

Employment Trends and Policy in ECA

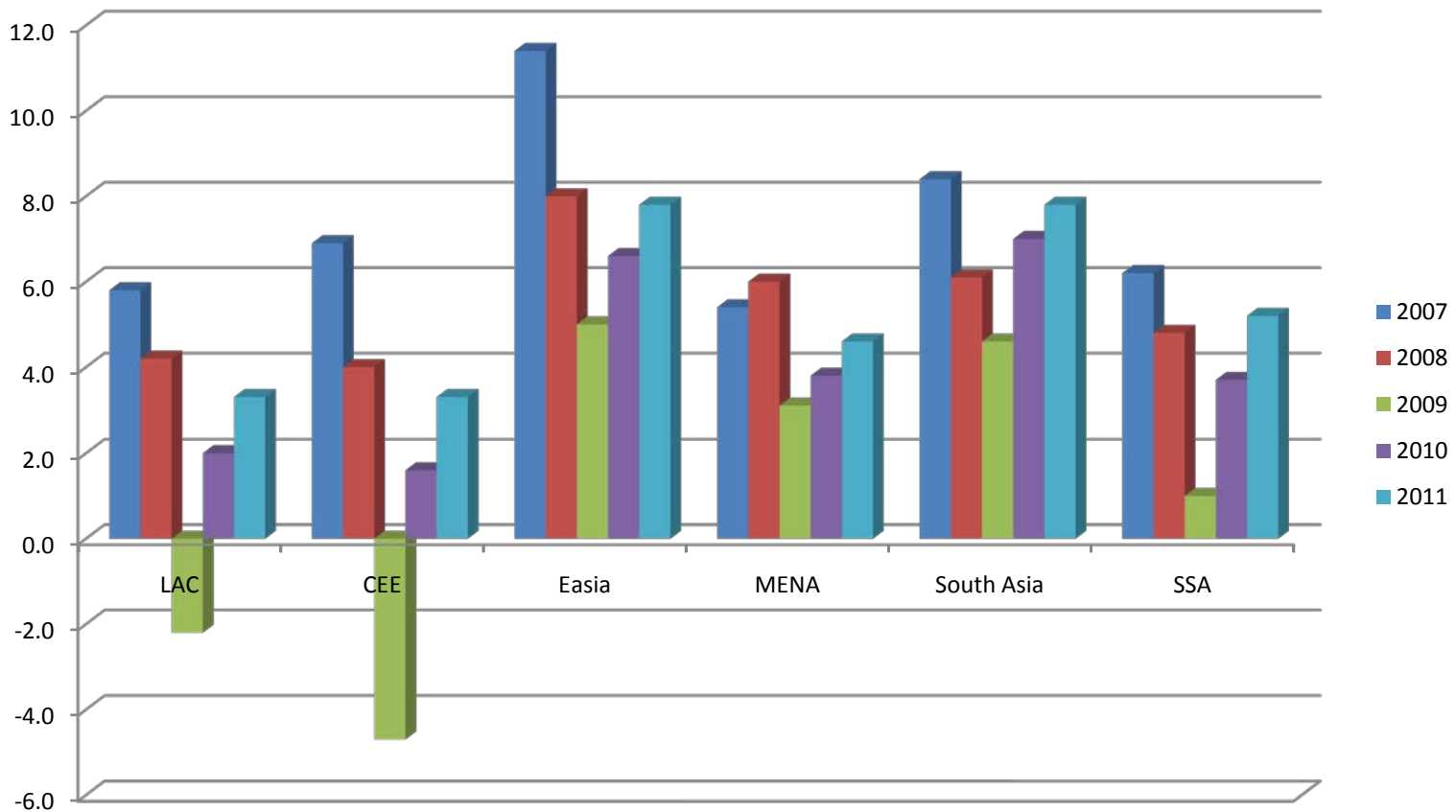
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- A. Labor market adjustments in ECA
- B. Policy responses
- C. Reflection

