in taking initiatives or making use of their skills to exercise their rights.

In the majority of transition countries, the market economy system has been slow in delivering its promises. Respect for contractual agreements is weak, especially in the Commonwealth of Independent States (CIS) and the countries of South-Eastern Europe, and tends to depend on the goodwill of the partners in view of the inadequacy of legal means of contract enforcement. This situation constitutes a serious obstacle to economic development. There is a very broad need for institutional change, ranging from the education system to employers' organizations, trade unions and government institutions. This alone means that the process cannot be rapid. The elements of a new system are only effective once they have been adapted and internalized by the various actors. New institutions may have been developed but, especially in those countries which did not enjoy the status of independent nations under the former system, the actors will continue to be influenced by their past for some time to come.

### *The "Washington consensus"*

The reform programmes for transition countries which were prepared by the international financial institutions were mainly inspired by what came to be known as the "Washington consensus". This policy approach presumed that sustainable macroeconomic stabilization could be fairly easily and quickly achieved through a combination of rapid liberalization and monetary austerity. At the same time, in order to support the objectives of monetary policy, levels of government spending were to be reduced as much as possible, so that

the State would not crowd out the private sector. This approach ignored the need to rebuild the institutional infrastructure, including the development of the strong and representative social partners which are an integral component of a functioning market economy. The emphasis on reducing public spending also had the effect of promoting alternative forms of economic activity, mostly in the informal economy, as low-paid workers, particularly in the public sector, sought alternative sources of income.

Moreover, one paradox of privatization and restructuring in the transition countries is that, while ownership is in general being transferred away from the State, social protection arrangements need to be taken away from enterprises and transferred back to the State. This illustrates the weakness of reform policies which neglect the role of the public sector (Tapiola, 1995). It is therefore important to develop the institutional capacity of the State and the social partners to provide services and to monitor the proper implementation of laws. This in turn requires well-trained and adequately paid personnel.

The social dimension of the transition process has to be recognized as an integral component of economic reform, and not a residual secondary priority. The promotion of decent jobs has to be given greater priority in economic and financial policy objectives.

### *Development trends*

Before the transition process commenced, the centrally planned economies of Central and Eastern Europe and Central Asia formed an almost closed trading bloc. For the countries of Central Europe in particular, the geographical distribution of trade flows changed rapidly early in the transition process, as the countries concerned opened up to global markets and strengthened their trading links with countries in Western Europe. For example, over 70 per cent of Hungarian exports now go to the EU. In the case of the Czech Republic, Poland, Romania and Slovenia, nearly two-thirds of their exports go to the EU, while the figure is around one-half for most of the other transition countries in Central and Eastern Europe (ECE, 2000).

The picture is different in the CIS countries, which have remained much more dependent on trade links with other transition countries. To a large extent, rather than any intensification of intra-regional trade, this reflects their dependence on the Russian market, and particularly on access to Russian energy sources (EBRD, 1999, p. 91).

Despite the changes in trade flows and the rise in foreign direct investment, the general picture in transition countries throughout the

decade has been one of lower output and a more unequal distribution of resources. During the initial stages of the transition process, most of the countries concerned suffered an outburst of very high inflation, followed by a stabilization of the inflation rate at moderate to high levels. The large drop in output in all transition countries at the beginning of the 1990s has been followed by recoveries of varying strengths in a number of Central European countries, but not yet in most CIS countries. Nearly a decade later, measured output was still 40 per cent or more below the 1989 figure in over one-third of the 27 transition countries in the region. By 1998, only three countries, namely Poland, Slovakia and Slovenia, had succeeded in once again overtaking their GDP levels of 1989. Nevertheless, the short-term prospects for transition economies at the beginning of 2000 have improved considerably in relation to their situation even one year earlier.

During the transition process, the distribution of income and wealth has become much more uneven. These income inequalities are adversely affecting social cohesion. They are also contributing to a deterioration in the situation of national minorities, and a rise in ethnic discrimination, tension and conflict.

A new type of poverty is emerging in the transition countries. It affects the younger, working-age population, including low wage earners, the unemployed and workers whose wages are not paid. The elderly have also suffered a severe decline in benefit levels in most countries. Yet, social protection systems, at least in certain countries, have generally been more effective in alleviating poverty among the elderly than among working-age households. This is because pension systems and social assistance benefits for the elderly and people with disabilities were in place before the transition process commenced and relied essentially on earmarked resources from contributions based on salaries, while unemployment benefit systems and income-related social assistance only began to be put in place after 1990 and had to be financed from shrinking state budgets.

Two crucial issues have arisen with regard to wages in the transition countries. The first concerns the minimum wage, which has fallen below the minimum subsistence level in most of the countries concerned. The second consists of the widespread non-payment of wages, especially in the CIS countries, as well as the growing number of enterprise bankruptcies. Even though few workers tend to be paid at the official minimum wage rate, the method of fixing wages in the public sector is based on the minimum wage through the centralized wage tariff system. Moreover, the minimum wage is still used in a number of countries to calculate pensions and other benefits.

In more general terms, wages tend to account for a smaller proportion of GDP in transition countries than in most Western European countries. Wages in transition countries account on average for between 30 and 40 per cent of GDP, compared with a level of over 50 per cent in such countries as France, Germany and the United Kingdom, although it should be borne in mind in this context that accounting procedures are sometimes widely divergent. Furthermore, wage differentials have widened significantly. For example, in Latvia in 1998 the highest net wage decile was 3.7 times higher than the median wage. The same figure varies between 1.5 and 1.9 in the EU Member States (EIRO, 1999).

The new poverty has resulted in a global deterioration in the human development situation, as measured by the United Nations Development Programme (UNDP). According to the most recent data available, the ranking of the transition countries ranges from 29th in the world for Slovenia to 110th for Tajikistan (see table 1 in the statistical annex). In terms of straightforward GDP measures, the transition countries in the region are ranked somewhat lower at the global level. In this respect, the growing body of empirical evidence on the interrelationship between poverty and low levels of GDP growth suggests that the rise in poverty in transition countries is likely to hinder their economic recovery. This makes it all the more important to promote decent work as the principal component of economic development policies.

The most striking indicator of the overall decline in living standards is undoubtedly the rise in mortality rates and the decline in life expectancy in several transition countries. In 1997, for example, life expectancy in both the CIS countries and the Baltic States, on average, was lower than the level recorded in 1989 (table 9 in the statistical annex). The declines have been larger for men than for women. In the Russian Federation, male life expectancy decreased from 64.2 years in 1989 to 57.6 years in 1994, and by 1997 had only recovered to 60.9 years (EBRD, 1999, p. 7).

### *The employment situation*

Before the transition process, the labour markets of the former planned economies were characterized by what was known as full employment. However, "full employment" was largely achieved by over-staffing and at the cost of low wages, leading to low motivation, heavy losses in working time and high rates of absenteeism. The service sector was largely underdeveloped, while heavy industries and defence played a major role in production and employment.

The large reduction in employment levels in the countries of Central Europe was a direct consequence of the transition crisis hitting these industries, which lost their traditional Eastern European markets in part or in whole. The sharp drop in domestic demand resulted in a decline in production levels and many redundancies.

Despite the often steep falls in production levels, the CIS countries experienced a fairly slow decline in employment in the first years of transition. This can largely be explained by the continuation of the system based on the assignment of the whole workforce to employment. It also reflected the lack of enterprise restructuring and a continuation of the traditional role of enterprises in the distribution of vital commodities, such as housing, health care, food and access to travel and leisure activities. The continuing economic crisis reduced the capacity of enterprises to maintain this situation for long, with the result that the net decline in employment accelerated. With few exceptions, job losses have been heaviest in manufacturing.

As social transfers rapidly lost their real value, many persons who had formerly been inactive had to seek an income in the informal economy. Informal activities also became important as a second source of income for workers who already had a job, particularly in the case of the non-payment or delayed payment of wages. Although there are as yet no reliable figures on the size of the informal economy, it is generally believed to be larger in the CIS countries and in the countries of South-Eastern Europe than in Central Europe. In a number of countries, agriculture has become a buffer for unemployment, through an increase in subsistence farming as the only or main source of income for the workers concerned.

The service sector has increased greatly in size in many countries of Central and South-Eastern Europe and in the Baltic States. In these countries, most new jobs have been created in services, and particularly in financial and producer services, trade, tourism and other consumer services. In contrast, the CIS countries have not tended to experience substantial gains in services, with the exception of large cities. Moreover, as in the case of Western Europe, enterprises have increasingly been turning to more flexible forms of employment, such as fixed-term and short-term contracts or part-time employment. By 1997, from a very low level, part-time jobs had come to represent 5.9 per cent of the labour market in the Czech Republic, 5 per cent in Hungary and 12.2 per cent in Ukraine (Nesporova, 1999). Part-time work has been particularly prevalent among women workers. In Hungary, for example, the proportion of women working part time had climbed from under 2 per cent before transition to 9 per cent by

1997 (UNICEF, 1999). Self-employment also accelerated in the first years of the transition process.

With regard to unemployment, a clear distinction soon emerged between two groups of transition countries. The CIS countries, more recently with the exception of the Russian Federation, recorded a very slow growth in registered unemployment, owing to the fact that many jobseekers do not turn to employment offices for assistance. These countries also suffer from hidden unemployment in the formal sector, since redundant workers are frequently sent on administrative leave, mostly without pay.

In Central and South-Eastern Europe, unemployment rates reached double figures within the first three years of transition. They subsequently decreased, although more as a result of restrictions in unemployment compensation systems than because of any recovery in demand for labour. In the countries of Central Europe, unemployment rates then stabilized slightly above 10 per cent, but have recently started to rise again. In contrast, the labour market situation is significantly worse in the transition countries of South-Eastern Europe, mainly as a consequence of the armed conflicts which have affected them. For these countries, total employment in 1998 was one-quarter below its level in 1989. This fall is considerably greater than in countries such as the Czech Republic, Hungary, Poland and Slovakia, where employment fell by roughly one-sixth over the same period (ECE, 1999, No. 2, p. 3).

In all the transition countries, regional disparities in unemployment rates are high and are still growing. The difference between the highest and the lowest rates of registered unemployment often exceeds 20 percentage points. National labour markets are also characterized by a low turnover of unemployed persons, which tends to aggravate long-term unemployment. The social groups most exposed to unemployment are young people, and particularly school leavers with no work experience and school drop-outs with only basic education, as well as persons with disabilities and health problems. In the countries of Central Europe, workers with low or obsolete skills, as well as older workers, experience particular difficulties in finding new jobs. In contrast, in the CIS countries, highly educated workers are the worst affected by unemployment. Members of some ethnic minorities also suffer disproportionately from unemployment, notably the Roma in Central and South-Eastern Europe.

The situation of women workers shows similar contrasting trends. According to data from recent labour force surveys, women are experi-

encing higher unemployment rates than men in Bulgaria, Croatia, the Czech Republic and Poland, but the opposite is true in Estonia, Hungary, the Russian Federation and Ukraine. In general terms, unemployed women in transition countries, and particularly older women, are exposed to a much greater risk of long-term unemployment or inactivity.

At the beginning of the transition process, the participation rates of women in the planned economy countries were among the highest in the world. In the Baltic States, Belarus, the Russian Federation and Ukraine, the gender gap in labour force participation, at just a few percentage points, was comparable with that of Sweden. The gap was somewhat wider in Azerbaijan, Hungary, Poland and Romania, while still comparing favourably with the situation in Western market economy countries. However, women's jobs tended to be highly segregated and many of them proved to be in precarious areas once restructuring commenced.

The common experience of the transition countries in the European region has tended to be that, even when GDP is recovering, employment levels and real wages tend to lag behind. Rising unemployment, coupled with falling real wages and other components of household income, has led to a rapid increase in poverty. Although, on average, the incidence of poverty is lower in the Visegrad countries<sup>3</sup> than in other transition countries, it is much more prevalent in South-Eastern Europe, while the highest levels occur in the countries of the former USSR.

### *International migration for employment*

One particular aspect of the transition process which affects the region as a whole is international migration for employment. In addition to the migration movements fuelled by political tension and conflict, particularly in the Balkan subregion, it had also been expected that one of the effects of the far-reaching political and social changes which have taken place in Central and Eastern Europe and Central Asia since 1989 would be the displacement and dislocation of large numbers of people and the development of substantial migration movements. However, contrary to certain alarmist forecasts, the opening of national borders has not resulted in massive population movements towards Western Europe.

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<sup>3</sup> The Czech Republic, Hungary, Poland and Slovakia.

**Box 1.1. Subgroups among transition countries**

The transition countries of Central and Eastern Europe and Central Asia have been developing at increasingly different speeds. This is reflected in various indicators, such as the human development index, life expectancy, foreign direct investment, GDP and unemployment figures.

A first group consists of the ten countries which have applied to become members of the EU and which have concluded association agreements.<sup>1</sup> One of the main characteristics of these countries has been the overall consensus in favour of reform and the desire to turn towards the EU. For them, EU membership will signal the end of transition. Several countries, namely the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovenia, are now being considered by the European Commission as functioning market economies which should be able to cope with competitive pressure and market forces within the Union in the medium term (EC, 2000).

These countries need to meet the accession requirements. In this respect, one precondition of the EU pre-accession strategy (as first set out in the Copenhagen criteria in 1993) is that candidate countries must be stable, pluralist democracies committed to the rule of law, respect for human rights and the protection of minorities, as well as the development of a functioning market economy. In many countries stronger labour market organizations and institutions would help to realize these conditions.

A second group consists of the member States of the CIS. These countries are all ranked in the medium band in the latest Human Development Index. The development gap between them and the candidates for accession has widened still further since 1995. These countries spent a much longer period under the planned economy system and have no previous experience of the conditions and requirements of a market economy.

A third group consists mainly of the countries of the former Socialist Federal Republic of Yugoslavia, with the exception of Slovenia. They have suffered the consequences of several years of conflict. Many of their traditional trading links have been broken and barriers have been restored which serve as strong disincentives to any substantial level of foreign direct investment.

This latter group of countries, together with Albania, Bulgaria and Romania, are the transition countries of South-Eastern Europe. The gap between their per capita income and the levels of both the EU and the Central European transition countries has increased considerably in recent years. Unless current trends in economic performance change radically, it will take decades, even under the most optimistic scenarios, for the poorest European countries to reach even the level of per capita income currently enjoyed by the more advanced Central European transition economies (ECE, 1999, p. 4).

<sup>1</sup> Poland and Hungary in 1991; Bulgaria, the Czech Republic, Slovakia and Romania in 1993; Estonia, Latvia and Lithuania in 1995; and Slovenia in 1996.

After a decade of transition to market economies, current migration flows in the countries of Central and Eastern Europe display the following main trends:

- a reversal in the net migration balance of countries such as the Czech Republic and Hungary, which now have positive migration flows, with the numbers of immigrants exceeding the volume of emigration;
- an increase in intra-regional movements involving the return of important ethnic minorities to Germany and the Russian Federation;
- a gradual increase in the number of transit migrants towards Western European countries, some of them ultimately deciding to remain in the transit country; and
- a sizeable inflow and outflow of migration movements, not only from East to West, but also between the various countries of the region.

The countries in the region are gradually learning to cope with these population movements. However, many Central and Eastern European countries still face difficulties in monitoring and coordinating the rising intra-regional mobility of labour, and particularly the irregular employment of foreign workers. There is also concern at the effectiveness of bilateral agreements with the EU and the manner in which the rights of migrant workers could be improved. The countries preparing for accession are particularly concerned by the issue of adjusting their migration policies, laws and regulations to EU requirements. Migrant-receiving countries are faced with the problem of ensuring that migrant workers enjoy a greater measure of equal treatment in practice against a background of varying levels of public hostility towards foreign workers.

### *Social dialogue*

For the transition countries, social dialogue is a fundamental element in the development of social consensus, which in turn is vital for their future development in a climate of peace and stability. It is also an important criterion for accession to the EU. The social partners need to play a greater role in the accession process. At the same time, they must also be strengthened so that they can contribute effectively to the search for long-term solutions.

Because tripartism is not yet deeply rooted in the transition countries, it has been necessary to develop and strengthen new institutions of social dialogue, including both bipartite and tripartite bodies and machinery. Since 1990, great efforts have been made to build institutions and develop sets of rules, procedures and patterns of behaviour which are consonant with industrial relations systems in a free market.

With the support of the ILO, most countries in Central and Eastern Europe have promoted social dialogue between government representatives and the social partners through tripartite structures at the national level. The development of these bodies was influenced by the experience of a number of Western European countries, where tripartite consultation and negotiation mechanisms have often helped to foster cooperation between the social partners, especially during periods of difficult economic adjustment (Casale, 1999b, p. 4).

However, these tripartite structures are sometimes only of a formal nature. Too often, tripartism remains general and does not focus sufficiently on specific issues, such as wage, employment and social welfare policy. The effectiveness of tripartite bodies was also compromised in the initial stages by the weakness of employers' organizations. Moreover, entire categories of workers are simply not covered by collective bargaining. These include civil servants and employees in public enterprises and workers in the informal sector. In addition, in contrast with the situation in Western European countries, there are very few collective agreements at the sectoral and regional levels. A recent study commissioned by the Finnish Ministry of Labour on the three Baltic States indicates that pay and working conditions are often regulated by individual rather than collective agreements (EIRO, 1999).

The development of a market economy in the transition countries has involved the modernization of labour legislation in a number of areas. These include the provision of information and consultation rights to workers, the establishment of a minimum level of rights for the growing number of workers engaged in atypical forms of employment, the extension of collective agreements at the sectoral level, the strengthening of tripartite mechanisms for the direct participation of workers and employers in the decision-making process on economic and social policy issues, and the development of mechanisms for the settlement of labour disputes (Casale, 1999b).

The transition countries face the difficult task of reinforcing the influence of social dialogue and bargaining on issues of national importance. In particular, the countries that have applied for accession have to prepare themselves to participate in the various social dialogue structures in the EU. Social dialogue is a fundamental component of the *acquis communautaire*. The Council Directive on the establishment of European Works Councils will undoubtedly have an important impact on industrial relations at the national level. Candidacy for EU membership has placed social dialogue and the problems of trade unions and employers' organizations in the spotlight.

Women constitute a very broad category of the population whose participation in the decision-making process is limited, despite the fact that discrimination is prohibited by law. In the past, the presence of women in public life, even though they had little impact in many instances, was often guaranteed through a system of quotas. With the transition process, their influence has declined still further. Their presence is much lower than before in government bodies and parliaments, and they are struggling against marginalization in employers' organizations and trade unions. As a result, their interests are not equally represented in social dialogue and few collective agreements include clauses on topics which are especially relevant to them, such as sexual harassment, maternity protection and social services. Much progress therefore remains to be made in promoting equality in practice in transition countries, including the full participation of women in decision-making in the public and private sectors.

### *Social protection*

The social protection systems in some Central and Eastern European countries still retain features inherited from the systems of the former planned economies. These include the coexistence of a visible institutionalized system of social security alongside an implicit component of additional security, which includes guaranteed employment, the provision of low-cost housing and subsidized basic goods and services. There was also a system of benefits provided by state enterprises to employees, their families and retirees, which often consisted of cash allowances, subsidized recreational facilities and vacations, and subsidized short- and long-term loans. However, these benefits are slowly being phased out as the former state enterprises have been privatized and "commercialized".

In a majority of the former centrally planned economies, social security benefits were financed by the government. Social assistance, as well as welfare and unemployment benefits, played only a minor role under the previous system. However, the difficult process of structural and economic transition during the first half of the 1990s required the adjustment of the system to the emergence of unemployment and the rapid rise in poverty. Since 1990, unemployment benefit schemes have been introduced or adapted and social assistance schemes developed for the growing numbers of people who have fallen below the poverty line.

Nevertheless, the benefits provided by existing and newly created social protection systems are far from sufficient to cope with current social problems. The problem is compounded by the

arrears which have built up in the payment of benefits in several countries.

Although all the Central and Eastern European countries are endeavouring to adapt their social protection systems to the new economic, social and political environment, the state of the reform process varies greatly from one country to another. In most cases, reforms have proceeded along parallel tracks: a short-term ad hoc track and a long-term structural track.

The earliest reforms consisted of emergency responses to emerging problems. These tended to take the form of decrees establishing unemployment and social assistance benefits, or repeatedly adjusting benefit levels to the high rates of inflation, although such adjustments tended to be more ad hoc than systematic. These measures often formed part of more comprehensive reforms, which could not however be adopted sufficiently rapidly to meet the urgent needs. By the late 1990s, the phase of emergency reactions to the new problems of poverty and open or hidden unemployment had reached a consolidation stage.

The second reform track represented an attempt to tackle the long-term issues of the design and financing of social protection systems. This process began in many countries with the separation of social insurance funds and institutions from government administration. In many countries, specific systems for the financing of health insurance have been developed to replace the funding of national health systems through taxation, while a legislative framework has been introduced to supplement basic pension schemes with voluntary provision for retirement.

All the countries have been debating major reforms of the basic public pension schemes. In most of them, significant reforms have been already enacted and are being implemented. The reforms include introducing a stronger linkage between the contributions paid and future benefits, a rise in the retirement age and longer insurance periods. Most of the reforms have phased out the privileged treatment of special categories of employees, or have introduced separate financing mechanisms for these pensions. Few countries have actually legislated for the partial privatization of mandatory pension schemes by introducing a compulsory fully funded and privately managed tier above the public system financed on a pay-as-you-go basis. However, such a partial privatization is under debate in nearly all transition countries.

In the countries of the CIS and South-Eastern Europe, workers' protection in all its aspects, including social security, working condi-

tions, occupational safety and health and access to social services, is one of the areas in which conditions have deteriorated most rapidly, at least partly as a result of the informalization of the economy, the disruption of existing mechanisms and the decline in financial resources. The growing levels of unemployment and the drastic fall in earnings, as well as the abolition of many of the social services provided by enterprises, have affected families severely. The increasing difficulties faced by many families have resulted in, among other problems, the emergence of the phenomenon of working and street children.

The CIS countries are all having to consider drastic changes in their overall social protection systems in order to adjust to the fundamental economic and social transformations which have occurred since the early 1990s. These changes need to be set within the context of an explicit, coherent and consensual policy framework. However, in practice, short-term economic and political considerations have tended to prevail over the determination of clearly defined goals for the reform of social protection systems, particularly in terms of their long-term financial sustainability, the adequate coverage of social risks and the various categories of the population, the respective responsibilities of the State and of other stakeholders, poverty alleviation, efficient management and the complementary roles of public and private initiatives within a reformed and modern social protection system.

In view of the budgetary shortages and the increased demands on social protection systems, governments are seeking alternative sources of financing for social security. They are endeavouring to use the social insurance mechanism to move away from the state financing of personal social security, through the introduction of earnings-related individual pensions and personal health services, while concentrating on the public financing of anti-poverty benefits (social assistance schemes and social insurance contributions for the poor) and transfers to families with children.

The separation of social security benefits from the state budget may also offer advantages for insured persons, whose future benefit levels may be less vulnerable to the adverse effects of shrinking public budgets. The transfer of responsibility for parts of the benefit delivery system to quasi-autonomous social insurance schemes will also have implications for the governance of social protection, with employers and trade unions exercising stronger oversight over social protection systems, at least in some countries.

The reform process is complex and inevitably fraught with problems, of which the most obvious are the lack of sound management, combined with inadequate analytical support. Moreover, the reform process is being slowed down in many transition countries where the decision-making process and governance systems are not yet geared to engineering far-reaching reforms in the context of democratic and pluralistic societies. It is therefore urgent for the major development partners and the international financial institutions to give greater priority to assistance in the field of social protection with a view to the development of viable, well-managed schemes which can make a real contribution to alleviating poverty and providing higher levels of security to the population as a whole.

## 2. Activities of the ILO

### ILO structure in Europe and Central Asia

During the period 1995-2000, emphasis continued to be placed, in the ILO's operational activities, on bringing the Organization closer to its tripartite constituents and enhancing the coherence and quality of the technical services provided to them.

A series of multidisciplinary advisory teams (MDTs) were created around the world for this purpose, the first of which was set up in Budapest in January 1993. A second European MDT was established in Moscow in 1998. The ILO's field structure is responsible for developing an active partnership with constituents and drawing up ILO programmes and projects on the basis of extensive tripartite consultations.

