

# TOWARDS POLICIES TACKLING THE CURRENT YOUTH EMPLOYMENT CHALLENGES IN EASTERN EUROPE AND CENTRAL ASIA



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# **TOWARDS POLICIES TACKLING THE CURRENT YOUTH EMPLOYMENT CHALLENGES IN EASTERN EUROPE AND CENTRAL ASIA**

ILO Decent Work Technical Support Team  
and Country Office for Eastern Europe and Central Asia

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The ILO, addressing the persistent youth employment crisis, has called upon robust actions based on broad partnerships and innovative mechanisms of policy formulating and multiplication of efforts. As a significant step in this direction, and with reference to recently adopted guiding documents<sup>1</sup>, the ILO is issuing the report aimed at supporting its constituents in tackling youth employment challenge through a coherent and sound approach to macroeconomic policies, employment, skills development and other relevant issues.

Such approach is suggested to be fostered through a mechanism of voluntary peer reviews on youth employment policies, which serves as an arena for mutual learning and elaboration of policy tools and recommendations with reference to good practices.

The publication provides viable solutions on what works for youth employment, and can be used as a separate report or together with the Toolkit for conducting voluntary peer reviews on youth employment policies and Methodology for conducting youth labour market analysis.

The publication has been inspired and nourished by the practical experience of a comprehensive peer review process organized within the frames of the ILO Project “Partnerships for Youth Employment in the Commonwealth of Independent States (YEP CIS)”. The project has been implemented by the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia, with financial support of LUKOIL company.

The peer review process involved constituents representing nine countries from Eastern Europe and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. This publication has been ameliorated by original and eloquent inputs by all participating countries, which through the whole process validated the content, checking it against their concrete experiences of policy making and adequate policy change.

ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia (ILO Moscow) gave overall impetus and coordinated the preparation of this report. The gratitude is expressed to Gianni Rosas, ILO Rome, Olga Koulaeva and Mikhail Pouchkin, ILO Moscow, for overall supervision of the process and provision of valuable inputs to the report.

<sup>1</sup> See resolution and conclusions of the 101st session of the International Labour Conference, Geneva (2012), “The youth employment crisis: A call for action”, p.3 ([www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_185950.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_185950.pdf)), and ILC (2014), “Resolution concerning the second recurrent discussion on employment”, p.6. [www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_249800.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_249800.pdf)

The report was developed with the technical support of the Employment Policy Department of the ILO.

Development of the report will not become possible without collaborative actions and support of the team of the ILO technical cooperation project “Partnerships for Youth Employment in the CIS”.

Special thanks go to the international expert Alena Nesporova for writing substantial parts of the publication, providing insights and sharing the experience.

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# INTRODUCTION

This paper is an outcome of the project “Partnerships for Youth Employment in the Commonwealth of Independent States” implemented by the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia in Moscow and financed by the Russian company LUKOIL. The project helped establish a multi-country youth employment network of nine countries: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. The network under the guidance of the ILO Moscow Office carried out several rounds of peer reviews on youth employment policies and programmes with the aim to build the capacity of labour market institutions of the participating countries for assessing the relevance and effectiveness of the applied youth employment policies, learn from each other’s experience and improve the impact of these policies.

The paper may be used separately or together with the two other papers produced within the project. The first one explains the purpose of peer reviews, how they are organized and what is required from each participating party with regard to the provision of statistical data and policy assessment, preparation and participation in on-site visits and review meetings; it offers practical assistance for all stages of the peer review. The second paper deals with the technical side of the peer reviews. On the basis of a suggested content of the background reports to be prepared by the reviewed and the reviewing countries, it clarifies what comprehensive statistical and policy information needs to be collected in order to properly analyze the labour market situation of young people and identify their key employment challenges, and how to carry out an assessment of applied policies addressing these challenges as to their outcomes, impact and effectiveness.

This paper summarizes the lessons learnt from the conducted rounds of the peer reviews, highlights successful policies applied by the network countries and proposes some recommendations for improving the outcomes and effectiveness of the current implemented policies. It is structured into three sections (besides this introduction). Section 1 first shortly reviews economic and social developments in the nine countries participating in the network. It then provides a detailed comparative analysis of the labour market situation in general but mainly of young people that serves for revealing the main employment challenges faced by youth. Section 2 examines public and corporate policies tackling the identified youth employment challenges in the

nine countries and marks out those that have demonstrated promising results in addressing the critical issues and could be inspiring for policy makers in other network countries. It shows the strong points, underlying conditions but also some weaknesses of these policies. The section also brings some good practices implemented in other, mostly economically advanced, countries. Section 3 builds on findings of the two previous sections and offers for consideration of the peer review countries some recommendations that would contribute towards building the analytical and policy-making capacity of the labour market institutions and increase the relevance and effect of applied policies promoting youth employment, with a focus on the disadvantaged groups of young people.

The paper is targeted at governments (and within it primarily ministries responsible for labour, employment and youth issues), social partners and other interested institutions not only of the network countries but also of other groups of countries wishing to undertake voluntary peer reviews of their policies.

# SECTION 1: OVERVIEW OF THE SOCIO-ECONOMIC AND LABOUR MARKET SITUATION





# SECTION 1: OVERVIEW OF THE SOCIO-ECONOMIC AND LABOUR MARKET SITUATION

## 1.1 THE SOCIO-ECONOMIC SITUATION

### 1.1.1 ECONOMIC DEVELOPMENT

The nine countries participating in the peer review network differ with regard to their economic level.<sup>2</sup> According to the latest World Bank classification of 1 July 2016, five of them (Azerbaijan, Georgia, Kazakhstan, Russian Federation and Turkmenistan) belong to higher-middle-income countries and the remaining four countries (Armenia, Kyrgyzstan, Tajikistan and Uzbekistan) to lower-middle-income countries.<sup>3</sup>

After the deep transition crisis in the first half of the 1990s followed by the period of volatile economic development, all the 9 reviewed Eastern European and Central Asian (EECA) countries embarked on rapid economic growth since 1999, making the region one of the fastest growing world regions (see Figure 1.1). GDP growth rates even reached double digits in Azerbaijan, Turkmenistan and Armenia. Countries producing and exporting oil and gas, such as Azerbaijan, Kazakhstan, the Russian Federation, Turkmenistan and to some extent Uzbekistan, benefitted from high revenues from export of these commodities (see Table A1 in the Annex). The export revenues fueled not only increasing investments both into the oil and gas sector and into technical and social infrastructure but also contributed to rising consumer demand and mounting imports of consumer goods. Also high foreign direct investment (FDI) inflows added to rapid economic advancement. The strong economic growth in the Russian Federation stimulated boom in the economies of other EECA countries through linkages in trade and investment flows, while also remittances sent by migrant workers employed in the Russian Federation and Kazakhstan back home played an important role in the expansion of demand for consumer goods and housing. The EECA countries dependent on imports of oil and gas were thus able to partially offset the negative effects of rising energy prices

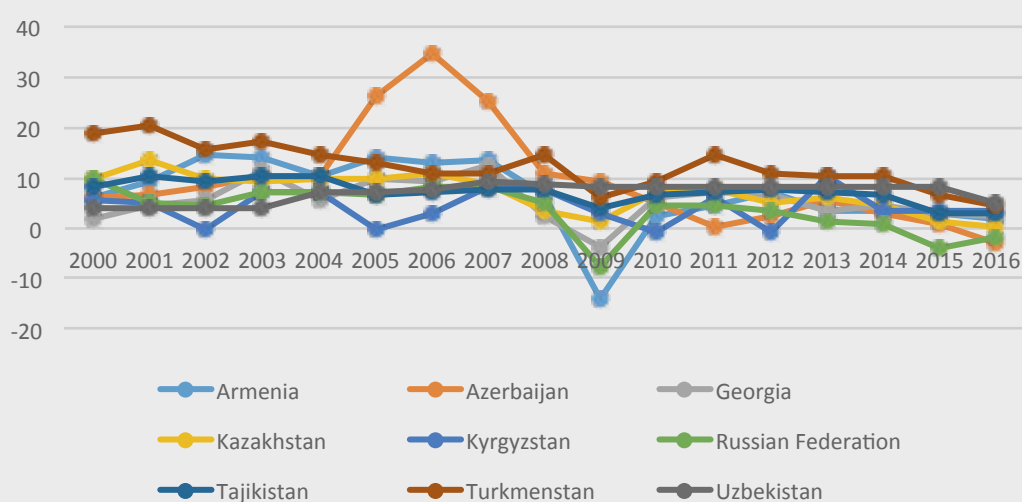
<sup>2</sup> The World Bank measures economic level of a country by gross national income per capita calculated in purchasing power parity in current international dollars. This indicator for the nine countries in 2015 was the following: Kazakhstan 24,480 \$, Russian Federation 23,770 \$, Azerbaijan 17,170 \$, Turkmenistan 15,760 \$, Georgia 9,430 \$, Armenia 8,770 \$, Uzbekistan 6,200 \$, Tajikistan 3,460 \$ and Kyrgyzstan 3,310 \$. Source: World Development Indicators database accessed on 6 January 2017.

<sup>3</sup> [blogs.worldbank.org/opendata/new-country-classifications-2016](https://blogs.worldbank.org/opendata/new-country-classifications-2016)

through remittances, export of other natural resources and agricultural products (e.g. cotton) and through the expansion of construction and services. Nevertheless, their trade and current account balances were deteriorating.



**FIGURE 1.1. GDP ANNUAL GROWTH RATES IN SELECTED EECA COUNTRIES, 2000-2016 (PER CENT)**



Sources:

IMF's World Economic Outlook database, April 2016.

The global financial and economic crisis hit primarily those EECA countries, such as e.g. Kazakhstan and the Russian Federation, where the banks, due to their undercapitalization and high involvement in the provision of housing loans, had to borrow large sums on the international financial markets. In the crisis housing prices sharply decreased, national currencies depreciated and many enterprise and household loans denominated in foreign currencies turned to be non-performing. Banks burdened by bad loans reduced their lending to the enterprise sector that fell into recession. Moreover, oil and gas exporters were also struck by a sharp decline in energy prices that reduced their export revenues. Economic recession in the Russian Federation and Kazakhstan contaminated the neighbouring EECA countries through

cuts in demand for their exports as well as the reduced amount of remittances flowing to these countries. As a result, in 2009 GDP declined in absolute terms in Armenia, the Russian Federation and Georgia, while other countries experienced the GDP slowdown (see again Figure 1.1).

The economic crisis was short-lived in the region mainly thanks to the fast recovery of energy prices but also due to the positive impact of anti-crisis measures launched by some EECA countries, in particular Kazakhstan and the Russian Federation. **Oil and gas exporting countries** returned to high GDP growth fed by elevated energy prices and the revival of domestic demand, although the GDP rates did no longer reach the pre-crisis levels. However, since mid-2014 the newly plummeting prices of oil and gas have again reduced their export revenues rather dramatically and, as a result, their economic growth has significantly slowed down, in the case of Azerbaijan in 2016 and the Russian Federation in 2015–2016 their GDP even contracted. The situation has further aggravated because of geopolitical tensions and the sanctions imposed on Russia. Low revenues from export combined with national currencies' devaluation and increasing borrowing costs on the international financial markets have forced these countries to sharply reduce imports, while also private consumption and investment have declined, including the flows of FDI. The accumulated savings from export revenues in times of high oil prices helped at least partially to cushion the negative effects of low energy prices on the enterprise sector as well as on households. The current moderate rise of global energy prices together with the recovery of domestic production replacing imported goods have helped the Russian Federation to return to positive economic growth.

The recent events have once again revealed serious structural weaknesses of their economies relying excessively on the production and export of oil and gas. The economic diversification programmes launched in Azerbaijan, Kazakhstan and the Russian Federation over the past 15 years and aiming to strengthen the non-oil sector and develop high value-added manufacturing have so far brought only limited results and the contribution of manufacturing to GDP has remained very low (10.8 per cent in Kazakhstan, 6.9 per cent in the Russian Federation and 5.8 per cent in Azerbaijan in 2015).<sup>4</sup> Nevertheless, the current new Russian economic policy aimed at substituting imports by domestic production has already contributed to an increase in manufacturing.

<sup>4</sup> World Bank, World Development Indicators database <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>

**EECA countries dependent on oil and gas imports** also quickly returned to economic growth since 2010 fed by strong domestic demand resulting from the renewed inflow of remittances primarily from Russia and also from Kazakhstan and Azerbaijan<sup>5</sup> as well as supported by recovering export of agricultural products and some other commodities. They maintained high economic dynamic until 2014 (with the exception of Kyrgyzstan in 2010 and again in 2012). However, their persistently large current account deficits contributed to an increase in their sovereign debts and thus made their economic stability very fragile. Economic recession combined with currency depreciation in the EECA oil-exporting countries has reduced demand for exports from the other EECA countries and caused devaluation of their own currencies, while also the volume and purchasing power of remittances have declined. These new developments together with the increasing costs of their debt service have deepened economic imbalances and resulted in a significant slowdown of their GDP.

## 1.1.2 SOCIAL DEVELOPMENT

<sup>5</sup> The importance of remittances for household incomes, consumption and economic growth of the EECA countries – importers of oil and gas – is documented by their contribution to GDP: Tajikistan with 41.7 per cent is in the first place in the world and Kyrgyzstan with 30.3 per cent in the second place, while in Armenia remittances contribute 17.9 per cent, in Georgia 12 per cent and in Uzbekistan 9 per cent to GDP. On the other hand, the Russian Federation was with US\$ 32.6 billion the third most important remittance-sending country globally. For comparison, Kazakhstan sent US\$ 3.6 billion and Azerbaijan 2 billion. All these data are for 2014 and come from The World Bank Migration and Remittances Factbook 2016.

<sup>6</sup> Internationally comparable database on poverty uses two poverty lines: an extreme poverty line equal to US\$ 1.90 headcount per day (calculated in purchasing power parity (PPP) of 2011, which is an equivalent of US\$ 1 per day measured in 2005 PPP) and a poverty line of US\$ 3.10 headcount per day (calculated in 2011 PPP as an equivalent of US\$ 2 per day measured in 2005 PPP). Data are available in the World Bank's World Development Indicators database.

High economic growth since 1999 brought about a significant poverty reduction in all countries of the region. The share of population living in extreme poverty<sup>6</sup> that had reached 54.3 per cent in Tajikistan, 42.2 per cent in Kyrgyzstan, 19.4 per cent in Georgia, 16.9 per cent in Armenia and 10.1 per cent in Kazakhstan in the period 1999–2001 (in Azerbaijan and the Russian Federation it moved below 3 per cent) dropped to zero or close to zero in 2013. Georgia was an exception as it still recorded 11.5 per cent of population living in extreme poverty in 2013. The only available figures on poverty for Turkmenistan and Uzbekistan showed that 43.3 per cent of the population were extremely poor in the former country in 1998 and 66.8 per cent in the latter country in 2003.

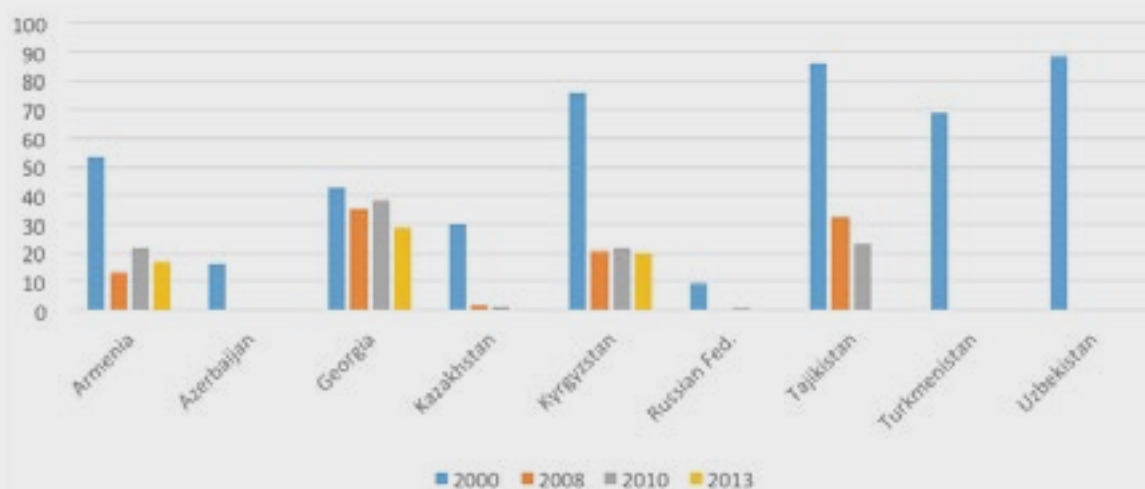
The proportion of population living in poverty (the poverty line of US\$ 3.10 per day) and its development is depicted in Figure 1.2. The figure confirms the overall trend towards poverty reduction within the region. It also shows that the global economic crisis led to a temporary reversal of this tendency in most countries between 2008 and 2010 (in Kazakhstan only until 2009), followed by a return to the declining trend. Still in Armenia the share of poor people in 2013 exceeded its 2008 level. Another striking fact is a relatively limited decline in poverty in Georgia, compared to countries at a lower economic level, such as Kyrgyzstan or Tajikistan (see footnote 1). In 2013, Georgia thus had the highest share of poor people among the countries participating in the peer review, for which data are available. This would point to a larger income inequality in Georgia in comparison with these countries.

Indeed, Georgia and the Russian Federation have the highest Gini coefficients in the region, respectively 0.40 and 0.416, and moreover, income inequality has further increased since 2000.<sup>7</sup> In contrast, the Gini coefficient for Armenia was 0.315, for Kyrgyzstan 0.274 and for Kazakhstan 0.264 (all data are for 2013), while the latest figure for Tajikistan from 2009 was 0.308 (data for other countries are either non-available or very old).

<sup>7</sup> Income inequality is usually measured by the Gini coefficient that moves between 0 signifying perfect income equality and 1 for a hypothetical case of perfect inequality.



**FIGURE 1.2. POVERTY\* DEVELOPMENTS, 2000–2013**  
(PER CENT OF POPULATION)



\* Poverty is measured as the headcount at US\$ 3.10 a day calculated in purchasing power parity of 2011.

Notes: Data for Azerbaijan are available only until 2005 when the share of poor population was zero. Data for Tajikistan are available only until 2009. The sole figure for Turkmenistan is for 1998 and for Uzbekistan for 2000.

*Sources:*

World Bank's World Development Indicators database, accessed in September 2016.  
(<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>)

Poverty indicators based on national poverty lines mostly record the same decreasing trend as the two above mentioned international indicators of poverty: in Armenia the proportion of poor people declined from 48 per cent in 2001 to 30 per cent in 2014, in Azerbaijan from 50 per cent in 2001 to 6 per cent in 2012, in Kazakhstan from 47 per cent in 2001 to 3 per cent in 2014, in Kyrgyzstan from 40 per cent in 2006 to 31 per cent in 2014 and in the Russian Federation from 18 per cent in 2005 to 13 per cent in 2015. National data on poverty for Russia also show that the current economic recession led to a new increase in the share of poor population by almost two percentage points between 2013 and 2015. Other countries provide only few data on poverty based on their national definition: 32 per cent of population lived in poverty in Tajikistan in 2014 and 16 per cent in Uzbekistan in 2011 (no data exist on Turkmenistan).

## 1.2 THE YOUTH LABOUR MARKET SITUATION

### 1.2.1 DEMOGRAPHIC TRENDS

The countries participating in the peer review differ a lot with regard to their population, its demographic composition and trends. As of 1 July 2015 the population of the Russian Federation reached 143.5 million, followed by Uzbekistan with 29.9 million, Kazakhstan with 17.6 million, Azerbaijan with 9.8 million, Tajikistan with 8.5 million, Turkmenistan with 5.4 million, while Kyrgyzstan had 5.4 million, Georgia 4 million and Armenia 3 million inhabitants.