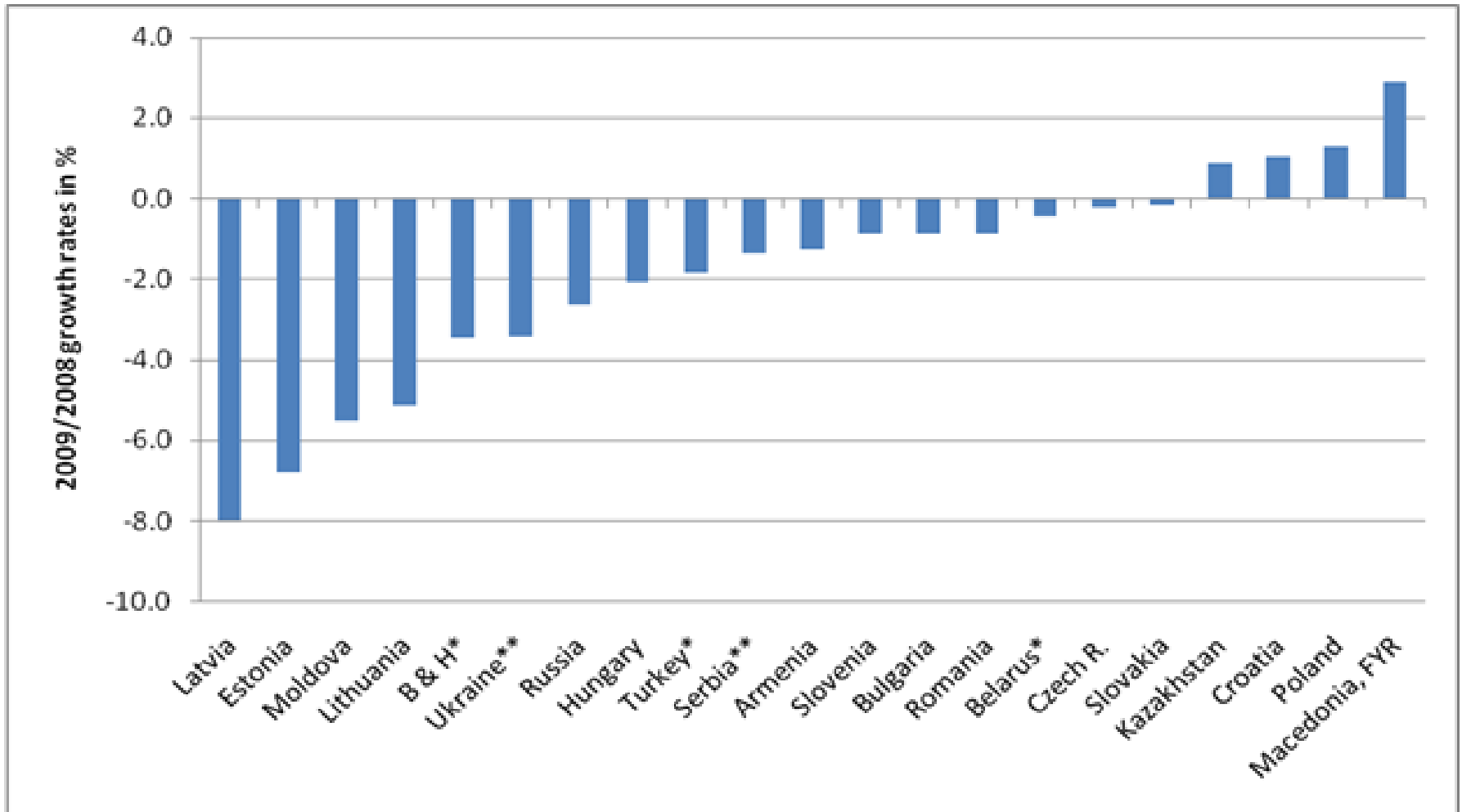
A deeper and possibly longer crisis than expected