In November 1998, the Governing Body's Working Party on the Evaluation of the Active Partnership Policy found evidence of positive developments in the ILO's services to its constituents.<sup>1</sup> These included the fact that:

- technical assistance and services had become more demand-driven and relevant for constituents;
- the social partners had been more closely involved in the development and implementation of technical assistance programmes; and
- the MDTs had brought ILO technical expertise physically closer to constituents.

The Working Party also noted that there had been cases in which the process of developing country objectives and programmes had gone further and even "helped constitute tripartite committees not only for the formulation and implementation of the country objectives, but also to facilitate permanent consultation between the ILO and its constituents."

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<sup>1</sup> GB.273/TC/2, paras. 20, 27 and 35-37.

However, the Working Party also pointed to areas in which improvements could be made. These included filling gaps in the coverage of the MDTs, and ensuring that vacancies in the teams were filled rapidly and that the composition of the teams reflected the needs of constituents, with the presence of international labour standards experts and employers' and workers' specialists in each team.

These findings were echoed by the Joint Inspection Unit (JIU) of the United Nations, which visited the Moscow MDT as part of its review of the management and administration of the ILO in 1998. It praised in particular the country objectives exercises, the relations developed by the team with donors and the fact that the activities of the ILO's experts were highly appreciated by constituents. However, it noted difficulties concerning the vast geographical coverage of the team, the small number of experts, the distribution of RBTC resources and the insufficient delegation of administrative authority to field units.<sup>2</sup>

The ILO's structure in Europe and Central Asia is as follows:

The Regional Office, based at ILO headquarters in Geneva, which coordinates the work of three subregions:

- Area I under the direct responsibility of the Regional Office: Western European countries, Malta, Cyprus, Turkey and Israel. The ILO has a Liaison Office with the European Union (EU) in Brussels (which also covers the Benelux countries), and a network of Branch Offices in Ankara, Bonn, London (also covering Ireland), Madrid, Paris and Rome (also covering San Marino and the Holy See).
- Area II under the responsibility of the ILO Office in Budapest: Central and Eastern European countries, including Ukraine and the Republic of Moldova (see below, Central and Eastern European Multidisciplinary Advisory Team).
- Area III under the responsibility of the ILO Office in Moscow: CIS countries, with the exception of Ukraine and the Republic of Moldova (see below, Eastern European and Central Asian Multidisciplinary Advisory Team).

In Areas II and III, the ILO has full-time national correspondents in Belarus, Bosnia and Herzegovina, Bulgaria, Kazakhstan, Poland, Romania and Ukraine, and part-time correspondents in Estonia and Slovakia.

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<sup>2</sup> GB.277/PFA/7/1, Appendix paras. 104-120.

The ILO's regular staff in Europe and Central Asia is presently strengthened by four associate experts (three of whom are financed by Germany and one by Finland) and two officials seconded by the Government of Germany.

### *Regional Office*

The Regional Office maintains overall responsibility for the ILO's presence and activities in the region, as well as for representing the ILO with constituents and donors throughout the region. It takes the lead in defining programme priorities and activities, monitoring programme delivery and in the provision of support services to the regional structure for programming, resource mobilization and administrative matters. In the other direction, it ensures that the ILO as a whole is kept aware of regional trends and issues. The Regional Office is composed of a team of three Professional staff, including the Regional Director.

### *Central and Eastern European Multidisciplinary Advisory Team*

The Central and Eastern European Multidisciplinary Advisory Team (CEET) in Budapest was the first MDT to be set up in the world. Since the establishment of the second European MDT in Moscow in 1998, the Office in Budapest has covered the following 17 countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, the Republic of Moldova, Poland, Romania, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia, Ukraine and Yugoslavia.<sup>3</sup> Belarus and the Russian Federation were covered by the Budapest team until December 1997.

In 1998, the CEET was transformed into a combined Area/MDT Office and the Moscow Office became an Area/MDT Office.

By June 2000, country objectives documents or agreements of cooperation had been formulated for Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, the Republic of Moldova, Poland, Romania, Slovakia and Ukraine. However, even in the absence of formally agreed programmes in certain countries, the team was able to deliver a substantial amount of advisory services and training to national tripartite constituents.

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<sup>3</sup> This refers to the former Socialist Federal Republic of Yugoslavia. Pursuant to the decisions taken by the ILO Governing Body on the basis of the relevant United Nations resolutions, no State has been recognized as the continuation of that Member.

The Budapest team is composed of specialists in the fields of labour law and industrial relations, workers' activities, employers' activities, social security, labour market policies and wages.<sup>4</sup> The recently appointed Director of the team is an expert on international labour standards. Gender issues are at the core of various activities carried out by the team and are coordinated by an associate expert. In its work, the team also relies on the assistance of ILO specialists from headquarters, several associate experts, officials detached from ministries and a roster of international experts who are available to support ILO activities.

The assistance provided by the team to constituents is largely based on technical advisory services, covering both policy and practical issues, as well as the organization of seminars and training workshops at both the national and subregional levels. The team has also played a leading role in the implementation of several important technical cooperation projects, which have contributed to the promotion of the ILO's strategic objectives. These have included:

- Netherlands-funded projects to strengthen the role of employers' and workers' organizations and women's rights in Hungary;
- a UNDP-funded project on wage policy in Albania;
- an Italian-funded project to promote social dialogue in Bosnia and Herzegovina;
- a Luxembourg-funded project on social dialogue in Ukraine and the Russian Federation;
- an ILO/World Bank/UNDP-financed project to develop a national social expenditure budget model in Ukraine; and
- UNDP-funded projects on poverty alleviation in Estonia, Latvia and Lithuania and for the preparation of national human development reports in the Czech Republic, Hungary, the Republic of Moldova and Slovakia.

In collaboration with the European Commission, which provided financial assistance, subregional conferences were organized on wage policy (1995) and labour relations and productivity (1998). Annual subregional seminars continued to be organized in Cyprus with the collaboration of the Government of Cyprus. Additional resources have also become available under the terms of the agreement concluded between the ILO and the Italian National Council for Economic and

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<sup>4</sup> In July 2000, the wages specialist was replaced by an expert on occupational safety and health.

Labour Affairs (CNEL) for the preparation of studies on the current situation of tripartism and industrial relations in the 17 countries covered by the team.

In view of the great variety of languages spoken in the countries covered by the team, RBTC resources have been used to finance the translation of ILO documents into national languages. The team has continued to issue a Newsletter and has developed a website. It has also published a series of studies on topical issues, including labour relations, employment promotion, social protection and equality issues (see bibliography).

### *Eastern European and Central Asian Multidisciplinary Advisory Team*

The Eastern European and Central Asian Multidisciplinary Advisory Team (EECAT) in Moscow was set up in January 1998. It took over responsibility from the Budapest team for Belarus and the Russian Federation. It covers the following ten countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. Country objectives have been developed for eight of the above countries, more limited programming activities having been agreed upon for Tajikistan and Turkmenistan.

In addition to the Director, who is a social security specialist, the team is composed of specialists in employers' and workers' activities and in international labour standards. The team therefore relies heavily on support from headquarters, as well as on associate experts, national programme officers and focal points on occupational safety and health, social dialogue, poverty alleviation, statistics, cooperative development and active labour market policy measures. An internal task force on gender issues has also been established under the leadership of one of the associate experts.

The main interventions in the member States covered by the team consist of policy advisory and other technical cooperation activities. A few relatively important technical cooperation projects have also been implemented, including:

- projects in the field of vocational training in Belarus financed by the German Government and in the Russian Federation funded by the Flemish Community and the German Government;
- projects on small business development, social funds and poverty alleviation in Kazakhstan funded by the Government of Luxembourg, in Belarus and in the Russian Federation by UNDP and in Uzbekistan by UNDP and the World Bank;

- Luxembourg-funded projects on social dialogue in Belarus, Ukraine<sup>5</sup> and the Russian Federation;
- DANIDA-financed projects on occupational safety and health in the Russian Federation and neighbouring countries;
- UNDP-funded projects on poverty alleviation and reconstruction in Azerbaijan, Kazakhstan and Tajikistan;
- a UNDP-funded project on pension reform in Belarus;
- a project with financing from Finland on child labour in the Russian Federation;
- Norwegian-supported projects on workers' education; and
- DANIDA-funded projects for the strengthening of employers' organizations.

Country-specific activities have been supplemented by activities at the subregional level, since all the countries covered by the team form part of an established inter-governmental structure, namely the Commonwealth of Independent States (CIS),<sup>6</sup> which has its own liaison structures at the level of parliaments and ministries of labour, as well as in specific fields such as pensions, occupational safety and health, migration, labour research and employment services.

The Moscow team's relations with donors have developed rapidly. It has built up a close partnership with UNDP covering activities in the Russian Federation in particular, as well as with a series of multi-bilateral donors. A joint plan of action focusing on social security reform and on labour market issues involving the World Bank, the Russian Ministry of Labour and Social Development and the ILO is being considered. Joint activities have also been elaborated with the EU's Tacis programme (Technical assistance to the Commonwealth of Independent States) in the fields of social protection and poverty alleviation.

The Moscow team has been able to use RBTC funds for a number of important initiatives, and particularly its crisis response programme in the Russian Federation. It has also used RBTC resources to finance the translation into Russian of a new edition of ILO standards and the ILO *Encyclopaedia of occupational health and safety*. The team has launched its own series of publications in Russian, as well as a bilin-

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<sup>5</sup> Joint implementation with the Budapest Office.

<sup>6</sup> The Republic of Moldova and Ukraine, which are covered by the Budapest Office, are part of the CIS.

gual Newsletter. The team also has a bilingual website and has sponsored the development of subregional websites in Russian on trade unions, occupational safety and health and vocational training.

### *National correspondents*

Within the ILO, the system of national correspondents is unique to the European region and, in some cases, dates back many years. The experience with national correspondents has been positive and allows the ILO to maintain a cost-effective presence in countries where this would otherwise be difficult. While they are not fully fledged representatives of the ILO, they function as excellent antennae and ensure that the Office is kept informed of national developments. In certain cases, they play a very active role in the execution of technical cooperation activities at the national level.

### *Branch offices*

The ILO's Branch Offices in Ankara, Bonn, London, Madrid, Paris and Rome, and its Liaison Office in Brussels, represent the ILO in the countries which they cover, as well as with a series of international and regional organizations, including the Council of Europe, the EU, OECD, EBRD, other United Nations agencies such as FAO, UNESCO and IMO, and international and regional employers' and workers' organizations, which have their headquarters in the respective countries. Despite cutbacks in the resources provided to these offices, a process of modernization has been undertaken and their role has continued to be developed. This has included the adoption of a more coherent and systematic approach to the ILO's relations with leading economic, intellectual and media institutions and enterprises with a view to strengthening its presence at the leading edge of policy thinking and increasing its influence on international opinion.

As the prevailing economic doctrine of the 1980s and early 1990s, with its narrow focus on inflation, privatization and deregulation, has given way to a new consensus, in which emphasis is placed on developing the right conditions for growth and employment and on the inclusion of a social dimension in the new global economy, a window of opportunity has opened up for the ILO. Greater use has therefore been made of the potential of Western European countries to raise the profile of the ILO, so that it can play a more important role in the new global system. This has involved a sharper focus on *representation and public relations, promotion, information and analysis*, and *technical cooperation* in the work of these offices, in addition to their normal liaison role with constituents.

The *representation and public relations* work involves strengthening links with the broad political community, including parliaments, international organizations and NGOs, with a view to influencing upstream policy thinking. Progress has continued to be made in keeping key decision-makers and influential persons more systematically informed of ILO activities, for instance through briefing meetings, newsletters and parliamentary groups. Examples include the briefing meetings held by the ILO Offices in London and Madrid for international NGO coalition groups on fundamental labour standards and child labour. In 1996, the Rome Office helped the Italian Presidency of the EU to convene a high-level tripartite European meeting in the run-up to the WTO's Ministerial Conference in Singapore and the London Office liaised with the Irish Presidency on the EU's draft Charter of Fundamental Rights. The ILO Offices in London, Paris and Rome were active in ensuring that the Stability Pact for South-Eastern Europe contained the appropriate references to ILO standards. The London Office also coordinated support for the inclusion of a call for the ratification of the Worst Forms of Child Labour Convention, 1999 (No. 182), in the final communiqué of the Commonwealth Heads of Government Meeting in 1999. The Rome Office organized a tripartite conference on Convention No. 182 in 1999.

The *promotional work* of the branch offices consists of implementing a proactive communications strategy, particularly through the development of close contacts with national and international media. In addition to promoting sales of ILO publications in general, the offices regularly hold events to publicize flagship ILO publications, such as the *World Employment Report* and the *World Labour Report*. One example was the joint conference organized by the ILO Office in Bonn on the *World Labour Report 1998-99*, which was broadcast on German television. The London Office has arranged for CNN, BBC World television and radio, Reuters Television, World Television News, Sky Television and the international press to carry news and feature items on the ILO. Examples of other awareness-raising activities have included the organization in the United Kingdom of a commemorative conference for the 50th anniversary of the adoption of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and a Model International Labour Conference for young persons. In November 1997, the Madrid Office organized a celebration of the 20th anniversary of the ratifications of Convention No. 87 and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), and Spain's return to democracy.

In addition to supplying headquarters with information on important new developments in the countries which they cover, the *information and analysis* work of branch offices includes keeping abreast of the work of policy think-tanks, research institutions and key university departments in relation to local and international development issues. Linkages have also been strengthened with leading-edge institutions. These included the organization of conferences with the Friedrich Ebert Foundation, the Free University of Berlin, the Institute of Development Studies, the International Centre for Trade Union Rights and the Institute for Employment Research, as well as a high-level seminar in Paris on indicators of employment and unemployment.

In the field of *technical cooperation*, the branch offices have been involved in raising funds for ILO technical cooperation projects in developing and transition countries and in promoting support for ILO activities among government departments and agencies dealing with overseas development, as well as among charitable foundations, banks, businesses and other development organizations. The support provided by branch offices for technical cooperation includes assisting in the organization of study visits and meetings, as well as participating in projects covering Western European countries. During the period 1995-2000, as reported in greater detail below, these included activities in the fields of microfinance for self-employment, equality of treatment for migrant workers, social security and employment policy reviews.

### Relations with the European Union and other regional institutions

Relations with the EU continued to be strengthened during the period under review. The original basic agreement of 1958 on collaboration between the ILO and the European Economic Community has been supplemented on several occasions, resulting in a broader framework for consultation, growing financial assistance from the EU for ILO technical cooperation programmes and greater participation by European institutions in ILO standard-setting activities.

The experience acquired by the ILO and the EU in the field of development cooperation, combined with the evolution of the economic and social situation over the past decade, led to discussions designed to develop and adapt the agreement to the new conditions.

In a context of rapid economic globalization and trade liberalization, collaboration between the ILO and the EU has been consoli-

dated around certain key principles. These include the need to take into account the social dimension of the global economy through the promotion of fundamental workers' rights, as well as new fields of cooperation in such areas as social dialogue, employment policy, equality of opportunity and treatment and the reform of social protection systems.

The ILO's standard-setting activities have been of particular interest to the EU. For example, support has been expressed in a number of European Parliament resolutions for the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, and the Declaration has been included among the basic documents to be considered in drawing up a draft Charter of Fundamental Rights. European bodies have discussed the Worst Forms of Child Labour Convention, 1999 (No. 182), with a view to promoting its ratification as soon as possible by the Member States of the EU.

The ILO and the EU continued to keep each other informed of their respective standard-setting activities. One example was the discussion of the proposed instruments on contract labour. The European Commission was also particularly interested in the ILO's work on voluntary codes of conduct, social labelling and other private sector initiatives addressing labour issues, as set out in the paper submitted to the Governing Body in November 1998.<sup>7</sup> The subject was covered by two seminars in December 1998 and October 1999, in the framework of the EU's exchange of information with the United States.

In January 2000, the Director-General of the ILO, Juan Somavia, addressed the Committee on Employment and Social Affairs of the European Parliament on the priority objectives of ILO action. It is also envisaged that he will speak to the plenary session of the European Parliament and the Economic and Social Committee.

With regard to technical cooperation, several important projects have benefited from EU funding, which has totalled nearly US\$10 million over the past three years. These included the ILO-IPEC programme in Pakistan, the development of workers' organizations in Central America, employment promotion in Cambodia, the rehabilitation of workers with disabilities in Angola and employment-intensive programmes in Guinea. A similar amount has also been made available over the past three years in the context of the Phare and Tacis programmes, largely through the International Training Centre of the ILO in Turin (Turin Centre).

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<sup>7</sup> GB.273/WP/SDL/1.

In several cases, difficulties have arisen in the approval or renewal of projects in view of the differences between the ILO's financial and administrative rules and those of other United Nations specialized agencies. Nevertheless, a framework agreement was concluded between the EU and the United Nations in July 1999 and should lead to an increase in cooperation with the ILO.

Since the conclusion of the cooperation agreement in 1951, the ILO has maintained very close relations with the Council of Europe, particularly in the fields of international labour standards and social security. Collaboration continued, among other areas, with regard to the application of the European Code of Social Security, the European Social Charter and the European Convention on Human Rights. The ILO has continued to follow and support the work of the Parliamentary Assembly and its committees.

Following the massive influx of Central and Eastern European countries as members of the Council of Europe, cooperation has focused on the promotion of fundamental workers' rights. One recent example was the ILO's participation in a seminar organized by the Council of Europe and UNICEF in Tirana in December 1999 on child labour in Albania and the Balkans.

### **International Training Centre of the ILO**

During the period 1995-2000, the International Training Centre of the ILO in Turin (Turin Centre) received an increased number of requests for assistance and training from constituents in Central and Eastern European countries. Considerable efforts were therefore made to mobilize funds and expertise to address these needs. The Turin Centre operates in collaboration with a network of institutions in European countries, including educational and training institutions, labour research institutes, enterprises, consultancy firms and public agencies associated with the training process.

Of the countries in the region, those in Central Europe have been the main beneficiaries of the Centre's activities. Tailor-made training activities have been conducted on a regular basis for constituents in Albania, Estonia, Hungary, Latvia, Lithuania and Poland. Coverage of the CIS countries has been expanded through programmes for the Russian Federation, and there has also been a rise in the number of participants from the Central Asian countries in the Centre's regional and subregional programmes. The Centre has organized several activities to assist in the restructuring of vocational education and training in Bosnia and Herzegovina and has been active in resource

mobilization for Kosovo. There has also been a significant growth in the Centre's activities for Western European countries within the framework of the programmes of the European Structural Fund. These have included programmes on the ILO mandate, enterprise development, vocational training, management and human resources development, especially for Italian officials.

The Turin Centre's activities are all conducted with the support of the technical departments at ILO headquarters and the field structure. They therefore follow closely the ILO's strategic priorities and the main orientations of the regional programme. The Centre provides important support for many of the activities undertaken by the ILO in the region, as well as taking the lead in the implementation of an increasing number of externally funded projects and programmes (see box 2.1).

In addition to the Italian Government, the main sponsors of the Centre's activities for European countries include the EU and the World Bank. In recent years, the Centre has also succeeded in expanding its traditional sources of support, comprising France, Germany, Switzerland and the Flemish and French-speaking Communities of Belgium, to include AGFUND, Spain and regional and local institutions in Italy.

### Major trends in technical cooperation

Table 5 in the statistical annex indicates the distribution of technical cooperation expenditure in Europe by source of funding between 1989 and 1999. Although expenditure on technical cooperation was lower in 1999 than in 1995, this should be set against the steep rise during the years 1990-95, due to the profound changes in Central and Eastern Europe and the consequent expansion of ILO assistance to the subregion at that time. This assistance reached a peak in 1995, since when it has tended to remain fairly steady.

Western European countries continued to provide a very high level of support for the ILO's global technical cooperation programme. Belgium, Denmark, Germany, Italy, the Netherlands, Norway, Spain, Sweden and Switzerland are regularly among the top ten contributors to the ILO's multi-bilateral programme, for which they collectively provide around 80 per cent of the total funding (see tables 7 and 8 in the statistical annex). With its yearly contribution to the Turin Centre (see table 7), Italy is one of the foremost contributors to ILO programmes. Other important multi-bilateral donors include Austria, Finland, France, Luxembourg, Portugal, the United Kingdom and the EU.

### Box 2.1. Technical cooperation projects managed by the Turin Centre

The following are examples of the technical cooperation projects for transition countries managed by the Turin Centre:

- An important Swiss-funded training programme from 1994 to 1996 to promote the development of small and medium-sized enterprises (SMEs) in three areas of the Russian Federation. Trainees included managers of enterprises and SME support institutions, local government officials and local administrators of NGOs, with a view to strengthening the capacity of local authorities to provide support to the SME sector.
- A project to develop modular skills training programmes for the vocational and educational training system in the St. Petersburg and Leningrad regions, launched in 1995, which has resulted in: a move from traditional training to more flexible methods which meet the skill needs of enterprises; the setting up of local and regional networks of training institutions; and the development of 43 pilot training programmes. The last phase of the project started in 2000.
- A two-year project supported by the Arab Gulf Programme for United Nations Development Organizations (AGFUND) to alleviate poverty through the promotion of women's micro- and small enterprises in Albania, particularly for poor families. In 1998 and 1999, some 20 NGOs were trained in promoting self-employment and in the delivery of training and support services to poor women to set up micro- and small enterprises.
- A project in 1998 and 1999 funded by the Flemish Community of Belgium to strengthen employers' organizations in the Baltic States to enable them to: represent the interests of the business community in legislative and policy decisions; support the business community through the provision of expert advice; and develop the technical capacity to provide support services to members of employers' organizations.
- A component of a project, also sponsored by the Flemish Community of Belgium, to strengthen SME support institutions in Hungary, based on an audit of the current state of these institutions and the provision of training to their directors and consultants. The project has resulted in the reinforcement of existing SME support institutions and the development of an informal network of expertise in SME development.

An important recent development in this respect has been the conclusion of framework agreements between the ILO and France (May 1999) and the Netherlands (March 2000), and a Trust Fund financed by Italy (June 2000). These agreements pave the way for a comprehensive partnership with the ILO in the field of technical cooperation, with each country undertaking to support a series of the ILO's new InFocus programmes.

Table 6 in the statistical annex shows the breakdown of expenditure under ILO technical cooperation programmes in Europe by type

of assistance. The fact that experts and other personnel costs continued to account for the largest proportion of technical cooperation expenditure is a reflection of the demand for advisory services in the national and regional activities implemented by the ILO.

### *Technical assistance priorities*

The ILO's priorities in its technical assistance activities in transition and developing countries in the region continued to be governed by its strategic objectives, which were reformulated during the period under review as follows:

- promote and realize fundamental principles and rights at work;
- create greater opportunities for women and men to secure decent employment and income;
- enhance the coverage and effectiveness of social protection for all; and
- strengthen tripartism and social dialogue.

The activities undertaken in each of the above areas are described below.

As related in greater detail below in the relevant sections, the pursuance of these strategic objectives involved building on the progress made during the first half of the decade in reforming labour legislation and further strengthening the institutions and parties to social dialogue, in particular employers' and workers' organizations, as well as advances in the development of social security schemes. It also included the continued reinforcement of labour institutions, such as labour statistics institutes, labour inspectorates and employment services. Greater emphasis was placed on the reform of training systems and the introduction of flexible modular training approaches adapted to local needs.

A particular focus was support for local economic development through a variety of instruments, including the promotion of small and medium-sized enterprises, self-employment and socially acceptable restructuring, always against a background of dialogue and the participation of the social partners and other local actors. Action against child labour, which in previous years had largely been confined to Turkey, was initiated in other countries in the region.

During the period 1995-2000, the ILO's technical assistance activities also had to respond to two new factors:

- the urgent needs of countries and peoples affected by crises, including the aftermath of conflicts and the Russian financial crisis; and
- the special needs of the countries preparing for accession to the EU.

### Responding to crises

Following the conclusion of the Dayton Peace Agreements, the Regional Office for Europe put together a package of proposals in the spring of 1996 to assist in the rehabilitation of Bosnia and Herzegovina and the establishment of institutions for its democratic development. Once funding had been obtained, the first operational activities started in April 1996, with the focus on rehabilitating and modernizing vocational training in the country and on local economic development through the promotion of small enterprises. By June 2000, project approvals for Bosnia and Herzegovina totalled some US\$7 million. ILO activities in Croatia also focused on local economic development, with the ILO acting as a partner in the United Nations Office for Project Services (UNOPS) rehabilitation programme. Based on the proposals drawn up by a multidisciplinary mission, two important projects were financed by Italy in Albania. These activities are described in greater detail below.