Armenia, Georgia and the Russian Federation have on average significantly older population than the remaining countries: the median age<sup>8</sup> of the first group ranged from 34.6 years in Armenia to 38.7 years in the Russian Federation, while in the second group it moved from 22.5 years in Tajikistan to 30.9 years in Azerbaijan. This cross-country diversity will further increase in the future according to the latest UN population projections<sup>9</sup>: in 2030 (the end year of the UN Agenda for Sustainable Development) the median age will be between 41.4 years in Armenia and 42.4 years in Russia for the first group, and between 24.8 in Tajikistan and 37.1 years in Azerbaijan for the second group.

As documented in Table A2, the latter group of countries has high shares of both children (aged 0–14 years) and youth (aged 15–24) in total population, which will be transformed into large future labour supply. However, this positive demographic dividend will result in accelerated economic development of these countries only when young people get quality education relevant for the labour market

<sup>8</sup> The median age divides the population into exactly two halves: one half of population is younger and another half older.

<sup>9</sup> <https://esa.un.org/unpd/wpp/Download/Standard/Population/>

(which requires sufficient investment into the education system by the state and families themselves) and when the economy is able to absorb them, i.e. create enough productive jobs. On the other hand, the share of older population above 65 is very low due to shorter life expectancy at birth especially among men (in Turkmenistan, Uzbekistan and Kazakhstan men on average die even before reaching 65 years of age!), lagging behind that of women by 6–9 years (see Table A3). The total dependency ratio ranges between 38 in Azerbaijan and 60.9 in Tajikistan and is thus mainly to be attributed to child dependency, while old-age dependency is very low (Table A4). Between now and 2030 total dependency will sharply rise in Azerbaijan but only slightly in Kazakhstan and Kyrgyzstan and even decline in the other three countries as the weight of children will decrease and that of the elderly rise, most rapidly in Azerbaijan.

In contrast, the first group currently benefits from high levels of working age population, which will, however, gradually get older and leave the labour market, while the less numerous young age cohorts will not be able to replace them (see again Table A2). Labour supply will shrink and the resulting labour shortages will constrain economic growth, unless the countries further increase economic activity of the population both within and beyond the working age, turn to labour-saving technologies and/or attract larger numbers of labour migrants (and are able to properly integrate them into the society). Within this group Armenia and Georgia have higher life expectancy at birth of both sexes and thus higher shares of older population (see Table A3), compared with the second group but also with the Russian Federation (that has similar life expectancy levels as the second group but even larger gender gap, over 11 percentage points). Nevertheless, total dependency ratios for all the three countries are similar as for the second country group because lower child dependency ratios are compensated by higher old-age dependency (see table A4). Between 2015 and 2030 the total dependency ratios will sharply increase in these 3 countries mainly thanks to a fast rise of their old-age part, while child dependency will also grow in Georgia and Russia but not in Armenia.

## 1.2.2 MIGRATION DEVELOPMENTS

Migration can be an additional source of population and labour force growth in countries receiving migrant workers. Migrant workers contribute to economic development and wealth creation of the host country but rather often they have to struggle with discrimination in employment and remuneration. Conversely, in countries of migration origin larger-scale emigration may help alleviate tensions in the labour market and bring additional income for population through remittances.

Nevertheless, the country loses its most valuable resource as emigrants are usually younger, often better educated and more flexible than the population back home. And in countries with the ageing population it will sharpen future labour market shortages, which could affect in particular Armenia and Georgia.

According to the above mentioned UN population projections, in the period 2010–2015 the Russian Federation was by far the major recipient of migrants in the region as 1.1 million more foreign citizens arrived in Russia than Russian citizens emigrated abroad. Kazakhstan was the second immigration country with the net increase of 160 thousand migrants. In all the other 7 countries the numbers of emigrants exceeded those of immigrants between 2010 and 2015 and the two countries with the largest net migration outflow were Georgia (296 thousand) and Uzbekistan (195 thousand persons). While the greatest migration flows were between the Russian Federation and the other countries of the region, and between Kazakhstan and other Central Asian countries, rather huge flows occurred also between the neighbouring countries, in particular within Central Asia. According to the World Bank, among 30 countries with the highest stock of migrants in the world Russia was in the fourth place with 11 million and Kazakhstan in the seventeenth place with 3.5 million immigrants.<sup>10</sup> Conversely, with regard to the number of persons who left their country to live abroad, the Russian Federation with 10.9 million emigrants was in the third place and Kazakhstan with 3.8 million on the sixteenth place (these data are for 2013).

While international migration is relatively massive in the region, internal migration (mobility within the country) is rather low. For example in the Russian Federation only 2 per cent of population change their residence annually.<sup>11</sup> According to a global survey on internal migration undertaken by Gallup in 139 countries, internal mobility was found rather low in 5 countries of the region (Armenia, Georgia, Kazakhstan, Kyrgyzstan and the Russian Federation) and very low in the remaining four countries (Azerbaijan, Uzbekistan, Tajikistan and Turkmenistan).<sup>12</sup>

<sup>10</sup> World Bank, *Migration and Remittances Factbook 2016*. Washington 2016.

<sup>11</sup> Berglund, T., *Promoting labour market mobility in the Republic of Kazakhstan and the Russian Federation*. ILO, Moscow 2017.

<sup>12</sup> Esipova, N., Pugliese, A. and Ray, J., *The demographics of global internal migration*. International Organization for Migration, Geneva 2014.

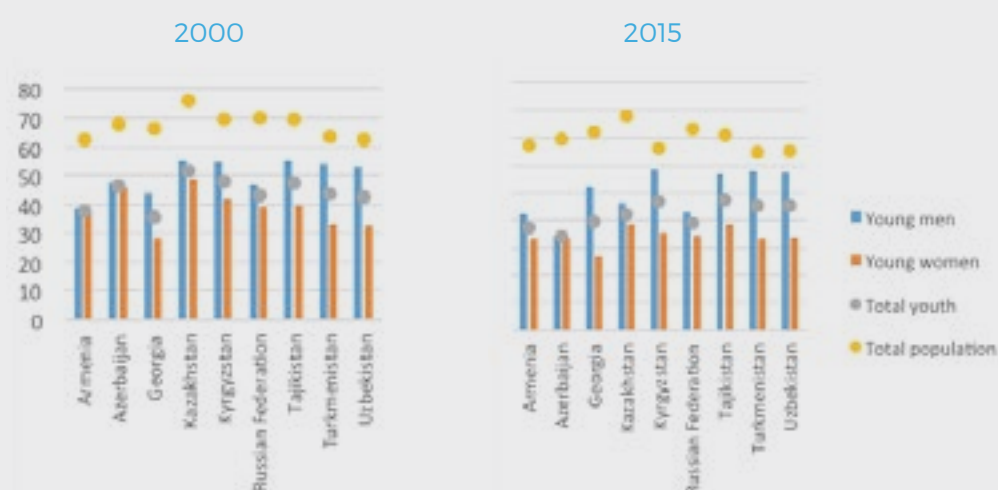
### 1.2.3 YOUTH LABOUR FORCE PARTICIPATION

There are large differences among the 9 reviewed countries with regard to youth labour force participation (LFP) as illustrated by Figure 1.3.<sup>13</sup> Central Asian states tend to have higher youth LFP rates compared with the remaining countries and the gap between Azerbaijan (34.3 per cent) and Tajikistan (47.7 per cent) exceeded 13 percentage points in 2015. For comparison, in the case of total population the picture is mixed as the highest LFP rates are recorded by Kazakhstan, Russia and Georgia, while Turkmenistan, Uzbekistan and Kyrgyzstan have significantly lower rates and the gap between Kazakhstan with the highest and Turkmenistan with the lowest rate was again 13 points in 2015. While over the period 2000–2015 economic activity of total population was steadily increasing in all these countries with the exception of Kyrgyzstan, youth economic activity grew in Georgia, Turkmenistan and Uzbekistan, practically stagnated in Armenia and Tajikistan and declined – somewhat in Kyrgyzstan but steeply in Azerbaijan, Kazakhstan and the Russian Federation.

<sup>13</sup> Youth is specified in this report in line with the United Nations definition as persons between 15 and 24 years of age.



**FIGURE 1.3. YOUTH LABOUR FORCE PARTICIPATION  
TOTAL AND BY SEX (IN PER CENT)**

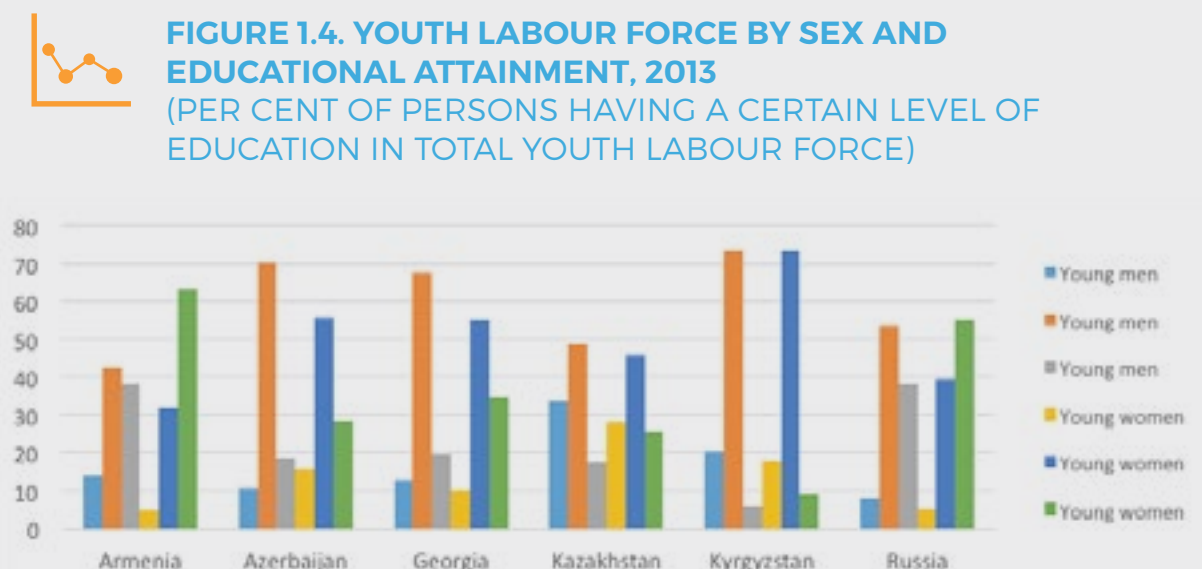


Sources:

ILO Key Indicators of the Labour Market (KILM) database, 9th edition, ILO, Geneva 2015. Table 1a.

Economic activity of young women is significantly lower than that of young men in all but one country since only in Azerbaijan the rates of both sexes are very similar – as again illustrated by Figure 1.3. Cross-country differences in the youth female rates are much smaller in comparison with the male rates: the female rates ranged from 27.1 per cent in Georgia to 38.9 per cent in Kazakhstan, while the male rates moved between 34.6 per cent in Azerbaijan and 58.7 per cent in Kyrgyzstan in 2015. The gender gap in economic activity thus widely differed: in Azerbaijan it was only 0.7 points, while it climbed up to 24.7 points in Georgia and 24.9 points in Turkmenistan. Moreover, compared with 2000 the gender gap increased in all but one country – Azerbaijan – over the analyzed period as economic activity of young men either grew more or declined less than that of women (female activity slightly rose only in Turkmenistan and Uzbekistan but shrank in all the other countries, while male activity augmented in 6 countries and decreased in 3 countries).

Figure 1.4 reveals that economically active young women have on average higher education than young men: the share of tertiary educated female youth is significantly larger and the share of young women with only primary education much lower in comparison with the analogous proportions for young men in all 6 countries for which data are available. It confirms that high education is an important factor for the decision of young women to enter the labour market. Nevertheless, the significantly lower and declining labour force participation of young females, compared with young males, indicates that the recently observed return to traditional cultural norms (with women engaged in households and family care) plays a significant role not only in the case of less educated women but may also discourage young women with tertiary education from joining the labour force.



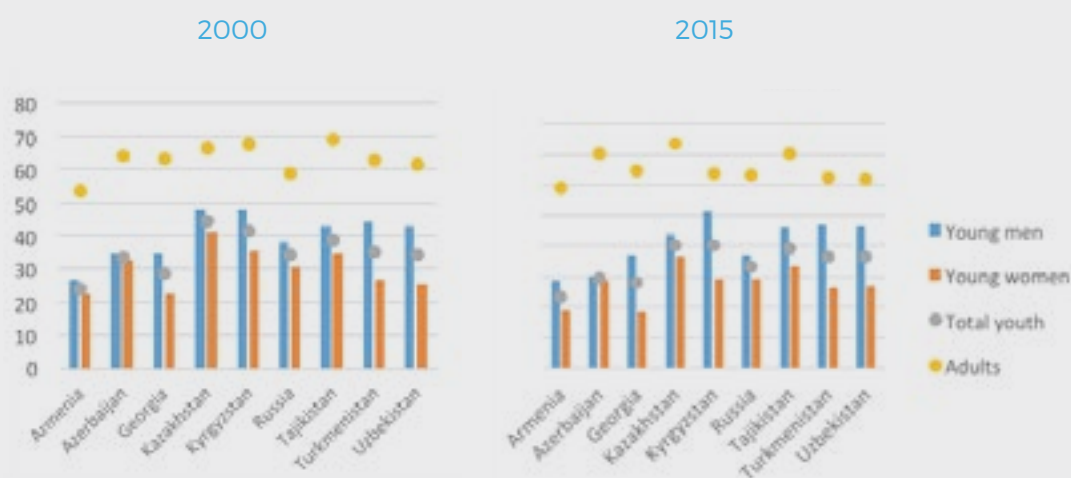
Sources:  
ILO KILM database, table 14a.

## 1.2.4 YOUTH EMPLOYMENT

**Employment-to-population ratio** (or the employment rate) of youth was again higher in Central Asia in comparison with the remaining countries similarly as youth economic activity (see Figure 1.5) and ranged from 23.6 per cent in Armenia to 40.5 per cent in Kyrgyzstan. However, in 6 out of 9 countries its level in 2015 was lower than in 2000; higher employment rates occurred only in Tajikistan, Turkmenistan and Uzbekistan. This contrasted with the adult employment rate that increased in all but 2 countries (Kyrgyzstan and Turkmenistan) over this period. Economic recession or slowdown in 2009–2010 had only a marginal effect on these observed longer-term trends. Adult employment-to-population ratio exceeds that of youth from 1.6 times in Kyrgyzstan to 2.5 times in Armenia and the difference has deepened since 2000. The decline in the youth employment rate is to be largely attributed to higher involvement of young people in the education process, which is a positive trend. Nevertheless, a certain and increasing part of young people are either unemployed or inactive as the economy is unable to create enough jobs to absorb them, despite high economic growth (and on the top, the quality of employment of many young people is low). All these issues will be discussed later.



**FIGURE 1.5. YOUTH EMPLOYMENT-TO-POPULATION RATIO BY SEX, 2000 AND 2015 (IN PER CENT)**



Sources:  
ILO KILM database, table 2a.

The employment rate of young men is significantly larger in Central Asian countries than in the other 4 countries and in 2015 Kyrgyzstan recorded almost double the male rate of Armenia. In the case of young women the situation is not as clear-cut: in 2015 the highest rates were achieved by Kazakhstan and Tajikistan and the lowest by Armenia and Georgia but Russia and Azerbaijan had higher female rates than Turkmenistan and Uzbekistan. The young male and female employment rates also had different dynamics over the period 2000–2015. The male rates increased everywhere except for the 3 richest countries (Azerbaijan, Kazakhstan and Russia). In contrast, the female rate increased only in one country – Uzbekistan – and in Turkmenistan remained stable, while it declined in all the other countries. The gender difference in the employment-to-population ratio of young people that was already quite large in 2000 has widened in most countries and ranged from 1.7 percentage points in Azerbaijan to 21.9 points in Kyrgyzstan in 2015. As already mentioned above, the gender gap is mainly associated with higher unemployment (as will be illustrated later) as well as with inactivity due to women's engagement in households and family care, which both result from a gradual return to traditional cultural norms and from strengthening gender stereotypes.

**The employment structure by sector of economic activity** still shows large shares of total employment in agriculture in most countries with the exception of the Russian Federation but also their steep decline since 2000 (see Table A5). Employment in industry after its collapse during the transition crisis has again somewhat increased in most countries after 2000 (except for Russia and Tajikistan where it declined), while employment in services has steadily augmented everywhere. With regard to youth, the available national data show that in comparison with total population young people are overrepresented in agriculture (48 per cent of youth vs. 37 per cent of all workers in Azerbaijan in 2014, 33 per cent of youth vs. 24 per cent of all workers in Kazakhstan, 8 per cent of youth vs. 7 per cent of all workers in the Russian Federation and 65 per cent of youth (aged 15–29) vs. 45 per cent of adult workers (aged 30–59) in Tajikistan. Apart from agriculture data also suggest that young people are overrepresented in retail trade and hotels and restaurants. All these sectors are offering low productive jobs with low earnings.

Data on **status in employment** reveal large differences across the countries in the distribution of employment between dependent and self-employment (see Table A6). In the Russian Federation over 90 per cent of workers are employees, while their share reaches 69 per cent in Kazakhstan and exceeds 50 per cent in Armenia, Kyrgyzstan and Tajikistan. In contrast, in Azerbaijan and Georgia wage employment contributes only one-third to total employment (all data are for 2013, only in Tajikistan for 2009). Over the period 2000–2015 the share of wage employment increased in all the countries for which data are

available but declined in Armenia. Self-employment is thus a widely extended type of employment in the region and the bulk of them are own-account workers, mostly active in agriculture and services. The proportion of contributing family workers is also high in Armenia, Azerbaijan, Georgia and Kyrgyzstan. The vast majority of own account workers and all contributing family workers perform low productive activities, often without any social protection, and therefore own account workers and contributing family workers are included into the category of vulnerable employment.

**Informal employment** is rather widespread in the region although data on its incidence are scarce. ILO STAT database offers recent estimates of informal employment only for a few countries: informal employment contributed 48.6 per cent to total employment in Armenia (2014), 29.6 per cent in Kazakhstan (2013) and 11.5 per cent in the Russian Federation (2014). In Armenia and Kazakhstan the share of informal employment is slightly higher among women, while in the Russian Federation men are more frequently employed informally than women. The Armenian Statistical Agency estimated the share of informal employment at 49.9 per cent of total employment in 2014, of whom 50.3 per cent were women and 49.7 per cent men.<sup>14</sup> National statistics of Kazakhstan puts the level of informal employment at 24 per cent of total employment in 2013 and notes its decline from 39 per cent in 2008.<sup>15</sup> The share of people working without any formal labour contract is estimated at 67 per cent in Azerbaijan. While in Baku informal employment contributes some 40 per cent to total employment, in the regions their share moves between 70 and 90 per cent.<sup>16</sup> In Tajikistan, the 2009 Labour Force Survey put the level of informal employment at 54 per cent of total employment.<sup>17</sup> According to the Russian statistics, employment in informal enterprises accounted for 17.1 per cent of total employment in 2012 and only slightly decreased from its peak of 18.4 per cent in 2005.<sup>18</sup>

With regard to informal employment of young people, their share in total Russian youth employment increased from 15.8 per cent in 2001 to 25.3 per cent in 2005, then gradually declined to 20 per cent in 2010, among others due to job losses during economic recession, and again rose to 24.4 per cent in 2012. Informal employment is equally distributed among young men and women.<sup>19</sup> Data for Kyrgyzstan suggest that the share of informal employment in total youth employment accounted for 78.2 per cent and in rural areas it even climbed to 85.5 per cent. Young men are more exposed to informality than young women: in their case informality concerns 81 per cent of all young male workers, in rural areas even 86.8 per cent (all data are for 2012).<sup>20</sup> Young people are thus disproportionately represented in informal labour and although hard data on young informal workers are not available for other countries, indirect evidence confirms this finding there as well.