- ▶ **Eastern Europe and Central Asia is worst affected**



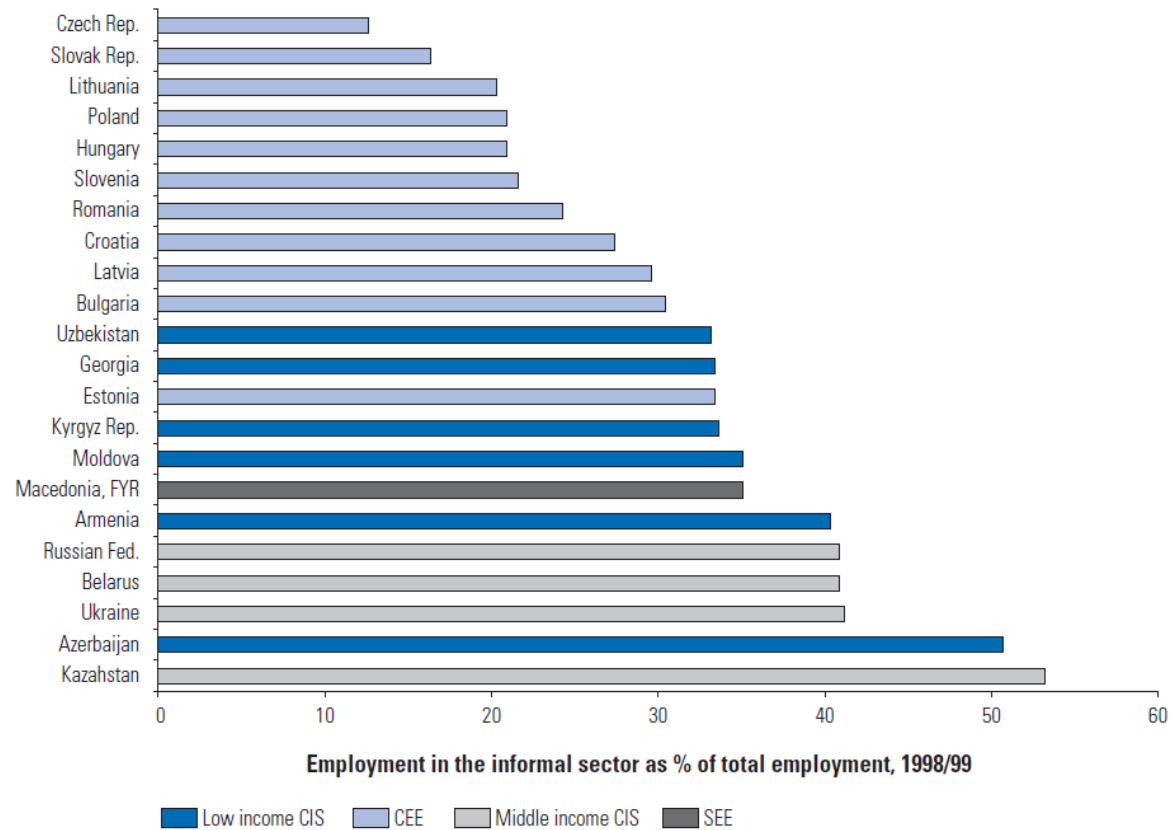
Source: IMF

Dynamics of Employment according to Labor Force Survey Data between I Quarter of 2008 and I Quarter of 2009, in %



High informality

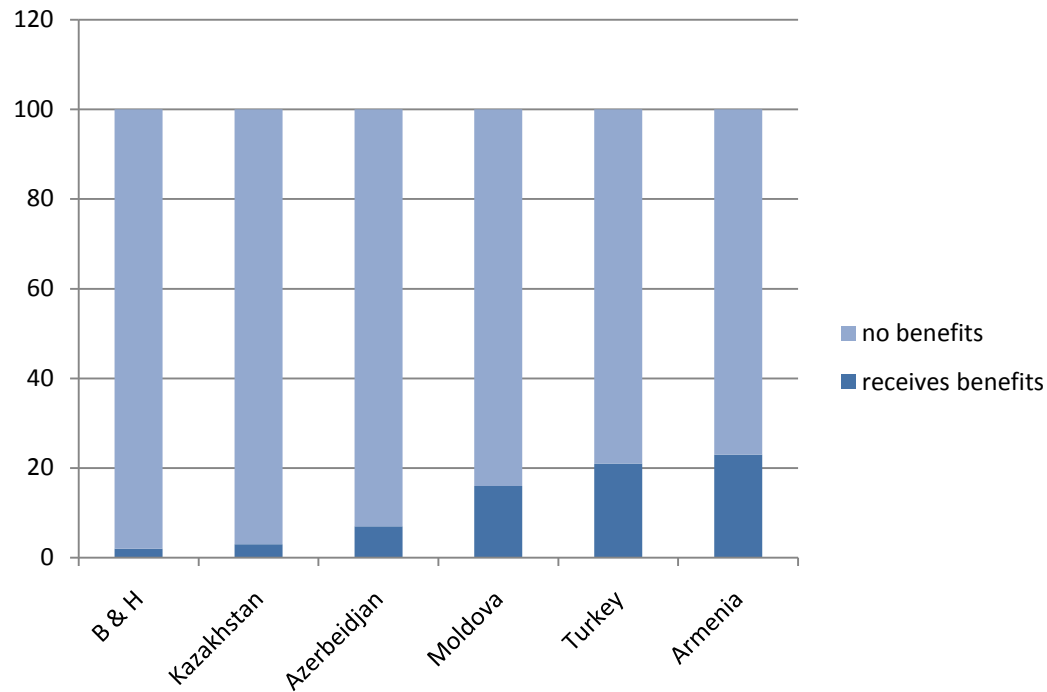
Informal Sector Accounts for a Substantial Share of Total Employment, Especially in CIS