In the summer of 1999, very shortly after the cessation of hostilities, the ILO also put forward a package of proposals for the socio-economic reconstruction of Kosovo. As funding was approved, a few of these activities were initiated in late 1999, with most starting up in the spring of 2000 (see box 2.2). The ILO also assisted the United

#### Box 2.2. Reconstruction and development in Kosovo

The ILO Balkan Task Force and a project identification unit in Pristina identified a number of project proposals for submission to donors for funding. These were in the fields of labour-intensive works, the development of small and medium-sized enterprises (SMEs), vocational training and social assistance. As a result, by mid-2000, the following projects were under way:

- a project, with US\$2 million in funding from the Italian Government, to establish a network of vocational training centres in Kosovo;
- a first Belgian-funded Start and Improve Your Business (SIYB) training project and further French-funded projects for the development of SMEs; and
- another French-funded project for the preparation of a social assistance programme targeting vulnerable categories of the population, with a view to providing UNMIK with a clear assessment of the various options available for the future development of social protection in Kosovo.

Nations Interim Administration Mission in Kosovo (UNMIK) in the recruitment of staff with experience in labour issues.

### Financial crisis in the Russian Federation

Following closely on the Asian financial crisis, in the summer of 1998 the Russian Federation experienced a serious financial downturn. Although economic activity in the Russian Federation recovered more rapidly than had at first been feared, the crisis caused evident difficulties in the social and labour spheres. The ILO therefore responded to the request for advice and support from the Government, employers' organizations and trade unions by undertaking a number of activities, culminating in the International Conference on Social and Labour Issues: Overcoming Adverse Consequences of the Transition Period in the Russian Federation, held in Moscow in October 1999 (see box 2.3).

### Assistance to countries preparing for accession to the European Union

As the prospect of accession to the EU has come closer for the 13 candidate countries, and particularly for those in transition, the assistance and support provided to these countries has been increasingly coloured by the need for them to bring their law and practice into line with the Community *acquis*, and particularly the social market model espoused by the Member States. This has been closely reflected in the programmes of cooperation developed for the countries concerned.

The assistance provided also took the form of meetings and seminars for constituents in the applicant countries. These included the Tripartite Seminar on Employment and Free Movement of Workers related to the European Union Accession Process, held in Nicosia in October 1999 with the support of the Government of Cyprus. Special meetings were organized for the Ministers of Labour of the applicant countries during the sessions of the International Labour Conference in Geneva in June 1999 and 2000.

### Employment promotion

The ILO continued to use a variety of instruments to provide its constituents with guidance and advice on how to preserve and promote decent work for women and men. These instruments included research, guidance and discussion on the means of improving the integration of employment and other social considerations into macro

### Box 2.3. International Conference on Social and Labour Issues: Overcoming Adverse Consequences of the Transition Period in the Russian Federation

In the aftermath of the financial crisis in the Russian Federation in the summer of 1998, the ILO responded to requests for assistance from its constituents in a number of ways, including the organization of an international conference. What was at stake was not only to restructure and consolidate the Russian economy, but also to rebuild sound governance and social efficiency, with a view to securing a successful transition to a market economy.

The discussions at the Conference focused on poverty alleviation, income and wages policies, social protection, employment promotion and social dialogue. The participants expressed the view that their conclusions should contribute significantly to the programme of cooperation between the ILO and the Russian Federation, which was subsequently signed in March 2000, and that they should strongly influence cooperation in the social and labour fields with other international organizations active in the country.

The conclusions cover a broad range of interrelated social and labour issues. They emphasize that:

- the rule of law and social democracy are prerequisites for successful reforms;
- poverty is a cross-sectoral concern and any poverty alleviation policy has to be based on some form of income redistribution, combined with proactive measures to promote sustainable and gainful employment;
- income and wages policy is crucial for the standard of living of the population and has to be considered as part of the overall redistribution system of wealth throughout the economy, with priority being given to the issue of minimum wages and overcoming the problems of non-payment or delayed payment of wages;
- social protection systems, as one of the main tools for alleviating the social impact of crises and structural adjustment, should build on achievements and existing mechanisms and be based on the principles of democratic management;
- it is necessary to adopt a growth-oriented macroeconomic strategy with a view to the creation of sufficient numbers of good-quality jobs; and
- a consensus on reform plans can only be developed with the active participation of the people, based on expanded institutions of social dialogue and strong social partners.

policy-making. Assistance was also provided for the development of more reliable labour market information, as a vital tool for policy-making.

Emphasis continued to be placed on strengthening the capacity in member States to intervene in the labour market for the achievement of employment objectives. The assistance provided in this respect included capacity building for employment services and vocational training institutions, combined with the demonstration of a series of interventions in such areas as flexible training techniques, the creation of

jobs for women, the vocational rehabilitation of persons with disabilities, local labour market restructuring, the development of small and medium-sized enterprises (SMEs) and microfinance mechanisms.

### *Employment policy*

Since the World Summit for Social Development (Social Summit), held in Copenhagen in 1995, Commitment 3 of the Copenhagen Declaration on Social Development has provided the framework for the ILO's activities in the field of employment policy. The ILO was selected as the United Nations agency responsible for monitoring the progress made by countries in fulfilling this Commitment, which reiterates the importance of full, productive and freely chosen employment as a basic condition for social progress. In this, the Commitment largely conforms to the ILO's Employment Policy Convention, 1964 (No. 122), which calls on member States to "declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment". In addition, representatives of the social partners are to be consulted concerning employment policies.

### *Employment policy reviews*

As a follow-up to the Social Summit, the United Nations ACC Task Force on Full Employment and Sustainable Livelihoods, with the ILO as coordinator, undertook seven country reports reviewing employment and social policy. One of these reports, prepared by the ILO in 1996, covered Hungary.

For the preparation of the report, the Budapest MDT regularly consulted a tripartite contact group established for this purpose by the Hungarian Council for Reconciliation of Interests. The report reviewing Hungarian employment and social policies was presented and discussed at a high-level tripartite national seminar held in Budapest in January 1997. At a time when Hungary had achieved a good measure of success in stabilizing its economic situation, and particularly in overcoming the balance of payments and fiscal crisis which it had faced in 1993-94, the review put forward proposals for the strengthening of economic growth and the preservation and creation of employment. These were based, inter alia, on a more active industrial policy, sound enterprise restructuring and the placing of greater emphasis on enhancing productivity through human resource development and improved wages, incomes and social protection. The process of preparing the report provided an important opportunity for the tripartite review and refinement of policies which were already under consideration by the Government.

Following the first round of country studies, the ILO launched a series of country employment policy reviews. One of the countries covered was Ukraine, where a tripartite national conference was held in October 1997 to identify the main problems which would be addressed by the review. The results of the review were presented at a tripartite conference held in Kyiv in October 1998 (see box 2.4).

### Policy responses to globalization

With a view to gaining a better insight into the main concerns of constituents in relation to economic globalization, a series of case studies were carried out on the impact of globalization on individual countries. Two of the case studies covered Poland and Switzerland (see box 2.5).

The study of the situation in Poland documents the progress made by the country since 1993, after many years of deep-rooted economic difficulties. Following the dismantling of many non-tariff barriers and great reductions in import tariffs, the volume of foreign trade has

#### **Box 2.4. The country employment policy review (CEPR) in Ukraine**

In addition to analysing labour market needs, assessing employment policies and making recommendations for their improvement, the country employment policy review (CEPR) carried out in Ukraine in 1997-98 focused on the following:

- capacity building in labour market institutions, including the strengthening of employment services;
- eliminating the non-payment of wages and improving workers' protection;
- creating jobs through the promotion of small enterprises; and
- promoting employment through the restructuring of local labour markets.

The recommendations put forward in the CEPR, and discussed at the national tripartite conference held in 1998, have contributed to the process of amending the labour legislation. The Ministry of Labour and Social Protection has taken up several other recommendations, in-

cluding the proposal to reform the unemployment benefit system. This recommendation consists of providing income support for the underemployed through the unemployment scheme and reducing the obligations on enterprises to pay large amounts of severance pay. In the past, enterprises have often preferred to maintain workers on unpaid leave, rather than meeting their liability to three months' severance pay.

The follow-up activities agreed with the ILO have included technical assistance to strengthen the capacities of employment services in such areas as labour market information and the provision of flexible modular training to job-seekers. Support has also included assistance in organizing vocational training and developing a local economic development strategy in the Slavutich region to create jobs for workers laid off from the Chernobyl nuclear power plant.

**Box 2.5. The social impact of globalization in Switzerland**

The case study of Switzerland shows that the country is in many respects one of the main beneficiaries of globalization. Despite its small size, it is home to some of the most important multinational enterprises. The study identifies three interrelated aspects of the Swiss export model: its specialization in niche markets; its skilled labour force and well-developed vocational training system; and the social peace achieved by its consensus-based labour relations system. Yet its employment and export record in the 1990s has been relatively poor by traditional Swiss standards. During that period, the country has laboured under tight monetary controls, compounded by a situation of relatively weak competition in internal markets, resulting in:

- very high prices and high labour costs, although the latter are offset to a certain extent by high productivity rates;

- the relatively low purchasing power of wages;
- a reduced potential for job creation, with weak domestic competition inhibiting business initiatives and principally benefiting high-income groups; and
- a growing number of workers being confined to low-wage jobs, as well as a rise in the practice of “on-call” workers in certain industries.

The study suggests that greater competition in the domestic market would both improve income distribution and stimulate job creation. Finally, it notes that the experience of Switzerland tends to indicate that globalization aggravates the perverse effects of domestic policy distortions, such as the relatively weak product market competition which has long prevailed in the country.

more than trebled, especially with the countries of the EU. Poland has become an important location for multinational affiliates. Wages in foreign-owned companies tend to be significantly higher than the national average and the liberalization of trade and investment have contributed to upgrading and modernizing the production system.

Economic growth has been unbalanced, however, and has been heavily concentrated in Warsaw and other large cities. Outside these cities, the country’s physical infrastructure suffers from notorious deficiencies and its vocational training system has adapted relatively slowly to the radical changes which have taken place. The study therefore identifies physical infrastructure and human capital as urgent policy priorities for Poland.

### Tripartite Consultation on the Follow-up on the World Summit for Social Development

An important event in the ILO’s follow-up to the Social Summit in transition countries was the Tripartite Consultation on the Follow-up on the World Summit for Social Development, held in Budapest in

January 1999. The meeting brought together high-level officials from ministries of labour and employers' and workers' organizations from ten countries to discuss the constraints on employment generation faced by transition economies and to assess their employment policies and institutional reforms.

The discussions at the tripartite consultation clearly showed that, while the social and economic commitments made at the Social Summit remain very valid in transition countries, there are serious doubts about the manner in which these objectives are to be achieved. Even though most transition countries have established an institutional framework for labour market policies, they are still experiencing enormous difficulties in designing and implementing effective employment promotion policies. The participants identified a number of key priorities, including:

- strengthening the capacity of existing labour market institutions;
- harmonizing the various policy areas, including monetary, fiscal, industrial, education and labour market policy, around common social and employment objectives;
- developing a comprehensive employment promotion strategy, through which responsibility for employment promotion is shared among the many different areas of government and society;
- creating an enabling environment for enterprise activity and investment, including support for small enterprises and the restructuring of uncompetitive sectors and enterprises, combined with a strong social dimension based on decent remuneration and social security to ensure a decent standard of living; and
- continuously upgrading the quality and competitiveness of human resources, through education and training.

### *Labour statistics*

During the period 1995-2000, the ILO's work of compiling and disseminating internationally comparable data on the various aspects of the labour market, and of further refining statistical techniques, continued to enjoy solid support from its constituents in the region. Partnerships were strengthened with several regional statistical bodies, including the Statistical Office of the European Communities (EUROSTAT) and the Conferences of European Statisticians of the United Nations Economic Commission for Europe (ECE). The ILO also continued to play an active role in the various statistical meetings

organized by the OECD, as well as in national and international workshops and seminars intended for countries in the region.

The ILO's main vehicle for the refinement and development of statistical techniques is the International Conference of Labour Statisticians (ICLS), where new international standards are adopted and existing ones revised with a view to improving the quality and international comparability of labour statistics. The resolutions adopted at the 16th ICLS, held in Geneva in 1998, took important steps towards the improvement of techniques for the measurement of underemployment and inadequate employment, and the compilation of statistics on employment-related income and occupational injuries.

### Labour statistics in transition countries

While many of the transition countries in the region have made substantial progress in developing labour statistics systems adapted to the characteristics and needs of a market economy, much progress still needs to be made. Statistical institutions in transition countries face the challenge of transforming systems previously based on the reporting of data by state enterprises and training establishments into systems using a survey methodology to cover, inter alia, the public and private sectors, large and small enterprises, the employed, the unemployed and the self-employed.

In collaboration with a range of partners in the region, the ILO delivered a considerable volume of assistance in the field of labour statistics to European and Central Asian transition countries, as well as to other European countries, including Portugal and Turkey. Some 40 advisory missions were carried out and labour statisticians from ten countries visited ILO headquarters for briefing or training. Technical cooperation projects on labour statistics were implemented in Armenia, Georgia (see box 2.6), Turkey and Ukraine, and a project is being prepared for Kazakhstan. A special programme of assistance in the field of labour statistics was also developed for Kosovo.

A four-week training course on labour statistics was also organized at the Turin Centre in 2000 for the countries in the region. In total, training in labour statistics was provided to some 60 specialists from 26 transition countries. In addition, several publications covering the situation of transition countries were published and translated into Russian and other languages (see bibliography).

### Box 2.6. Developing labour statistics in Georgia

Through a UNDP-funded project which commenced in 1996, the ILO has been assisting in the development of national capacity to produce labour statistics in Georgia. In particular, it has collaborated in:

- the launching of a quarterly labour force survey for the compilation of statistics on employment, unemployment and underemployment;
- the collection of statistics on informal sector activities in the country;
- the development of a Georgian enterprise labour flexibility survey

covering the manner in which enterprises are adjusting in the context of the privatization programme; and

- the introduction in 1999 of a modular child labour survey, based on the labour force surveys.

Among other characteristics of the labour market, emphasis was placed throughout these activities on gaining a better understanding of the situation of women workers in Georgia and of regional differences in employment. It is expected that the regular labour force surveys will be maintained after the completion of the project.

### Labour force surveys

Much of the assistance provided to the transition countries concentrated on the development and launching of labour force surveys, which are the main instruments used in market economies for the collection of data on employment and unemployment, including self-employment. Training courses on labour force surveys for the countries of Central Europe were held in Slovakia in 1996 and for the CIS and Baltic countries in Ukraine in 1998. With the support provided, a total of 17 out of the 27 transition countries in the region have introduced labour force surveys into their regular statistical programmes. In most cases, they have aligned their national concepts, definitions and classifications of the labour force with the relevant ILO standards.

One of the specific problems faced by many transition countries in the development and production of labour statistics is how to deal with the large numbers of employees who are on various types of leave, including unpaid leave initiated by their employer, maternity or parental leave, and educational leave. A meeting on this subject was convened jointly with the Czech Statistical Office in Prague in late 1995. It provided guidance in the form of a set of recommendations, which were subsequently endorsed by the 16th ICLS in October 1998.

### Classification of occupations

The assistance to transition countries also focused on the classification of occupations, which is one of the basic components in the

production of internationally comparable statistics. The basis for statistical work in this respect is the ILO's *ISCO-88: International Standard Classification of Occupations*, which was published in Russian in 1998.

An important event in this context was the joint CIS Interstate Statistical Committee/ILO Workshop on Occupational Classifications, held in Moscow in November 1995. The workshop adopted a resolution on the development of ISCO-88-compatible national classifications of occupations in CIS member States. With technical support from the ILO, new national classifications of occupations based on ISCO-88 have been developed in Croatia, Estonia, Latvia, Lithuania, the Russian Federation, Slovenia and Ukraine.

### Statistics on the informal sector

An increasing number of national statistical agencies are being requested to provide comprehensive data on the size, characteristics and trends of informal sector activities. Such data are of great importance for the development of policies covering the growing numbers of persons engaged in the informal sector. In this area, the ILO's objective is to promote the compilation of more and better internationally comparable statistics on the informal sector, based on the resolution adopted by the 15th ICLS in 1993. The ILO is currently the only international organization which maintains a database containing statistical data and related methodological information on the informal sector. The database covers countries in all the regions where informal sector activities are considered to be significant in terms of employment creation and income generation, including the transition countries of Central Europe and the CIS countries.

The statistical services in Armenia (see box 2.7), Georgia, Turkey and Ukraine were assisted in the development of informal sector statistics through technical advisory missions and technical cooperation projects. A module on informal sector statistics has also been added to the ILO's statistical training programme. The experience gained from these and other activities is being used to develop a technical guide on concepts and methods of compiling data on the informal sector.

### Strengthening labour market institutions

An important component of the assistance provided to ministries of labour was designed to strengthen labour market institutions, including public employment services. In this respect, emphasis was

**Box 2.7. Informal sector statistics in Armenia**

With the sharp increase in unemployment and the fall in levels of wages and social benefits, many workers in Armenia are engaging in informal sector activities as a necessary survival strategy. Through a UNDP-funded project, which started in 1996, assistance was provided to the Ministry of Statistics, State Register and Analysis (MSSRA) to develop a statistical system covering the private and informal sectors.

Four complementary statistical surveys were carried out, providing information on the size and characteristics of the private and informal sectors, including their potential for

employment and income generation. These were:

- a micro- and small enterprise survey of a sample of registered enterprises with fewer than 11 employees;
- a household labour force survey;
- a tobacco consumption survey, to assess demand for one of the principal products traded on the informal economy; and
- a survey of a sample of self-employed persons and employers.

The household labour force survey was the largest survey of its type ever carried out in the country and has since been carried out regularly twice a year by the MSSRA.

placed on the demonstration and development of a series of instruments which could be used by employment services and other labour market institutions for active interventions on the labour market to improve the situation of vulnerable categories of the population, including women, or which could be focused on specific areas particularly affected by the processes of transition and adjustment.

The instruments proposed as components of an active labour market policy include local and community-based development initiatives, local labour market restructuring, the promotion of self-employment, the development of employment promotion programmes for women and the implementation of employment-intensive infrastructure programmes. The common feature of all these programmes is the development of partnerships with the social partners and other local actors designed to create local ownership and dynamism in an effort to overcome common problems.

### Employment services

While most transition countries benefit from a fairly well-developed network of employment services, they continue to face a series of problems which impede the effectiveness of their work. These include understaffing in relation to the growing numbers of jobless persons and an urgent need to form partnerships with local

institutions and economic actors in order to provide vulnerable social groups with assistance in finding employment.

The assistance provided to employment services included a technical cooperation project to set up three pilot employment services in Romania, which was completed in 1995. A study visit was also organized for a delegation from the Croatian employment services to gain first-hand information on the Hungarian experience of public and socially useful works programmes. The Budapest MDT is planning to set up a Network on Good Practices in Employment Policy as a means of further promoting the exchange of information between countries in the region.

Another project, funded by Switzerland, was designed to build capacity in employment services in Poland for the promotion of self-employment. The project focused on:

- the development of information materials for the unemployed and jobseekers;
- the preparation of reports and guides on the promotion of self-employment for use by employment services and partner institutions;
- the training of the staff of employment services and the development of technical expertise on self-employment promotion among the self-employed; and
- the establishment of model local labour offices in six voivodships (municipalities) which have been affected by profound restructuring, such as coalmining centres.

A tripartite evaluation workshop held in December 1996 found that the model labour offices had been successful in a number of respects in the promotion of self-employment, including: setting up a system of information and counselling for the unemployed; developing training programmes for employment service staff and local partners; and disseminating positive experiences to other employment services. However, little progress had been made in attracting financial support for the creation of self-employment from banks and other financial institutions.

An innovative approach applied in Belarus, which also involved partnerships between employment services and other local actors, consisted of the introduction of a methodology of local surveys of economic opportunities. These surveys provided the basis for the organization of local programmes of community-based training and other initiatives (see box 2.8).

### Box 2.8. Poverty alleviation through self-employment promotion in Belarus

The ILO has been engaged in a number of activities in Belarus to strengthen the skills of workers, particularly through flexible modular training programmes, and to help the poor and unemployed start small enterprises or activities as self-employed workers. Under a UNDP-funded project, implemented in collaboration with the Employment Committee of the Ministry of Labour, pilot self-employment support programmes were launched in two districts. Through these programmes:

- the capacity of local institutions, including the employment services, was developed to apply a market survey methodology for the identification of market niches for self-employment opportunities;
- enterprise support centres were established, offering training and support services, including access to credit, for potential self-employed workers and entrepreneurs; and
- with ILO funding, a monitoring mechanism has been developed covering occupational safety and health in

small enterprises, supported by the creation of a national information centre for occupational safety and health in small businesses.

The project has benefited from broad coverage in the local and national media and widespread institutional support at all levels. It has demonstrated how to promote coordination between public institutions, such as employment services, and private bodies, including enterprise support centres. The Employment Committee is currently replicating the project methodology in 12 other districts, and staff of the employment services from these districts have visited the sites of the original pilot programmes to develop their awareness and capacities.

Changes have been made in the State Employment Programme for 2000, which places greater emphasis on self-employment promotion using the methodology developed by the project. A separate component has also been included in the State Employment Promotion Fund to support self-employment promotion measures.

### Local labour market restructuring

A series of projects were carried out to assist in the restructuring of local labour markets in several areas facing severe problems of unemployment and labour force displacement. The aim of these projects was to mobilize all the key economic actors so that they could work together on a local strategy for economic and social development designed to generate new productive jobs and improve the employment situation. The areas concerned were:

- Ostrava, in the Czech Republic, where the local economy was heavily dependent on coalmining and steel production (see box 2.9);
- Spisska Nova Ves, in Slovakia, where the economy was reliant on a number of collapsing industries, including ore mining and the defence industry;

### Box 2.9. Local labour market restructuring in Ostrava (Czech Republic)

The Ostrava region in the Czech Republic has traditionally been heavily dependent on the mining, steel and engineering industries. During the transition period in the early 1990s, it was therefore feared that Ostrava would be badly hit by economic problems and unemployment as a result of the radical restructuring of these industries. The ILO provided technical assistance to constituents in the area on industrial restructuring and improvements to the industrial relations environment during the period 1993-96.

In the first phase of regional economic restructuring until 1997, the Ostrava area was a restructuring success story, with low unemployment rates and the creation of a substantial number of jobs through the growth of small and medium-sized enterprises. This success was due, at least in part, to the emphasis placed on tripartite consultation and consensus-building in the structural adjustment process. This approach was embodied by the establishment of the Union for the Development of Northern Moravia and Silesia at the end of 1994, as a fully profes-

sional tripartite body to oversee and coordinate the restructuring process. In addition to monitoring and technical advice, the support provided by the ILO also included:

- bringing all the parties together in a seminar in November 1995 to discuss the role of wage policy in enterprise restructuring and in regional restructuring in Ostrava, as well as to review the progress made and potential problems in the restructuring process; and
- the organization in 1996 of another seminar on the role of employers in promoting the employment of workers with disabilities, which, in addition to the social partners, was attended by representatives of the various ministries and social security institutions concerned and organizations of persons with disabilities: a strategy of active measures to promote the employment of workers with disabilities, including subsidies, rehabilitation and retraining measures, was formulated and led to changes in policy and amendments to the labour legislation.

- Ivanovo, in the Russian Federation, which is traditionally a textile-producing area; and
- Anenii Noi, a rural region in the Republic of Moldova.

#### Microfinance

In the field of microfinance, the ILO's Social Finance Unit provided services to constituents in three areas: financing management and worker buy-ins; asset formation following a crisis or armed conflict; and microfinance for self-employment. Further to the regional conference in Bratislava on Bottom-up Privatizations, Finance and the Role of Employers' and Workers' Organizations (May 1994), consultations took place with several institutions on follow-up action. A

series of advisory missions were undertaken to Croatia, Bosnia and Herzegovina and Ukraine to design guarantee funds to facilitate the acquisition of enterprise assets by the workforce. Interest has also been growing in recent years in the role that can be played by micro-finance in helping workers to become self-employed or to set up small or micro-enterprises. The ILO has been providing a growing volume of assistance to constituents for the development of micro-finance instruments and institutions. Microfinance is also becoming an important component of the ILO's operational activities to promote employment opportunities for vulnerable categories of the population and local economic development initiatives (see box 2.10).