<sup>14</sup> The Ministry of Labour and Social Affairs of the Republic of Armenia, *Information report on youth employment promotion policy in Armenia*. Yerevan 2016.

<sup>15</sup> The Statistical Agency of the Republic of Kazakhstan counts as informal workers those who are working informally (i.e. are not registered in the social insurance system) regardless of whether they work in formal or informal sector enterprises or households. The decline in 2013 in comparison with 2008 was also affected by methodological changes in counting of informal sector enterprises and informal workers. Source: ILO, *Jobs and skills for youth: Review of policies for youth employment of the Republic of Kazakhstan*. ILO, Geneva 2015.

<sup>16</sup> Pouchkin, M. and Surina, J., *Peer review of youth employment policies in the Republic of Azerbaijan: Synthesis report*. ILO, Moscow 2016.

<sup>17</sup> Pouchkin, M. and Surina, J., *Peer review of youth employment policies in the Republic of Tajikistan: Synthesis report*. ILO, Moscow 2015.

<sup>18</sup> Employment in informal enterprises can, however, include also formal workers. In contrast, data on informal employment in formal enterprises and in households are not available. ILO, *Jobs and skills for youth: Review of policies for youth employment of the Russian Federation*. ILO, Geneva 2014.

<sup>19</sup> ILO, *Jobs and skills for youth of the Russian Federation*, op. cit.

<sup>20</sup> Pouchkin, M. and Surina, J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis report*. ILO, Moscow 2014.

Informal employment typically relates to poor quality jobs not covered by social and legal protection, often performed under hazardous working conditions and offering low earnings. It is mainly driven by the lack of good quality employment. However, it also covers so-called undeclared work (including the payment of a part of wages under the table or in-kind, or bogus self-employment) associated with deliberate evasion of taxes and social protection contributions. Both forms of informal employment can be found in all countries but the former is widespread in less economically developed countries while the latter form is more typical for economically advanced countries. Besides direct negative impacts on informal workers described above, informal employment reduces tax revenues of public budgets and contributions to social funds, which could otherwise be used for higher investment in education, health care and social welfare. Moreover, firms in the informal sector compete unfairly with formal enterprises, undercut the wage level and undermine the creation of decent workplaces with decent wages in the economy.

As data on informal employment for most countries are missing, the ILO recommends to use **vulnerable employment** as a proxy (this proxy is more appropriate for measuring the first type of informal employment, while it underestimates the second type, non-declared work). Table A7 shows the most recent data on vulnerable employment in 7 EECA countries as well as their development since the 2000s. It again confirms the high incidence of vulnerable employment in the region with the exception of the Russian Federation (which would suggest that undeclared work is the main form of informal employment in Russia) and to some extent also of Kazakhstan. In Armenia, Azerbaijan and Georgia women are more exposed to vulnerable employment than men, while in Kyrgyzstan, Russia and Tajikistan it is vice versa and in Kazakhstan their shares are equal. The overall tendency is towards a decline in vulnerable employment, while in Georgia it has stagnated but in Armenia it has steeply increased.<sup>21</sup> Again, available evidence shows that young people are overrepresented in vulnerable employment. For example, in 2012 the share of youth aged 15–24 in vulnerable employment accounted for 39.6 per cent of total youth employment in Kazakhstan, while in the case of total population it was only 29.3 per cent, and in the Russian Federation it was, respectively, 6.8 per cent and 5.7 per cent.<sup>22</sup>

<sup>21</sup> A sharp rise in vulnerable employment in Armenia is, however, to be attributed to methodological changes rather than to actual developments.

<sup>22</sup> Data for Kazakhstan are from: ILO, *Jobs and skills for youth of Kazakhstan*, op. cit. Figure on the share of youth in vulnerable employment in total youth employment for the Russian Federation is from: ILO, *Jobs and skills for youth of the Russian Federation*, op. cit., and on the share of vulnerable employment in total employment is from: ILO KILM database, Table 3.

<sup>23</sup> Flexible forms other than informal employment that is actually the most flexible form of employment.

<sup>24</sup> <http://www.oecd.org/employment/emp/employmentdatabase-employment.htm>

**Flexible forms of employment**<sup>23</sup>, such as temporary and part-time employment, are rather rare in the region. In Kazakhstan only 4.9 per cent of wage workers were employed on a temporary basis in 2012, down from 11.2 per cent in 2008, according to national statistics. In the Russian Federation the share of temporary employment accounted for 9 per cent in 2015 as shown by the OECD database and its share also declined from 13.9 per cent in 2008.<sup>24</sup> Temporary employment is twice as high for youth (18.4 per cent in 2015) in Russia but between 2008 and 2015 youth temporary employment declined even faster, by 6 percentage points, than for total population. Young men work more

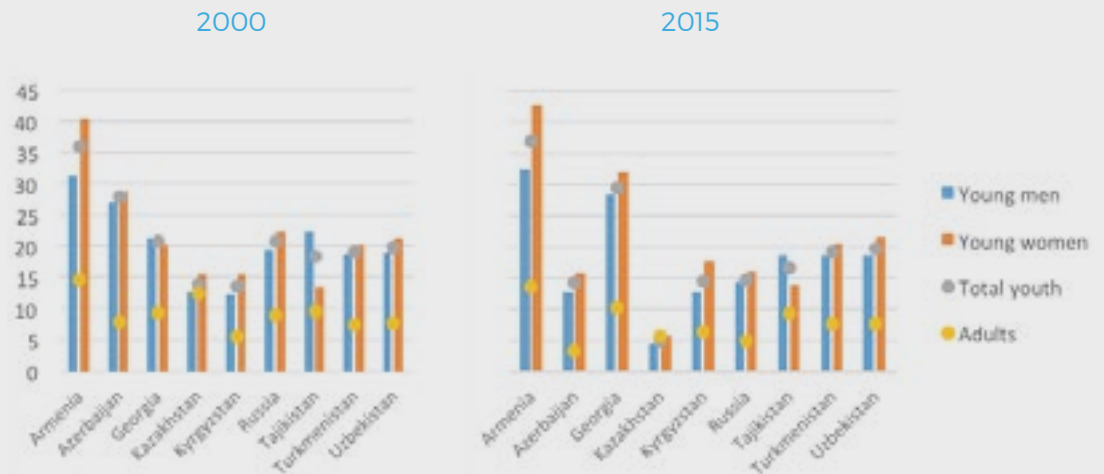
often on a temporary basis than young women and the incidence of temporary employment increases for lower levels of education. Data on part-time employment are available only for the Russian Federation (again from the OECD database) and show that 4.2 per cent of workers worked part-time, and among them more women than men, in 2015. Young people were once again more represented in part-time employment (6.6 per cent) compared with total population (4.2 per cent) and their share stagnated since 2008.

### 1.2.5 YOUTH UNEMPLOYMENT

The joblessness of young people in 8 EECA countries moved in double digits from 14.3 per cent in Azerbaijan to as high as 37.2 per cent in Armenia in 2015 (see Figure 1.6). It exceeded adult joblessness 1.8 times in Tajikistan and 2.2 times in Kyrgyzstan, while for other countries the gap was from 2.5 times in Turkmenistan to 4.1 times in Azerbaijan (see Table A8). Kazakhstan is an exception as its youth unemployment only amounted to 5.1 per cent and was even 0.6 percentage points lower than adult joblessness in 2015, which is rather unique in the world. Young women are more exposed to unemployment than young men in 8 out of 9 countries and the gender difference climbs up to 10.4 percentage points in Armenia, only in Tajikistan young men face higher joblessness than young women. Between 2000 and 2015 Azerbaijan, Kazakhstan and the Russian Federation were able to cut their youth unemployment rates significantly, while Tajikistan reduced it slightly. In all the other countries the youth rate stagnated or increased, in Georgia even quite substantially – by 9 points. Gender gap in unemployment increased in most countries over this period, only in Kazakhstan, Russia and Tajikistan it was somewhat reduced. Table A8 also documents that the economic recession of 2009–2010 disproportionately hit young people as compared with adults in most countries, except for Kazakhstan, where the youth rate continued declining, and for Turkmenistan and Uzbekistan, where it stagnated.



**FIGURE 1.6. YOUTH UNEMPLOYMENT TOTAL AND BY SEX, 2000 AND 2015 (RATES IN PER CENT)**



Sources:  
ILO KILM database, table 9a.

The incidence of **long-term unemployment** (over one year) among young jobseekers is low in Kazakhstan, Kyrgyzstan and the Russian Federation: 12 per cent of youth unemployment in the first two countries and 17 per cent in Russia in 2013. However, in Armenia 38 per cent of young jobless persons were long-term unemployed and in Azerbaijan their share even climbed to 72 per cent. Data on long-term unemployment are not available for other countries.

Within each country there are large **territorial differences in youth unemployment** (as well as in total joblessness). For example, in the Russian Federation the North Federal District and the Central Federal District had the lowest youth unemployment rates, respectively 10.7 and 10.8 per cent in 2012, while in the North Caucasus Federal District one in three economically active young persons were jobless. However, when considering the lower level territorial entities, the variation is even much larger: the youth unemployment rate equaled only 3.2 per cent in Saint Petersburg and 4.7 per cent in Moscow, while in the Chechen Republic it climbed to 52.8 per cent and in the Republic of Ingushetia even to as high as 91 per cent.<sup>25</sup> In Kazakhstan diversity in unemployment at the higher, regional level is rather low and the rates moved between 3.5 per cent in Atyrau Oblast and 7.9

<sup>25</sup> ILO, *Jobs and skills for youth of the Russian Federation*, op. cit.

per cent in Zhambyl Oblast in 2013. However, at the local level the differences were again much larger.<sup>26</sup> Similar territorial disparity in youth unemployment exists in other countries as well.

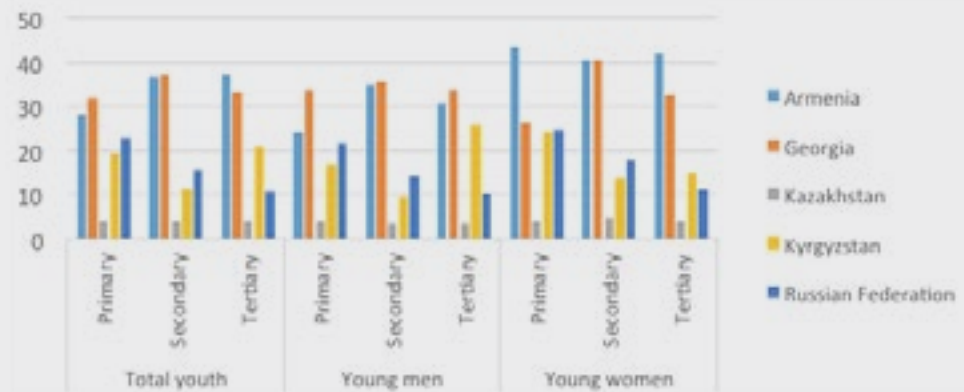
In economically developed countries unemployment both of youth and adults is negatively correlated with the **level of education**: low educated persons face the highest unemployment rate while the rate declines with increasing education level. High education is thus the best guarantee against unemployment. However, in the EECA region this relationship is valid only for the Russian Federation, while in Armenia it is exactly the opposite (see Figure 1.7). In Kazakhstan the rates are practically of the same low magnitude for all the three education levels. In Georgia and Kyrgyzstan the joblessness rate of persons with primary or lower education is below that of tertiary educated persons, while in Kyrgyzstan secondary educated persons have the lowest rate and conversely in Georgia they face the highest rate. Figure 1.7 also reveals that higher education pays off for both sexes only in the Russian Federation and for women in Kyrgyzstan. Young Armenian women, Georgian men and Kazakh women and men have very similar unemployment rates irrespective of their level of education, while more educated young men in Armenia and Kyrgyzstan and better educated young women in Georgia face significantly higher unemployment than their low educated peers. These figures would suggest that apart from Kazakhstan and the Russian Federation the economies of other countries are not able to generate enough productive jobs for young educated people and many of them may thus perform jobs requiring lower education than they possess. For example, data for Tajikistan show that 20 per cent of workers with tertiary education are working in blue-collar positions, while in the case of secondary VET graduates this share climbs to 34 per cent.<sup>27</sup>

<sup>26</sup> ILO, *Jobs and skills for youth of Kazakhstan*, op. cit.

<sup>27</sup> Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Tajikistan: Synthesis Report*, op. cit.



**FIGURE 1.7. YOUTH UNEMPLOYMENT BY SEX AND EDUCATIONAL ATTAINMENT, 2013 (RATES IN PER CENT)**



Sources:  
ILO KILM database, table 14c.

These data also indicate that there are large **skill mismatches** in the labour market in a number of countries. According to the latest World Economic Forum's assessment of impediments for business development, inadequately educated workforce was identified as the most serious impediment for doing business in Georgia, while in Armenia and Azerbaijan it occupied the fourth place, in Kazakhstan the fifth place, in the Russian Federation the seventh place, in Kyrgyzstan the ninth place and in Tajikistan the tenth place.<sup>28</sup>

While the majority of inactive young people in the age group of 15–24 are engaged in education, there is a certain percentage of youth who are not for various reasons. They together with unemployed youth represent a group of NEETs (young people not in employment, education or training). The size of this group of “idle” young people is an indicator on the one hand of the availability and accessibility of education and training for youth and its relevance for the labour market and on the other hand of the availability of jobs in the labour market. Research shows that such an “idleness” in young age can have devastating impacts on future work career of young people and can lead to their social exclusion, poverty and in some cases even to criminal activity and therefore governments pay high attention to NEETs through various re-integration programmes (as will be discussed later).<sup>29</sup> Data on NEETs are available for 6 countries and range from 8 per cent of all young people in Kazakhstan in 2013, through 12 per cent in Russia (2012),

<sup>28</sup> World Economic Forum, *The Global Competitiveness Report 2015–2016*, Davos 2016.

<sup>29</sup> See e.g. ILO, *The youth employment crisis: Time for action*. Report V of the International Labour Conference, 101st session, ILO, Geneva 2012.

19.5 per cent in Azerbaijan (2005) and 21.2 per cent in Kyrgyzstan (2013) to as high as 38.2 per cent in Tajikistan (2007) and 40.9 per cent in Armenia (2013).<sup>30</sup> In all these countries the share of NEETs is higher among young women and the gender gap ranges from 3.2 percentage points in Armenia to 25 points in Tajikistan. In Azerbaijan thus one in four young women is NEET, while in Kyrgyzstan almost one in three, in Armenia over two in five and in Tajikistan even one in two young women are neither in employment nor in education or training. The situation of young men is better but still in Tajikistan one in four young men belongs to the NEET group and in Armenia almost two in five.

### 1.3 YOUTH EMPLOYMENT CHALLENGES AND THE WAYS OF TACKLING THEM

The above analysis has revealed rather low and declining economic activity and employment-to-population ratios of youth in the region, in particular in countries like Georgia, Armenia and the Russian Federation. After disaggregating these indicators by sex they show significantly lower and shrinking economic activity and level of employment of young women in most countries, compared with young men (whose economic activity and employment either increased or decreased much less). This can be mostly explained by women's more difficult transition from school to work as well as by their much higher involvement in households and family care that both are associated with traditional cultural norms and gender stereotypes.

Despite high economic growth since 2000 aggregate unemployment has declined only in some countries (Azerbaijan, Kazakhstan, Kyrgyzstan and the Russian Federation) to acceptable levels around 5 per cent while in Armenia it still climbs to over 16 per cent and in Georgia over 12 per cent. Youth unemployment is much higher, with the exception of Kazakhstan it moves in double digits and exceeds adult joblessness more than twice in 7 out of 9 countries, only in Kazakhstan young people are better off than adults. Again young women are disproportionately hit by unemployment, compared with young men. Unlike in economically developed countries, higher education is not a guarantee of employment in the region, except for the Russian Federation and Kazakhstan, as workers with primary education have often lower joblessness than the tertiary or secondary educated ones. This can be explained on the one hand by low capacity of these economies to create jobs requiring higher skills and on the other hand by mismatches between demand for skills in the labour market and actual education of young people. The share of youth neither in employment nor in education and training who can be most endangered by future labour market or social exclusion is reaching alarming levels in general but especially among women.

<sup>30</sup> In Kazakhstan it concerns young people aged 15–28, in all the other countries youth aged 15–24.

On the top of insufficient quantity of jobs for young people the quality of jobs occupied by young people is often poor as young workers are overrepresented in low productive and badly remunerated jobs in agriculture, retail trade or hotels and restaurants where their prospects for career advancement are usually gloomy, despite their higher level of education, compared with older generations. Young people are also more often hired as informal workers or temporary workers and thus less protected or not protected at all against the risks of income losses as a result of occupational injuries or diseases, sickness, invalidity, maternity or unemployment. Anecdotal evidence shows that many of them work under hazardous conditions.

Without committed and systematic effort in support of youth employment from the side of governments in close cooperation with employers, trade unions, families of young people and other relevant actors, the situation can aggravate in the future as a consequence of demographic trends – the progressive ageing of populations in Armenia, Georgia and the Russian Federation and large cohorts of young people entering the labour market who will need productive employment in the other 6 countries.


These challenges are to be tackled both on the supply and demand side of the labour market. On the supply side the key issue would be to improve the quality and relevance of professional education and training of young people. This can be achieved on the one hand by the provision of well-informed vocational guidance to pupils and their parents and facilitation of access to quality education and training to young people from poorer families and from rural areas. On the other hand there is a necessity to steadily upgrade the education and training system itself so that it offers high quality and relevant education and training in professions demanded by the labour market. For a smoother transition from school to work a closer interaction between schools and training centres and the world of work should be achieved. Special attention should be devoted to NEETs as well as to young informal workers to help them upgrade their knowledge and skills, overcome any other barriers to formal employment and to assist them in gaining productive employment. There is also a need to ensure on the one hand affordable childcare and on the other hand appropriate assistance to women still on or returning from maternity/parental leave (refresher training and other suitable measures) in order to stimulate women's employment.

On the demand side the big issue is to launch macroeconomic policy that would stimulate job-rich economic growth, steadily ameliorate conditions for enterprise development and encourage the creation of productive jobs. In this respect own account workers as well as micro, small and medium-sized enterprises deserve special support so that they can not only survive economically but expand and improve their business, the informal ones move out of informality and all of them

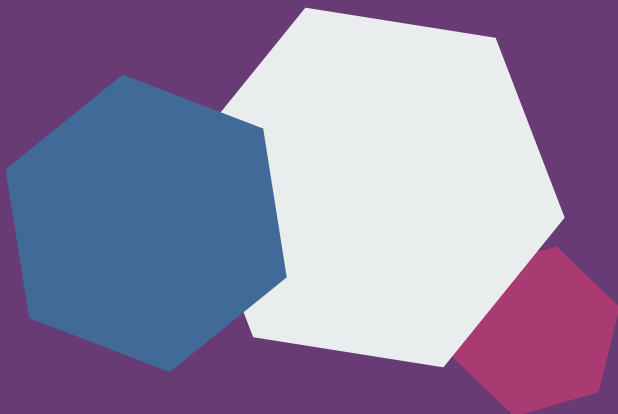
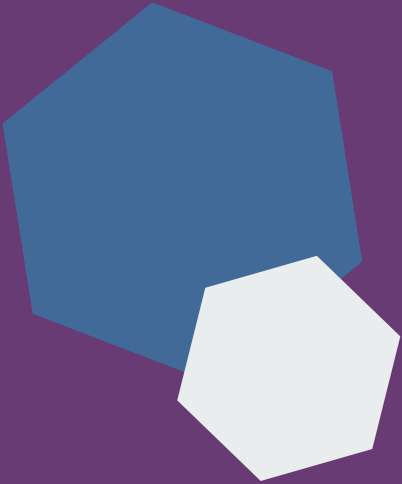
offer productive jobs to (other) workers. In order to boost employment of hard-to-place jobseekers, enterprises should benefit from measures compensating them for additional costs of providing jobs to such workers, such as wage subsidies, tax concessions, workplace adjustment subsidies etc.

The EECA countries pay high attention to youth employment. Youth employment promotion is embedded in national employment acts, in laws and programmes on state youth policy (adopted e.g. in Armenia, Kazakhstan, Kyrgyzstan or Tajikistan) and in national employment strategies and employment promotion programmes where youth is stipulated as one of the priority population groups. Several countries, such as Kazakhstan or the Russian Federation, have recently launched Youth Employment Action Plans that set concrete targets for youth employment policy, define responsibilities of all relevant stakeholders as well as actions to be undertaken and the timeframe for the achievement of these targets. Many policies and measures suggested above are anchored in these legal acts, strategies and programmes and are carried out. Besides state institutions running such policies and measures, state-owned and private enterprises have also launched their own programmes promoting youth employment or are partnering with state institutions on such measures. Public and corporate policies that have shown promising results are discussed in the next section with the aim to point out their strengths as well as weaker points. This review is supplemented by examples of successful policies from other countries tackling key aspects of youth employment promotion.





**SECTION 2:  
PUBLIC AND  
CORPORATE  
POLICIES  
PROMOTING  
YOUTH  
EMPLOYMENT**





## SECTION 2: PUBLIC AND CORPORATE POLICIES PROMOTING YOUTH EMPLOYMENT

The analysis has indicated several neuralgic points on the pathway of young people to productive employment. First, some young people leave the school system without any professional education or training or gain professional skills that are superfluous in the labour market and therefore they cannot find any available vacancies. This may leave them jobless or as inactive discouraged jobseekers or force them to accept low quality, often vulnerable employment, while enterprises are frequently searching in vain for certain professions. Second, fresh school leavers may have the right theoretical education but no practical skills and their practical training in the first job means additional costs for employers, which many employers do not want to bear. Third, young people are missing information on the labour market situation and vacancies in their place of residence or elsewhere in the country and/or do not have the skills for successful self-presentation to an employer. Fourth, young jobseekers are living in localities lacking vacancies but cannot for economic or other reasons move to regions offering vacant jobs. Fifth, young people face other barriers for entering the labour market, such as health and disability problems, family care, past delinquency history etc. In all these cases well-designed and targeted policies and practices can make a big difference and help young people to find and retain productive, decent jobs. Below such effective policies and practices will be described.

### 2.1 ASSISTANCE IN FINDING RELEVANT EDUCATION AND TRAINING

The first step to gain relevant education and training for a profession in demand on the labour market is to make the right choice of studies or training with regard to the current and anticipated labour market situation and capabilities of the young person. In this respect it is very important to provide **vocational guidance** to pupils as well as to their parents as early as possible but at the latest in the last grades of primary and secondary general schools. Vocational guidance should further be offered to school leavers without professional skills and unemployed youth with low skills (see Box 1).



### BOX 1 VOCATIONAL GUIDANCE PROGRAMMES IN KAZAKHSTAN AND AZERBAIJAN

The Ministry of Health and Social Development of the Republic of Kazakhstan launched a vocational guidance programme on a pilot basis in four regions in 2014. The pilot programme targeted school leavers from lower and upper secondary general schools and unemployed youth but was also expanded to young own account workers as well as to socially deprived youth. Altogether 33 thousand young people were included in the programme implemented by private employment agencies and non-governmental organizations. An evaluation of this pilot phase showed that the vocational guidance programme was very useful for these target groups in their choice of future profession in line with their capabilities and labour market perspectives. Now the programme has become a standard part of the updated Employment Roadmap 2020 and is carried out by the regional employment centres across the whole country.

The Public Employment Service in **Azerbaijan** runs a similar programme providing detailed information on the labour market situation and demand for professions to last grades' students of secondary and tertiary schools, their parents and unemployed youth. In 2014 some 100,000 persons benefited from this vocational guidance programme. The suggestion is to include also younger pupils and students to raise their interest in professions on high demand in the labour market (such as e.g. skilled blue-collar ones or technical professions in general) and thus influence their choice earlier. The programme also aims to closely cooperate with employers on improving the image of such professions.

*Sources:*

Ministry of Health and Social Development of the Republic of Kazakhstan; Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Azerbaijan: Synthesis report*, op. cit. (since 25.01.2017 The Ministry of Labour and Social Protection of Population of the Republic of Kazakhstan).

Strategically oriented enterprises are fully aware of the key role of appropriately educated and trained staff and actively cooperate with education facilities, labour market institutions and governments on attracting the interest of young people in professions crucial for the enterprise and in accepting a job after studies there. A survey launched for the peer review project and covering 57 (mostly large) enterprises in different sectors of the **Russian Federation** has identified many successful practices, such as: meetings of enterprise managers with students at schools; guided excursions of students into enterprises; launching of additional lessons in profile subjects important for the enterprise production or opening of special classes with extended education in such topics at general schools; organization of summer schools or summer camps involving young people in activities closely connected with the enterprise production; offering of introductory courses to students and pupils outside school hours on professions important for the enterprise in enterprise training centres that explain

their contents and future job prospects in the enterprise but also in the labour market; etc. Some enterprises organize competitions for talented students in science and technical disciplines or launch research projects and thus motivate them to study these areas. They also provide talented students with stipends and guaranteed future job placement.<sup>31</sup>

Motivation of young people to select priority areas of professional education and training can also be supported financially as is the case e.g. in **Kazakhstan** where students and trainees get state grants for their studies or training in these priority areas while students of other disciplines have to pay tuition. Information on priority areas of study is regularly spread to all schools. In countries where education and training is provided free of charge young people can be motivated by stipends or grants or the provision of full board to start preparing for professions in shortage on the labour market.

A key condition for successful vocational orientation is, however, good knowledge of the current and future demand for professions and skills in the labour market. Labour market institutions in **Kyrgyzstan** in cooperation with employers' and workers' organizations have developed a **demand map** used for forecasting demand for skills in the country. The map is used not only by the public employment service (PES) to provide vocational guidance and training to jobseekers with low or obsolete skills wishing to improve their skills but also by education facilities to help them adjust their curricula so that they can offer relevant education or training to young people demanded by employers. Success of this approach is proved by the fact that 70 per cent of persons directed to training in line with this demand map have found employment after completion of their training.<sup>32</sup> Local offices of the PES in a number of European Union (EU) countries use a similar approach and regularly undertake surveys among local employers with the aim to learn what will be their demand for professions in the next 2–3 years. On the basis of their findings they offer jobseekers relevant training and also deliver vocational guidance to local schools and their students/pupils.

Similarly in the **Republic of Bashkortostan** of the Russian Federation a **prognosis of needs in qualified specialists and skilled blue-collar workers** (classified into 55 broader groups of specializations) is undertaken by the Ministry of Economic Development every year for a three-year horizon since 2014. This prognosis takes into account anticipated socio-economic development, priority investment projects, macroeconomic indicators, demographic and labour market situation as well as education indicators. Currently a module on near future needs of large enterprises in qualified workers and specialists is being elaborated, based on surveys among employers that will become an important part of the prognosis. On the basis of this prognosis the Ministry of Education determines the admission numbers of students for all education and training facilities in the Republic and allocates financial means accordingly.<sup>33</sup>

<sup>31</sup> ILO, *Corporate youth practices in Russia* (in Russian). ILO, Moscow 2016.

<sup>32</sup> Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit.

<sup>33</sup> Ministry of Labour and Social Protection of the Population of the Republic of Bashkortostan, *An information paper on the socio-economic situation of the Republic of Bashkortostan and measures promoting youth employment* (in Russian). Ufa 2016.

## 2.2 IMPROVING THE ACCESS TO AND THE QUALITY AND RELEVANCE OF VOCATIONAL EDUCATION AND TRAINING

Vocational education and training (VET) for blue-collar professions as well as technical schooling at all education levels have lost their prestige and the number of their students and trainees has sharply declined in the last 25 years. While demand for workers with such skills is high and often remains unsatisfied, employers complain of low quality of knowledge and skills of fresh graduates from these facilities.

One reason for the low quality of VET is the lack of close linkage between the education and training process and the world of work. Good example of this close linkage is the **German dual VET system** that combines theoretical education in classrooms with practical training at workplace and can be provided either in schools and training institutions belonging to (usually larger) enterprises or through cooperation of public schools and training institutions with local enterprises. High quality of education and training is achieved through experienced teachers well acquainted with the latest technological progress and through up-to-date technical equipment used for practical training. After successful passing of final exams the graduates receive a diploma recognized at the country level that guarantees their high knowledge as well as gained practical skills. In order to expand the number of training places, a National Training Pact was concluded in Germany in 2004 as a mutual commitment of the Federal Government, PES, private companies and the employer organizations and industry associations. The Pact contains the commitment of employers to offer a certain number of additional apprenticeship places and to implement specified PES measures for young people. The PES role is to help disadvantaged young people to qualify for entering regular apprenticeship through preparatory training, socio-pedagogical assistance upon need and subsidization of vocational preparation at schools with the help of regional governments. PES also provides apprenticeship subsidies to SMEs.<sup>34</sup>

The engagement of enterprises in the dual VET system is crucial as demonstrated by the Russian enterprises (see Box 2).

<sup>34</sup> Duell, N. and Vogler-Ludwig, K., *The role of public employment services in youth integration: A review of European good practice*. The European Commission's Directorate-General for Employment, Social Affairs and Inclusion, Brussels 2011.



## BOX 2 PROVISION OR SUPPORT OF VOCATIONAL EDUCATION AND TRAINING BY ENTERPRISES IN THE RUSSIAN FEDERATION

The above mentioned enterprise survey conducted in the Russian Federation has revealed that practically all large Russian enterprises are now running their own education and training facilities that provide dual VET (not only for blue-collar but often also for white-collar professions) to youth as well as retraining and skills upgrading of their workers. Certificates from the enterprise education and training centres have a nationwide validity. At the same time many of the surveyed large enterprises closely cooperate with local secondary technical schools and universities, finance the upgrading of their technical equipment and further training of teachers plus often contribute to their running costs, provide stipends and grants to students and young teachers, participate in the design of their curricula, provide their specialists for some courses, organize research projects for students on topics important for the enterprise, jointly select topics for final diploma works and support their elaboration, organize workplace practice, etc. As a result, the survey has found out that in regions where these enterprises are located and actively involved in technical and vocational education and training of young people the proportion of youth gaining such professions has significantly increased similarly as their job placement either in the enterprise itself or in another enterprise, while most of them work in the gained profession.

*Sources:*

ILO, *Corporate youth practices in Russia* (in Russian). ILO Moscow 2016.

Small and medium-sized enterprises (SMEs) but also many larger enterprises cannot afford to run their own training facilities. However, there is always a room for cooperation with public education and training facilities and this cooperation can be supported by local governments, labour market institutions as well as employers' organizations and trade unions. For example, through membership in the employers' organization and its representation in managing boards of local education and training facilities SMEs can take part in shaping their curricula in line with their needed profiles of workers' skills as is the case e.g. in **Germany, Austria** or **Switzerland**. SMEs can also offer some posts for workplace training within the dual VET system (workplace training can be subsidized if necessary by the state) and influence training of young people in this way. At the same time SMEs can benefit from training and skills upgrading of their own workers delivered by public or private training facilities and financed by the enterprises themselves or again sponsored e.g. within SME promotion programmes by responsible state institutions.

There is an urgent need to **strengthen the national VET systems** in order to increase the prestige of professional education and training in the eyes of young people and the public in general so that more and better young people will enter it. Box 3 presents what Kazakhstan has recently undertaken in this direction.



### BOX 3 REFORM OF THE NATIONAL VET SYSTEM IN KAZAKHSTAN

Kazakhstan has recently introduced some important reform steps for upgrading the national VET system. In cooperation with employers' organizations, trade unions and professional organizations, the government has revised the List of Occupations and Disciplines for Technical and Vocational Post-Secondary Education and is gradually updating all VET standards. It has developed and adopted the National Qualifications Framework, modeled on the European Qualifications Framework. An independent assessment system of qualifications of VET graduates has been introduced with the participation of employers. The country is also gradually upgrading the infrastructure of VET facilities, including their rational distribution in the country in line with local economic needs as well as accessibility for youth. It is also improving education technologies, developing modular VET programmes based on dual system and upgrading VET teachers' qualifications.

*Sources:*

Organization for Economic Cooperation and Development, *Reviews of national policies for education: Secondary education in Kazakhstan*. OECD, Paris 2014.

For early school leavers and young people who dropped out of vocational education for various reasons some countries have designed **second chance education and training programmes** that aim to address the root causes of their failure and offer them a motivating environment for learning.

For example **Hungary** is running a programme called Springboard at schools that prepares such young people for returning back to finish their vocational education or training or for undergoing alternative training and employment. The student, his/her parent and the teacher agree on an individual development plan that aims to fill skill gaps of the student through learning in small classes offering a modular curriculum tailored upon specific needs of the student that includes practical skills and work-experience (e.g. job shadowing), delivered by specially trained teachers. The scheme has resulted in a significant reduction of drop-out rates, compared with vocational schools, while 89 per cent of participants continued in education and training and 7 per cent went directly to employment. An independent cost-benefit analysis of the scheme confirmed its cost-effectiveness.<sup>35</sup>

<sup>35</sup> Duell, N. and Vogler-Ludwig, K., op. cit.

Production schools in Austria offer early school leavers and other disadvantaged young people vocational guidance and the opportunity to try out different vocational skills, including at workplace through short work placements, prepare them for entering regular vocational training and offer them also socio-pedagogical and psychological support in line with their needs.<sup>36</sup>

A similar Youthreach programme in Ireland aims to provide early school leavers with the knowledge, skills and confidence required for progressing to further education or training or directly to employment. Participants are provided with individualized education plans, career consulting assistance and education that focuses on literacy, numeracy, personal development, health promotion, sports and vocational subjects. Assessments of these programmes have confirmed their relevance for the target young population and have found out that the majority of participants either transited to regular vocational training or found a job.<sup>37</sup>

<sup>36</sup> European Foundation for the Improvement of Living and Working Conditions (Eurofound), *Effectiveness of policy measures to increase the employment participation of young people*. Dublin 2012.

<sup>37</sup> Eurofound, op. cit.

## 2.3 ASSISTANCE IN TRANSITION OF YOUNG PEOPLE FROM SCHOOL TO WORK

Many young people can get employment relatively easily after completing their education or training. To facilitate their first job placement, some education institutions e.g. in the UK employ placement officers who are in regular contact with local employers, collect offers of jobs requiring knowledge and skills provided by this institution and mediate them to their last grade students and graduates. A similar initiative has recently been launched in Bashkortostan in the Russian Federation (see Box 4).



### BOX 4 EMPLOYMENT ASSISTANCE TO VET GRADUATES IN BASHKORTOSTAN (RUSSIAN FEDERATION)

The Government of the Republic of Bashkortostan of the Russian Federation has recently established a Centre of the Job Placement Assistance to VET Graduates within the Ufa Trade-Economic College. The task of this Centre is to create and control a system helping graduates from VET institutions to find employment in their profession. The Centre will coordinate and methodologically guide new regional centres responsible for the provision of such assistance, train their staff and launch a computerized information system of job placement assistance to VET graduates offering on-line services.

*Sources:*

Ministry of Labour and Social Protection of the Population of the Republic of Bashkortostan, *Information paper*, op. cit.

Labour market institutions (Labour Ministries or PES) in many countries, including in this region, are running **banks of vacancies** that are accessible through internet or on site by any interested jobseeker. However, success of this instrument depends on its comprehensiveness, i.e. to what extent employers consider it useful and are ready to post vacant jobs there, whether all types of job of all skill levels are included and whether the bank covers all regions of the country. Such relatively comprehensive nationwide vacancy portals exist in the “old” EU countries and are frequently utilized by young (and other) jobseekers. In contrast, databases of vacant jobs exist at regional level but a nationwide and regularly updated vacancy database is currently built among the EECA countries only in the Russian Federation (the All-Russia vacancy database “Work in Russia” has been launched by the Government Decree No. 885 issued on 25 August 2015) and to some extent in Kazakhstan. However, although employers are obliged by law to report vacant jobs to local labour offices in some countries (e.g. Kazakhstan) they often do not do it as they mostly use other channels for recruitment of new workers and thus job openings in these databases are underreported, especially those requiring higher skills.

PES and similar labour market institutions in the EECA countries are also regularly organizing job fairs aimed to mediate contacts between employers searching for new workers and jobseekers regardless of their status. For example, in **Kyrgyzstan** the Youth Labour Exchange (a special body under the Labour Ministry responsible for youth employment promotion at the national and regional level) organized 21 job fairs in 2013 that were attended by 4,880 young persons, two-thirds of whom got a job.<sup>38</sup> In Georgia, the Department of Employment Programmes within the Social Service Agency of the Ministry of Labour, Health and Social Affairs co-organized with other partners 10 job fairs in 2016, of which 4 specifically for people with disabilities. The job fairs helped 132 jobseekers and among them 34 persons with disabilities to get a job.<sup>39</sup> However, the jobs offered in such job fairs are often less skill demanding as employers usually use other channels to seek candidates for highly skilled jobs, such as e.g. private employment agencies.

Young people seeking employment can also directly turn for job mediation to the PES without registration as jobseekers and consult their list of vacancies. Those who cannot readily find employment can then register as unemployed persons and avail of their job search assistance as well as benefit from available active labour market programmes. The PES for example in **Azerbaijan** or the **Russian Federation** are offering training in job search skills to young unemployed persons that includes training in job search techniques, writing a convincing application letter, CV or resume, and training in interview techniques and how to present themselves successfully in job interviews.

<sup>38</sup> Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit.

<sup>39</sup> Information from the Ministry of Labour, Health and Social Affairs of the Republic of Georgia.

The key issue for delivering effective employment services and making a difference in the youth labour market situation is on the one hand to reach out to as many young unemployed persons as possible and on

the other hand to gain confidence and collaboration of local employers. In order to widely **spread information among youth on the PES** and its job mediation services, employment promotion programmes, legal advice and possibilities of income support, various channels can be used, such as: vocational orientation courses at schools; distribution of leaflets and promotion materials in youth centres; advertising or special programmes in public media; and social networks popular among young people (e.g. YouTube). For example, **Kazakhstan** has advertised the Employment Roadmap 2020 programme, where youth is the priority target group, on TV and in leading newspapers in order to attract the attention of a wider public and increase their participation. In **Tajikistan** the Youth Information Centre informs young people about the labour market situation and available services and employment promotion programmes for young people delivered by the Youth Labour Exchange (both the Youth Information Centre and the Youth Labour Exchange are special bodies of the Committee on Youth Affairs, Sport and Tourism under the President Administration) or by general PES (Agency for Labour and Employment) but the Centre also runs training courses for youth. Similarly in **Kyrgyzstan** Regional Youth Centres provide young people with legal, psychological and job search support. Moreover, PES in many countries of the region are organizing mobile employment services that go to remote areas and give information on the labour market situation, vacancies, obtainable training courses and other active labour market policies but also consultancy in labour law, advice on social protection and assistance etc.