Since 1998, the ILO has been carrying out research on enterprise creation by the unemployed in several industrialized countries, including France, Germany, Ireland, the Netherlands and the United Kingdom, with funding from the Ford Foundation, C.S. Mott Foundation, Bank of England and other donors. Each participating country has set up a steering group, composed of representatives of the

#### **Box 2.10. Local economic development in Croatia**

The ILO has been collaborating in a local economic development programme for the rehabilitation of war-torn areas in Croatia. The programme is implemented by UNOPS and funded by UNDP, Sweden and the European Union. It focuses on the creation of Local Economic Development Agencies, designed to bring together all the various stakeholders to promote local economic development and reinforce linkages at the national and international levels.

Among its other activities in this context, the ILO has contributed its experience in the field of microfinance to set up guarantee funds in Sibenik, Knin and Pakrac. The funds offer credit at a preferential rate to people with little or no collateral, with a view to facilitating the return and reintegration of displaced and refugee populations. One of the key features of the guarantee funds is the involvement of local private banking institutions as development partners, there-

by offering a good example of the matching of private sector interests with rehabilitation goals. Improvements in the economic environment in the areas concerned are an important condition for the consolidation of the banking institutions.

The guarantee fund in Sibenik has been in operation since 1997, while the other two funds were initiated in September 1999. As of March 2000, loans had been provided to over 300 families, mostly to reactivate farming activities, as well as for 16 small family businesses. Some 350 jobs have been created. In view of the success of the funds, the European Commission is financing their extension to other areas of the country. The Croatia Guarantee Agency is also planning to increase the leverage capacity of the funds, so that four dollars of credit can be advanced for each dollar contributed by an international donor.

government, banks, trade unions, the social partners, microfinance practitioners and researchers. A stock-taking exercise was carried out to identify the various programmes which already exist at the national level. Several research themes were selected by the steering committees, such as the budget costs of self-employment programmes; their impact on employment, earnings and household debt; the credit gap for business starters; the optimal size of self-employment programmes; good practices in linking up private and public institutions; and performance standards. The results of the research work were discussed at a conference on microfinance organized jointly by the ILO and the Deutsche Ausgleichsbank in Bonn in May 2000.

Through its work in the field of microfinance, the ILO influenced the design of and stimulated business start-up loan schemes for the young and the unemployed in:

- France, where assistance was provided in the design of the EDEN programme, through which zero-interest loans are provided to young persons and to welfare recipients who wish to start their own business; and
- Germany, where a joint initiative was set in motion between the Ministries of Labour and Finance to reimburse banks for the additional transaction costs of handling loans for small business start-ups.

The ILO has also been collaborating with other partners in documenting and developing guidance on the role which can be played by microfinance in restarting economic activity in post-conflict and other crisis-affected situations. In September 1999, it joined with UNHCR in organizing a technical workshop, attended by representatives from Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia and Ukraine, with a view to developing a code of conduct on microfinance in post-conflict situations.

### More and better jobs for women

The International Programme on More and Better Jobs for Women forms part of the ILO's follow-up to the Fourth World Conference on Women (Beijing, 1995). The International Programme focuses on developing methodologies to eliminate the discrimination experienced by poor and vulnerable women who are unemployed or underemployed or who work in unproductive, exploitative or abusive conditions. The Programme endeavours to increase awareness that more and better jobs for women benefit not only women themselves, but also men, children, entire communities and society as a whole. The

awareness-raising activities carried out have included a collaborative project with the International Confederation of Free Trade Unions (ICFTU), which has yielded a wide range of good practices for the promotion of gender equality by trade unions within unions, in the workplace and in the wider community. The project benefited from input from nearly 250 trade unions, including many in the European region.

One of the countries in which the Programme's activities are the most advanced is Estonia, where a national Plan of Action has been developed in collaboration with the social partners and women's organizations. Information materials have been prepared and translated and a series of capacity-building and awareness-raising activities undertaken for decision-makers, including the members of the Inter-Ministerial Committee for the Follow-up to the Fourth World Conference on Women, the Bureau of Equality, the leaders of employers' and workers' organizations and local NGOs. An important component of the Plan of Action is to train women in entrepreneurship development and to provide them with assistance to go into self-employment and start viable businesses. A pilot business opportunity identification project was commenced to this effect in 1999 (see box 2.11). It is also planned to start activities in the near future in Croatia.

#### **Box 2.11. Business opportunity identification for women in Estonia**

With a view to demonstrating how employment opportunities can be developed for poor women, a business opportunity identification exercise was carried out in Valga county, a rural area in south-east Estonia which has one of the highest rates of female unemployment in the country. An international expert worked closely with the local authorities to identify opportunities for enterprise development and employment generation. Two sectors were singled out as having the greatest potential, namely alternative agricultural products and rural tourism in the form of small bed-and-breakfast establishments and tourist farms. In addition, the textiles sector and information technology-based enterprises were identified as areas for further development.

In the second half of 1999, using women's social clubs and support groups to reach target beneficiaries, a series of group mobilization and networking activities were undertaken and training was provided on gender issues, legal literacy and self-confidence building. Nearly 500 women were trained in the development of business plans and skills relevant to the business opportunities which had been identified. A microfinance component was introduced in 2000 to enable the women to start up their own enterprises.

Study trips and exchange visits were organized to improve networking and raise awareness of employment opportunities in other counties. The project also received extensive coverage on the radio and television and in newspapers. It is planned to replicate the experience elsewhere in the country.

### Employment-intensive infrastructure programmes

Another instrument for highly targeted employment promotion is the implementation of employment-intensive infrastructure programmes. The methodology developed by the ILO for these programmes over the years emphasizes technology choices which maximize investment in local commodities and labour. The programmes are implemented through community associations or local small and medium-sized enterprises, under contractual arrangements which improve their access to public markets and ensure the application of minimum labour standards. Employment-intensive infrastructure programmes provide labour authorities with an opportunity to influence public investment policies.

Following the development of an urban poverty partnership programme (UPP) in Albania (see box 2.12), the ILO participated in the preparation of another Italian-funded programme in the country. This programme includes the rehabilitation of essential infrastructure in the towns of Tirana and Valona, as well as the promotion of community organization and the construction and rehabilitation of basic infrastructure in the peripheral poor areas of Tirana.

Several employment-intensive reconstruction projects were included in the ILO's proposals for Kosovo, including programmes for

#### Box 2.12. Urban poverty partnership programme in Albania

Between 1997 and 1999, the ILO carried out a project in the town of Elbasan, as well as providing training and technical assistance to local partners, including the Training, Enterprise and Employment Fund of the Ministry of Labour, with a view to improving the quality and impact of employment-creation programmes in Albania.

The initial project in Elbasan was small and consisted of the rehabilitation, including pavement and drainage works, of 3.7 kilometres of urban roadways by three local contractors. It created six months' work for around 30 people from the poorest section of the local population. The contractors and their workers benefited from formal and on-the-job training, resulting in improved

productivity and better opportunities for the contractors to gain access to the public construction market.

Two workshops were held in other areas of the country for all the parties concerned in employment-intensive public works. A study was also carried out in 1999 for the Ministry of Labour to analyse the potential for rapid employment creation through employment-intensive works in rural areas.

A guide on employment-intensive community works and the promotion of small contractors is also being prepared and will be translated into Albanian. The guide covers issues such as labour-intensive technologies, the promotion of small contractors and community participation in the selection and execution of projects.

the rehabilitation of urban infrastructure, the reconstruction of community housing and the development of small contractors. In Turkey, a mission fielded after the severe earthquake in August 1999 and a tripartite workshop held in Ankara in November 1999 succeeded in launching a broad social dialogue and gave rise to widespread press coverage of the issues of safety in the construction sector and the use of employment-intensive technologies. Other countries in which proposals have been put forward for employment-intensive infrastructure projects include Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Finally, as part of a global programme covering higher education institutions in several regions, collaboration was launched with four universities in the Netherlands and the United Kingdom for the inclusion of technology choice and local resource-based methods (including local labour) in their curricula and to carry out joint research.

### *Vocational training*

Under the pre-transition system, the average educational level in many Central and Eastern European and Central Asian countries was comparable to that of some economically advanced countries. Indeed, a well-qualified workforce is still one of their major strengths in the process of globalization. However, there is a risk that this advantage may disappear unless action is taken to reverse a number of negative trends which have emerged in recent years. These include greater inequality in access to education and training, as well as rising illiteracy rates, which are largely a result of budgetary constraints in the education and training sector and the growing income differentials in society. Attendance rates at schools have tended to drop in several transition countries, including at the primary level, thereby raising the menace of rising illiteracy in the years to come.

At the same time, economic restructuring and the opening up of national economies to world markets have brought about a serious mismatch of skills in the labour market, which is threatening to become worse owing to deficiencies in national education and training systems. The persistence of over-specialized curricula has prevented many vocational education and training institutions from adjusting to the skills required on the labour market. They will therefore have to strengthen their contacts with labour market institutions and employers if they are to provide workers with the skills that they need on the rapidly changing labour market.

Vocational training is one of the areas in which the ILO has been able to provide the transition countries in the region with a substan-

tial volume of assistance. Several countries, including Belarus, the Russian Federation and Ukraine, have successfully introduced the ILO's Modules of Employable Skills (MES) methodology (see section on MES below). In others, such as Bosnia and Herzegovina and Poland (see box 2.13), the ILO has helped to rehabilitate and develop the vocational training system. In yet others, including Azerbaijan and Tajikistan, emphasis has been placed on the introduction of community-based training for self-employment and income generation.

In Bosnia and Herzegovina, through a Luxembourg-funded project, the ILO has provided assistance in the redevelopment of the Bihac Construction Training Centre, which was severely damaged during the years of conflict. Through a Swiss-funded project, the Centre has been reconstructed and the ILO has provided technical assistance for the design of training programmes and the development of curricula and teaching methodologies. The Centre now provides training for the unemployed, returning refugees and displaced persons in skills

### Box 2.13. Development of adult training in Poland

Between 1993 and 1997, the ILO assisted the Polish Ministry of Labour and Social Policy in the implementation of a project for the development of adult training in the country, with financing from a World Bank loan. The objectives of the project were to improve labour productivity, promote inward investment and enhance labour force mobility by retraining the unemployed and improving the skills of low- or semi-skilled workers. The national capacity to deliver adult training programmes was strengthened in a number of ways, including:

- the establishment of model contracting procedures for use by employment offices in the disbursement of Employment Law Funds to training institutions;
- the development of model programmes for customized training to support new enterprises;
- the development of 100 competency-based modular vocational training programmes for the rapid acquisition

of skills in key development sectors, such as industry, finance, hotels and tourism, management, services and agriculture;

- the implementation of programmes in 110 selected training institutions throughout the country; and
- the commissioning and provision of training materials and equipment to 15 selected lead institutions for the implementation of the new training and retraining programmes.

Throughout the project, emphasis was placed on the development and integration of key modern skills into curriculum design. Fellowship programmes were also organized to improve the capacities of staff in the Ministry, labour offices and training institutions. As a follow-up activity, a national network of modular training providers was established in 1999 to strengthen the development of new courses and materials and the delivery of training programmes.

related to the construction sector, and to war widows through service sector training programmes. The training programmes offered are flexible, modular and employment-oriented, with a strong focus on the promotion of jobs for women. Through another project, support has been provided to the National Employment Programme in the Goradze region, which uses a flexible modular methodology to deliver competency-based training in several engineering fields and key skill areas.

In Albania, a recently commenced Italian-funded project provides support for the redeployment of public employees who have been made redundant in the course of the current round of intensive structural reforms. The project is designed to assist in the development of self-employment and income-generating activities for former public employees wishing to start a business. In this context, capacity-building activities will be undertaken for the staff of the Ministry of Labour and Social Affairs, regional labour offices and selected public and private training providers with a view to developing and strengthening vocational counselling, job placement services and training and retraining activities.

Through another Italian-funded project, the ILO is contributing to the reconstruction and economic development of Kosovo. The project activities include the rehabilitation of the vocational education and training system, which was severely affected by the recent conflict. It is planned to establish a regional vocational training institute, comprising a network of three local training centres. In support of the reconstruction process in Kosovo, as programmed by the international community, the training will be delivered in refurbished vocational schools and it is expected that some 2,500 skilled workers will be trained or retrained.

### Modules of Employable Skills

The ILO has developed its methodology of Modules of Employable Skills (MES) in response to the pressing need to provide both labour force entrants and current workers with the skills required on a rapidly changing labour market. The methodology for the development of the various modules offers a flexible approach to training which can easily be adapted to the needs of specific categories of the population, who often cannot be trained in a more traditional manner. Experience of the implementation of the MES methodology, for example in the Russian Federation and Ukraine (see box 2.14), shows that it is possible to provide trainees with higher levels of job-specific skills in a significantly shorter time than using traditional training methods, while making training and retraining accessible to broader

**Box 2.14. Competency-based modular training in Ukraine**

During the first phase of a project for the introduction of flexible vocational training programmes for the unemployed in Ukraine, which was financed jointly by UNDP and Switzerland, a national resource centre was set up and a network was created of 27 training institutions applying modular training. A large number of training professionals were instructed in the development and delivery of modular training programmes, and 35 programmes were developed for priority occupations.

The second phase of the project commenced in 1999 with the objective of helping the Government to create the capacity throughout the country to organize and implement flexible modular training programmes. With a high level

of support from the Government, by the end of 1999:

- the Ukrainian Inter-branch Modular Training Centre had been established by Ministerial Decree;
- 23 regional centres had been set up, with over 150 training institutions throughout the country joining the modular training network created in the context of the project;
- 80 priority occupations had been identified, and training programmes developed for 38 of them; and
- 40 training institutions had started delivering modular training and have reported that training time can be reduced by half, that learning is more effective and the skills acquired are better in comparison to traditional training methods.

categories of the labour force. As a result, the workers concerned are more competitive on the labour market.

### Community-based training for self-employment and income generation

Another approach which has been promoted to bring training closer to target groups, as part of an integrated system for the promotion of self-employment and micro-enterprises, is the community-based training (CBT) methodology. CBT relies on a close diagnosis of local conditions for the identification of potential and actual economic and employment opportunities. Flexible training delivery methods can then be used to respond to the skill needs which have been ascertained. Post-training support services are integrated into the system in each case, including such elements as access to credit, raw materials and equipment, and assistance in marketing. CBT is therefore an ideal instrument for addressing the needs of specific local target groups, including the unemployed, workers who have been made redundant, workers in the informal sector, women, youth and other vulnerable groups.

The ILO has played a catalytic role in the introduction of the CBT approach in several transition countries, and particularly in the CIS

countries. A series of workshops have been organized and demonstration projects carried out in Azerbaijan (see box 2.15), Belarus, the Russian Federation, Tajikistan and Ukraine, among other countries.

### *Enterprise development*

A growing body of evidence suggests that, where developing countries have succeeded in promoting an environment conducive to private sector growth, small and medium-sized enterprises (SMEs) and their entrepreneurship resources have proven to be the primary driving force behind economic development. Yet, despite an initial mushrooming of self-employment and SMEs in certain countries in the first years of transition, the SME sector has not generally shown great dynamism in transition countries in the region during the years 1995-2000.

Promising results have admittedly been achieved in certain countries, and particularly those which opted for a process of rapid reforms, backed by the development of a certain level of supporting institutions for private enterprises. These include the Czech Republic, Hungary and Poland, with a certain amount of success also in such countries as Estonia, Slovakia and Slovenia. However, the same has not been true elsewhere. Several transition countries are even experiencing a decline in the non-state sector, including SMEs. Countries such as Bulgaria, Romania and many of the CIS countries are still wrestling with enterprise reform and have had limited success in stimulating SMEs. In some of these countries, only the most recent macro-economic reforms have created opportunities for SMEs.

#### **Box 2.15. Community-based training in Azerbaijan**

A demonstration project, combining community-based training with other types of support for employment creation among internally displaced persons, was carried out in Azerbaijan between 1996 and 1998 and resulted in the direct creation of over 400 jobs. Based on a survey of employment opportunities in the locality, training and other types of support were provided, including microcredit, the supply of equipment and assistance with marketing. Enterprises were set up producing

school uniforms, construction materials, bottled mineral water and processed sugar, as well as several bakeries. The project has been replicated in two other districts and several of the enterprises have since enjoyed strong growth.

Based on the experience in Azerbaijan, a national workshop was organized in Tajikistan and labour market opportunities surveys carried out in four depressed areas of the country. An emergency training and employment programme has also been prepared.

The transition to an economic model in which SMEs are instrumental to growth and development is not easy or simple. While generalizations are difficult to make and the situation differs widely from country to country, SMEs in transition countries tend to come up against a number of factors which inhibit their growth to a greater or lesser extent. These often include difficulties in gaining access to the necessary capital, technologies and markets, combined with inadequate business management and marketing skills, and relatively high taxation rates for private enterprises, which have the effect of impeding profit incentives.

Many of these obstacles derive from an unfamiliarity among policy-makers and service providers of the needs and potential of SMEs. Until recently, in the belief that large enterprises were the key to economic growth, the importance of SMEs was overlooked by many economic planners. Therefore, despite certain progress, much still remains to be done to create an environment in which SMEs can flourish and where they are backed up by a support network providing the necessary training, credit facilities and other services, including representation.

### Promotion of SMEs in transition countries

In addition to its more general policy advisory work, the ILO has undertaken several projects in transition countries to promote the development of SMEs. One of these was carried out in Bulgaria between 1995 and 1998, with funding from the Netherlands and UNDP. The project applied the local economic development approach and included services to the private business community and the establishment of links between the local administration and the private sector in eight municipalities in the Mesta valley. These activities resulted in the establishment of the Razlog Business Promotion and Support Centre, the creation of a business association, the training of over 1,000 persons in business skills, the provision of consultancies to over 500 SMEs and the creation of 25 SMEs and 480 jobs in the Razlog region. Since 1999, the Business Centre has been self-supporting.

With UNDP support, it was decided to replicate the project and develop business promotion and support centres throughout the country. So far, three centres and a business incubator have been set up. The Bulgarian Association of Regional Development Agencies (BARDA) has been established and has introduced the SIYB programme in Bulgaria. The results have included the creation of 50 new enterprises, the training of 600 business starters, the promotion of over

1,500 new jobs and close collaboration with the national employment service for the training of the unemployed.

SME development activities also formed an important component of the assistance provided by the ILO to war-affected populations, including those in Bosnia and Herzegovina (see box 2.16) and Kosovo. The main proposal in Kosovo was for the creation of integrated economic development zones, including enterprise development agencies, SIYB training, business incubators and a communication centre. Other proposals included an equipment leasing programme and programmes to promote local crafts.

Other countries in which preliminary activities have been carried out with a view to launching technical assistance projects include Albania, Latvia, the former Yugoslav Republic of Macedonia and Uzbekistan. In view of the interest expressed at the Tripartite High-level Conference on Employment, Labour and Social Policy in South-Eastern Europe (Sofia, October 1999), a project proposal was also prepared for the establishment of a subregional programme for entrepreneurship development through management training.

### Start and Improve Your Business (SIYB)

One of the most widely used programmes for the development of the skills required in small businesses is the ILO's Start and Improve Your Business (SIYB) management training programme, which is in

#### Box 2.16. Enterprise development in Bosnia and Herzegovina

As part of the assistance provided in the reconstruction of war-torn Bosnia and Herzegovina, the ILO undertook an Italian-funded project in 1997 for the establishment of an enterprise development agency (EDA) in the Brcko region to provide consultancy, training and microcredit. The activities of the EDA, which is now self-financing, include executing programmes for other donors and have resulted in the creation of over 200 jobs in the region. Similar projects financed by UNDP have led to the establishment of EDAs in Banja Luka and Bihac, which are planned to achieve self-sustainability in 2001.

Based on this experience, another Italian-financed project was commenced in 1998 for the creation of EDAs in Mostar and Livno, both of which are now providing services to their target beneficiaries. The EDA in Mostar is preparing a business incubator project and has obtained a commitment from the municipality for a 3,000-square-metre building. It is planned that these agencies will become part of an EDA network, which will also include business support centres established with the assistance of other donors or by private organizations.

operation in over 60 countries worldwide. In the European region, SIYB is delivered by partners in Bulgaria, Cyprus, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Poland, the Russian Federation, Turkey and Ukraine.

The introduction of SIYB involves a process of the identification of partner institutions, the adaptation and translation of SIYB materials and the training of master trainers, who are accredited by the ILO and can ensure the sustainability of the programme through the provision of training to SIYB trainers. Over the past few years, the SIYB programme has been introduced in Kazakhstan and Kyrgyzstan (see box 2.17), and most recently in Kosovo. In Turkey (as reported in the section on child labour), the SIYB programme has been used to help the parents of child workers improve their income-generating opportunities. It was also introduced as part of a joint programme carried out by the Turkish Government and the ILO to improve the income-generating opportunities and management capabilities of women in south-eastern Anatolia.

#### **Box 2.17. Start and Improve Your Business (SIYB) in Kazakhstan and Kyrgyzstan**

The ILO's Start and Improve Your Business (SIYB) programme has been operating in Kazakhstan since 1997 through a project funded by Luxembourg and in collaboration with the German Technical Cooperation agency (GTZ) and UNDP. Good progress has been achieved in translating and adapting SIYB materials to the national context and developing and training a national network of SIYB trainers, including master trainers, who enhance the sustainability of the project through their ability to train certified SIYB trainers independently.

The geographical coverage of the programme includes 11 of the 15 oblasts (regions) in Kazakhstan, through a network of 23 vocational training institutions. The SIYB programme has achieved

national recognition and the services of its trainers are in great demand. By the end of 1999, a total of over 1,200 potential and existing entrepreneurs had received training. Many of those with the most promising business ideas have received credit to facilitate business start-ups.

In 1999, several of the master trainers from Kazakhstan assisted the ILO in two seminars for the training of SIYB trainers in Kyrgyzstan, where 30 trainers have been trained and SIYB is now being used in a small business development programme and in various training institutions. Plans are being drawn up to extend the programme further in both Kazakhstan and Kyrgyzstan, as well as in other Central Asian countries.

### Socially responsible enterprise restructuring

The restructuring of large enterprises has been one of the most critical aspects of the transition process and has frequently resulted in the failure of the enterprises concerned and massive job losses. Yet, if approached in a pragmatic, positive and consensual manner, restructuring can offer new opportunities for workers and management alike. With sufficient foresight, change can be managed so that the social dislocation and costs are minimized.

The ILO has carried out a number of pilot projects in Belarus, Georgia, the Russian Federation and Ukraine with a view to promoting enterprise restructuring practices which minimize the attendant social costs (see box 2.18). These projects consisted of the organization of multisectoral tripartite meetings and workshops, in which candidate enterprises were identified. Assistance was then provided for the consensual development of restructuring plans at the enterprise level. Best practices were documented and tested and guides and manuals are being prepared to disseminate more widely the concept of socially responsible enterprise restructuring.

### Cooperative enterprises and associations

Cooperative enterprises and associations, which were once a major force in planned economy countries, and particularly in the former USSR, have suffered greatly during the years of transition from their

#### Box 2.18. Socially responsible enterprise restructuring

Pilot projects to assist in the socially responsible restructuring of enterprises have been carried out in several transition countries, including:

- *the Russian Federation*, where two multisectoral tripartite meetings were held, which led to a number of requests for assistance from enterprises. These included an instrument-building plant in Ryazan with around 5,000 employees, which has designed a joint programme based on the diversification of its activities; and a large chemical plant in the Nizhni Novgorod region, which is also developing a plan to improve productivity, diversify its product line and “flatten” its management structure. The Russian Training Foundation has adopted the methodology and is planning several other similar meetings; and
- *Georgia*, where the original forum focused on the case of a wool plant in Tbilisi with some 3,000 employees, which developed a diversification plan involving the extension of its activities from the production of woollen fabrics to the manufacture of finished products, such as military uniforms and travel blankets for use in aircraft.

association with the former regime. The number of cooperatives of all types and their membership have fallen radically in the CIS countries. In many cases, former cooperatives have been transformed into limited liability companies. Those that have maintained their cooperative status have been confronted with a confused legislative situation, as very few countries have adopted general laws on cooperative associations. Awareness of the social objectives of cooperatives is also at a very low level.

It is only comparatively recently that the cooperative movement in the transition countries, and particularly the CIS countries, has started to make some headway. In this, it has been supported by the ILO, which, for example, carried out surveys in 1997 on the privatization of social services in Georgia, the Russian Federation and Ukraine. The ILO's programme of cooperation with the Russian Federation for the period 1998-99 included the cooperative sector, and in particular activities in the context of the ILO's programme of cooperative assistance to indigenous peoples (the interregional programme to support self-reliance of indigenous and tribal communities through cooperatives and other self-help organizations — INDISCO). The ILO also participated in the constituent assembly of the new Association of Cooperative Organizations in the Russian Federation.

The ILO has assisted in the reform of cooperative legislation in the CIS countries by making its *Framework for cooperative legislation* available to cooperative associations in Russian. The *Framework* is serving as an important reference source for the drafting of new legislation. Advisory services were also provided to the Czech Republic for the reform of the national cooperative legislation.

Preparations were carried out in the second half of 1999 and the beginning of 2000 for the launching of a cooperative employment promotion project in Israel and the Palestinian Authority, known as SHIFT, or "Shaping the Future Together: Employment Promotion through Self-Help". A network was established of some 20 Israeli and Palestinian partner organizations, including cooperative federations, peace movements, training institutions, women's and youth movements, organizations of persons with disabilities, groups of former prisoners and other NGOs. At workshops held in Jerusalem in April 2000, a portfolio of project proposals was developed with the objective of contributing to the socio-economic development of the Palestinian people and enhancing the peace process.

## Social protection

### *Occupational safety and health*

Over recent years, reported occupational injuries and fatalities have decreased steadily in most Western European industrialized countries. This has been largely the result of structural changes in the nature of work and the introduction of real improvements which have made the workplace healthier and safer, including better first aid and emergency care, which save lives in the event of accidents. Led in large measure by northern European countries and the EU, increasing emphasis has been placed on developing a workplace culture in which more importance is attached to safety and quality management. Greater priority has also been given to addressing categories of occupational hazards which are taking on increased importance as the nature of work evolves. These include musculo-skeletal problems, stress, asthmatic and allergic reactions and a heightened risk of exposure to hazardous and carcinogenic agents, such as asbestos, ionizing radiation and hazardous chemical substances, as well as behavioural issues, including violence at work and drug and alcohol abuse.

In many Central and Eastern European and Central Asian countries, the transition process, privatization and the increasingly uneven distribution of wealth, often combined with problems related to the non-payment of wages and the collapse of traditional national industries, have all tended to diminish the importance attached in practice to occupational safety and health issues. Lulled in certain cases by a false sense of security, as official statistics fail to reveal the true scope of occupational safety and health problems, general awareness of safety and health issues is often at a very low level.

### *Regional partnerships on occupational safety and health*

The ILO has continued to strengthen its wide range of partnerships with constituents and institutions in the European region in the field of occupational safety and health. Denmark and Finland remain the key donors for the ILO's global activities in this field. The ILO also works closely with the EU and its various institutions, increasingly within the perspective of harmonizing the law and practice of accession countries with EU directives on occupational safety and health. The EU also provides funding for information activities and the ILO/WHO/UNEP International Programme on Chemical Safety (IPCS), which has produced some 1,200 International Chemical Safety Cards (ICSCs) that have been translated into a wide range of European

languages, including Finnish, French, German, Hungarian, Polish, Russian and Spanish. The ILO's work in the field of occupational safety and health enjoys strong support from many national safety and health institutions.

### Occupational safety and health statistics

The ILO Code of practice on recording and notification of occupational accidents and diseases provides the basis for assistance to constituents to improve national law and practice in relation to the reporting of occupational accidents and diseases. It was the subject of a meeting of occupational safety and health institutions in the countries surrounding the Baltic Sea, organized by WHO in Vilnius in September 1997.

As part of its effort to promote greater global knowledge and awareness of the scope and impact of occupational safety and health problems, the ILO undertook a worldwide data collection exercise on fatal occupational accidents, which was finalized in 1998. A total of 38 European member States contributed to this exercise. The resulting figures indicate that the incidence of fatal occupational accidents is twice as high in the former planned economy countries as in the established market economy countries as a whole.

### ILO standards and national legislation on occupational safety and health

The good record achieved by European countries in ratifying international labour standards is reflected in the fairly high level of ratification of ILO Conventions on occupational safety and health in the region. Over 20 European member States have ratified the Radiation Protection Convention, 1960 (No. 115), the Guarding of Machinery Convention, 1963 (No. 119), and the framework standard in this area, the Occupational Safety and Health Convention, 1981 (No. 155). During the period 1995-2000, a total of nine ratifications of the Safety and Health in Mines Convention, 1995 (No. 176), were also registered by countries in the region.

One standard which has had a major impact in recent years is the Asbestos Convention, 1986 (No. 162), which was ratified by Belgium, the Netherlands, Portugal and the Russian Federation during the period under review. The objective of the Convention is the gradual elimination of the use of asbestos, which is estimated to cause some 100,000 deaths a year worldwide. Following broad discussions of the subject, France decided to ban the substance. The use of asbestos was then prohibited in the EU.

The occupational safety and health standards set by Western European countries are beginning to have an effect on the policies and practice in transition countries in the region, particularly but not exclusively in the preparing for accession to the EU countries. The latter have come under increasing pressure to adapt their law and practice to the occupational safety and health and product safety standards set out in EU directives. Task forces have therefore been set up to supervise the transition process and report progress to the EU. Ministries of labour and trade have established working groups and designated experts, who are involved in the process of drafting occupational safety and health and product safety laws and in setting up supervision structures.

While most of the countries concerned are at the stage of drafting the relevant legislation, with implementation and training still to come, some have taken major steps in the adoption of new laws. One example is Estonia, where the Occupational Safety and Health Act and Regulations, adopted in June 1999, cover the provisions of the main ILO Conventions on labour inspection, occupational safety and health and occupational health services (Conventions Nos. 81, 129, 155 and 161), all of which Estonia expects to ratify shortly. Another country which has made substantial progress in this respect is Slovenia, where much greater emphasis has been placed on workplace prevention programmes and measures.

Steady progress has also been made in the revision of occupational safety and health laws in the Russian Federation, often based on advice and comments from the ILO, as in the case of its draft chemical safety legislation. Other CIS countries are following the same trend. However, the detailed regulations have not yet been developed and the new standards have not therefore been implemented.

### Occupational safety and health information

A key to improving awareness of safety and health issues and providing practitioners with the necessary tools for action is the availability of reliable information. One of the pillars of the ILO's action in the field of safety and health is therefore the processing and dissemination of safety and health information, particularly through the International Occupational Safety and Health Information Centre (CIS) and its network of national and collaborating centres (known as CIS centres). During the period 1995-99, the network was strengthened by the advent of national centres in Belarus and Malta, as well as collaborating centres in Latvia and the Russian Federation. There are

now a total of 38 national and collaborating centres throughout the European region, of which 11 are in transition countries.

The ILO's central CIS database (CISDOC) continued to expand its coverage of occupational safety and health laws and directives worldwide, including over 500 new entries since 1995 on European countries and more than 100 EU directives. In addition to supplying documentation to all the centres, practical assistance was provided to the national centres in Bulgaria and Romania to upgrade their computer equipment and, in the case of the Romanian centre, connect it to the Internet.

The CIS network is very much based on the concept of partnership, with many centres providing original documents and abstracts

### **Box 2.19. Occupational safety and health information centres in the Russian Federation**

The ILO's network of occupational safety and health information centres (known as the CIS network) has been strengthened by the addition of two collaborating centres in the Russian Federation. These are the Russian Research Centre for Standardization, Information and Certification of Materials and the Centre for Occupational and Industrial Safety and Social Partnership of St. Petersburg, which joined the network in 1995 and 1997 respectively. In addition, the National Centre maintains close contacts with some 45 occupational safety and health information centres throughout the Russian Federation, as well as centres in several CIS countries, including Kazakhstan, the Republic of Moldova, Ukraine and Uzbekistan.

In 1997, under a Tacis project, the National Centre published a CD-ROM entitled *Preparation and implementation of basic legislation on occupational safety*, which includes Russian translations of European directives to facilitate their use by the Russian authorities. A background document on the CD-ROM sets out the goal of eventual harmonization with European regulations. The ILO's CISDOC database refers to background documen-

tation on two Russian Federation Ordinances (the 1995 official list of carcinogenic substances and the 1995 Order on the safety reporting system for major hazard industrial installations), which cites the relevant ILO standards as bases for the regulations (the Occupational Cancer Convention, 1974 (No. 139), and Recommendation (No. 147), and the Prevention of Major Industrial Accidents Convention, 1993 (No. 174)).

The St. Petersburg Collaborating Centre has been particularly active in responding to the great need for Russian-language occupational safety and health information, as a major step in the process of awareness-raising. It collaborated in the translation of the ILO *Encyclopaedia of occupational health and safety* (4th edition), which was completed in early 2000 and made available over the Internet. Other information available on the Centre's website includes a database of some 2,000 Russian occupational safety and health laws and standards, 1,200 IPCS international chemical safety cards, 50 datasheets on hazardous occupations and a selection of safety and health information from Russian and other sources.

for inclusion in the CISDOC database. Centres in Finland, Hungary and the Netherlands have been particularly active in preparing chemical safety data sheets, thousands of copies of which have been distributed around the world. A great deal of progress has also been made by the centres in the Russian Federation in recent years in making available safety and health information in Russian (see box 2.19).

### Codes of practice

Over the past few years, codes of practice have taken on increased importance in the ILO's work and have enjoyed a positive response from many constituents throughout the European region. Codes of practice are finalized by tripartite meetings of experts and, although not binding, provide important benchmarks for action in a range of technical and sectoral fields, many of which are related to safety and health (see box 2.20).

A good example is the ILO Code of practice on safety and health in forestry work, which was published in 1998 in English, French and Spanish, and has subsequently been translated into Czech, Latvian, Russian and Swedish by the trade unions in the respective countries. A tripartite committee in Latvia used the code as a basis for preparing national safety regulations, which have come into force. In Portugal, the code has been included as one of the policy instruments in the "Plan for the Sustainable Development of Portuguese Forests". Using the code as a reference, a tripartite committee in the Czech Republic has also developed regulations, which are scheduled to be submitted to Parliament for approval during the course of 2000.

#### **Box 2.20. Code of practice on safety in the use of synthetic vitreous fibre insulation wools**

An interesting example of the involvement of the ILO's European constituents in a demand-led safety and health activity is the development of the ILO Code of practice on safety in the use of synthetic vitreous fibre insulation wools (glass wool, rock wool, slag wool), which was adopted by a Meeting of Experts in January 2000. The European Insulation Manufacturers' Association (EURIMA) was one of the prime movers, together with industry associations from other

regions, in encouraging the ILO to prepare a code of practice and in providing two-thirds of the funding for the Meeting of Experts.

The code of practice provides practical guidance for prevention and safety in an industry which employs over 200,000 workers worldwide. Many millions more risk exposure, at work and in their homes, to insulation wools, the annual production of which is now estimated at over 6 million tonnes.

Another example is the ILO *Technical and ethical guidelines for workers' health surveillance*, published in 1998. The guidelines have been translated into Lithuanian by constituents and their translation into German is planned. The ILO has provided technical support for activities to promote awareness of the guidelines in several countries, including Germany, Italy and Portugal.

### **Labour inspection**

The ILO continued to provide assistance to constituents in transition countries to help them adapt their labour inspection systems to the new conditions of the market economy, and particularly the emergence of private enterprises, including SMEs. The principal problems inherited from the inspection systems under the planned economy system consisted of a fragmentation of responsibilities between trade unions and sectoral ministries, and a separation between inspection services covering occupational safety and those responsible for occupational health issues.

The needs of transition countries, as recognized at a high-level meeting on the development of labour inspection systems held in Hungary in May 1996, include the integration of the various inspection services, the strengthening and closer involvement of the social partners in the design of prevention policies, the development of skills within labour inspectorates, including relational skills for the promotion of preventive action by managers and workers, and the reform and harmonization of national legislation to bring it into line with ILO and EU standards.

The ILO undertook a number of technical assistance projects in Estonia, Latvia and Lithuania during the period 1995-97. These focused on institutional development, including the setting up of work environment departments, training for those involved in labour inspection and preventive activities, and networking activities between the three States and partners in neighbouring countries. A tripartite advisory council on the work environment was created in Estonia and the tripartite commission on labour protection in Lithuania developed a national policy on labour protection. These projects were carried out in a context of collaboration with a range of other partners, including the EU Phare programme, and assistance from other Baltic countries.

Support was also provided for the establishment of a department of labour protection within the Ministry of Labour and Social Affairs and the Family of Slovakia and for the revision of the legislation determining the functions of the labour administration system. At the

request of the services concerned, audits were carried out of the labour inspection services in Bulgaria and Romania. In Bulgaria, the concept of establishing a single integrated labour inspection service was agreed upon by a high-level national tripartite seminar held in September 1997 and assistance, in particular for the training of labour inspectors, was provided through a German-funded technical cooperation project which commenced in 1999.

### ***Programmes against drug and alcohol abuse***

The adoption in 1995 of the ILO's Code of practice on the management of alcohol- and drug-related issues in the workplace played an important role in broadening awareness that drug and alcohol abuse constitutes a serious health and safety problem at the workplace and in society as a whole. The code emphasizes the key role of partnerships between employers, workers' organizations and public agencies in preventing substance abuse and changing social attitudes towards drug and alcohol consumption.

Building on the success of a pilot programme carried out in Poland between 1993 and 1996, the application of the code was promoted through a project in Hungary, Latvia, Romania, the Russian Federation, Slovenia and Ukraine, funded by the United Nations International Drug Control Programme (UNDCP). Within the framework of the project, a total of 36 enterprises, working under the guidance of tripartite advisory boards, have developed prevention programmes for their workforces (see box 2.21). These experiences were discussed at a subregional seminar for workers' organizations held in Budapest in 1998, which was attended by representatives from a further eight Central and Eastern European countries, who expressed interest in replicating the experience in their own countries.

The code of practice also provided the inspiration for action in other countries. For example, it was used as a model for a business-community prevention programme focusing on drugs, alcohol and other health hazards in Greater Manchester in the United Kingdom. The recently launched national programme was in turn modelled on the Manchester initiative.

### ***Networking and partnerships for substance abuse prevention***

The experience acquired in the implementation of the code of practice was among the highlights of presentations made at the Fourth International Private Sector Conference on Drugs in the Workplace and the Community, held in Sundsvall (Sweden) in 1999 in

### Box 2.21. Enterprise programmes to prevent drug and alcohol abuse in Slovenia

Under the guidance of a tripartite advisory board, assistance was provided to six enterprises in Slovenia to introduce pilot drug and alcohol abuse prevention programmes within the framework of a three-year UNDCP-funded project which commenced in 1995.

The participating enterprises reported that the project had provided an important stimulus for the introduction of a preventive approach in cooperation with the workforce, replacing the former attitude of trying to hide drug and alcohol problems and resorting to dismissal in severe cases. They have also noted a decline in absenteeism, sick leave and accidents, combined with improved productivity and work quality.

One of the participating enterprises is a high-technology company in the Kranj region of Slovenia. The drug and alcohol abuse prevention initiative has been built into the structure of the company's educational and social pro-

grammes, which cover, among other areas, the promotion of a healthy lifestyle for employees and their families. The programme has played an important role in developing a local network in Kranj, including local health care and rehabilitation institutions. It has also responded to pressure from foreign investors, particularly in Germany and the United States, to increase social programmes in the company.

The Slovenian Government has provided resources for the expansion of prevention programmes. It organized a seminar in Ljubljana in October 1999 for over 50 human resource managers who are interested in initiating prevention programmes in their companies. Information materials have been produced in Slovenian and the pilot programmes have received coverage in the media. Moreover, new regulations on safety and health will require more preventive activities at the workplace, including drug and alcohol programmes.

collaboration with UNDCP. The participants, who came from over 30 European countries, formulated five plans of action for business-community collaboration to prevent substance abuse in the workplace, the community and schools. The conference stimulated extensive networking between its participants, and particularly enterprise representatives and agencies providing services to industry. These activities have resulted in a number of large European-based multinational enterprises planning the introduction of prevention programmes covering drugs, alcohol and other hazards, such as smoking and violence at work.

The ILO continued to strengthen its collaboration with partners at the regional level for the development of programmes and measures in the fields of substance abuse and health promotion. It participated in research into attitudes and policies towards substance abuse in collaboration with the EU and assisted in a study of drug abuse prevention at the workplace carried out by the European Monitoring Centre for Drugs and Drug Addiction. The ILO also contributed to the

Council of Europe's demand reduction training project for Central and Eastern European countries.

### *International migration for employment*

#### **Informal Network on Foreign Labour in Central and Eastern Europe**

With a view to helping the countries of Central and Eastern Europe develop their understanding of and capacity to address issues of labour migration, an Informal Network on Foreign Labour in Central and Eastern Europe financed by the Government of Luxembourg was launched in 1996. The main activities of the Network consist of:

- the holding of national workshops by interested countries;
- the organization of an annual meeting bringing together representatives of countries in the region and international organizations; and
- research projects on subjects of common interest.

Preparatory national workshops were held by seven countries with a view to identifying responsibilities, competencies and gaps in the coverage of labour migration issues in the various countries. Annual meetings of the Network were held in Budapest (1996), Bratislava (1997), Prague (1998), Warsaw (1999) and Minsk (2000). At the fourth meeting, in Warsaw, the participants agreed that the activities of the Network should be continued and expanded, and follow-up activities were planned for the second phase of the project. A seminar was also held in Warsaw in 1999 for government authorities on the subject of migration statistics. The seminar was designed to familiarize senior officials responsible for planning and implementing migration policies with the conceptual and methodological issues relating to the development of statistics on labour migration.

The participants in the Network emphasized the need to address the issue of illegal border crossings and the irregular employment of migrant workers. A research project was therefore undertaken on this subject in the Czech Republic, Hungary, Lithuania and the Russian Federation based on key-informant surveys. Several of the studies pointed out that migration for employment serves to provide labour for jobs which are of little interest to national workers. They also noted that the imposition of rigid administrative formalities and the tightening of legislative requirements for migrant workers, which is a trend in several countries, often have the effect of driving the workers

concerned into forms of clandestine labour, with the attendant disadvantages of the non-payment of taxes and social contributions, and the development of illegal intermediaries, such as job agencies and transporters.

With a view to providing guidance to countries preparing for accession to the EU on their policies on migrant workers, a comprehensive report was prepared on the protection of migrant workers. The report is also designed to be of assistance to other CIS States in demonstrating how the bilateral agreements that they have concluded with the EU can be used to strengthen the rights of their nationals who migrate to the EU for reasons of employment. Another study examined the EU legislation to which an applicant State must adapt in the field of the free movement of persons. Taking the example of Hungary, it investigated the issues arising in the adaptation of the legislation of applicant States and the timetable involved.

### Integration of migrant workers

Several studies were carried out on the policies and measures adopted by migrant-receiving countries to improve their integration into the labour market (see bibliography). These studies found that, despite the existence in all the countries concerned of anti-discrimination policies and programmes, a very large proportion of immigrant and minority job applicants still encounter discrimination in access to jobs. The findings of these reports were presented to an Interregional Seminar on Achieving Equality in Employment for Migrant and Ethnic Minority Workers, held in Geneva in March 2000. The seminar identified the measures taken to prevent discrimination and promote equality for migrant and minority workers with a view to the replication of good practices elsewhere.

### Social security

The future of social protection is the subject of debate in countries at all levels of development. In European industrialized countries, the issues are centred on the sustainability of pension systems in view of the ageing of the population and the effects on the economy of a high level of social protection. In transition countries, the problem is to adapt the system to the new requirements of a market economy, characterized by the prevalence of employment in the private sector and the emergence of high rates of unemployment and poverty.

As a contribution to the wide-ranging debate on pension reform in Europe and elsewhere, the ILO organized a series of regional sem-

inars. These included a tripartite regional consultation with Central and Eastern European countries to formulate an ILO approach to the reform and development of pension systems, which was held in Budapest in 1997. This initiative served to show that the problem of financing pensions is less simple than is often imagined and that the adverse demographic developments facing many pension systems cannot be resolved by changing from pay-as-you-go to advance funding. The conclusions of the consultation process were set out in a publication on the development and reform of social security pensions, which recalls that a wide range of measures are necessary to ensure that pension systems continue to provide adequate coverage, while remaining affordable.

A regional meeting of experts on pension reform in Central and Eastern Europe was also organized in cooperation with the Ministry of Labour and Social Affairs of the Czech Republic. The meeting, held in Prague in April 2000, was based on the notion that regional experience is among the best sources of information and insight for countries engaged in or contemplating the reform of their pension schemes. The meeting brought together experts from selected countries to describe the most recent situation and events and to exchange ideas. The presentation will serve as the basis for a new publication on social security by the Budapest MDT.

A more wide-ranging study of income security and social protection in a changing world was also published as the *World Labour Report 2000*. The report concentrates largely on the means of providing income security to the very large numbers of persons throughout the world who are either completely excluded from social protection, or from protection in the event of certain contingencies, such as unemployment. It also uses the examples of many European countries to emphasize that social protection, rather than being a burden on the economy, can be a consensual choice which facilitates adjustment by providing security in times of change, while at the same time boosting markets by eradicating poverty among broad categories of the population.

### Assistance in social security reforms

The ILO provided support in the form of advice, training and consultancy to assist in the process of reforming social security systems in many transition countries. For example, with UNDP funding, technical support was provided to Bulgaria and included advice and comments on national social policy strategies, leading to the organization of a series of training activities for social security practitioners

in the managerial, administrative and financial techniques needed to operate autonomous social security schemes. A tripartite seminar was also organized in Romania on the reform of the pension system. The seminar provided an opportunity for the tripartite review of the draft law on pension reform and for the coordination of reform measures in the country's various pension schemes. Another country in which the ILO provided important guidance for the reform of the social security system was Turkey (see box 2.22). The ILO contributed to the design of pension reform in Belarus through a UNDP-funded project, which started in March 1999 and placed emphasis on the close association of the social partners in all the phases of its implementation.

### Social budgeting

The ILO also focused on the development of its social budget model as a means of providing governments with practical tools to help them take coherent decisions concerning the financing of social security. This model facilitates projections of the cost of social protection as a whole, thereby enabling policy-makers to gain an understanding of the broad financial implications of various reform options. This type of analysis complements the more traditional actuarial analysis

#### Box 2.22. Social security reform in Turkey

The ILO, in collaboration with the Australian Health Insurance Commission, has been working closely with the Government of Turkey since 1995 to provide guidance on social security reform in the country. The assistance provided focused on reforms of the existing system of retirement pensions, the development of a programme of social assistance for low-income persons with disabilities and elderly persons, and reforms to the health care system. Based on a series of short- and long-term projections, the review concluded that:

- the existing pension schemes are unsustainable for the future and there is a need to reform both social assistance and health care provisions;
- the health care, social assistance and pension reforms could proceed together;

- there are a variety of pension options available; and
- the key issue in social protection is how quickly the reforms are introduced, and the need for social consensus and for sound administrative reform.

The Social Security Reform Act adopted in September 1999 includes the most urgent measures, including an increase in the minimum retirement age (to 58 for women and 60 for men), a lengthening of the contributory period for a full retirement pension, the improvement of the health insurance system and the introduction of unemployment insurance, to be commenced in June 2000. A second phase of the reform is expected to be introduced at the end of 2000.

of individual social security schemes, for which the ILO continued to provide support to many member States in the region, including Cyprus and Luxembourg.

The social budget model was tested and used in various Central and Eastern European countries, including Belarus, Bulgaria, Lithuania, Poland (see box 2.23), Slovakia and Ukraine. The results of the social budget exercise in Ukraine provided a basis for a broad debate on the reform of the social protection system. Legislation has been adopted making the establishment of a social budget a formal requirement in the government budgeting process. A social budget unit has also been set up in the Ministry of Labour.

The first generic version of a national social budget model has been published on the ILO's website and is freely available to all interested social security practitioners and researchers. A start was also made, in collaboration with the International Social Security Association (ISSA), in compiling a series of textbooks on quantitative methods in social protection which, it is hoped, will become standard reading for social protection practitioners.

### Strategies and Tools against Social Exclusion and Poverty (STEP)

In response to the growing awareness that the extension of social protection to categories of the population who are not covered by

#### Box 2.23. Development of the social budget model in Poland

In 1998, the ILO social budgeting methodology was introduced in Poland. A working group of specialists and researchers was established to adapt and develop the model, the various modules of which were refined and interlinked at a workshop held in the Turin Centre in the summer of 1998.