**Close collaboration with local employers** is similarly crucial for the PES and specialized Youth Labour Exchanges: they can offer a wide choice of vacancies provided that enterprises regularly report their vacancies there and use the PES for assistance in recruitment. Regional and local labour offices in advanced countries have special departments that deal with employers. For example in **Austria** one-sixth of PES staff is dealing with employers and their duty is to find jobs and apprenticeships for young people plus provide recruitment and other services to employers. In **Germany** special employers services with the same tasks engage even one-third of the PES staff.<sup>40</sup> These departments are in regular contact with local employers, provide them with up-to-date labour market information, jointly organize job fairs, and seek and screen the best candidates for vacant jobs in local enterprises upon their requirements. Labour offices also acquaint employers with available active labour market programmes and seek their cooperation on those mutually beneficial, such as subsidized internship, tailored training of jobseekers for vacant jobs in the enterprise prior to placement or sponsored on-the-job training, wage subsidies or tax/social contribution concessions when recruiting more disadvantaged jobseekers (youth without practice, young people with disability, etc.).

Some countries, e.g. **Germany**, established **support programmes for enterprises in temporary economic difficulties** that were broadly used during the recent economic and financial crisis. For example, a short-

<sup>40</sup> See: Dull, N., Kettner, A. and Vogler-Ludwig, K., *Comparative paper on youth integration: Input to Peer Review Austria, 22/23 March 2011*. The European Commission's Directorate-General for Employment, Social Affairs and Inclusion, Brussels 2011.

time work programme enabled enterprises to temporarily shorten working time and proportionally wages of workers. The temporary wage cuts were partially compensated by the PES that also sponsored skills upgrading or retraining of these workers in their gained free time in line with the needs of the enterprise. The **Russian Federation** and **Kazakhstan** also launched a similar programme during the economic crisis in 2009–2010 and again recently that assisted ailing (but potentially vital) enterprises – large local employers – to restructure and recover, while their workforce could be retained (on short-time work or administrative leave) and benefit from retraining or temporary employment in another enterprise or in public works. Another programme enabled temporary exemption from social contributions for low-skilled workers most threatened by redundancy under the condition that the enterprise kept them (**Czech Republic**). Within SME promotion programmes the PES can finance training of workers in order to help the enterprise survive and expand.

Trust of young people in effective assistance of the PES will increase if they can find a **systematic approach addressing their needs** and helping them to find employment. For example in the EU countries young people seeking assistance of PES first undergo the process of profiling when PES counsellors make an initial assessment and diagnosis as to their employment chances as well as barriers and their gravity, while taking into account the existing labour market situation. Following this diagnosis those who have a real chance to find a job in the open labour market are offered available vacancies or are assisted in job search. For those with identified barriers (including young jobseekers from the previous group who have not been successful in getting employment) PES counsellors initiate the preparation of an individual employment plan that is agreed with them and proposes suitable employment promotion programmes aiming to tackle these barriers (which may in the case of harder-to-place young people have the form of a complex approach integrating several policies and following them in their pathway for a longer period, as discussed later). The profiling is increasingly used also in the EECA countries, e.g. in the **Russian Federation**. At the same time, the motivation of young people to turn to the PES for assistance in gaining employment would much increase if they become eligible for temporary income support in the period of **active** job search, which so far is the case only in a few countries and concerns just a handful of previously employed youth under rather strict conditions. Moreover, the level of unemployment benefits/assistance is very low and their payment is restricted to a short period.

The main idea of this activation approach is to stimulate young people to actively seek integration in the labour market with the help of PES and to intervene in an early stage in the case of those who are facing obstacles in order to prevent their long-term joblessness or withdrawal from the labour market with irreversible effects on their ability to work, self-esteem, health, family life and their financial and social situation.<sup>41</sup> This is also the main idea of the **Youth Guarantee programmes**, initiated by **Finland** and later adopted by **other EU countries** (see Box 5).

<sup>41</sup> See European Commission, *The role of Public Employment Services in youth reintegration: A review of European good practices*. Analytical Paper, DG Employment, Social Affairs and Inclusion. Brussels 2011.



### BOX 5 YOUTH GUARANTEE PROGRAMMES IN FINLAND AND OTHER EU COUNTRIES

In 2005 Finland launched a Youth Guarantee programme directed at all young jobless people below 25. Since 2013 the programme has been extended to unemployed VET and higher education graduates under the age of 30. Within this programme the PES is requested to offer to a young person, within a month after his/her registration as a jobseeker, a personalized needs assessment and an employment plan that either leads directly to job placement or provides a proposal to participate in appropriate employment promotion measures that would improve chances of this young person in the labour market. Since May 2010, the time for elaborating an employment plan for each new young jobseeker has been shortened to two weeks. The main goal of the programme is to minimize the time young people spend in unemployment and to help them start and advance their working career. Statistics of the Finnish Labour Ministry show successful results (e.g. in 2011, the solution was found for 84 per cent of young jobseekers within three months after their registration). Nevertheless, while the scheme works very well for young people with relatively good employment prospects, it has been less successful in integrating young people who encounter multiple problems and young people with an immigration background.

Similar youth guarantee programmes are in force in Austria (“Training Guarantee”), Denmark, Germany, the Netherlands, Norway, Poland or Sweden. As the results are in general good and encouraging (and also in response to a sharp increase in youth unemployment during the recent economic crisis), the Youth Guarantee initiative has been adopted by the Council of EU Minister in April 2013. It aims for young people up to the age of 25 to have a quality offer of a job (including the subsidized one) or to re-enter education, apprenticeship or traineeship within four months after leaving formal education or becoming unemployed. In this respect it obliges each EU Member State to draw up and adopt Youth Guarantee Implementation Plans reflecting their own youth problems, labour market situations as well as specifics of their education and training systems that will endeavour for providing such a guarantee to all young people.

*Sources:*

EU, *Are they working? A review of approaches to supporting young people into work*. Peer Review on ‘Youth unemployment: how to prevent and tackle it?’ The Hague, 25–26 November 2013.

In order to deliver on this initiative and offer effective employment services and labour market programmes, the **PES need to be appropriately equipped by well trained staff**. The ILO recommends the staff-to-registered-unemployed ratio to be around 1:100.

As the lack of practice is one important obstacle for young people to find their first job, **subsidized internships** are organized by many PES in close cooperation with employers. In the region Armenia and the Republic of Bashkortostan of the Russian Federation have both identified subsidized internships of young jobless people as their most successful active youth employment policy (see Box 6).



## BOX 6 INTERNSHIP SCHEMES IN ARMENIA AND BASHKORTOSTAN

In Armenia the scheme is targeted at young jobless people without practice in their gained profession, both fresh school leavers and those who have completed vocational education and training earlier, within up to 5 years. The aim is to assist them in acquiring practical experience in their profession so as to improve their competitiveness and enable them to find permanent employment. For each intern the PES finds an employer who guarantees practical training in his/her profession for 3 months. The intern gets remuneration equal to the national minimum wage, while the mentor receives a 20 per cent supplement to his/her wage (the maximum level of this supplement is the national minimum wage) and the employer is compensated for the income tax and social contribution paid for the intern by the PES. In 2015, 355 young jobless persons participated in the scheme and improved their employment prospects. While the scheme is popular among young jobless persons, its expansion is constrained by the lack of financial resources.

In Bashkortostan internships are organized by the Republican Ministry of Labour and Social Protection for graduates with tertiary and secondary professional education to help them gain practical experience and thus support their job placement. Education facilities inform local employment centres on the needs of internships for their graduates in the gained professions and specializations. Employment centres in cooperation with local employers create a bank of available jobs suitable for internships and agree with employers on the compensation of costs of internships (mostly wages of interns). At the same time the Ministry has elaborated a normative framework for organization of such internships. Besides much increased prospects of graduates to get permanent jobs in their profession the scheme has also helped refine curricula and structure of taught professions in education institutions in line with current and future demand for skills in the Republic. Between 2010 and 2015 altogether 10.2 thousand graduates benefited from internships but their number decreased to less than one-fourth over this period. The reason is a declining number of vacancies offered by enterprises, which unfortunately leads to a reduction in the placement of participants in permanent jobs and decreases the effectiveness of internships.

### *Sources:*

The Ministry of Labour and Social Affairs of the Republic of Armenia and the Ministry of Labour and Social Protection of Population of the Republic of Bashkortostan.

<sup>42</sup> In Kazakhstan the obligation of keeping the intern for another six months in employment at the employer's cost was suggested in the draft Employment Roadmap 2020 but after the insistence of employers it was dropped.

Internships are also organized in some other countries of the region, such as **Kazakhstan** or other regions of the **Russian Federation** or **Georgia**. However, in none of them the legislation obliges/ stimulates employers to offer (temporary or permanent) employment after completing the internship.<sup>42</sup> Nevertheless, some advanced countries require the employer to retain the intern for some time at the employer's cost in order to increase the quality of training and/or they provide the employer with a grant if s/he offers a regular contract to the intern.

Young people without professional skills or with professional skills in low or no demand in the labour market who are not ready to return back to regular full-time VET attendance are usually offered some sort of short-term vocational training or retraining with costs of training covered by the PES (including upon need the travelling costs and board of trainees). All countries in the region are operating such short-term **vocational training and retraining** programmes in occupations demanded in the labour market. Training may be subcontracted to local training institutions or provided in vocational training centres belonging to the PES or directly in employment centres (labour offices). For example, in **Kyrgyzstan** 7,000–8,000 persons take part in the training programme annually, of whom over one-half are young people, and 70 per cent of those who completed training get employment.<sup>43</sup> In **Armenia** vocational training can be offered by the PES not only to unemployed jobseekers but also to workers at risk of redundancy. In 2005 1003 persons benefited from this programme, of whom over one-third were young people aged 16–29 and one-half of them found a job after finishing training.<sup>44</sup> In Georgia, 1995 jobseekers were trained within the state programme of vocational education and training for jobseekers in Tbilisi and 14 municipalities in 2016.<sup>45</sup>

Success of training schemes measured by job placements of trained persons, however, crucially depends on the relevance, quality and reputation of provided training. In general, training organized in close cooperation with concrete employers for their jobs, ideally combining theoretical classroom training with the practical on-the-job part provided by the employer who has initiated such training, have a significantly higher probability of leading to permanent employment. Interest of young people to undergo training can also be stimulated by the provision of training benefits.

In the **Russian Federation** vocational training and retraining is organized both for unknown employers and in some regions for concrete employers who guarantee a job to the trainee before the training starts. While the overall placement rate after training now reaches 80 per cent, in regions with no job guarantee the average placement rate moves only around 40 per cent.<sup>46</sup> Similarly in **Kazakhstan**, vocational training and retraining is either organized by local labour offices for known or unknown employers or by local employment centres within the Employment Roadmap 2020, when the trainee signs an agreement with the employment centre and the employer who then guarantees employment to the trainee.<sup>47</sup> The national job placement rate moves below 70 per cent but almost all those who have signed the training agreement get employment immediately after its completion. Nevertheless, although the lack or obsolescence of professional skills of many young persons is one of their major employment barriers, the share of young jobseekers registered at the PES and referred to and completing vocational training and retraining is very low: in the Russian Federation some 6 per cent, in Kazakhstan

<sup>43</sup> Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit.

<sup>44</sup> Ministry of Labour and Social Affairs of the Republic of Armenia, op. cit.

<sup>45</sup> Ministry of Labour, Health and Social Affairs of the Republic of Georgia.

<sup>46</sup> ILO, *Jobs and skills for youth of the Russian Federation*, op. cit.

<sup>47</sup> Duration of training organized within the Employment Roadmap 2020 is up to 12 months for those without vocational qualifications (in practice usually up to 10 months), up to 6 months for persons in need of retraining and up to 3 months for skills upgrading. The trained person is also entitled to income support during training (see ILO, *Jobs and skills for youth of Kazakhstan*, op. cit.).

only 4 per cent and in Azerbaijan 8 per cent.<sup>48</sup> The reasons for this very limited provision of vocational training include the lack of financial resources as well as the unwillingness of employers to guarantee jobs for trained workers especially if they have doubts about the quality of such training. Sometimes young people themselves are reluctant to undergo training if employment after its completion is not pledged and prospects of good employment are vague.

Many people without formal qualifications certificate, however, have gained professional skills through longer-term work experience on such jobs either in their native country or as migrant workers abroad. Some countries, such as **Kyrgyzstan** or **Tajikistan**, have established **Skills Recognition Centres** where such people, both native and migrant workers, go through theoretical and practical tests, and after proving the adequate level of their skills, they obtain a skills certificate recognized nationwide.

**Wage subsidies** (or other forms of **subsidized employment**, such as recruitment grants or exemption of social contributions) are provided on a temporary basis to employers in order to stimulate them to hire disadvantaged people, such as persons with disabilities, long-term unemployed, etc. The aim is to compensate employers for initial lower productivity plus additional costs of on-the-job training or mentoring of the worker. In the region **Azerbaijan** has launched this measure with the ILO help and provides a 50 per cent wage subsidy for six months to employers hiring youth detached from the labour market. The programme has proved to be successful in providing work experience to such youth and in changing the attitude of employers to them.<sup>49</sup> In **Kazakhstan** so called social jobs offer wage subsidy to jobseekers encountering particular difficulties in finding employment. In 2013 only 0.5 per cent of jobseekers aged 16–28 were placed in such jobs. According to the Employment Roadmap 2020 such person can remain in a social job for up to one year and his/her wage is subsidized at 35 per cent by the employment centre.<sup>50</sup> Similar small-scale wage subsidy programmes exist in the **Russian Federation**, **Armenia** and **Georgia**. Box 7 presents such a programme running in the Republic of Kalmykia.

<sup>48</sup> ILO, *Jobs and skills for youth of the Russian Federation*, op. cit., ILO, *Jobs and skills for youth of Kazakhstan*, op. cit., Pouchkin and Surina, *Peer review of youth employment policies in the Republic of Azerbaijan*, op. cit.

<sup>49</sup> Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Azerbaijan: Synthesis report*, op. cit.

<sup>50</sup> The original intention was to provide wage subsidy for six months and the employer would then conclude a regular labour contract with this worker for another half a year but due to the resistance of employers this condition was dropped. ILO, *Jobs and skills for youth of Kazakhstan*, op. cit.



### BOX 7 WAGE SUBSIDY PROGRAMME IN THE REPUBLIC OF KALMYKIA

In the **Republic of Kalmykia** of the Russian Federation the ILO within the “Partnerships for Youth Employment in the CIS” project provided technical and financial support (a 50 per cent wage subsidy for 6 months) to a pilot employment promotion programme targeted at long-term jobless youth and launched in 2015. 16 young jobless persons, most of them without any or with only short-term, low quality work experience and seeking decent job for an extended period, took part in this pilot phase. The programme proved to be successful as 13 young people got permanent employment with the same employer after the expiration of wage subsidy, while the remaining 3 people found permanent jobs with other employers. As a result, the scheme has been included into the list of regular employment promotion programmes, financed from the regional budget since 2016.

*Sources:*

Ministry of Social Development, Labour and Employment of the Republic of Kalmykia.

Experience from these EECA countries, as well as from the **EU countries** shows that although subsidized employment belongs to more expensive measures if it is well targeted at hard-to-place groups of population, such as disadvantaged youth, it is an effective tool for promoting employment of such persons, overbalancing possible deadweight and substitution losses.<sup>51</sup> Still, the transition from subsidized jobs to regular jobs may occur as a problem. In order to facilitate this transition some EU countries motivate employers to retain these workers after the expiry of wage subsidy by providing a special recruitment grant.

Practically all countries of the region are operating **self-employment and small business promotion programmes** targeted at people wishing to start their business, among them young jobless persons, as well as targeted at low productive own account workers and SMEs to improve their business. These programmes may be carried out by specialized agencies established by the Ministry of National Economy or Industry, employers' organizations, the Ministry of Labour and the PES or in their cooperation (the PES are usually responsible for promoting self-employment of unemployed persons). The schemes may only provide start-up grants, micro-credits, loans with low interest or credit warranty but usually, for example in **Azerbaijan** (see Box 8), **Kazakhstan** or the **Russian Federation**, financial support is combined with other services offered upon need to the beneficiary, such as free entrepreneurial training, assistance in elaborating the business plan or even business counselling/mentoring during the initial phase of business development, in marketing, legal issues or accounting provided by well trained staff in business advisory centres. In economically advanced countries business incubators are also offering free premises, subsidized access

<sup>51</sup> See e.g. ILO, *The youth employment crisis: Time for action*, op. cit. Deadweight loss appears when the employer accepts a subsidy for a worker he/she would have hired anyway. Substitution/displacement loss occurs when an unsubsidized worker is replaced by a subsidized one.

to modern technologies, access to more stable markets, e.g. through promoting clustering of small enterprises or through stable linkages to large and profitable enterprises, and some other support. As financial support and other business promotion services are provided to individual entrepreneurs or SMEs operating in the formal sector, such schemes are effective in formalization of the informal sector.



### BOX 8 ENTREPRENEURSHIP SUPPORT PROGRAMME FOR JOBSEEKERS IN AZERBAIJAN

In the framework of the National Employment Strategy 2030 the Ministry of Labour and Social Protection of the Republic of Azerbaijan together with the Public Employment Service have launched a new programme providing entrepreneurial training and grants to jobseekers in 68 districts. The programme is financed from the President's Reserve Fund with the allocation of AZN 6 million (equal to some USD 4 million). The ILO "Partnerships for Youth Employment in the CIS" project supports this initiative through the Start and Improve Your Business training course provided to 136 future trainers. Altogether more than two thousand households are planned to benefit from entrepreneurial training and grants and start their own business.

*Sources:*

[http://www.ilo.org/moscow/news/WCMS\\_532996/lang--ru/index.htm](http://www.ilo.org/moscow/news/WCMS_532996/lang--ru/index.htm)

However, since own-account workers and SMEs are very vulnerable to any economic shocks they need conducive environment for their survival and expansion in the formal sector, such as lower tax burden, simplified administrative and tax declaration procedures, reliable connection to electricity, water or internet, access to business services, etc. **Kazakhstan** and the **Russian Federation** are advancing in creating such a supportive environment for individual entrepreneurs and SMEs, including the establishment of business promotion funds and agencies, which can be inspiring for other countries of the region. However, still more needs to be done in order to improve the efficiency of SME promotion policy and access to it for SMEs in any sector and in all regions of the country.<sup>52</sup>

<sup>52</sup> ILO, Job and skills for youth of Kazakhstan, op. cit.; World Economic Forum, *The Global Competitiveness Report 2015–2016*, Davos 2016.

**Public works**, mainly focusing on construction, repair and maintenance of social and technical infrastructure, are (besides the provision of job matching services) the most widely used active labour market scheme in the majority of countries of the region and are also frequently offered to young people. For example, some 30 per cent of all registered unemployed persons take part in public works in **Kazakhstan**, of whom one-third are young people; in **Kyrgyzstan** 70 per cent of all participants in the scheme are young persons and in **Azerbaijan** almost 50 per cent.<sup>53</sup> Public work schemes combine the provision of temporary employment to persons unable to find a regular job with activities economically, socially or ecologically beneficial for the municipality. Most of these temporary jobs require only low skills and typical participants are also lower skilled persons, people with disabilities or young people without work experience, many of them jobless for longer period. Public work schemes provide income above the subsistence minimum (and thus have a poverty alleviating effect), create or maintain working habits of the participants and attach them to the labour market, and thus they play an important role for such groups of jobseekers. At the same time they bring important economic and other benefits to the community. However, for higher skilled persons they are not attractive as they do not provide them with practical experience important for their further work career and even stigmatize them in the eyes of employers. Experience from e.g. the **EU countries** shows that the transition from public works to regular employment is very low. It may be increased if public work schemes include also jobs requiring professional skills and participants receive appropriate on-the-job training leading to recognized skills certificate.<sup>54</sup> Public works are also widely used in situations of mass unemployment during economic crises as was the case in the recent economic recession.

Another serious challenge for the peer review countries is the low internal mobility of workers. **Kazakhstan** and **Russia** are running important schemes promoting **relocation of jobseekers within the country** (see Box 9). **Armenia** has also launched a similar scheme.

<sup>53</sup> ILO, *Job and skills for youth of Kazakhstan*, op. cit., Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit., Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Azerbaijan: Synthesis Report*, op. cit.

<sup>54</sup> Auer, P., Efendioglu, U., Leschke, J., *Active labour market policies around the world. Coping with the consequences of globalization*. ILO, Geneva 2008.



### BOX 9 POLICIES PROMOTING INTERNAL RELOCATION OF WORKERS IN KAZAKHSTAN AND THE RUSSIAN FEDERATION

In the Employment Roadmap 2020 Kazakhstan offers a subsidized move to regions with high economic potential and vacant jobs that covers not only the costs of move for the person and his/her family but also may offer housing, vocational education and training and job placement assistance upon need in the new place of residence. Similar relocation scheme exists in the Russian Federation providing the jobseeker wishing to move for a new job to another locality job search assistance as well as compensation for transportation costs and income support until the new job contract is concluded. Another Kazakh project “With diploma to the village” is directed to graduates with professional education in healthcare, education, veterinary care and some other areas who are ready to work in rural areas lacking such specialists. The participants receive a cash premium, subsidized housing loan and wage premiums.

Moreover, in 2015 Russia launched a new web portal “Work in Russia” as part of the All-Russia vacancy database mentioned earlier that contains both job offers in particular for specialists and professionals and applications from jobseekers from different parts of the country. The portal helps not only to match applicants with job offers but also gives interactive information on the region of job location, such as the regional labour market situation, general price level, the availability of housing and childcare etc. The web portal is popular and widely used. The portal also provides information on workers’ rights and guidance or assistance to workers in cases of violation of their rights. Kazakhstan is also running a national web portal “Labour” that contains information on some available vacancies in the country.

*Sources:*

ILO, *Job and skills for youth of Kazakhstan*, op. cit.; ILO, *Job and skills for youth of the Russian Federation*, op. cit.; Berglund, T., op. cit.; Federal Employment and Labour Service of the Russian Federation.

In contrast, migration for work abroad is widespread in the region but migrant workers are often working informally in their host country and thus are exposed to discriminatory and exploitation practices. Some countries with surplus labour, such as e.g. **Kyrgyzstan**, have launched initiatives to help their migrant workers (see Box 10).



### BOX 10 ASSISTANCE TO MIGRANT WORKERS IN KYRGYZSTAN

The Ministry of Labour and Social Protection of the Republic of Kyrgyzstan established a special Employment Centre facilitating employment of their citizens abroad. It maintains a database of potential labour migrants, provides information and counselling on employment opportunities abroad, acquaints future labour migrants with labour legislation and their rights and obligations in the destination country and assists them in getting work permits. These activities contribute to formalization of labour migration, reduce risks associated with migration and lead to more decent employment of Kyrgyz workers abroad.

*Sources:*

Pouchkin, M. and Surina, J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit.

Most countries participating in the peer review have established **job quotas** for groups of population particularly disadvantaged in the labour market, such as persons with disabilities, single parents, parents raising children with disabilities etc. Employers employing a certain minimum number of staff are requested by law or by a (national or regional) government decree to allocate a certain percentage (quota) of jobs to workers belonging to groups enjoying particular protection as listed in the law or decree. However, in most cases quota systems are working only partially as their non-observance is not sanctioned and employers are not motivated to recruit such people. In countries where the quota/levy system functions relatively well especially for persons with disabilities, such as e.g. Germany, Austria, France or Poland, the fulfilment of quotas is regularly checked and levies imposed on enterprises non-observing the quota are collected into a special fund. The fund then finances opening and/or adaptation of jobs for disabled people at another employer or appropriate policies increasing their employability (vocational rehabilitation and vocational training) or providing alternative employment opportunities (sheltered employment, subsidized self-employment etc.).<sup>55</sup>

Indeed, employment promotion of persons with disabilities requires a multidimensional approach addressing their employment barriers and helping them to increase their employability as is increasingly the case in some peer review countries, such as e.g. **Armenia** (see Box 11).

<sup>55</sup> Nesporova, A., Koulaeva, O., *Advisory report on vocational rehabilitation and employment of people with disabilities in Eastern Europe and Central Asia*. ILO, Moscow 2014.



### BOX 11 EMPLOYMENT PROMOTION POLICIES FOR PERSONS WITH DISABILITIES IN ARMENIA

Armenia is developing with ILO assistance a comprehensive system of employment promotion services and policies for persons with disabilities. The Medico-Social Expertise Agency is responsible for assessing the state of health and work ability limitations of each person with disability and on the basis of this assessment it establishes an individual rehabilitation plan. This plan implemented by the State Employment Service Agency in cooperation with other partners (such as the Vocational Rehabilitation Centre, social partners, regional governments and non-governmental organizations) comprises vocational rehabilitation combined with vocational training if needed and suitable active labour market policies, such as: job placement support in the form of intensive job search assistance (including within the job quota); wage subsidy; lump-sum compensation for training of a disabled person; lump-sum compensation for adaptation of workplaces; sheltered employment for severely disabled persons; public works; and self-employment promotion. It also determines the form and scope of social security. The results of this approach are encouraging, although the size of these programmes is still modest.

*Sources:*

Nesporova, A., Koulaeva, O., *Advisory report on vocational rehabilitation and employment of people with disabilities in Eastern Europe and Central Asia*. ILO, Moscow 2014.

Special attention needs to be devoted to **promoting employment of women**, and among them in particular young women raising small children as any longer-term absence from the labour market due to maternity and childcare seriously deteriorates prospects for good employment later on in life. Good examples of policies facilitating young females' employment can be found in **France** and the **Northern European countries**. The provision of well-accessible and affordable childcare is one important condition that needs to be ensured through the conducive legal framework and the establishment of a dense network of childcare facilities run by local governments and larger employers. However, labour market and social policies can also contribute effectively by promoting self-employment of young women in the area of childcare (the running of micro crèches, kindergartens, children clubs, etc. – part of their running costs can also be subsidized from local social funds).<sup>56</sup> At the same time the labour market competitiveness of young women still on or returning from maternity leave should be enhanced by the provision of refresher training or skills upgrading courses, as is the case of e.g. the **Russian Federation**, and by other suitable labour market programmes tailored according to their needs.

<sup>56</sup> See e.g. Hein, C., *Reconciling work and family responsibilities. Practical ideas from global experience*. ILO Geneva 2005.

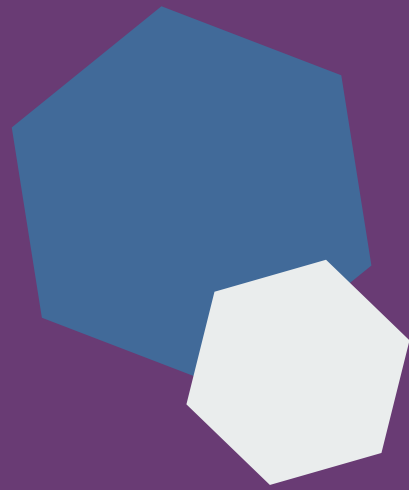
International experience shows that successful **employment promotion programmes for particularly disadvantaged young people** have to offer individually tailored assistance and combine appropriate remedial programmes tackling their specific problems and multiple employment barriers. Such programmes could include social integration/adaptation measures; specifically adapted vocational training with strong practical part, ideally on-the-job; and subsidized employment or regular employment with mentoring/coaching until the person is able to perform regular employment. Such an assistance thus needs to be stretched over a longer period. Psychological help is extremely important in such cases as disadvantaged youth should gain self-esteem, increase their aspirations and motivation to learn and work.

In this direction **social enterprises** can be a useful tool. For example, the social enterprise Hi5 in the Netherlands (that itself is run by young people) reaches NEET youth even from the poorest neighbourhoods through a radio station very popular among youth, an on-line monthly magazine and through partnering with community organizers and star athletes. It raises aspirations of young people by pointing to positive role models from a similar social background. It also offers numerous job training programmes throughout the whole country and works as a broker that helps employers to understand the value of skills of youth and helps young people to appreciate the opportunities provided by different employers and jobs. The success of this approach is proven by the 86 per cent job placement rate of at-risk youth in comparison with the 17 per cent rate of government-funded programmes.<sup>57</sup>

All the above described promising practices can serve as an inspiration for labour market institutions on how to expand the range of their clients – jobseekers and employers, ameliorate the quality and relevance of their services and employment promotion programmes for the clients, contribute to formalization of informal labour and strengthen their impact on the labour markets in their countries and regions. They also clearly show that labour market institutions cannot work on their own but have to closely collaborate with other relevant stakeholders in the labour market, in the first place the governments and social partners at the corresponding (national, regional or local) level, education and training institutions, private employment agencies, appropriate non-governmental organizations (youth organizations, organizations of persons with disabilities etc.) and others, if they wish with their limited resources to provide really useful services, be effective and achieve a significant improvement in the labour market situation in the territory under their responsibility as will be more elaborated in the next section.

<sup>57</sup> <http://atkinsonfoundation.ca/wp-content/uploads/2013/07/good-work-hunting-in-search-of-answers-for-the-young-and-jobless.pdf>





# SECTION 3: POLICY RECOMMENDATIONS ON PROMOTING YOUTH EMPLOYMENT





## **SECTION 3: POLICY RECOMMENDATIONS ON PROMOTING YOUTH EMPLOYMENT**

Section 1 summarized the main challenges faced by young people in the labour markets of the 9 EECA countries. Section 2 presented policies, implemented in some of these countries or in other countries that tackle these challenges, and stressed both their strong aspects as well as some issues that could further improve their results. On the basis of these two sections Section 3 will propose for consideration of the labour market institutions of the EECA countries some recommendations that could contribute to their further capacity building with regard to complex labour market needs of young people in their countries. They could help to formulate appropriate policies to address these needs and create strong partnerships with relevant actors for their implementation. This will increase the control and impact of labour ministries and PES on national and local labour markets with the ultimate goal of providing more and better jobs to all young people.

### **3.1 PROMOTE THE CREATION OF DECENT AND PRODUCTIVE EMPLOYMENT**

Section 2 has shown that fast economic growth achieved by the EECA countries has not suffice to create enough decent jobs in the economy and therefore many people, in particular young labour market entrants have to accept vulnerable employment, often in the informal sector. As in the near future economic growth prospects are rather gloomy for most of these countries, the challenge of augmenting the quantity and quality of employment becomes even more pressing. It is of key importance not only to promote economic growth but also to increase its employment content through a combination of sound macroeconomic, industrial and microeconomic policy as well as education, employment and social policy.

Balanced macroeconomic policy will ensure stable economic environment for business development and promote investment in the upgrading of technical and social infrastructure. It should remove obstacles for enterprise development in legislation and ensure its proper enforcement, revisit tax, customs and other relevant policies so as to balance their burden for enterprises' development with collection of sufficient revenues for public finances. Well-designed industrial policy should aim to increase productivity, competitiveness and employment in the existing sectors, in which the country has tradition and comparative advantage. At the same time it should stimulate diversification into new higher value-added sectors based on domestic resources and using skills of local workforce that would produce competitive goods not only for export but also for replacing imported products. Microeconomic policy should support the development and expansion of SMEs as the main job generator as well as productivity of individual entrepreneurs through effective assistance programmes. While these legislative refinements and the launching of appropriate policies are the primary task of economic ministries, labour ministries should remind them that **the goal of full and productive employment is thus the responsibility of the whole government.**

Labour ministries from their side ought to contribute by formulating, in cooperation with the social partners, an employment strategy and policy that would support national economic development strategies promoting job-rich economic growth. It is important to actively involve youth representatives in the part of the employment strategy or policy dedicated to promoting decent employment of young people. The task of labour ministries also is to create a necessary legislative and institutional framework for its implementation, always after consultation with the social partners. Education policy needs to aim primarily at improving the quality, knowledge and skills of labour supply but indirectly this would increase the quantity of labour supply since higher education positively correlates with higher economic activity of people. Social policy can also have an important effect on economic activity of the population as adequate investment, e.g. in childcare facilities in combination with tax incentives and suitable labour market policies, can significantly raise economic activity of women. It should stimulate decent employment of working-age population and prevent the fall into poverty for those who cannot work for reasons connected with old age, poor health, family care or preparation for future profession. Finally labour market policies implemented by the PES (in close collaboration with other relevant actors in the labour market) should contribute to improving the balance between labour supply and demand for labour, increasing employment opportunities for disadvantaged groups of workers and stimulating efficient allocation of labour in the economy.

## 3.2 STIMULATE FORMALIZATION OF THE INFORMAL SECTOR AND INFORMAL EMPLOYMENT

Widespread informal employment is a serious problem in the majority of the EECA countries because of the lack of social security, often inferior working conditions and deterioration of skills of informal workers. The state loses an important source of tax revenues that could be invested in social policies while firms in the formal economy complain of unfair competition of informal sector enterprises.

Deliberate evasion of taxes and social contributions through undeclared labour, payment of a part of wage under the table or in-kind and a pressure on workers to accept fake self-employment from the side of some firms should be revealed and sanctioned. In this respect the recently established electronic system of registering labour contracts, obligatory for all employers in **Azerbaijan**, is a useful policy that can be inspiring and replicated by other countries in this region. The system generates a comprehensive database collecting information on all the concluded labour contracts of wage employees and conditions of work determined by these contracts. This enables labour inspectors to check whether labour contracts comply with the national labour legislation and thus discovers possible violations and at the same time it allows them to reveal informal workers in the enterprise or any other informal practices and impose fines or other sanctions determined by law. Nevertheless, the system is constrained to the formal sector, while firms operating in the informal sector as well as self-employed persons (including those with employees) are escaping.

However, for many firms active in the informal sector similarly as for a large part of informal workers informality is not a choice but a way of survival due to a weak economic and financial situation of these firms and a lack of good formal employment opportunities for informal workers. Therefore both informal enterprises and workers need assistance if they are to emerge from informality as any sanctions could have a devastating effect.

Formalization of the informal sector and of informal employment should thus be done gradually and concentrate on addressing the main reasons of informality and effective ways of their overcoming. In this respect the government needs to formulate and implement a multi-dimensional action plan in close cooperation with the social partners. The primary goal is to **promote the creation of decent jobs in the formal sector** (as more developed in the previous section) so that people would not be forced to accept informal employment. As formal workers they would finally enjoy protection against violation of their rights and bad working conditions and social protection and in case of job loss income support

in unemployment and the provision of employment services. **Informal firms should be motivated to registration** by simplified administrative regulation of registration, licensing procedures and tax rules, and lower taxes for small and micro-enterprises, as well as by appropriate support programmes facilitating their access to financial resources, markets, new technologies etc. In contrast, the **cost of informality should increase** in the form of stricter sanctions for avoiding or reducing the payment of taxes and social contributions and for non-observance of labour rights. This should be achieved by strengthening the capacity and authority of the tax revenue offices and the labour inspection. The negative consequences of informality for firms, workers and the whole society, as well as positive effects and gains from transition to the formal sector and formal employment, including the availability of assistance packages for firms and workers need to be broadly disseminated through information campaigns to raise the awareness of the public and get their support.

### 3.3 INVEST IN RELEVANT, HIGH QUALITY VOCATIONAL EDUCATION AND TRAINING OF YOUTH

Properly educated and motivated labour force is the key factor for maintaining competitiveness of the enterprise sector in the domestic and foreign markets and hence economic prosperity of the whole country. The analysis has indicated largescale mismatches between skills possessed by youth and skills demanded by employers that were identified as one of the most serious impediments for business development in a number of the network countries. Many young people either complete their school attendance without any professional education or training or do have it but in professions not much (or no longer) demanded by the labour market. In such a situation they have to accept inferior employment or undergo training/retraining that is usually short-term and thus providing lower quality skills, not much valued by employers, but in any case it requires additional financial means both from the side of the PES and the family of the young person.

Therefore **vocational guidance** provided as early as possible is very important. It can either be carried out directly by PES staff at schools (combining special lessons for all pupils/students of usually the last grades of primary and general secondary schools with individual consultations upon need). Or the PES can organize vocational guidance training plus regular updates on the labour market situation and its foreseen developments for selected teachers who can then provide it to their pupils. The advantage of the second option is that such guidance can start in lower grades and can be supported by special workshops

in free time for interested groups of pupils. The direct involvement of local enterprises in vocational guidance of pupils/students towards their profile professions in shortage in the labour market as well as in raising interest of pupils/students in these professions through organizing attractive extra-curricular activities in these areas is very useful as demonstrated in Section 2. In this respect special attention needs to be devoted to young women to orient them to studies or training in professions offering good employment prospects. Vocational guidance should be supplemented by further actions, launched by the government in cooperation with the social partners in public media, schools, social networks etc., to raise the prestige of professions on high demand (and adequately remunerated) by employers.

The governments as well as schools and training institutions providing professional education and training need to have up-to-date knowledge not only about the current demand for professions and skills' levels in the labour market but also how this demand will develop in the foreseeable future. This knowledge will enable the governments to timely re-distribute financial support for schools and training facilities and push them to change their offered specializations accordingly while the latter can adjust their profiles and curricula in line with transforming skill needs. The PES will use this information in vocational guidance of pupils, students and jobseekers and refer jobseekers to training in demanded skills. Therefore the PES should undertake regular employers' surveys as stressed in the following. At the same time, the Ministry of Education in cooperation with the Ministry of Economy could develop a model for forecasting skill needs based on the national economic development strategy, sectoral and industrial projections, labour intensity of new technologies, demographic projections, education indicators and social developments.

However, the lack of interest of young people and their parents in technical and vocational education and training also originates in the current **low quality of education and training** provided by many VET facilities that does not guarantee good employment prospects of their graduates. This **needs to be radically changed**. First of all, the state as well as the enterprise sector should invest more in the VET system as available data show its serious underfinancing. The necessary legal and institutional framework also needs to be created to stimulate close cooperation of VET facilities with the enterprise sector and the social partners on the design and delivery of dual VET curricula combining quality theoretical education with practical training for professions sought for in the labour market, as well as on the provision of re-skilling or skills upgrading of workers in line with the principle of lifelong learning. Enterprises and other employers could contribute financially to up-to-date equipment of the VET institutions as well as to regular skills upgrading and motivation of competent teachers, provide access to modern technologies for practical training and stimulate high performance of students and trainees by stipends, awards and

future job guarantees. High quality of professional education and training needs to be guaranteed by the introduction of nationwide VET standards, their regular updating and independent assessments of the gained qualifications of VET graduates, all done in close collaboration with the social partners and professional organizations, so that the VET certificates are recognized all over the country. VET in priority professions can be stimulated by state grants, while social stipends should be made available for supporting youth from poor families.

International experience has shown the usefulness of alternative training for young people who leave the school system prematurely or are unable to finish regular vocational training and become NEETs. Early intervention prevents these young people from broken work careers, frequent unemployment or even labour market and social exclusion and is much cheaper than any later assistance. Successful **second chance education and training programmes** start with the formulation of an individual development programme offering more practically oriented training to fill the skill gaps of the young persons in line with their specific needs and delivered in small classes. Training is often combined with short-term work experience. At the same time young people get psychological and other support that addresses the reasons for their drop-out. The aim is to prepare them either for re-entering and completing regular vocational education or for getting into employment. Such approach could be replicated also in the EECA countries, especially in those countries facing high numbers of NEETs.