The social budget model was then installed in the Ministry of Labour and Social Policy at the beginning of 1999, where it has been applied in order to:

- analyse the effect on social policy of various economic and fiscal scenarios prepared by the Ministry of Finance;
- simulate the medium-term developments in social expenditure resulting

from the reforms in pension and health care financing introduced at the beginning of 1999; and

- simulate the financial and social impact of various options for the adjustment of benefit policy.

The Ministry of Labour and Social Policy concluded an agreement with the Gdansk Institute for Market Economics for the development of the model, its implementation in the Ministry and its future maintenance. Following the implementation of the project, Polish experts assisted in introducing or developing social budget modelling techniques in Lithuania and the Republic of Moldova, and are expected to do so in other countries in the near future.

traditional social security schemes cannot be achieved solely through the extension of conventional systems, the ILO launched its Strategies and Tools against Social Exclusion and Poverty (STEP) programme, with the financial support of Belgium and Portugal. The programme is intended to develop and disseminate innovative methods of social protection which are capable of reconciling economic efficiency and social solidarity, based on a combination of social justice, sound management and economic realism. One of the main innovations pursued by the programme is the concept of micro-insurance, particularly in the form of community-based mutual funds for social protection.

During the course of 1999, a start was made to introducing the STEP programme in Central Asia, where its main objective is to promote and support the development of appropriate social protection schemes, with particular reference to health insurance for informal sector workers, and especially for the self-employed, women workers and refugees.

Work has commenced in the form of exploratory missions in Kazakhstan, Kyrgyzstan and Tajikistan. Case studies have been prepared to identify existing initiatives in the field of the social economy, as well as community-based organizations and national support organizations working in the same field. In these activities, the option is being explored of grafting micro-insurance schemes onto existing microfinance initiatives. The ILO also participated in workshops in Kazakhstan and Tajikistan with a view to increasing awareness of the concept of micro-insurance. These activities led up to the formulation of a pilot project in Kyrgyzstan.

### **Social dialogue and tripartism**

The promotion of social dialogue and tripartism is one of the most important areas in which the ILO has been able to assist member States which are undergoing the process of transition to a market economy. Social dialogue is integral to democratic development and is a determining factor in the success of measures taken in all labour-related fields, ranging from employment policy and training, on the one hand, to social security and safety and health, on the other.

The presence of specialists on labour law and industrial relations, employers' and workers' activities in the Budapest MDT and, since 1998, on international labour standards and employers' and workers' activities in the Moscow MDT, has meant that the members of the MDTs have been able to develop strong relationships with many of the constituents involved in social dialogue in the transition countries in the region.

Yet none of these countries have a real tradition of deep-rooted and independent social dialogue on which to build. While some have undoubtedly gone further than others in developing social dialogue as an essential feature of their democratic societies, there is still much progress to be made everywhere. As yet, few governments in transition countries inform the social partners of their social and economic plans, let alone consult them in advance.

The assistance provided by the ILO during the period under review therefore consisted of helping to strengthen those institutions and processes of social dialogue which had been launched in previous years, and supporting constituents in countries in which the first steps were taken towards a consensual approach to the determination of labour and other policy issues. Tripartite cooperation was also promoted through the ILO's interventions in all of its other fields of activity through tripartite meetings and seminars held on a wide range of subjects, as well as through the tripartite committees and steering groups set up to oversee many project activities.

The ILO assisted in the organization of ground-breaking national tripartite meetings or conferences on social dialogue in several countries, including Croatia, Estonia and Lithuania in 1996, and Latvia, the Republic of Moldova and the former Yugoslav Republic of Macedonia in 1997. In 1995, in cooperation with UNDP, the ILO co-organized with the Albanian Government the first tripartite conference to be held in Albania, which led up to the conclusion in November 1997 of an agreement to set up the tripartite committee on wages. It has since offered advice and comments on the reform of the Albanian Labour Code which, among other measures, sets out the legal basis for the creation of the National Labour Council.

Within the context of a Luxembourg-funded project, technical assistance was also delivered to Belarus, the Russian Federation and Ukraine for the promotion of social dialogue, and a number of important tripartite meetings and conferences were organized in these countries under ILO auspices. The results of this work included the formulation and adoption of a new law on the settlement of labour disputes in Ukraine. The advisory services provided to the tripartite constituents in the Russian Federation included consultancy on the proposed reform of the labour law in 1999. In Belarus, a framework for tripartite negotiations on social dialogue was developed with the assistance of the ILO.

### *Institutions of social dialogue*

During the period since the last European Regional Conference, a number of member States in transition have established new national tripartite bodies with ILO assistance. These include Albania, the three Baltic States, Croatia, Poland and Romania. For example, in Croatia, the ILO helped the social partners conclude an agreement setting up the Economic and Social Council and providing for its renewal on an annual basis. Recently, the ILO's assistance has been requested for the consolidation of the Council. The promotion of social dialogue was also an important element of the ILO's contribution to the rehabilitation of Bosnia and Herzegovina (see box 2.24).

In countries where national tripartite mechanisms were already in operation, the emphasis was on improving their functioning, developing the skills and knowledge of the social partners, strengthening dialogue and collective bargaining at the sectoral and enterprise levels, and promoting mechanisms for the settlement of labour disputes. By way of illustration, the ILO organized several meetings to help the Polish Tripartite Commission for Economic and Social Affairs address pressing problems. It was also involved in the meeting to celebrate the fifth anniversary of the founding of the Commission and review

#### **Box 2.24. Social dialogue in Bosnia and Herzegovina**

In May 1998, the first ever national tripartite conference on social dialogue and tripartism was held in Sarajevo and brought together the representatives of the tripartite constituents from both the Federation of Bosnia-Herzegovina and Republika Srpska. The participants agreed upon the need to reform the legislative framework in order to promote collective bargaining at the sectoral and enterprise levels. They also focused on the need to harmonize the labour laws of both political entities and to ensure that they are in accordance with free and democratic principles, including the development of collective bargaining and the peaceful settlement of industrial disputes.

A number of activities were carried out as a follow-up to the conference

within the context of an Italian-funded technical cooperation project. These included:

- the organization of a study tour for a tripartite delegation representing both political entities to gain first-hand knowledge of the industrial relations system in Italy;
- technical advice and comments for the reform of the labour legislation, especially in the Federation of Bosnia-Herzegovina;
- the conclusion of agreements to set up Economic and Social Councils in both entities; and
- training for high-level officials in industrial relations issues, including the promotion of collective bargaining, the settlement of labour disputes and workers' participation in enterprises.

its role and functioning. Advice and assistance were provided for the reform of the National Conciliation Council in Hungary, as well as for the establishment in May 1999 of the separate National ILO Council to carry out the tripartite consultations required under the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). A series of ad hoc meetings were held with the social partners in the former Yugoslav Republic of Macedonia, covering a variety of topics, with a view to reviving tripartite dialogue at the national level.

The organization of many other tripartite events and study visits all served to strengthen the nascent tripartite tradition in the countries concerned. This tradition was further developed in a series of tripartite regional seminars for the countries of Central and Eastern Europe held in Cyprus in 1996, 1997 and 1998, as well as in the subregional tripartite seminars organized in Warsaw in October 1997 and June 1999 on labour dispute settlement and collective bargaining, respectively.

### Reform of labour legislation

One of the major topics covered by tripartite dialogue at the national level in transition countries over recent years has been the reform of labour legislation. The ILO has provided technical assistance and comments to many of the countries of Central Europe and Central Asia to help them in this process. This support has covered, inter alia, the harmonization of labour legislation with EU laws in the Czech Republic and Lithuania, the adoption of the new Labour Code in Croatia, changes in the legislation respecting the settlement of labour disputes in Bulgaria and Ukraine and the formulation of laws respecting employers' organizations in Estonia, Latvia and the Russian Federation. On several occasions, tripartite meetings were held at the national level to discuss proposed changes to the labour legislation. These included, for example, the tripartite seminar and meeting of experts held in Vilnius in September 1999 on the new draft Labour Code of Lithuania.

Considerable emphasis was also placed on the development of machinery for the settlement of labour disputes. Tripartite seminars and workshops on this subject were held in Poland, the Russian Federation and Ukraine in 1996, in Romania in 1997, in Bulgaria in 1998 and in Latvia, the Republic of Moldova and the Russian Federation in 1999. Study visits were organized and subregional seminars or workshops were held on labour dispute settlement machinery in Warsaw and Dublin.

### *Wages and incomes policy*

During the period 1995-2000, most Central and Eastern European and Central Asian countries were confronted by a severe wages and incomes crisis. However, the extent and consequences of these crises differed broadly from one country to another, reflecting their varying levels of economic development, the conditions under which the planned economy system was replaced and the timing of the transition process. Some transition countries suffered a sharp decline in real wages as a result of the collapse in production levels, the liberalization of prices at the beginning of the transition process and the restrictive wages and incomes policies pursued by governments with a view to combating inflation and controlling social expenditure. The fall in real wages reached considerable proportions in certain countries, such as the Russian Federation, where they declined in value by 57 per cent between 1991 and 1998, and Belarus, where they dropped by about 43 per cent between 1990 and 1997.

At the same time, wage differentials have grown considerably in many countries between — among other categories — men and women workers, the various sectors and regions, and the highest- and lowest-paid. Taking the Russian Federation as an example once again, the average earnings of the best-paid 10 per cent of the workforce are now some 25 times higher than those of the lowest-paid 10 per cent. The increase in wage differentials has mostly been to the detriment of certain vulnerable industries and publicly funded sectors, such as education, health, culture and research.

The decline in real wages and the rise in wage differentials have been accompanied in certain countries by the non-payment or delayed payment of wages and the development of non-money wages, both of which are in contradiction with the principles set out in the Protection of Wages Convention, 1949 (No. 95). This problem has seriously affected a significant proportion of the labour force in the CIS countries. Although to a lesser extent, the problem of delays in payment of wages has recently occurred in other countries, such as the Czech Republic, especially in some state-owned enterprises in the fields of machine-building and the steel industry. The development of non-money wages, which is linked to the whole problem of the demonetarization of national economies and the spread of barter trade, has also aggravated the situation of workers by depriving them of their due wages.

The weakness of industrial relations systems in general, and of institutions of collective bargaining and social dialogue in particular,

has also contributed to the deterioration in the wages situation. Indeed, the social partners, including the State, have been unable to provide coordination and solidarity between the different categories of workers in the context of wage policy. It was also impossible for governments to keep wages under rigid control at a time of price liberalization and high inflation, without any countervailing strong expression of the problems suffered by the most vulnerable categories of the working population. As a result, the minimum wage, which should be the cornerstone of the whole system of wages and income protection, has either been frozen or has been subject to very irregular adjustments and has fallen to very low levels in several countries. By way of illustration, it amounted to under 12 per cent of the minimum subsistence income in Ukraine in 1996 and under 10 per cent in Belarus in 1998.

This situation has had several consequences, including:

- the impoverishment of workers and the emergence of the working poor, which has had the effect of pushing workers towards state assistance or finding a secondary job, often in the informal sector, or both;
- a decline in consumption, and therefore in economic activity and growth;
- a deterioration in labour discipline, efficiency and productivity in both the private sector and in public services and administrations; and
- the disruption of the resource allocation function of wages and the distortion of the income structure.

#### ILO assistance in the field of remuneration

With a view to helping the countries concerned cope with the consequences of the wage crisis and reform their wage systems and incomes policies, technical advice and assistance were provided to a number of countries, including Albania, Belarus, Estonia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, the former Yugoslav Republic of Macedonia, the Russian Federation and Slovenia. In the case of Estonia and Macedonia, the ILO cooperated with the OECD's SIGMA programme (Support for Improvement in Governance and Management in Central and Eastern European Countries). Surveys of wages and employment practices were conducted in enterprises as a means of providing government institutions and the social partners with the necessary data. In addition, a number of regional and subregional seminars and meetings were held on the subject. These included a

high-level tripartite symposium, organized jointly by the ILO and the European Commission in Budapest in November 1995, which brought together a large number of experts from both Central European and Western European countries to discuss solutions to the wage crisis affecting transition countries at the time.

Technical assistance in the field of remuneration was provided to two countries in particular: the Russian Federation and Albania (see box 2.25). An ILO consultative mission to the Ministry of Labour of the Russian Federation in February 1999 provided guidance on the two key issues of remuneration for work as a share of GDP and the question of fixing a national minimum hourly wage, as well as on differences in regional and sectoral wages, the problem of the non-payment of wages, and public sector wages. The mission's conclusions and recommendations were discussed with experts from the Government, the State Duma and the Council of the Federation, and with the representatives of employers' and workers' organizations at the International Conference on Social and Labour Issues: Overcoming Adverse Consequences of the Transition Period in the Russian Federation.

#### Box 2.25. Wage policy reform in Albania

The ILO provided technical assistance to Albania to help address the wage and income problems experienced in the country during the transition process, particularly in the context of a technical cooperation project between 1994 and 1998 which was funded by UNDP and, in its second phase, by the Government of Albania. Training was provided and study tours organized to strengthen the capacity of the Government and the social partners to formulate and implement a global reform of the wage policy with a view to improving economic efficiency and enhancing workers' protection. Several enterprise surveys were carried out to provide information on wage and employment practices. With this support:

- the national system of wage regulation has been reformed, with a move from the unilateral fixing of the minimum wage by the Government to a negotiated minimum wage and the conclusion in 1996 of the first tripartite national agreement on increasing the minimum wage;
- the pay system for civil servants was reformed in 1996;
- a tripartite committee on wage and income policy was set up within the Ministry of Labour and the respective legal texts were adopted; and
- the Department of Wage Policy was transferred from the Ministry of Finance to the Ministry of Labour and provided with equipment, including computers and documentation.

### *Employers' organizations*

As the transition countries in Europe and Central Asia embarked upon the process of developing a market economy and democratic structures capable of supporting tripartite social dialogue, it was clear that organizations representing the interests of employers constituted the weakest link in these fundamental structures. Even though organized employers had not previously existed, organizations of employers emerged surprisingly early. However, even now, they are still having to contend with major obstacles, including: the lack of role models and relevant experience of what employers' organizations are and what they do; and a continued deep suspicion of free enterprise coupled with the "conditioned reflexes" on the part of the political and administrative authorities to retain the top-down control of production and oppose any "unauthorized" initiatives.

At the Fifth European Regional Conference in 1995, the participants took note of the obstacles and difficulties faced by the social partners in a resolution aiming at ensuring the independence and facilitating the financing of employers' and workers' organizations. In the case of employers' organizations, one of these difficulties is that the contributions payable by their members often cannot be deducted for tax purposes, which creates important practical obstacles to the expansion of their membership. In a survey carried out in 1999, it was found that in the majority of the transition countries reviewed, fiscal deductibility had not yet been introduced, or had only been partially introduced, for the membership fees of employers' organizations.

Under these conditions, the basic objectives of ILO support to employers' organizations in transition countries have been:

- promoting basic standards and rights, including property rights for investors, the freedom to organize and operate independent organizations representing the interests of employers, and balanced and transparent systems of taxation for enterprises;
- securing opportunities for enterprise development and employment creation by enabling free and independent employers' organizations to make proposals for necessary reforms and the creation of an attractive and sustainable business climate for private sector development;
- promoting the involvement of employers' organizations in support of effective social protection, through equitably financed and well-governed social security schemes; and

- strengthening tripartism and social dialogue, based on independent, effective and widely respected organizations of employers and workers.

### Assistance to employers' organizations in transition countries

The assistance provided by the ILO to employers' organizations in transition countries consisted, in the first place, of identifying and contacting emerging organizations representing the interests of employers, and then providing them with initial advice and general support. In more recent years, once this first stage has been completed, the level of support has been increased and has focused on strengthening the structures and capacities of employers' organizations so that they can develop into the representative voice of their business community and active and respected partners in social dialogue.

Progress has not been uniform, however, and there have been many setbacks and disappointments. These have largely been due to the resistance from the administrative and political establishments to recognizing and respecting organized employers. One example is a reported reluctance by governments to fully commit themselves to providing information to the social partners and involving them in tripartite consultations on key political topics. Another example is the continuation of fiscal restrictions on the free financing of employers' interest organizations in some countries. This becomes especially critical at times of economic adversity, as fiscal restrictions then turn into absolute obstacles preventing employers from paying membership subscriptions to their own organizations (whereas they remain compelled by law to finance large parts of local trade union activity, whether or not their businesses are profitable). This diminishes the interest and ability of employers to organize freely.

Between 1993 and 1997, in collaboration with the International Organisation of Employers (IOE) and with contributions from the Union of Industrial and Employers' Confederations of Europe (UNICE), support was provided to employers in Bulgaria and Romania to help them form national-level employers' organizations. Both organizations encountered serious problems, as their chosen format of "umbrella"-type associations without their own staff, resources or agenda prevented them from developing national-level functions and identities, while their member organizations continued to act independently. In Bulgaria, the situation is now partly resolved, and ILO assistance has focused more recently on building the organization's capacity to meet the demand for services from its members. In Romania, a total reorganization of the national structure became necessary, and a new

national confederation was initiated early in 2000, based on more ambitious concepts.

In the Republic of Moldova, with ILO assistance, ten associations formed a national employers' organization in 1996. Further capacity-building was supported by employers' organizations from other transition countries, including the Czech Republic and Romania. However, the general crisis of 1998-99 has considerably weakened the Moldavian employers' organization, as well as the potential for advanced tripartite consultations in the country. In Albania, the advice and training provided over several years resulted in 1998 in a first attempt to form a single national confederation by five partly rival employers' organizations. The confederation has since become increasingly active and has participated in several ILO activities, although persistent tensions necessitated a reorganization in the spring of 2000. Following the holding of a workshop for employers' organizations in the Central Asian republics in Almaty in 1996, more structured support began to be provided to them in 1999, as well as to employers' organizations in Armenia, Azerbaijan and Georgia.

Within the context of Netherlands-funded projects, a large number of activities have been carried out at the national level to strengthen the capacities of employers' organizations in Croatia, the Czech Republic, Hungary, Poland, Slovakia and Slovenia. These were supplemented by two strategic seminars and several workshops focusing on the process of accession to the EU. Other recipients of assistance, with financing from the Flemish regional government, have been Estonia, Latvia and Lithuania. In a recent initiative, the ILO also played a supporting role in the formation, by five employers' organizations from Balkan countries, of the South-Eastern Europe Employers' Forum (SEEEF) with a view to facilitating social dialogue in the countries covered by the Stability Pact.

The major project implemented at the national level in Belarus and the Russian Federation in recent years has focused on the regional and branch structures of employers' organizations. With the assistance of employers' organizations from Germany and Spain, two workshops were organized in Moscow for employers' representatives from most oblasts (regions), while study tours were organized for groups of employers' representatives to Germany and Spain. These activities were followed up with a series of seminars on various important topics for employers' organizations. In the Russian Federation, most of the employers' organizations formed a coordinating council which, from its inception in 1994, was recognized as the Federation-level social partner. In Belarus, although a similar approach

was unsuccessful, the three (two since 1999) national organizations have been cooperating closely and effectively.

### Fields covered by activities for employers' organizations

Almost half of the support provided to employers' organizations in transition countries was concerned with issues relating to their structure, administration, financing and operations. Another important topic consisted of negotiating techniques at the local and higher levels, collective bargaining practices and alternatives for the resolution of conflicts. However, in some countries, employers' organizations are still not mandated to conclude collective agreements, or even to engage in bargaining above the enterprise level.

Other capacity-building and advisory activities also covered a wide range of issues, including:

- information and public relations;
- the privatization of public enterprises;
- the organization of guarantee funds and insurance through employers' organizations;
- the management of occupational safety and health;
- productivity and quality management;
- human resources development;
- SME development;
- gender issues; and
- socially responsible enterprise development.

### Partnership with employers' organizations in Western Europe

Throughout the transition period, employers' organizations in Western Europe have provided assistance to the emerging organizations in Central and Eastern Europe and Central Asia. Their support, often organized through the IOE, with support from UNICE, has taken various forms, including bilateral contacts and participation in national initiatives and in the activities of the EU. They have also been very supportive of the ILO's activities in transition countries, for example by lobbying for funding from their governments and the EU, producing manuals and materials, visiting the transition countries to lecture and provide advice, and hosting study visits.

This partnership has considerably strengthened cooperation between the ILO and its employer constituents in Western Europe, which

have played an active role in reforming the ILO as it enters the new millennium. While the contributions made by employers' organizations from Western European countries have increasingly been dominated by the EU and its enlargement, the governments and employers' organizations of three countries outside the EU, namely Cyprus, Israel and Norway, have also provided considerable assistance to support the emergence of organizations of employers in transition countries.

### *Workers' organizations*

Trade unions in transition countries continue to face major challenges in a context of accelerating privatization and economic restructuring. In many Central and Eastern European countries, tripartite dialogue has tended to become rather artificial over the past five years and trade unions have felt that they have been increasingly marginalized from the decision-making process. Collective bargaining has been increasingly confined to the national level and hardly exists at the branch level in many of the countries concerned, as well as being actively avoided in a large number of privatized enterprises.

This situation has had a negative impact on trade unions in transition countries. After an initial decline from the previous artificial level of 100 per cent unionization, which was a natural process associated with the emergence of the genuine representation of interests, there has been a further fall in trade union membership. The influence exerted by trade unions in the emerging private sector and the expanding informal sector is therefore low. Moreover, the growing diversification of workers' interests, particularly along ethnic, religious and political lines, means that the process of building workers' solidarity is slow and difficult.

Nevertheless, over the past decade, trade unions in the transition countries have made considerable efforts to protect workers' rights in a harsh and unfamiliar environment and to persuade governments to ratify and implement international labour standards. They have endeavoured to influence changes in the legal environment and the institution-building process during the transition to a market economy. Given the relatively slow rate of consolidation of employers' organizations in many countries, the development of social dialogue has depended heavily on the presence of committed workers' organizations.

### *ILO assistance to workers' organizations*

The assistance provided by the ILO to trade unions in transition countries continued to be geared to strengthening their capacity to

represent workers' interests and participate in the far-reaching process of legislative and institutional change which has accompanied the emergence of market economies. Technical advice was provided, training activities organized and information disseminated to help workers' organizations develop into strong partners in bipartite and tripartite forums at both the national and sectoral levels, and particularly in such branches as agriculture, education and public services. The assistance provided to trade unions in Central and Eastern European countries benefited from financial support from several European countries, and particularly the Netherlands, Finland and Norway. It was undertaken in close collaboration with the International Confederation of Free Trade Unions (ICFTU), the World Confederation of Labour (WCL) and several international trade secretariats, along with the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC).

As part of the persistent efforts made to help trade unions introduce genuine collective bargaining, a survey was carried out with the involvement of trade union experts from the region of collective bargaining experiences in Bulgaria, the Czech Republic, Hungary, Poland and Slovakia. The research revealed major difficulties in the promotion of collective bargaining at the industry, branch and company levels, which were discussed at a subregional seminar held in Prague in 1996. The findings of the survey were used widely in a large number of training activities. The survey also found that between 16 per cent of the representatives (in Poland) and 32 per cent (in Bulgaria) had received ILO assistance in the form of information, advice, background material or training.

Emphasis was also placed on addressing the need for trade unions in transition countries to develop an adequate response to globalization. A handbook on trade unions and multinational enterprises was distributed and a subregional seminar on the operations of multinational enterprises in Central and Eastern Europe was held in 1996. The multiple challenges arising out of the implementation of structural adjustment programmes and the process of EU accession were addressed at a subregional seminar on globalization and regional integration, held in Budapest in 1998.

### Occupational safety and health

With a view to helping workers' organizations fulfil their new responsibilities in the field of occupational safety and health, following the breakdown of the previous system, a Netherlands-funded capacity-building project was undertaken. This involved the organ-

ization of a regional seminar in Estonia in 1997, followed by a survey of selected workplaces in eight transition countries. These activities formed the basis for the development of a training programme, beginning in 1999-2000 and organized around a series of subregional seminars for South-Eastern Europe, the Baltic States, Central Europe and Ukraine and the Russian Federation. The training programme focuses on improving participatory techniques and enhancing the capacity of trade unions to influence legislative and institutional changes and include occupational health, safety and environmental issues in collective bargaining.