### 3.4 STRENGTHEN THE NATIONAL LABOUR MARKET INFORMATION SYSTEMS

The first condition for providing effective assistance to young people who have completed their education and are searching for productive employment as well as to all the other jobseekers is to have **comprehensive, reliable and internationally comparable information on the labour market situation**. Several countries participating in the peer review do not organize **labour force surveys** (LFS) at all (Turkmenistan and Uzbekistan) or they do so only in several years' intervals (Tajikistan – the latest LFS was held in 2009). Moreover, even in the countries that carry out LFS at least once a year some important data are either not collected or they are but not further processed and made available to labour market institutions, analysts or the wider public. This concerns data on the economic activity and employment rates disaggregated by age group, sex, region or educational attainment; data on employment by age group, sex, economic sector, occupation, status in employment, type of contract, length of working time, duration of employment, sector of ownership and size of production unit; data on informal employment and its structure by age group, sex, sector of activity, size and ownership

of production unit and region; data on working conditions, including wages, and again structured by age group, sex, sector of activity, size and ownership of production unit and region; data on the inactivity rate by age group, sex, educational attainment, region and reasons for inactivity; and flow data on job tenure, labour turnover, transitions between jobs, transitions between different employment statuses and on external and internal labour migration (mobility). Even Kazakhstan and the Russian Federation that have the most comprehensive statistical database of the 9 network countries, are lacking some of this information or do not process flow data. **The launching of regular LFS in the three above mentioned countries as well as the insertion of the missing information** to the extent possible into those already carried out (e.g. by including additional questions into existing sections or introducing special sections on informal employment, youth employment, mobility etc.) would very much enrich the information at the disposal of labour market institutions.

Also the carrying out of a **School-to-Work Transition Survey** (undertaken e.g. in the Russian Federation or Azerbaijan) could identify special problems and their extent encountered by young people in seeking their first stable, satisfactory employment.

Similarly, the **administrative database on jobseekers** turning for job search assistance and of them registered unemployed persons, disaggregated by sex, age, educational attainment, region, duration of unemployment, in the case of those with work experience information on their last employment and the reason of the job loss (plus special information on jobseekers belonging to vulnerable groups of population as determined by labour law or a governmental decree) is often incomplete and not regularly updated in most countries. Such information should exist both in the form of stocks at fixed dates (e.g. in the beginning or end of each month) and flows over a certain period – new registrations (in total and of them fresh school leavers, other persons without work experience, laid-off workers and re-registered jobseekers after short work assignment) and de-registrations during a month or year as well as reasons of deregistration (such as job placement, non-cooperation with the labour office, health reasons, etc.).

Due to insufficient collaboration of local labour offices with employers in the majority of the EECA countries **the database of vacancies** reported to the PES covers only a part of available vacant jobs, despite the reporting obligation by law in some countries, and is biased towards low quality jobs, while employers often use other recruitment channels for filling better job positions. These information gaps make the job matching services of PES less efficient and not trustworthy for higher skilled jobseekers. The national PES should thus pay high attention to improving their cooperation with employers on reporting and filling vacant jobs and to upgrading the databases on jobseekers and vacancies. Conversely, on-line job portals run by labour ministries or PES in some countries like e.g. Kazakhstan and the Russian Federation as mentioned

earlier can help jobseekers to find a job on their own in the place of residence or elsewhere as well as help employers to identify suitable job candidates and could be replicated by other countries. Even in these two countries the vacancy databases should be further expanded to cover the majority of vacant jobs in the country, regularly updated and made easily accessible on-line for all current and potential jobseekers. Besides data on vacancies the portals should also provide access to labour legislation and information on the labour market situation in the whole country and in regions. Similarly the search of employers for new workers needs to be facilitated by giving them access to a database of jobseekers.

The PES should also collect and regularly publish **comprehensive data on the provision of job mediation services** to unemployed persons and other jobseekers and their outcomes, participation in individual **active labour market programmes**, their results in terms of employment after their completion (immediate and after certain time, to reveal sustainability of employment), expenditure on running the PES **and on individual labour market schemes, cost-effectiveness of these programmes, and on recipients of unemployment benefits or assistance.**

Another important function of the PES and its territorial structures is to **undertake regular surveys among local employers** on their planned workforce changes and skill demands in the next 2–3 years that will inform policies and programmes of the PES.

### 3.5 INVEST IN THE CAPACITY BUILDING OF PES

Public employment service is the key labour market institution that analyzes the labour market situation, provides job matching services to unemployed persons and screening of job applicants for employers, gives a concrete shape to active labour market policies and implements them, and takes care of income support of eligible jobless persons. The efficiency of work of the PES crucially depends on the quantity and quality of its staff as well as on its material and financial resources. As already mentioned above, the staffing of PES in the Russian Federation is less than half the level recommended by the ILO, namely one PES staff taking care of 230 registered jobseekers, while the ILO recommends this ratio to be 1:100. For other EECA countries the number of registered jobless persons per one PES staff is not available but the gap seems to be even higher. Georgia abolished its PES in 2006 but since 2013 it has been gradually developing a new system of employment support services for jobseekers and employers. The PES staffing is already insufficient vis-à-vis the current low registration of

unemployed persons. If the goal is to attract many more jobless persons to turn for assistance to the PES as well as to attract employers to closely collaborate with the PES when recruiting new job applicants, plus to contribute to upgrading the labour market information system and produce in-depth analyses and labour market forecasts, **the PES staffing should be much increased.**

Moreover, PES staff needs to have **regular contact with world experience** and innovative approaches in employment services and labour market policies, including their provision to disadvantaged and hard-to-reach jobless youth, through training, study tours, secondments or study stays in foreign PES, or international peer review projects like this one. Training should also concentrate on how to successfully collaborate with employers and offer them valuable services, how and in which areas to establish useful partnerships with relevant stakeholders. Similarly, it needs to build the staff capacity in labour market analysis and forecasting techniques, as well as in monitoring and net impact evaluations of active labour market policies.

At the same time, quality employment services are conditioned by **appropriate equipment of the PES with material, technical and financial resources.** The PES needs to have a well-developed territorial structure of labour offices, all of them equipped with computers and a reliable internet connection to databases of jobseekers, vacancies, active labour market programmes and unemployment benefits and social welfare schemes, in order to facilitate an easy access of jobseekers to their assistance. Mobile employment services are important for reaching out to jobless persons in remote and scarcely populated areas. Premises of labour offices should be outfitted to allow the provision of one-stop-shop services.

The PES in the EECA countries are struggling with scarce financial resources for their functioning as well as for running active and passive labour market policies. In the Russian Federation the total expenditure on employment services and labour market policies moves around 0.1 per cent of GDP, only in 2009 it climbed to 0.3 per cent in order to alleviate the social impacts of the financial crisis. The latest available figure is 0.12 per cent for 2011.<sup>58</sup> This compares unfavourably with e.g. the average expenditure in the OECD countries equal to 1.5 per cent in the same year. Data for other EECA countries are not available but all the peer review reports mention the financial constraints not allowing the desired extension of active labour market schemes. **Higher allocation of resources for the PES is indeed necessary** for strengthening the weight of PES in the labour market and for ensuring appropriate assistance to unemployed people as well as to low-productive own-account and helping family workers. Nevertheless, resources for successful labour market programmes can also be gained through their **more cost-effective** distribution (following regular monitoring of policy outcomes and occasional net impact evaluation of programmes) **and co-financing**

<sup>58</sup> See ILO, *Jobs and skills for youth of the Russian Federation*, op. cit.

**by partner institutions** (local governments, other ministries and their specialized institutions, enterprises in the framework of their corporate social responsibility programmes, private foundations or international organizations).

### 3.6 EXPAND THE PROVISION AND INCREASE THE IMPACT OF LABOUR MARKET POLICIES

As already mentioned above, the share of jobseekers turning for assistance in job search to PES is low in the EECA countries: for example only 26.6 per cent of all jobseekers did so in the Russian Federation in 2015, while in Armenia 27.2 per cent, in Kazakhstan 17 per cent and in Kyrgyzstan 44.7 per cent of all unemployed persons turned to the PES. Anecdotal evidence indicates that in other peer review countries the share of jobseekers using the PES for job search is similar or even lower. The difference between the number of jobless persons according to the ILO definition of unemployment and the number of persons registered as jobless by the PES is thus wide. In the Russian Federation the registered joblessness rate was 1.3 per cent against the 5.8 per cent rate of total unemployment in 2015, in Kyrgyzstan 2.3 per cent versus 8.4 per cent and in Azerbaijan 0.8 per cent versus 4.9 per cent in 2014 and in Kazakhstan this gap was even 0.3 per cent against 5.2 per cent in the end of 2013.<sup>59</sup>

As a rule, with the exception of vocational guidance, provision of information on the labour market situation and available vacancies and participation in job fairs, only registered jobseekers can benefit from active labour market policies. With regard to participation in active labour market programmes, 38 per cent of registered jobseekers took part in at least one programme in Kazakhstan (in 2013), 42 per cent in Kyrgyzstan (in 2014), 11.8 per cent in Armenia (2015) or 25.4 per cent in the Russian Federation (without vocational guidance provided to a broader range of population groups, not only registered jobseekers, in 2015). Among young jobseekers, the share of active labour market policy beneficiaries was lower: 30 per cent in Kazakhstan or 40 per cent in Kyrgyzstan (data for other countries were not available). However, in comparison with the total unemployment pool, **only a fraction of all jobless persons take advantage of active labour market programmes** that would help them improve their prospects of decent employment, and in the case of young people this gap is even more pronounced. This is the reason why it would be extremely important **to attract many more jobless as well as inactive persons, in particular youth and among them women, to turn for assistance to the PES, and to expand the provision of active labour market programmes for them.** Section 2

<sup>59</sup> All data in this section are from: Ministry of Labour and Social Affairs of the Republic of Armenia, op. cit., Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Azerbaijan: Synthesis Report*, op. cit., ILO, *Job and skills for youth of Kazakhstan*, op. cit., Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Kyrgyzstan: Synthesis Report*, op. cit., Ministry of Labour and Social Protection of the Population of the Republic of Bashkortostan, *Information paper*, op. cit., Pouchkin M. and Surina J., *Peer review of youth employment policies in the Republic of Tajikistan: Synthesis Report*, op. cit.

provided some good practices how to reach out to unemployed and inactive (discouraged) jobseekers.

**The reputation of the PES among all as well as young jobseekers will increase** and convince them to seek its assistance if the PES is indeed able to address their needs and help them find good employment. Section 2 presented an **effective activation approach** starting from the profiling of each jobseeker and on its basis either helping them directly in job search or in case of harder-to-place jobseekers agreeing with them on an individual employment plan. Within this plan the PES would offer them psychological support (especially for longer-term jobless or inactive persons who have lost self-confidence), organize for them job search training and refer them to a suitable active labour market programme (or a combination of several programmes for jobseekers with multiple disadvantages) that would again be followed by assistance in finding (ideally permanent) employment. This approach should be applied systematically in all the EECA countries as well.

Section 2 also emphasized that **subsidized internships** could be very helpful in facilitating first employment of young school leavers possessing relevant professional skills but without work experience. After its completion young interns often get a regular job with the same employer but even if it is not the case their first experience helps them start their work career. Those (young) jobseekers with no professional skills or skills non-demanded in the labour market should be offered good **quality vocational training providing relevant skills**. The best option for future job placement is to tailor training in line with the needs of a concrete employer who commits to hire the trained job applicant or directly provides on-the-job training (often subsidized by the PES) with subsequent regular employment. Young women still on or returning from longer maternity or childcare leave should be offered refresher/skills upgrading training as is the case e.g. in the Russian Federation to help them compensate their absence from employment and possible skills erosion so that they retain productivity and competitiveness for employers.

More disadvantaged jobseekers could well benefit from **subsidized employment** offering either recruitment grants or more often temporary wage subsidies or tax concessions compensating for lower labour productivity of these jobseekers. With increasing productivity as a result of gaining skills and experience on-the-job the subsidy can be gradually removed. Persons with disabilities should be offered prior vocational rehabilitation and vocational training that would much facilitate their transition to regular employment after the subsidy expires. This transition can be complemented if necessary by appropriate adaptation of workplace or by temporary mentoring assistance, also subsidized by the PES.

Those jobseekers with demonstrated capability to run their own business can profit from **self-employment and small business promotion schemes**. Women should get a priority access to and a preferential treatment in such schemes. Unemployed persons residing in economically underdeveloped regions facing high labour market tensions should have access to **relocation measures** stimulating their move to economically expanding regions within the country or use available assistance for migration abroad.

Finally, **public work schemes** should be used primarily in cases of mass unemployment as the first relief policy or for longer-term jobless persons to alleviate poverty and maintain their attachment to the labour market. However, it has proven useful to combine such schemes with appropriate training, ideally on-the-job, that would improve employment prospects of their participants, otherwise they only rarely lead to regular employment and may even stigmatize these persons in the eyes of potential employers.

Nevertheless, as already developed in Section 2, the structure of active labour market policies does not address the identified youth employment challenges (nor employment challenges faced by all the population). The paid public works scheme is the most widespread active programme in the majority of the EECA countries as it engaged 78 per cent of all programme participants (73 per cent of young participants) in Kazakhstan (2013), 53 per cent of all participants (44 per cent of youth) in Kyrgyzstan (2014) and 34 per cent in the Russian Federation (2015), although in Tajikistan it was provided only to 17 per cent of all programmes' beneficiaries. In Armenia 60 per cent of all participants were involved in seasonal employment in agriculture sponsored by the PES.

In contrast, internships were offered only to 12 per cent and vocational training to 15 per cent of youth participating in active programmes (11 per cent of all programme beneficiaries) in Kazakhstan in 2013. Similarly, in Kyrgyzstan only 18 per cent of all beneficiaries and 27 per cent of young participants attended vocational training while internships for school leavers were not organized. In the Russian Federation the share of vocational training participants among all jobseekers participating in active labour market programmes equaled 22 per cent, while internships were offered only to 0.6 per cent of programme beneficiaries (internships are organized solely for secondary VET graduates aged 18–20). In Armenia 9.5 per cent of all active programmes' beneficiaries (16.6 per cent of youth) took part in vocational training and 3.4 per cent (15.8 per cent of youth) in internships. Tajikistan seems to be an exception as vocational training was the most frequently used programme provided to 68 per cent of all participants, while in the case of youth this percentage was even higher. In addition, 29 per cent of active labour market participants attended social adaptation courses (they mainly provide job search training and preparation for job interviews at employers) in the Russian Federation,

while this very useful programme seems to be only marginally applied in other peer review countries.

The proportion of participants in other active programmes was in general rather low that is not very different from the majority of economically advanced countries: in the Russian Federation 8.6 per cent got assistance in self-employment (but only less than one-fifth of them were able to start-up their own business), 5.7 per cent were placed in subsidized employment and 0.7 per cent benefited from relocation support in 2015. In Armenia 9.7 per cent of participants took up subsidized employment, while only 72 persons got support in self-employment in 2015. In Kazakhstan 6.4 per cent of programme beneficiaries were placed in subsidized employment, while a negligible percentage of jobseekers were supported in self-employment or moved to another region. The Kyrgyz PES provided support in self-employment to 5.1 per cent of programme beneficiaries and the Tajik PES to 14 per cent. Moreover, only job placement after completion of training and the share of those starting self-employment are monitored, other programmes are neither regularly monitored nor evaluated.<sup>60</sup>

Taking into account all these issues it would be highly recommendable for all the EECA countries to **put much stronger emphasis on capacity building of all the jobseekers, in particular the young ones and among them women** in order to increase their employability and competitiveness in the labour market. This should include the expansion of: internships for school graduates without work experience – the scheme missing in a number of the peer review countries; vocational training matching demand for skills in the labour market; business training for selected jobseekers and especially women with proven ability to run their own business, in combination with the provision of financial and counselling services; and training in job search and self-presentation skills. Subsidized employment should remain rather modest, available for disadvantaged jobseekers and launched in countries that do not yet have it. **Regular monitoring and occasional evaluation of active labour market programmes should become a standard part of their operation** since this feedback will help improve their labour market impact and effectiveness.

**Relocation measures** should also have their place for stimulating desired internal mobility. Similarly, **assistance to workers wishing to migrate for work abroad** is very useful. Nevertheless, as internal and external migration always mean the loss of human resources in the region or country of origin they have to be weighed against economic and job creation potential of this region or country and possibilities as well as obstacles for its exploitation. In contrast, public work schemes should be reduced and converted to the extent possible into more stable job opportunities or used in crisis situations of mass unemployment.

One important reason for the low registration of unemployed persons at the PES of the peer review countries is the meanness of their

<sup>60</sup> In the Russian Federation some active labour market programmes were evaluated for their net impact in the whole country (vocational training) or in some regions (public works, vocational guidance, job clubs and psychological support) ten or more years ago.

unemployment benefit/assistance systems including rather strict eligibility rules, low replacement rates and their short payment in most cases. Moreover, young people are rarely eligible for benefits due to their missing or short duration of employment. While generous income support in unemployment may result in the benefit trap when jobless persons do not actively seek or are not ready to take employment, in contrast the lack of or low income support pushes them to accept any job, often below their qualifications, offering inferior working conditions and in the informal sector. Research shows that **reasonable temporary income support in unemployment (with a gradually declining level) conditioned by proven job search activity or participation in a suitable active labour market programme** not only makes registration at the PES attractive but also much improves the matching of skills of jobseekers with job requirements and increases the probability of placement in permanent employment in the formal sector. It would be desirable to revisit the unemployment benefit system from this point of view. Income support somewhat above the level of unemployment benefits is also necessary for those jobseekers taking part in active labour market programmes that do not offer any remuneration (such as internships, vocational training, job search training or the initial stage of self-employment) so as to secure reasonable living standards of the participants and stimulate their successful completion.

### 3.7 BUILD ON PARTNERSHIPS WITH RELEVANT STAKEHOLDERS

The significance of **tripartite social dialogue** on the formulation and implementation of powerful employment strategy and policy as well as for the development of labour relations, the institutional framework of the labour market and social policy at **the national level** and the design of labour market policies in the majority of the EECA countries has already been emphasized in section 3.1. **Similarly at the sectoral, regional and local level tripartite commissions play an important role** in projecting socio-economic development of their region and determining the range of employment, labour market and social policies to be implemented for its achievement in response to the identified labour market and social challenges. This is the case e.g. of the Republic of Bashkortostan that was the first region in the Russian Federation that in 2013 designed and adopted in a tripartite format a strategic programme “Decent Work in the Republic of Bashkortostan” defining the tasks and responsibilities of the three parties for its implementation till 2025 and tripartite and bipartite social dialogue at all levels is directed towards improving employment conditions and defending the rights of workers.

The PES is responsible for the implementation of employment and labour market policy and its partnerships with relevant labour market actors can play a critical role in increasing the impact of PES at regional and local level by connecting their policies and building links between them. **Cooperation with local governments and public administrations** is going on already now in the peer review countries, e.g. in the areas of public work schemes and creation of temporary job opportunities within local infrastructure building/renovation projects, joint organization of job fairs, relocation schemes etc. The importance of close collaboration with **local enterprises** on the recruitment of workers through PES and on some active labour market policies, such as preparatory and on-the-job training, internships of youth without work experience or subsidized employment for disadvantaged jobseekers has already been emphasized. Similarly, the regular update of local education and training institutions on the current and foreseen labour market situation and demand for skills in the region as well as the provision of vocational guidance to pupils/students and their parents by the PES are extremely important for the right decision of young people on further studies or training and integration in the labour market. **Local education and training institutions** are also often contracted by the PES to provide vocational training to registered jobseekers.

**Trade unions** are natural partners of employers and the PES as in many countries employers are obliged by law to inform them about planned redundancies, especially in the case of collective dismissals. Trade unions then cooperate with employers and the PES on finding solutions for these redundant workers, such as: internal redeployment that can be facilitated by their retraining or skills upgrading funded by the employer or the PES; or, when not possible, the provision of severance pay (paid by the employer in line with the collective agreement, often above the level stipulated by law) in combination with intensive job matching services, unemployment benefits and if necessary participation in appropriate active labour market policies provided by the PES; or the transition to early retirement. The trade unions can also play an important role in the awareness-rising of youth as well as other workers about their labour rights.

**Private employment agencies** are another important partner for the PES. Private employment agencies usually concentrate on seeking skilled job candidates for enterprises according to their demand. They are also active in recruiting foreign workers for enterprises in their country and vice versa, in organizing migration for work abroad. A special type of private employment agencies are temporary work agencies that lend their employees to enterprises on a temporary basis or mediate temporary assignment of external workers in enterprises. With the exception of temporary work agencies, market segments of the PES and the private employment agencies in recruitment of workers of various qualification levels are different and therefore their intermediary services between employers and jobseekers are rather complementary than competitive. Their cooperation can thus be

mutually beneficial providing that the activity of private employment agencies is in compliance with requirements of the ILO Private Employment Agencies Convention No. 181. It means that they do not charge any fee to workers but only to enterprises and they guarantee fundamental rights to workers, such as freedom of association and the right to collective bargaining, non-discrimination on the basis of sex, race, colour, religion, political opinion, nationality/ethnicity, social origin, age or disability, and prohibition of child and forced labour. This cooperation can have the form of information sharing, cooperation on job matching services provided to different groups of jobseekers and complementarity in the delivery of services to employers. However, the PES in a number of countries are now increasingly contracting certain services and programmes to private employment agencies (as has e.g. been the case of the pilot vocational guidance programme in Kazakhstan presented above). This may also concern active labour market policies for disadvantaged groups of jobseekers as is the case e.g. in Australia or the United Kingdom.<sup>61</sup>

**Youth organizations** should always be consulted and directly involved in the formulation and application of labour market policies targeting young people. Moreover, they are able to reach out to young jobless persons or NEETs through their special contacts, social networks, youth clubs and events attracting young people. They have the capacity to activate and motivate them to return to education or training or seek employment with the help of the PES as demonstrated e.g. by the social enterprise Hi5 in the Netherlands mentioned in the previous section. Similar role can be played by **organizations of persons with disabilities**, which on the one hand lobby at the government for effective labour market and social policies in favour of their members and other persons with disabilities and on the other hand they cooperate with the PES and other relevant institutions on their design, implementation and evaluation.

**The partnerships could even be much broader** as successful international experience shows. Section 2 presented examples of big Russian enterprises actively cooperating with the PES and local education and training institutions on motivating young people to choose and get quality education and training in professions highly demanded in the labour market. The enterprises also support financially youth coming from poor families or remote areas to get access to such education or training and job placement. Some big enterprises, such as e.g. Siberian Coal Energy Company, cooperate with local governments and labour offices in regions hosting their subsidiaries not only in the above described areas but they are also actively involved in the promotion of small business development and social enterprising through the organization of seminars on entrepreneurship and social enterprising, counselling on business planning, legal, tax and accounting issues, etc. The aim is to diversify the local economy, expand the range of services as well as job opportunities for the population and make the region attractive especially for young people.<sup>62</sup> Within the ILO “Partnerships

<sup>61</sup> Thuy, P., Hansen, E. and Price, D., *The public employment service in a changing labour market*. ILO, Geneva 2001.

<sup>62</sup> ILO, *Corporative youth practices in Russia*, op. cit.

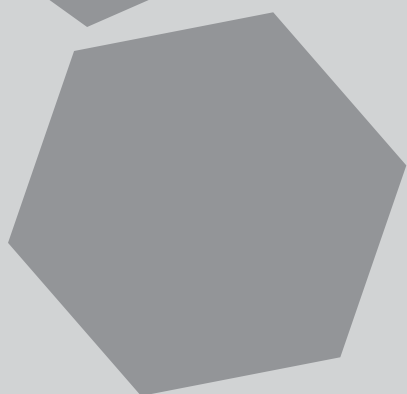
for Youth Employment in the CIS” project similar promising youth employment partnerships were built in three target regions of the Russian Federation – the Republic of Kalmykia, the Perm Territory and the Khanty-Mansy Autonomous Region.

However, there are many regions either depending on one or a few big enterprises providing directly or indirectly jobs to the majority of local population, which have fallen into serious economic problems or (usually rural) regions with very weak local economy. **A strategic vision and approach bringing together local education and training institutions, local enterprises and employers’ organizations, trade unions, labour offices and other important local actors under the leadership of local government** and its instrument – local development agency – can transform an economically obsolete region into one that is strong, prosperous and attractive for new investors as well as for people. A strategic partnership can connect regional economic development to employment and skills for the benefit of local population. The local development agency in close cooperation with all the other partners formulates a development strategy building on identified strengths and opportunities for economic growth and job creation in the region and coordinates activities of the other partners directed towards supporting and implementing this strategy. Local government invests in the upgrading of local technical and social infrastructure (including childcare facilities) to stimulate business development and fosters local entrepreneurs plus attracts investors from the outside by providing construction sites and/or premises for low price, exempting them from local taxes, etc. Education institutions and local labour offices orient education and training of youth and jobseekers towards gaining professions and skills that will match skill demand of the development strategy. This also includes entrepreneurship training and the provision of business counselling/mentoring of new entrepreneurs. Similarly they cooperate with local enterprises on refining skills of their workforce in line with their changing production needs. Another important issue is to stimulate cooperation and networking of local enterprises that will help them strengthen their economic power, better reach the markets and get access to new technologies. Resources necessary for implementing this development strategy can be pooled among all the local actors, while higher-level (regional or national) governments also usually provide subsidies for the revitalization of economically troubled localities.<sup>63</sup> Important elements of this approach are applied for example in the Russian Federation.

<sup>63</sup> See e.g. OECD, *Job creation and local economic development*. OECD, Paris 2014.



 **ANNEX**





**TABLE A1: KEY MACROECONOMIC INDICATORS FOR SELECTED EECA COUNTRIES, 2000, 2009 AND 2015.**

	Armenia			Azerbaijan			Georgia			Kazakhstan			Kyrgyzstan		
	2000	2009	2015	2000	2009	2015	2000	2009	2015	2000	2009	2015	2000	2009	2015
GDP growth rate (%)	5.8	-14.1	3.0	6.3	9.3	1.1	1.9	-3.6	2.8	9.8	1.2	1.2	5.4	2.9	3.5
Total investment (% of GDP)	18.2	33.8	19.5	20.7	18.4	26.4	26.6	13.1	33.3	18.6	29.4	26.8	20.0	22.8	28.9
Households' final consumption expenditure (% of GDP)	96.7	79.5	77.3	69.2	41.4	55.8	81.6	81.7	71.2	62.3	51.0	52.1*	65.7	78.3	96.0*
Inflation (% change)	-0.8	3.5	3.7	1.8	1.6	4.0	4.0	1.7	4.0	13.3	7.3	6.5	18.7	6.8	6.5
Import (% of GDP)	23.4	15.5	29.7	39.0	51.6	37.8	23.0	29.7	45.0	56.6	41.8	28.4	41.8	54.7	37.4*
Export (% of GDP)	50.5	43.0	41.3	38.4	23.1	34.8	39.7	48.9	64.9	49.1	33.9	24.7	47.6	78.7	87.7*
Government revenue (% of GDP)	16.5	20.9	21.5	23.1	41.2	35.1	15.4	29.3	28.0	21.9	22.1	17.7	19.6	33.3	37.8
Government expenditure (% of GDP)	n.a.	28.6	26.4	20.8	33.8	38.5	17.4	35.8	29.1	n.a.	23.5	23.0	30.3	34.4	39.1
Government gross debt (% of GDP)	39.4	34.1	46.6	22.8	11.8	36.1	67.7	41.0	41.2	n.a.	10.2	23.3	122.3	58.1	68.8
Current account balance (% of GDP)	-15.8	-16.5	-3.2	-3.5	23.0	0.2	-5.8	-10.5	-11.6	2.0	-3.6	-2.6	-4.3	-2.2	-14.7

	Russian Federation			Tajikistan			Turkmenistan			Uzbekistan		
	2000	2009	2015	2000	2009	2015	2000	2009	2015	2000	2009	2015
GDP growth rate (%)	10.0	-7.8	-3.7	8.3	3.9	3.0	18.6	6.1	6.5	3.8	8.1	8.0
Total investment (% of GDP)	18.4	15.6	18.4	15.0	19.4	18.7	n.a.	n.a.	n.a.	19.6	31.0	30.8
Household final consumption expenditure (% of GDP)	46.2	52.8	51.9	84.4	108.1	118.3*	36.5	14.3	15.1 <sup>+</sup>	56.2	60.1	61.0
Inflation (% change)	20.8	11.7	15.5	32.9	6.4	5.8	8.0	-2.7	5.5	25.0	12.3	8.5
Import (% change)	44.1	27.9	29.5	98.8	15.1	19.2**	95.5	74.6	73.3 <sup>+</sup>	24.6	35.2	20.7
Export (% change)	24.0	20.5	21.2	100.9	54.5	68.3	80.9	45.2	44.4 <sup>+</sup>	21.5	35.6	22.2
Government revenue (% of GDP)	33.9	32.9	32.9	13.6	23.4	29.8	23.6	20.4	16.2	36.6	36.7	35.3
Government expenditure (% of GDP)	30.8	38.8	36.4	19.2	28.6	32.0	24.1	13.4	16.2	39.1	34.3	34.4
Government gross debt (% of GDP)	56.1	10.0	17.7	111.4	36.2	35.9	43.5	4.1	23.3	42.1	11.0	10.7
Current account balance (% of GDP)	16.9	3.9	5.0	-1.6	-5.9	-10.2	8.2	-10.6	-12.7	1.8	2.2	-0.0

Notes: \* 2014, \*\* 2013, + 2012.

Source: World Bank's World Development Indicators database (<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>).

**TABLE A2: CURRENT AND PROJECTED POPULATION STRUCTURE BY MAIN POPULATION GROUPS (PER CENT OF TOTAL POPULATION)**

Country/Age group	2015				2030			
	0-14	15-24	25-64	65+	0-14	15-24	25-64	65+
Armenia	18.4	14.4	56.3	10.8	16.2	12.8	52.3	18.7
Azerbaijan	21.9	16.6	55.9	5.6	20.8	14.2	52.6	12.5
Georgia	17.3	13.7	55.0	14.0	17.4	12.5	51.2	18.9
Kazakhstan	26.7	15.0	51.6	6.7	24.6	17.6	47.5	10.2
Kyrgyzstan	31.4	18.3	46.0	4.2	28.4	18.7	45.2	7.7
Russian Federation	16.8	10.6	59.2	13.4	17.3	12.4	51.4	18.8
Tajikistan	34.8	20.2	41.9	3.0	32.0	18.4	44.0	5.7
Turkmenistan	28.2	19.0	48.6	4.2	23.9	16.2	52.4	7.5
Uzbekistan	28.5	18.8	48.0	4.7	24.1	17.0	50.8	8.1

Source: United Nations, Department of Economic and Social Affairs, *World Population Prospects, the 2015 Revision*. (<https://esa.un.org/unpd/wpp/Download/Standard/Population/>)

**TABLE A3: CURRENT AND PROJECTED LIFE EXPECTANCY AT BIRTH BY SEX (YEARS)**

Country	2010-2015		2025-2030	
	Men	Women	Men	Women
Armenia	70.74	78.39	73.05	80.13
Azerbaijan	67.54	73.77	68.87	75.61
Georgia	70.91	78.14	73.41	80.12
Kazakhstan	64.29	73.87	66.07	75.69
Kyrgyzstan	66.35	74.29	68.04	76.16
Russian Federation	64.15	75.55	66.05	77.11
Tajikistan	65.90	72.84	67.92	75.21
Turkmenistan	61.31	69.69	63.20	71.75
Uzbekistan	64.90	71.61	66.35	73.52

Source: see Table A2.

**TABLE A4: CURRENT AND PROJECTED TOTAL, CHILD AND OLD-AGE DEPENDENCY RATIOS (PER CENT)**

Country	Total dependency		Child dependency		Old-age dependency	
	2015	2030	2015	2030	2015	2030
Armenia	41.3	53.7	26.0	24.9	15.3	28.7
Azerbaijan	38.0	49.8	30.3	31.1	7.8	18.7
Georgia	45.7	57.0	25.2	27.3	20.4	29.7
Kazakhstan	50.3	53.4	40.1	37.7	10.1	15.6
Kyrgyzstan	55.3	56.5	48.8	44.4	6.6	12.1
Russian Federation	43.1	56.6	24.0	27.1	19.1	29.5
Tajikistan	60.9	60.3	56.0	51.2	4.8	9.1
Turkmenistan	47.9	45.8	41.7	34.8	6.1	11.0
Uzbekistan	49.7	47.5	42.7	35.6	7.0	11.9

Notes: Total dependency is the ratio of population aged 0–14 and 65+ to population aged 15–64. Child dependency is the ratio of population aged 0–14 to population aged 15–64. Old-age dependency is the ratio of population aged 65+ to population aged 15–64.

Source: See Table A2.

**TABLE A5: EMPLOYMENT STRUCTURE BY ECONOMIC SECTOR, 2000, 2008 AND 2014 (PER CENT OF TOTAL EMPLOYMENT)**

Country	2000			2008			2014		
	Agricult.	Industry	Services	Agricult.	Industry	Services	Agricult.	Industry	Services
Armenia	45.3	17.0	37.8	37.6	19.8	42.5	36.3	17.0	46.7
Azerbaijan	41.0	10.9	48.1	38.4	12.7	48.9	36.8	14.3	48.9
Georgia	52.1	9.8	38.0	53.4	10.4	36.2	n.a.	n.a.	n.a.
Kazakhstan	35.5	16.3	48.1	30.2	18.9	50.9	24.2	19.8	56.0
Kyrgyzstan	53.1	10.5	36.5	34.0	20.6	45.3	31.7	20.2	48.1
Russian Fed.	14.5	28.4	57.1	8.6	28.9	62.4	6.7	27.5	65.8
Tajikistan	55.5	17.9	26.2	52.9	15.6	31.1	n.a.	n.a.	n.a.
Uzbekistan	38.5	19.4	35.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes: Armenia: 2002 instead of 2000, 2013 instead of 2014; Georgia: 2007 instead of 2008; Kazakhstan: 2001 instead of 2000, 2013 instead of 2014; Kyrgyzstan: 2013 instead of 2014; Tajikistan: 2004 instead of 2000, 2009 instead of 2008; Uzbekistan: 1999 instead of 2000. Data for Turkmenistan are not available.

Source: ILO Key indicators of the labour market (KILM), 9th edition, ILO Geneva 2015, Table 4a.

**TABLE A6: EMPLOYMENT STRUCTURE BY STATUS IN EMPLOYMENT**  
(PER CENT OF TOTAL EMPLOYMENT)

Country	2000						2013					
	Employees	Self-employed	Of whom: Employers	Own-account workers	Cooperative members	Helping family members	Employees	Self-employed	Of whom: Employers	Own-account workers	Cooperative members	Helping family members
Armenia	58.1	41.8	0.5	35.6	5.6	0.2	57.2	42.8	0.5	30.1	n.a.	12.2
Azerbaijan	32.7	67.3	4.4	43.5	0.5	18.9	33.5	66.5	10.1	26.6	n.a.	29.9
Georgia	37.2	62.0	1.5	30.4	0.6	29.5	38.4	61.0	1.2	35.6	n.a.	24.2
Kazakhstan	57.7	42.3	0.9	39.0	1.4	1.1	69.4	30.6	1.9	28.2	0.2	0.4
Kyrgyzstan	42.7	57.3	1.6	40.9	4.2	10.6	52.7	43.3	1.3	28.9	0.3	12.7
Russian Fed.	89.9	10.1	0.9	7.6	1.4	0.1	92.7	7.3	1.3	5.6	0	0.4
Tajikistan	53.3	46.7	n.a.	18.3	n.a.	28.3	52.2	47.8	0.4	46.7	0.2	0.4

Notes: Armenia: 2007 instead of 2000; Azerbaijan: 2003 instead of 2000; Kazakhstan: 2001 instead of 2000; Kyrgyzstan: 2002 instead of 2000; Tajikistan: 2003 instead of 2000, 2009 instead of 2013. Data for Turkmenistan and Uzbekistan are not available.

Source: ILO KILIM database, Table 3.

**TABLE A7: VULNERABLE EMPLOYMENT TOTAL AND BY SEX**  
(PER CENT OF TOTAL EMPLOYMENT BY SEX)

Country	2000			2013		
	Both sexes	Men	Women	Both sexes	Men	Women
Armenia	28.9	30.0	25.2	42.4	37.4	47.8
Azerbaijan	62.4	60.7	64.2	56.4	51.1	62.1
Georgia	59.9	58.1	61.4	59.8	59.2	60.5
Kazakhstan	40.0	35.9	44.4	28.6	28.6	28.5
Kyrgyzstan	51.5	52.1	50.7	41.6	44.0	37.9
Russian Federation	7.7	7.4	8.1	6.0	6.4	5.5
Tajikistan	n.a.	n.a.	n.a.	47.1	51.8	41.1

Notes: Armenia: 2008 instead of 2000; Azerbaijan: 2003 instead of 2000; Kazakhstan: 2001 instead of 2000; Kyrgyzstan: 2002 instead of 2000; Tajikistan: 2009 instead of 2013. Data for Turkmenistan and Uzbekistan are not available.

Source: ILO KILM database, Table 3.

**TABLE A8: TRENDS IN YOUTH UNEMPLOYMENT RATES BY SEX AND ADULT UNEMPLOYMENT RATES**  
(PER CENT OF YOUTH AND ADULT LABOUR FORCE)

Country	2000					2008				
	Youth			Adults	Youth/ adults	Youth			Adults	Youth/ adults
	Total	Men	Women			Total	Men	Women		
Armenia	36.1	31.4	40.5	14.7	2.5	36.2	31.8	42.7	12.9	2.8
Azerbaijan	28.0	27.1	28.9	8.0	3.5	14.0	18.2	9.5	4.4	3.1
Georgia	20.9	21.4	20.3	9.5	2.2	35.2	32.3	40.5	14.2	2.5
Kazakhstan	14.1	12.9	15.5	12.5	1.1	7.4	6.7	8.1	6.4	1.1
Kyrgyzstan	13.7	12.4	15.4	5.7	2.4	15.4	14.2	17.4	6.0	2.6
Russian Fed.	20.8	19.6	22.3	9.0	2.3	14.0	13.1	15.0	5.1	2.8
Tajikistan	18.6	22.3	13.4	9.6	1.9	16.0	17.7	13.4	9.6	1.7
Turkmenistan	19.3	18.7	20.3	7.6	2.5	19.4	18.8	20.6	7.7	2.5
Uzbekistan	19.0	19.0	21.4	7.8	2.6	19.7	18.9	21.0	7.7	2.8

Country	2010					2015				
	Youth			Adults	Youth/ adults	Youth			Adults	Youth/ adults
	Total	Men	Women			Total	Men	Women		
Armenia	38.3	32.3	48.7	15.9	2.4	37.2	32.5	42.9	13.8	2.7
Azerbaijan	14.6	17.0	13.2	4.2	3.5	14.3	12.8	15.9	3.5	4.1
Georgia	35.8	33.5	39.9	13.7	2.9	29.8	28.6	32.1	10.4	2.9
Kazakhstan	5.2	4.8	5.7	5.9	0.9	5.1	4.4	5.9	5.7	0.9
Kyrgyzstan	16.5	14.4	20.1	6.2	2.7	14.6	12.8	17.7	6.5	2.2
Russian Fed.	16.8	16.5	17.2	6.1	2.8	15.0	14.3	16.0	5.0	3.0
Tajikistan	17.4	20.1	13.5	9.7	1.8	16.8	18.6	13.9	9.3	1.8
Turkmenistan	19.6	18.9	21.0	7.7	2.5	19.5	18.8	20.7	7.7	2.5
Uzbekistan	19.7	18.9	21.0	7.7	2.8	19.8	18.8	21.5	7.7	2.6

Source: ILO KILM database, Table 10a.







**TOWARDS POLICIES TACKLING THE CURRENT YOUTH EMPLOYMENT  
CHALLENGES IN EASTERN EUROPE AND CENTRAL ASIA**