### Workers' education

With a view to strengthening the institutional capacity of trade unions to deliver high-quality services to their members, priority continued to be given to assisting in the modernization of trade union structures and the adaptation of their workers' education programmes. A wide-ranging survey was conducted among trade union centres in Central and Eastern Europe in 1996. The information provided by the survey on trade union education activities and structures was discussed at a subregional seminar, held in Sofia in 1996.

The need to rebuild the trade union training system in the Russian Federation has been addressed since 1997 through a project to support the improvement of workers' education services in both central and local workers' organizations. In a seminar held in Moscow in 1997, the directors of trade union training centres discussed training issues, as well as the organizational development and strategic management of trade unions in the new social and economic environment. Existing trade union education facilities, structures and policies were discussed at workshops held in Norway and Turin in 1997, and a strategy was developed for the improvement of trade union workers' education services in the Russian Federation.

Starting in 1998, training of trainers' activities were intensified in the Russian Federation and support was provided for the creation of education networks and the development and translation of educational materials on a variety of subject areas which are important in the work of trade unions. The emphasis placed on active learning methods and open discussion has made an important impact on strengthening internal trade union debate and democracy. A website was developed in 1999 in cooperation with a wide range of Russian trade unions to improve access to information and the provision of direct assistance. An Internet legal advice service was also set up.

Increased support has been provided since 1999 to the ICFTU/European Trade Union College (ETUCO) educators' network in Central and Eastern European countries to improve the skills of trade unions in the use of information technology for networking and educational purposes. Further assistance was provided to trade union networks through a course covering gender issues, organization and trade union rights. Another project was launched in 1999 to strengthen the capacity of trade unions in Estonia, Latvia and Lithuania to manage information as a means of improving their knowledge of the rapidly changing economic, social and political environment and to enhance their capacity to represent their members at all levels.

### Promoting a positive image of trade unions

The importance of promoting a positive image of trade unions, particularly in the context of the transition to market economies, was discussed by trade union journalists at a subregional seminar on trade unions and the media, held in Budapest in 1996, and a seminar held in Moscow in 1997. While emphasizing the importance of independent media in the process of democratization, many of the participants expressed serious concern at the increasing hostility of the political and ideological environment to trade union activities and the rapid commercialization of the media.

### Future ILO assistance to workers' organizations

The future strength of trade unions in transition countries will depend largely on their flexibility and ability to address changing issues rapidly. ILO support for trade unions will therefore have to be geared to improving their capacity to adapt to the rapidly changing environment, including structural adjustment and accession to the EU, and to propose innovative solutions which capitalize on positive developments. The assistance provided will help to build high-quality information networks. It will place stronger emphasis on organizing and recruiting new members, strengthening trade union competence for the development of socially responsible employment policies, improving the representation of women and ethnic minority groups, improving occupational safety and health and the environment and extending social protection to vulnerable groups of workers, including those engaged in the informal sector.

### *Social dialogue at the sectoral level*

An important aspect of the ILO's work to promote social dialogue is the organization of meetings for constituents in specific sectors.

While the main meetings are of a global nature, they are almost always held in Geneva and constituents from the European region are well represented. A number of sectoral follow-up activities have also been carried out at the regional level.

One of the most important of these was the organization of sub-regional conferences, in cooperation with Public Services International (PSI), in Tbilisi, Georgia, in July 1998, for the representatives of governments and workers from Armenia, Azerbaijan and Georgia, and in Almaty in 1999 for participants from Central Asia. The subject of the Tbilisi conference was the restructuring of public services and the role of trade unions in this process. The conference examined experience of public service reforms in the subregion during the process of transition and restructuring and discussed options for improving social dialogue in this context.

Advisory services were also provided to the Civil Service Agency of Kazakhstan, which is in the process of a vast reform of the civil service. The ILO commented on the new civil service legislation in the country and organized a study tour for senior members of the Civil Service Agency to Germany and ILO headquarters to acquaint them with modern personnel management systems in the public service and other matters related to the civil service reform process. Comments were also provided at the request of the Government of the Russian Federation on the draft civil service legislation.

In another activity carried out in collaboration with PSI, a regional workshop was organized in Prague in May 1997 as a follow-up to a request made by the Standing Technical Committee for Health and Medical Services in 1992 for the ILO to carry out research on the conditions of work and employment in medical and health services in economies in transition. The participants at the workshop, representing 17 transition countries in the region, recalled that the pace and extent of health care reforms had been dramatic, and in some cases had risked causing a near collapse in health care services. They therefore emphasized that the question of how reform was introduced was at least as important as the nature of the reform. They also drew attention to the serious problems in some countries in the non-payment or delayed payment of wages to health care personnel.

Following the Tripartite Meeting on the Globalization of the Footwear, Textiles and Clothing Industries: Effects on Employment and Working Conditions, held in Geneva in 1996, which received wide media coverage, the ILO was invited to participate in a number of conferences and meetings organized by international trade unions, employers' associations, NGOs and other forums. Support was

provided in collaboration with the European Commission for the development of a code of conduct in the sector, which was negotiated by European employers' and workers' representatives. At the request of the social dialogue unit of the European Commission's Directorate General for Employment and Social Affairs (DG V), the ILO also participated in a meeting, held in Prague in November 1999, on the promotion of the code of conduct and of social dialogue in these industries in Central and Eastern European countries.

Another sectoral meeting which received broad coverage in the specialized press was the Tripartite Meeting on Social and Labour Issues in Small-scale Mines. The conclusions of the Meeting were promoted at a series of regional workshops, including two held respectively in Finland and Germany.

### Fundamental workers' rights

Member States in the European region have a very good record in terms of the ratification of the ILO's Conventions, and particularly the fundamental Conventions. In 1995, the ILO launched a campaign for the more widespread ratification of the seven fundamental Conventions, which have since become eight with the adoption of the Worst Forms of Child Labour Convention, 1999 (No. 182). Since the beginning of the campaign, some 60 further ratifications of these Conventions by countries in the region have been registered (see box 2.26).

#### Box 2.26. New ratifications of the ILO's fundamental Conventions

Since 1995 (and as of 30 June 2000), the following new ratifications (or confirmations of previous obligations) of the ILO's fundamental Conventions have been registered for member States in the European region:

- **forced labour:** *Convention No. 29:* Estonia, Republic of Moldova, Turkey and Turkmenistan; *Convention No. 105:* Albania, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Kyrgyzstan, Romania, Russian Federation, San Marino, Slovakia, Slovenia, Tajikistan, Turkmenistan and Uzbekistan;
- **freedom of association:** *Convention No. 87:* Georgia, Republic of Moldova and Turkmenistan; *Convention No. 98:* Republic of Moldova, Switzerland and Turkmenistan;
- **equality of opportunity and treatment:** *Convention No. 100:* Estonia, Republic of Moldova and Turkmenistan; *Convention No. 111:* Albania, Ireland, Kazakhstan, Republic of Moldova, Turkmenistan and United Kingdom;
- **child labour:** *Convention No. 138:* Albania, Cyprus, Denmark, Georgia, Hungary, Iceland, Lithuania, Republic of Moldova, Portugal, San Marino, Slovakia, Switzerland, Turkey and United Kingdom; *Convention No. 182:* Finland, Hungary, Iceland, Ireland, Italy, Portugal, San Marino, Slovakia, Switzerland and United Kingdom.

As of July 2000, 36 countries covered by the Regional Office for Europe had ratified seven fundamental Conventions, while another nine had ratified six and three had ratified five of them. With the ratifications of Convention No. 182 by Finland, Hungary, Iceland, Ireland, Italy, Portugal, San Marino, Slovakia, Switzerland and the United Kingdom (and the subsequent ratification of Convention No. 138 by the United Kingdom), these ten member States completed the ratification of all eight of the ILO's fundamental Conventions. In contrast, Kazakhstan has ratified only one of the fundamental Conventions (Convention No. 111) and Armenia has ratified two (Conventions Nos. 100 and 111) (see figure 1).

A large number of European member States have also indicated that the ratification procedure for Convention No. 182 is under way, that the necessary tripartite consultations are being conducted or that they intend ratifying the Convention in the near future.

### *The ILO Declaration*

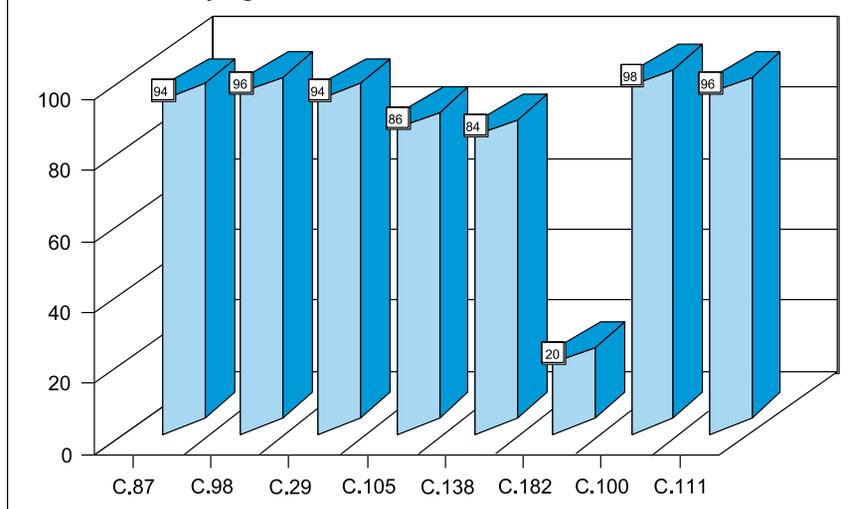
With the adoption by the International Labour Conference in 1998 of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, member States reaffirmed their commitment, even if they have not ratified the respective Conventions, to respect, promote and realize the fundamental principles of:

- freedom of association and effective recognition of the right to collective bargaining;
- the elimination of all forms of forced or compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

The unanimous support of constituents from European member States for the adoption of the Declaration is a reflection of the very high rates of ratification of the fundamental Conventions in the region. Nevertheless, the fact that so many countries in the region are undergoing the process of transition to a market economy, and particularly that a number of them have recently been affected by conflicts and other crises, means that problems do arise in practice in the application of these principles.

Follow-up actions to promote observance of the Declaration have therefore been carried out in the region. These have included promoting its translation into European languages including, in addition to the official languages of the ILO, Albanian, Bosnian, Bulgarian, Croatian, Dutch, Estonian, Finnish, Hungarian, Italian, Macedonian,

Figure 1. Percentage of countries in Europe and Central Asia ratifying core Conventions (June 2000)



Polish, Portuguese, Romanian, Serbian, Slovakian, Swedish, Turkish and Ukrainian. A subregional tripartite workshop to promote the Declaration in CIS countries was held in St. Petersburg in 1999, and a tripartite seminar was held in January 2000 in Poland to consider the issues raised by the Declaration at the national level in greater detail.

### *The Sofia Declaration*

Support for the Declaration was reaffirmed at a high-level Tripartite Conference of ILO Constituents on Employment, Labour and Social Policy in South-Eastern Europe, held in Sofia in October 1999 by the ILO, in cooperation with the Government of Bulgaria, as a response to the situation of the conflict-affected countries of South-Eastern Europe. The conference brought together the Ministers of Labour and Social Affairs and the leaders of the social partners of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, Turkey and the former Yugoslav Republic of Macedonia.

The participants at the conference adopted the Sofia Declaration, which is designed to reinforce the social dimension in the implementation of the Stability Pact for South-Eastern Europe, adopted in Cologne in June 1999. They also fully endorsed the Sarajevo Summit Declaration, adopted in July 1999, and in particular its statement that the countries of the region are the owners of the stabilization process

and their full efforts in and commitment to it are critical to its success (see box 2.27).

### *Cases of progress and issues remaining to be resolved*

The application of ratified Conventions is examined each year by the ILO's independent Committee of Experts on the Application of Conventions and Recommendations. Since 1995, the Committee has noted *with satisfaction* a number of cases in which progress has been made in the application of the fundamental Conventions (see box 2.28).

There are still a number of cases of issues relating to the application of fundamental Conventions which remain to be resolved, as well as several cases in which the Governing Body's Committee on Freedom of Association has upheld complaints brought before it by the social partners.

#### **Box 2.27. The Sofia Declaration**

In the Sofia Declaration, the Ministers of Labour and representatives of employers and workers present at the high-level Tripartite Conference of ILO Constituents on Employment, Labour and Social Policy in South-Eastern Europe highlighted the historical experience that "universal and lasting peace can be established only if it is based upon social justice". They also emphasized "the importance of democracy as a guarantor of basic human rights, of transparent and hence, sound economic and social policies and of social justice". In this respect, they added that the recent Kosovo crisis, coming after prolonged conflicts in the region, had "further seriously prejudiced the efforts towards transition to a market economy with social stability". They therefore urged:

- stronger international economic involvement in order to contribute to the rapid recovery of south-eastern European countries;
- the association of the representatives of the social partners and the ILO in the work of the South-Eastern Europe

Working Tables for the preparation and implementation of the Stability Pact; and

- the creation of a Council for Economic and Social Cooperation at the government level for the south-eastern European countries, with an advisory institution composed of representatives of the social partners to strengthen economic and social development and social dialogue mechanisms.

They warmly welcomed the commitment made by the G8 in Cologne in 1999 to promote the effective implementation of the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, and to encourage cooperation between the ILO and the international financial institutions in promoting social protection and core labour standards. In addition, they welcomed the decisions by employers' organizations and trade unions to establish their respective forums for South-Eastern Europe with a view to promoting cooperation and common strategies.

**Box 2.28. Cases of progress noted by the Committee of Experts**

During the period 1995-2000, cases of progress in the application of fundamental Conventions by member States noted by the Committee of Experts included the following:

- *Azerbaijan*, for the adoption of legislation providing for trade union pluralism and the right to strike in general (although certain restrictions on the right to strike, which are contrary to Convention No. 87, remain);
- *Croatia*, for the lifting of restrictions on the right to strike in the railway sector and by civil servants, although measures still need to be taken to reduce the number of employers required to form an employers' organization;
- *Estonia*, for the registration of the Central Association of Estonian Trade Unions;
- *Greece*, for the extension of the right to collective bargaining to workers in the public service;
- *Latvia*, for legislation permitting trade union pluralism and for the adoption of the Law on Strikes;
- *Macedonia (the former Yugoslav Republic of)*, for recognition in the national Constitution of the right to organize and the right to strike;
- *Romania*, for the lifting of certain restrictions on the right of employers to bargain collectively and improvements in the Act on the settlement of collective disputes; and
- *United Kingdom*, for the restoration of the right of workers at Government Communications Headquarters in Cheltenham (GCHQ) to belong to any trade union of their choice.

The Committee of Experts also noted with satisfaction the adoption of improved legislation on equality between men and women workers in Azerbaijan, Germany and Switzerland, as well as legal provisions or amendments in Israel, Malta and Sweden bringing the rules concerning minimum age more closely into line with Convention No. 138.

***Freedom of association***

Several complaints were made to the Committee on Freedom of Association concerning countries in the region. In one instance, a mission in August 1999 examined allegations of government interference in the establishment and functioning of trade unions in Estonia. The Committee on Freedom of Association is continuing to follow up the issue of the division and redistribution of trade union assets in Poland. The Russian Federation was requested in a recent case to ensure the more effective application in practice of the legislation concerning collective bargaining. One of the cases concerning Ukraine which has been examined by the Committee on Freedom of Association gave rise to a request to amend the current legislation to remove the prohibition on the right to strike in ports. The Committee also noted the persistence of problems in Bulgaria in relation to strikes and anti-union discrimination. In the case of Romania, the Committee

on Freedom of Association noted with interest the amendments made to the Act on the settlement of collective disputes, following its earlier comments on this subject. The Committee of Experts has also continued to follow up on the issues of: the non-representation in collective bargaining of non-resident seafarers employed on ships registered on the Danish International Ships' Register; restrictions on the right to strike of certain categories of civil servants who are not engaged in the administration of the State in Germany; and the use of compulsory arbitration in the oil sector in Norway.

### *Discrimination*

A representation under article 24 of the ILO Constitution alleging non-compliance by the Government of Bosnia and Herzegovina with Convention No. 111 on grounds of ethnic discrimination was upheld by the Governing Body in November 1999. In a representation alleging non-compliance by the Government of Hungary with Conventions Nos. 111 and 122, which was not upheld by the Governing Body, the report of the tripartite committee nevertheless cautioned against the use of criteria which, directly or indirectly, have a disproportionate impact on employment levels of women.

Comments are also pending before the Committee of Experts concerning several other countries in Central and Eastern Europe in relation to the lack of protection against discrimination on grounds of ethnic identity, with particular reference to the Roma. In this respect, the Committee of Experts has expressed concern at the lack of tolerance displayed in societal attitudes and government policies, and the poor participation rates of the Roma in terms of education, vocational training and employment.

### *Forced labour*

On the issue of forced labour, the Committee of Experts has made comments on the application of Conventions Nos. 29 and 105 in relation to work carried out by convicted persons in privatized prisons or on behalf of private persons or enterprises. This is an issue with new dimensions which is being examined by the Committee of Experts in a number of countries and which was the subject of discussion by the Conference Committee on the Application of Standards in 1999.

### *Gender equality*

The ILO's activities since 1995 to promote equality of opportunity and treatment for women workers have been carried out within the

context of the follow-up to the Fourth World Conference on Women, held in Beijing in that year. In 1999, the ILO's work on gender issues received the added stimulus of the new Director-General's whole-hearted support for the policy of mainstreaming gender issues in all ILO activities, both within the Office and in the support provided to constituents.

One of the most concrete follow-up actions to the Beijing Conference launched by the ILO was the Netherlands-funded project on the dissemination of women workers' rights in nine countries worldwide. One of these was Hungary, where the project was executed between 1996 and 1998 (see box 2.29).

A Subregional Tripartite Seminar on Gender Issues and Equality, held in Budapest in April 1997, brought together high-level representatives of the tripartite constituents and of women's organizations from Bulgaria, Croatia, the Czech Republic, Hungary, Poland, the Russian Federation, Slovakia, Slovenia and Ukraine. Participants reviewed the situation of women in the subregion and the measures which could be taken by each of the partners to promote greater equality. The seminar provided an opportunity for constituents from certain countries, including the Czech Republic, Hungary and Poland, to present

### **Box 2.29. Women workers' rights in Hungary**

Hungary was one of the countries covered by the Netherlands-funded project for training and information dissemination on women workers' rights. Following the establishment of the National Steering Committee in early 1997, a plan of action for the project was developed. The plan of action included the preparation of training and information materials and the holding of eight training seminars in various Hungarian cities on different aspects of women workers' rights, including the situation of women in ethnic minorities and women workers with disabilities. The seminars brought together representatives of women's groups and trained many of them to become trainers on women workers' rights. Many of the findings of the project were set out in a volume on

women workers' rights published in 1998.

The synergy between the project and the action taken at the national level is illustrated by a landmark court case brought by one of the members of the National Steering Committee, with the support of the Secretariat for Equal Opportunities. The case resulted in a ruling that a job advertisement specifically calling for male applicants infringed the prohibition on discrimination and the plaintiff's constitutional and personal rights.

Since the end of the project, the Steering Committee has met again and further activities have been proposed. Members of the Steering Committee have also participated in other ILO activities.

their national action plans for the promotion of gender equality in their countries. The participants at the seminar adopted a set of policy recommendations for the promotion of gender equality in Central and Eastern European countries.

A follow-up activity to the seminar was the National Tripartite Conference on Women and the Labour Market, held in Ukraine in February 1998. The conference was given a high profile, with over 150 participants from the national and regional governments, the social partners and women's NGOs. One of the proposals made at the conference was the launching of an ILO project on women workers' rights, which was commenced shortly thereafter with the establishment of a steering committee composed of representatives of the tripartite constituents and women's organizations. The project also included the adaptation and translation of training and information materials and the holding of a series of seminars on different aspects of women workers' rights.

ILO activities on gender issues include not only the specific projects which have been carried out on women workers' rights and for the promotion of more and better jobs for women, but the whole range of its work. This is particularly true of the technical advice and other support provided to improve labour legislation and the observance of international labour standards, in which equality is a fundamental issue. It is also true of the activities carried out to strengthen employers' and workers' organizations, many of which include a specific gender component, and some of which have been dedicated solely to gender equality.

One example of the latter was the experts' meeting on gender equality organized by the ILO in March 1999, which gathered together experts from trade unions in seven countries in the region to discuss gender issues and the development of appropriate training and information materials. Training sessions on women workers' rights and international labour standards were included, with ILO support, in the regional meetings of several International Trade Secretariats. During the course of 1999, a series of two-day national tripartite seminars on the situation of women in the labour market and women's rights were jointly organized by the ILO and the Ministries of Labour in the Republic of Moldova, Romania and Slovakia. At a tripartite seminar held in Estonia in April 2000, a consensus emerged in support of the ratification of Convention No. 111. Research was also commissioned on women in the labour market in several countries in Central and Eastern Europe.

### *Child labour*

Although the participation of children in economic activities is not very widespread in the countries of the European region, at least in comparison with the levels in other regions, awareness of the issue has increased greatly in recent years. This is partly because the transition process has resulted in higher levels of poverty in many Central and Eastern European and Central Asian countries, which, in turn, has led to the emergence of child labour. However, awareness of the problem has also increased markedly in the industrialized countries, where child labour has been placed high on the political agenda. The heightened global awareness of the harm done to children who are subjected to the most hazardous and arduous forms of child labour resulted in the unanimous support shown by constituents for the Worst Forms of Child Labour Convention (No. 182) and Recommendation (No. 190), which were adopted by the Conference in 1999.

### **International Programme on the Elimination of Child Labour**

In addition to its standards, in particular Conventions Nos. 138 and 182, the ILO's main operational tool in combating child labour is its International Programme on the Elimination of Child Labour (ILO-IPEC). Originally launched in 1992 as a single-donor programme active in six participating countries, ILO-IPEC has now developed into a global partnership of nearly 90 countries. Following in the steps of Germany, the first donor, European member States play an essential role in supporting the programme. Germany, Spain and the United Kingdom continue to be among the largest core contributors (see box 2.30).

European countries have also been active in raising the profile of the child labour problem in other ways. In 1997, a series of international conferences were instrumental in raising awareness of the is-

#### **Box 2.30. European donors to ILO-IPEC**

European donors play an essential role in supporting the ILO's International Programme on the Elimination of Child Labour. They are:

- since 1991: Germany
- since 1992: Belgium
- since 1995: France, Norway, Spain
- since 1996: Denmark, Italy, Netherlands
- since 1997: European Commission, Italian social partners' initiatives, Switzerland, United Kingdom
- since 1998: Austria, Finland, Poland
- since 1999: Sweden, Comunidad Autónoma de Madrid
- since 2000: Hungary

sue. The most important of these were the Amsterdam Child Labour Conference, held in February 1997, and the International Conference Against Child Labour, held in Oslo in October of that year. The peoples of many European countries have given enthusiastic support for a number of other initiatives designed to draw attention to the issue, including the Global March Against Child Labour by working children, which travelled through some 100 countries to bring its message to the International Labour Conference in June 1998. Groups of schoolchildren concerned at the phenomenon of working children have been formed and exhibitions have been hosted by a number of European countries. In June 1997, with technical support from the ILO, the Council of Europe adopted Recommendation 1336 (1997) on combating child labour exploitation as a matter of priority.

#### *ILO-IPEC's operational activities*

ILO-IPEC's operational activities at the national level are focused on 37 countries which have signed Memoranda of Understanding (MOUs) with the programme. Some 30 other countries throughout the world are involved with the programme in a less formal way. In the European region, Turkey was one of the six original countries to sign an MOU with ILO-IPEC. More recently, Albania signed an MOU in 1999 and a summary programme document has been developed and approved by the Government to initiate direct action programmes on street children, children working in agriculture and child trafficking. Following substantive preparatory work, Romania also signed an MOU in June 2000 and a comprehensive programme of assistance was developed with the objectives of:

- preventing an increase in child labour;
- building the capacity of governmental and non-governmental agencies to take action to combat child labour;
- carrying out research to assess the extent and nature of child labour in the country; and
- raising awareness of child labour at the national level.

In 1999, a programme development mission was carried out in Kyrgyzstan with a view to initiating IPEC activities in the country. In the Russian Federation, a programme for working children is being implemented in St. Petersburg. It is designed to build the capacities of the respective institutions to address the problem of children working in the street and to provide direct assistance to them. Preparatory activities have also been carried out in the Russian Federation to initiate activities against child labour at the national level.

Turkey has seen a steady rise in the incidence of visible child labour during its transition from an agricultural to an industrial economy, with a concentration of pockets of poverty in its rapidly expanding cities. A labour force survey carried out in 1994 found that nearly 4 million of an estimated total of almost 12 million children aged between 6 and 14 years were at work. Nearly 13 per cent of children in this age group did not attend school.

Since becoming one of the original participating countries in IPEC, Turkey has moved ahead rapidly on the issue, which has become a national development priority and a leading concern of employers' and workers' organizations. The Ministry of Labour and Social Security established a child labour unit and trained labour inspectors throughout the country in child labour matters. It has also developed an integrated programme proposal for the elimination of the worst forms of child labour in selected industrial areas in western Turkey, as well as a proposal for the adoption of a child labour policy as an integral component of the Government's national development efforts, based on a time-bound national programme. Legislation was adopted in 1997 extending the minimum period of compulsory school attendance from five to eight years.

One of the strengths of action against child labour in Turkey has been its tripartite basis. Cooperation among various government ministries, employers' organizations and trade unions, as well as universities and a wide range of NGOs, has pointed the way forward in a number of areas (see box 2.31).

### Box 2.31. Turkish employers combating child labour

Child labour in Turkey is especially common in SMEs and the informal sector. Associations of employers covering small and micro-enterprises are therefore well placed to address the problem. One association which has done so is the Confederation of Turkish Trades and Handicrafts (TESK), which represents SMEs and craftworkers. Its initiatives to combat child labour include:

- setting up a programme to promote income-generation opportunities for the parents of child workers, based on the ILO's Start Your Business training methodology and a microfinance

scheme, with a view to the withdrawal of their children from work; and

- establishing workplace inspection consultancy groups, which visit employers on site and ensure that the vocational training provided to older children is appropriate and carried out under safe working conditions.

The Turkish Confederation of Employers' Associations (TISK) has also mainstreamed its own programme of training for workplace inspection consultancy groups, as a means of improving the working conditions and the quality of vocational training provided to older children.

Progress has also been made in Turkey in mainstreaming some of the successful approaches first demonstrated in ILO-IPEC action programmes. One example is the centre for children working on the streets of Ankara, originally established in collaboration between ILO-IPEC and the Municipality of Greater Ankara. When project financing ended in 1997, the municipality continued to operate the centre, one of whose major achievements was to return 1,200 children to the basic education system over a period of three years. A similar centre has been set up in Diyarbakir, a focus of rapid urbanization for poor families from rural areas with a high incidence of children working and living on the streets.

As part of the ILO's response to the earthquake in Izmit in August 1999, which aggravated the problem of street children working in the affected areas, an approach was adopted based on the experience of the centres for street children in Ankara and Diyarbakir.

### *Statistical Information and Monitoring Programme on Child Labour*

The Statistical Information and Monitoring Programme on Child Labour (SIMPOC) was launched in January 1998 as an integral part of the ILO-IPEC programme to assist member States in the collection, analysis and dissemination of comparable data on child labour. Based

#### **Box 2.32. Child labour surveys in Georgia, Portugal and Ukraine**

Statistical surveys were carried out under the ILO-IPEC Statistical Information and Monitoring Programme on Child Labour (SIMPOC) in:

- *Georgia*, where the modular child labour survey revealed that in the period September 1999-April 2000 some 483,900 children in the 7-17 age group (or 58.3 per cent of the age group) were engaged in economic activities, including children performing work around the house for more than 24 hours a week;
- *Portugal*, where it was found that in October/November 1998 over 43,000 children in the 6-15 age group (or nearly 4 per cent of the age group) were engaged in economic activities: the results of the survey were disseminated at a high-level national seminar; and
- *Ukraine*, where it was found that during the second and third quarters of 1999, over 416,000 children in the 5-17 age group (or 6.6 per cent of the age group) were engaged in economic activities: the methodology and first results of the survey were discussed at a high-level national seminar in June 1999, and the final results were presented at the Central and Eastern European Subregional Conference on the Results of the Ukrainian Child Labour Survey, held in Ukraine in May 2000, which was attended by representatives of ten countries.

on the methodology developed by the ILO in previous years for carrying out child labour surveys, the programme is designed to allow analysis of the scale, nature, distribution, causes and consequences of child labour, assist in targeting interventions, strengthen the in-country capacity to undertake similar investigations and enhance the comparability of data between countries.

Some of the first surveys undertaken in the framework of SIMPOC were in Georgia, Portugal and Ukraine. Activities are ongoing or planned to start shortly in Italy, Romania and Turkey (see box 2.32).



## Statistical annex



Table 1. UNDP Human development index – Europe and Central Asia

<i>Ranking in Europe</i>	<i>World ranking</i>	<i>Country</i>	<i>Life expectancy at birth (years) 1998</i>	<i>Adult literacy rate (%) 1998</i>	<i>GDP per capita (PPP* US\$) 1998</i>
1	2	Norway	78.3	99.0	26 342
2	5	Iceland	79.1	99.0	25 110
3	6	Sweden	78.7	99.0	20 659
4	7	Belgium	77.3	99.0	23 223
5	8	Netherlands	78.0	99.0	22 176
6	10	United Kingdom	77.3	99.0	20 336
7	11	Finland	77.0	99.0	20 847
8	12	France	78.2	99.0	21 175
9	13	Switzerland	78.7	99.0	25 512
10	14	Germany	77.3	99.0	22 169
11	15	Denmark	75.7	99.0	24 218
12	16	Austria	77.1	99.0	23 166
13	17	Luxembourg	76.8	99.0	33 505
14	18	Ireland	76.6	99.0	21 482
15	19	Italy	78.3	98.3	20 585
16	21	Spain	78.1	97.4	16 212
17	22	Cyprus	77.9	96.6	17 482
18	23	Israel	77.9	95.7	17 301
19	25	Greece	78.2	96.9	13 943
20	27	Malta	77.3	91.5	16 447
21	28	Portugal	75.5	91.4	14 701
22	29	Slovenia	74.6	99.6	14 293
23	34	Czech Republic	74.1	99.0	12 362
24	40	Slovakia	73.1	99.0	9 699
25	43	Hungary	71.1	99.3	10 232
26	44	Poland	72.7	99.7	7 619
27	46	Estonia	69.0	99.0	7 682
28	49	Croatia	72.8	98.0	6 749
29	52	Lithuania	70.2	99.5	6 436
30	57	Belarus	68.1	99.5	6 319
31	60	Bulgaria	71.3	98.2	4 809

Table 1. (continued)

<i>Ranking in Europe</i>	<i>World ranking</i>	<i>Country</i>	<i>Life expectancy at birth (years) 1998</i>	<i>Adult literacy rate (%) 1998</i>	<i>GDP per capita (PPP* US\$) 1998</i>
32	62	Russian Federation	66.7	99.5	6 460
33	63	Latvia	68.7	99.8	5 728
34	64	Romania	70.2	97.9	5 648
35	69	The FYR of Macedonia	73.2	94.6	4 254
36	70	Georgia	72.9	99.0	3 353
37	73	Kazakhstan	67.9	99.0	4 378
38	78	Ukraine	69.1	99.6	3 194
39	85	Turkey	69.3	84.0	6 422
40	90	Azerbaijan	70.1	99.0	2 175
41	93	Armenia	70.7	98.2	2 072
42	94	Albania	72.9	83.5	2 804
43	98	Kyrgyzstan	68.0	97.0	2 317
44	100	Turkmenistan	65.7	98.8	2 550
45	102	Republic of Moldova	67.8	98.6	1 947
46	106	Uzbekistan	67.8	88.0	2 053
47	110	Tajikistan	67.5	99.0	1 041
		Central and Eastern Europe and Central Asia	68.9	98.6	6 200
		OECD countries	76.4	97.4	20 357
		World	66.9	78.8	6 526

No figures are available for Bosnia and Herzegovina, San Marino and Yugoslavia.

\* Purchasing power parity-adjusted GDP figures.

Source: United Nations Development Programme (UNDP): *Human Development Report 2000* (New York and Oxford, Oxford University Press, 2000).

Table 2. Real GDP growth per year (per cent change)

<i>Country</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000 (estimates)</i>	<i>2001 (estimates)</i>
Albania	-7.0	8.0	8.0	8.0	8.0
Armenia	3.3	7.2	4.0	6.0	6.0
Austria	1.2	2.9	2.0	3.1	3.3
Azerbaijan	5.8	10.0	7.4	4.6	7.9
Belarus	11.4	8.3	3.0	...	2.0
Belgium	3.5	2.7	2.3	3.3	2.9
Bosnia and Herzegovina	30.0	18.0	8.0	14.0	14.0
Bulgaria	-7.0	3.5	2.5	4.0	4.5
Croatia	6.5	2.3	-2.0	2.5	3.5
Cyprus	2.5	5.0	4.5	...	...
Czech Republic	0.3	-2.3	-0.5	1.6	2.7
Denmark	3.1	2.7	1.3	1.7	2.1
Estonia	10.6	4.0	-1.3	4.0	6.0
Finland	6.3	5.0	3.6	4.1	3.5
France	2.0	3.4	2.7	3.5	3.1
Georgia	10.8	2.9	3.0	4.0	5.0
Germany	1.5	2.2	1.5	2.8	3.3
Greece	3.4	3.7	3.5	3.6	3.1
Hungary	4.6	4.9	4.1	4.5	4.6
Iceland	5.4	5.1	5.6	4.7	3.5
Ireland	10.7	8.9	8.4	7.4	7.2
Israel	2.7	2.0	2.2	3.8	3.5
Italy	1.8	1.5	1.4	2.7	2.8
Kazakhstan	1.7	-2.5	1.7	3.0	3.5
Kyrgyzstan	9.9	2.3	2.2	2.4	3.2
Latvia	6.5	3.6	0.8	4.0	6.0
Lithuania	7.3	5.1	-3.3	2.1	4.0
Luxembourg	7.3	5.0	5.2	5.1	5.0
Malta	3.7	3.1	3.5	...	...
Republic of Moldova	1.3	-8.6	-5.0	2.0	4.0
Netherlands	3.8	3.7	3.5	3.8	3.4
Norway	4.3	2.1	0.8	3.3	2.3
Poland	6.8	4.8	4.1	5.2	5.5

Table 2. (continued)

<i>Country</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000 (estimates)</i>	<i>2001 (estimates)</i>
Portugal	3.8	3.9	3.0	3.4	3.1
Romania	-6.1	-5.4	-3.9	1.3	4.0
Russian Federation	0.9	-4.5	3.2	1.5	1.4
Slovakia	6.5	4.4	1.0	2.0	3.9
Slovenia	4.6	3.9	3.8	4.0	4.6
Spain	3.8	4.0	3.7	3.7	3.4
Sweden	2.0	3.0	3.8	3.9	3.2
Switzerland	1.7	2.1	1.7	2.1	2.1
Tajikistan	1.7	5.3	3.7	5.0	6.5
The FYR of Macedonia	1.4	2.9	2.5	6.0	5.0
Turkey	7.6	3.1	-4.3	...	...
Turkmenistan	-11.3	5.0	16.0	18.9	2.2
Ukraine	-3.0	-1.7	-0.4	0.5	3.0
United Kingdom	3.5	2.2	2.0	3.0	2.0
Uzbekistan	2.4	4.4	4.1	3.0	2.0
European Union	2.6	2.7	2.3	3.2	3.0

Note: ... = not available.

Source: International Monetary Fund (IMF): *World Economic Outlook* (Washington, DC, IMF), Apr. 2000 at <http://www.imf.org/external/pubs/ft/weo/2000/01/index.htm>.

Table 3. Unemployment rate, 1995-99

<i>Country</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
Albania*	12.9	11.8	14.9	17.6	14.6
Armenia*	8.1	9.7	11.0	8.9	11.5
Austria**	5.9	6.3	6.4	6.5	6.3 <sup>1</sup>
Azerbaijan*	1.1	1.1	1.3	1.4	1.2
Belarus*	2.7	4.0	2.8	2.3	2.0
Belgium**	12.9	12.7	12.4	11.6	10.8 <sup>1</sup>
Bosnia and Herzegovina*	...	...	...	38.5	39.1
Bulgaria*	11.1	12.5	13.7	12.2	16.0
Croatia*	17.6	15.9	17.6	18.6	20.8
Cyprus*	2.6	3.1	3.4	3.3	...
Czech Republic**	4.1	3.9	4.8	6.5	8.9
Denmark**	10.2	8.7	7.7	6.4	5.7
Estonia*	5.0	5.6	4.6	5.1	6.7
Finland**	15.4	14.6	12.7	11.4	10.1
France**	11.6	12.3	12.5	11.8	11.1
Georgia*	3.4	3.2	8.0	4.2	5.6
Germany**	8.1	8.8	9.8	9.3	9.0
Greece**	10.0	10.3	10.2	11.2	11.3 <sup>1</sup>
Hungary**	10.4	10.1	8.9	8.0	7.0
Iceland**	5.0	4.3	3.7	3.0	2.0
Ireland**	12.2	11.9	10.3	7.6	5.8
Israel***	6.9	6.7	7.7	8.6	9.3
Italy**	11.7	11.7	11.8	11.9	11.6
Kazakhstan*	2.1	4.1	3.9	3.7	3.9
Kyrgyzstan*	3.0	4.5	3.1	3.1	3.0
Latvia*	6.6	7.2	6.7	9.2	9.1
Lithuania*	7.3	6.2	6.7	6.9	10.0
Luxembourg**	3.0	3.3	3.3	3.1	2.9
Malta*	3.8	4.4	5.0	4.9	...
Republic of Moldova*	1.4	1.5	1.7	1.9	2.1
Netherlands**	7.1	6.6	5.5	4.2	3.2
Norway**	4.9	4.8	4.1	3.2	3.2
Poland**	13.3	12.3	11.2	10.6	11.4
Portugal**	7.2	7.3	6.8	5.0	4.5

Table 3. (continued)

Country	1995	1996	1997	1998	1999
Romania*	9.5	6.3	8.8	10.3	11.5
Russian Federation*	8.9	9.3	11.2	13.3	12.3
Slovakia*	13.1	12.8	12.5	15.6	19.2
Slovenia*	14.5	14.4	14.8	14.6	13.0
Spain**	22.7	22.2	20.8	18.8	15.8
Sweden**	7.7	8.0	8.0	6.5	5.5
Switzerland**	4.2	4.7	5.2	3.9	2.8
Tajikistan*	1.8	2.4	2.8	2.9	3.1
The FYR of Macedonia*	35.6	38.8	41.7	41.4	47.0
Turkey**	6.9	6.0	6.4	6.3	6.6
Turkmenistan*	...	...	...	...	...
Ukraine*	0.6	1.5	2.8	4.3	4.3
United Kingdom**	8.6	8.0	6.9	6.2	6.1 <sup>1</sup>
Uzbekistan*	0.3	0.3	0.3	0.4	0.5
Yugoslavia*	24.7	26.1	25.6	27.2	27.4

Note: ... = not available.

<sup>1</sup> IMF 1999 unemployment figures for Austria (4.3%), Belgium (9.0%), Greece (10.5%) and the United Kingdom (4.4%) are markedly lower than OECD figures. \* Economic Commission for Europe: *Economic Survey of Europe*, 2000 No. 1, 1999 No. 3, 1998 Nos. 1 and 3, and *Economic Survey of Europe in 1995-1996* (Geneva, United Nations). Figures for 1999 are end-of-year figures. \*\* Organisation for Economic Co-operation and Development (OECD): *OECD Economic Outlook* (Paris), Dec. 1999. \*\*\* IMF: *World Economic Outlook*, Apr. 2000, op. cit.

Table 4. Membership of European regional organizations

<i>Country</i>	<i>ILO</i>	<i>OSCE</i>	<i>Council of Europe</i>	<i>OECD</i>	<i>EU</i>	<i>EU accession candidates</i>	<i>CIS</i>
Albania	x	x	x				
Armenia	x	x	x				x
Austria	x	x	x	x	x		
Azerbaijan	x	x					
Belarus	x	x					x
Belgium	x	x	x	x	x		
Bosnia and Herzegovina	x	x					
Bulgaria	x	x	x			x	
Croatia	x	x	x				
Cyprus	x	x	x			x	
Czech Republic	x	x	x	x		x	
Denmark	x	x	x	x	x		
Estonia	x	x	x			x	
Finland	x	x	x	x	x		
France	x	x	x	x	x		
Georgia	x	x	x				x
Germany	x	x	x	x	x		
Greece	x	x	x	x	x		
Hungary	x	x	x	x		x	
Iceland	x	x	x	x			
Ireland	x	x	x	x	x		
Israel	x						
Italy	x	x	x	x	x		
Kazakhstan	x	x					x
Kyrgyzstan	x	x					x
Latvia	x	x	x			x	
Lithuania	x	x	x			x	
Luxembourg	x	x	x	x	x		
Malta	x	x	x			x	
Republic of Moldova	x	x	x				x
Netherlands	x	x	x	x	x		
Norway	x	x	x	x			

Table 4. (continued)

<i>Country</i>	<i>ILO</i>	<i>OSCE</i>	<i>Council of Europe</i>	<i>OECD</i>	<i>EU</i>	<i>EU accession candidates</i>	<i>CIS</i>
Poland	x	x	x	x		x	
Portugal	x	x	x	x	x		
Romania	x	x	x			x	
Russian Federation	x	x	x				x
San Marino	x	x	x				
Slovakia	x	x	x			x	
Slovenia	x	x	x			x	
Spain	x	x	x	x	x		
Sweden	x	x	x	x	x		
Switzerland	x	x	x	x			
Tajikistan	x	x					x
The FYR of Macedonia	x	x	x				
Turkey	x	x	x	x		x	
Turkmenistan	x	x					x
Ukraine	x	x	x				x
United Kingdom	x	x	x	x	x		
Uzbekistan	x	x					x
Yugoslavia	x*	x**					

\* This refers to the former Socialist Federal Republic of Yugoslavia. Pursuant to the decision taken by the ILO Governing Body on the basis of the relevant United Nations resolutions, no State has been recognized as the continuation of that Member, which was suspended from participation in 1992. \*\* Suspend from participation in 1992.

Table 5. ILO expenditure on technical cooperation programmes in Europe by source of funding, 1989-99 (in thousands of US\$)

<i>Source of funding</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
UNDP	576	704	689	660	624	1 344	956	1 127	2 755	2 482	2 545
Trust funds and multi-bilateral	975	1 267	1 919	4 100	4 408	4 298	6 824	4 553	2 627	2 275	2 655
UNFPA	53	21	5	18	27	—	—	—	—	—	21
ILO regular budget	208	297	563	566	1 051	591	1 033	392	1 422	482	1 631
Total	1 813	2 289	3 176	5 344	6 111	6 232	8 814	6 072	6 804	5 238	6 852
Annual growth rate %	18	26.3	38.8	68.3	14.3	2	41.3	-31.1	12.1	-23.0	30.8
Percentage share of Europe in ILO global expenditure on technical cooperation	1.3	1.5	1.9	3.3	4.1	5.5	7.8	6.2	6.3	5.6	7.1

Table 6. ILO expenditure on technical cooperation programmes in Europe by type of assistance, 1995-99 (in thousands of US\$)

	1995	1996	1997	1998	1999
Experts	4 079	3 368	2 582	2 795	2 794
Training	3 265	1 684	1 815	1 190	1 763
Equipment and other	1 469	1 019	2 407	1 254	2 003
Total	8 814	6 072	6 804	5 238	6 852*

\* The total for 1999 includes estimated expenditure of US\$0.293 million incurred by UNDP on behalf of the ILO and notified to the ILO after the closure of the accounts.

Table 7. Approvals for the multi-bilateral programme, 1996-99\*

<i>Source</i>	<i>Approvals (US\$) 1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
Austria	0	651 999	237 940	0
Belgium	1 639 383	11 047 285	219 989	827 529
Denmark	9 489 728	10 010 138	7 504 381	6 520 819
Finland	0	902 820	762 092	2 111 828
France	392 307	822 500	1 796 246	957 854
Germany	34 203 734	1 767 207	910 552	751 880
Italy**	1 867 289	4 347 816	3 217 981	1 607 700
Luxembourg	269 440	876 170	430 931	0
Netherlands	10 442 891	5 371 006	4 778 328	8 957 698
Norway	8 663 073	3 576 697	9 743 719	4 741 698
Poland	0	0	19 250	0
Portugal	0	275 231	1 803 818	2 460 039
Spain	625 000	0	178 493	859 888
Sweden	1 455 191	8 852 828	5 908 525	1 086 585
Switzerland	1 327 436	2 857 164	750 000	0
United Kingdom	0	836 957	2 863 641	9 586 670
European Union	89 000	2 098 939	956 913	202 885
Total European region	70 464 472	54 294 757	42 082 799	40 673 073
Total donors all regions	78 815 339	60 245 773	60 138 689	72 821 270

\* Excluding associate experts. \*\* These figures do not include Italy's contribution to the ILO Turin Centre, which amounted to \$4,410,554 in 1996, \$5,671,106 in 1997, \$5,250,288 in 1998 and \$3,999,785 in 1999.

Table 8. Expenditure for the multi-bilateral programme by donor, 1998-99

<i>Source</i>	<i>Expenditures (US\$)</i> <i>1998</i>	<i>%</i>	<i>1999</i>	<i>%</i>
Austria	311 424	0.7	210 688	0.5
Belgium	2 284 228	4.8	2 381 201	5.1
Denmark	7 471 203	15.8	7 296 865	15.7
Finland	655 782	1.4	568 529	1.2
France	302 606	0.6	316 168	0.7
Germany	6 100 994	12.9	5 137 930	11.0
Italy	3 403 521	7.2	2 997 540	6.4
Luxembourg	283 524	0.6	247 211	0.5
Netherlands	5 266 831	11.1	5 099 166	11.0
Norway	5 657 747	11.9	5 383 225	11.6
Portugal	8 957	0.0	457 833	1.0
Spain	3 836 540	8.1	3 520 585	7.6
Sweden	2 232 882	4.7	3 092 832	6.7
Switzerland	1 903 106	4.0	1 865 216	4.0
United Kingdom	604 355	1.3	669 906	1.4
European Union	724 561	1.5	1 080 952	2.3
Total European region	41 048 261	86.6	40 325 847	86.7
Total all regions	47 375 901	100.0	46 511 598	100.0

Table 9. Life expectancy at birth – Selected transition countries, 1980-97

<i>Country</i>	<i>1980</i>	<i>1985</i>	<i>1989</i>	<i>1993</i>	<i>1997</i>
<b>Central and South-Eastern Europe</b>					
Albania	70.0	71.2	72.5	71.3	71.7
Bulgaria	71.0	–	71.8	71.1	70.7
Croatia	70.4	–	71.8	–	72.5
Czech Republic	70.4	71.0	71.7	72.7	73.9
Estonia	69.0	70.0	70.1	68.0	70.1
Hungary	69.1	69.1	69.5	69.0	70.6
Latvia	68.8	70.0	70.1	67.6	69.2
Lithuania	70.0	70.5	71.5	69.0	71.2
Poland	71.2	71.1	71.0	71.6	72.7
Romania	69.2	69.8	69.5	69.6	69.0
Slovakia	70.4	71.0	71.0	72.4	72.7
Slovenia	71.4	71.6	72.7	73.3	74.7
The FYR of Macedonia	70.1	–	–	–	72.5
Average	70.1	70.5	71.1	70.5	71.7
<b>CIS</b>					
Armenia	72.6	72.8	71.8	71.1	73.7
Azerbaijan	68.0	69.2	70.2	69.4	70.9
Belarus	70.8	72.3	71.6	69.0	68.5
Georgia	71.0	71.3	71.8	–	72.6
Kazakhstan	66.8	67.6	68.3	66.7	64.9
Kyrgyzstan	65.6	67.2	67.9	67.2	66.9
Republic of Moldova	65.6	65.3	68.8	67.4	66.5
Russian Federation	67.3	67.8	69.2	65.2	66.9
Tajikistan	66.2	68.1	68.4	–	68.3
Turkmenistan	64.5	64.6	65.0	–	65.7
Ukraine	69.3	69.4	70.5	67.9	67.4
Uzbekistan	67.4	67.6	69.0	–	69.2
Average	67.9	68.6	69.4	68.0	68.4

Source: European Bank for Reconstruction and Development: *Transition Report 1999: Ten years of transition* (London, EBRD, 1999).



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