Sources: Schneider 2002; Schneider and Klingmair 2004.

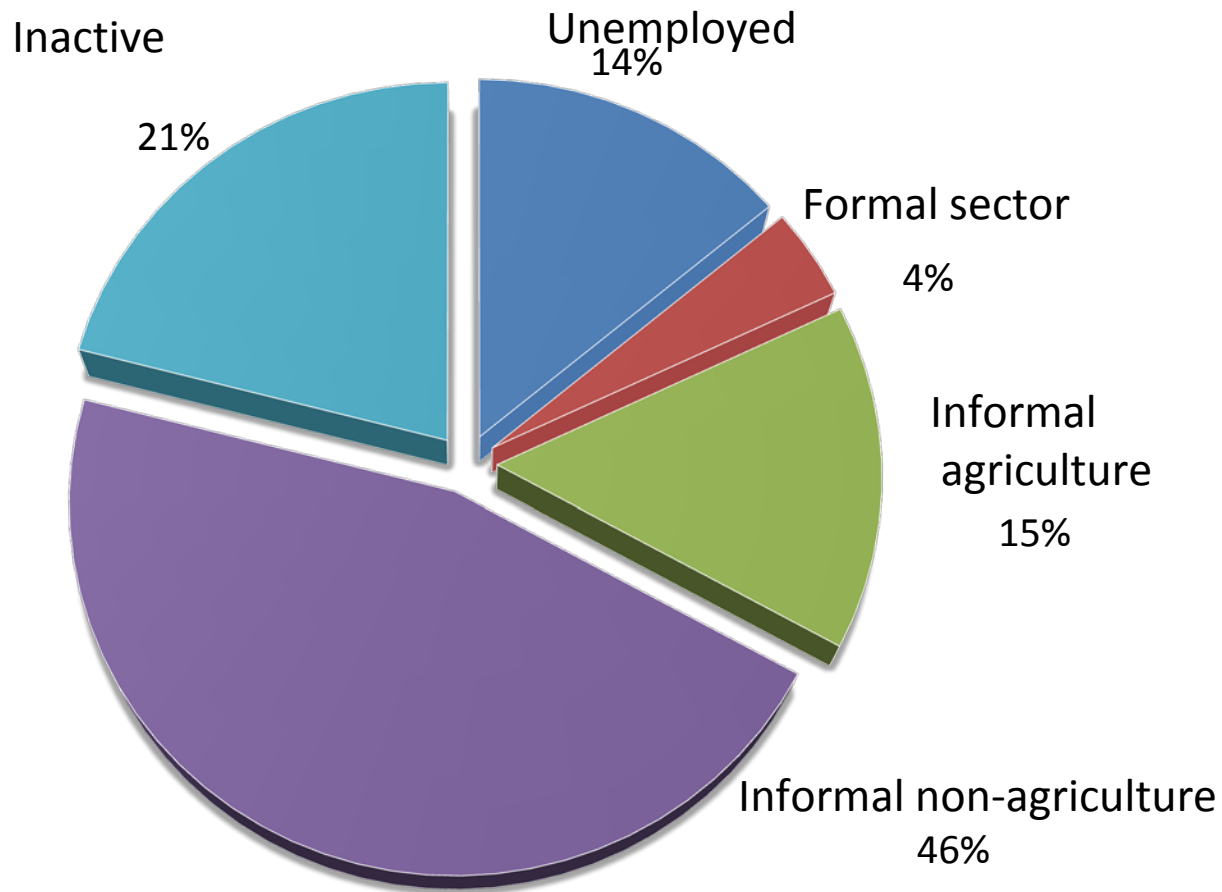
Benefit receipt low

Share of registered unemployed that receive benefits

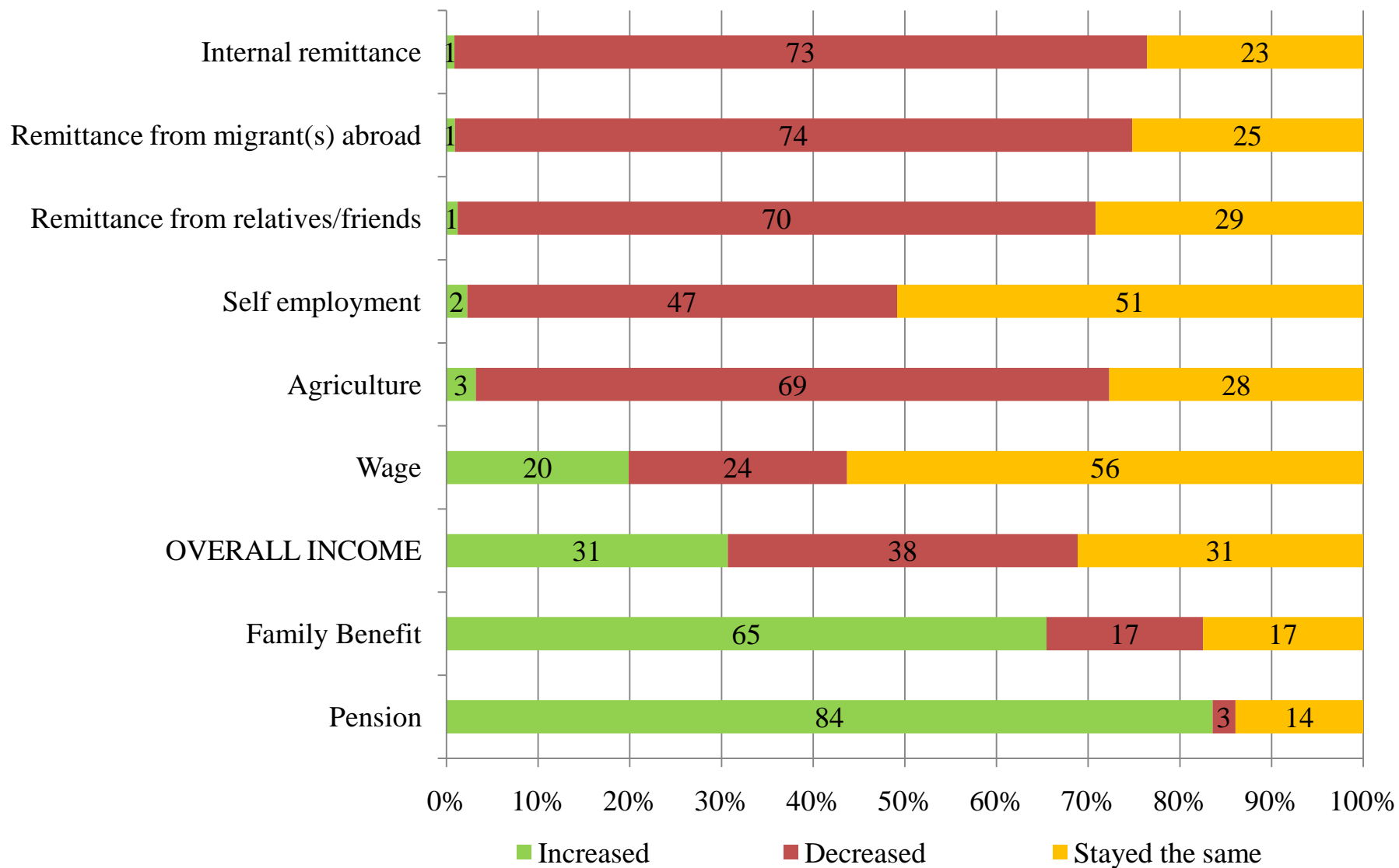


Turkey

Microsimulation: employment losses likely greatest in informal sector



Armenia: While public transfers have increased, incomes from agriculture, remittances and other sources declined or stayed the same.



Impact of the Crisis in Montenegro:

Declining registered unemployment conceals negative labor market impacts on many households

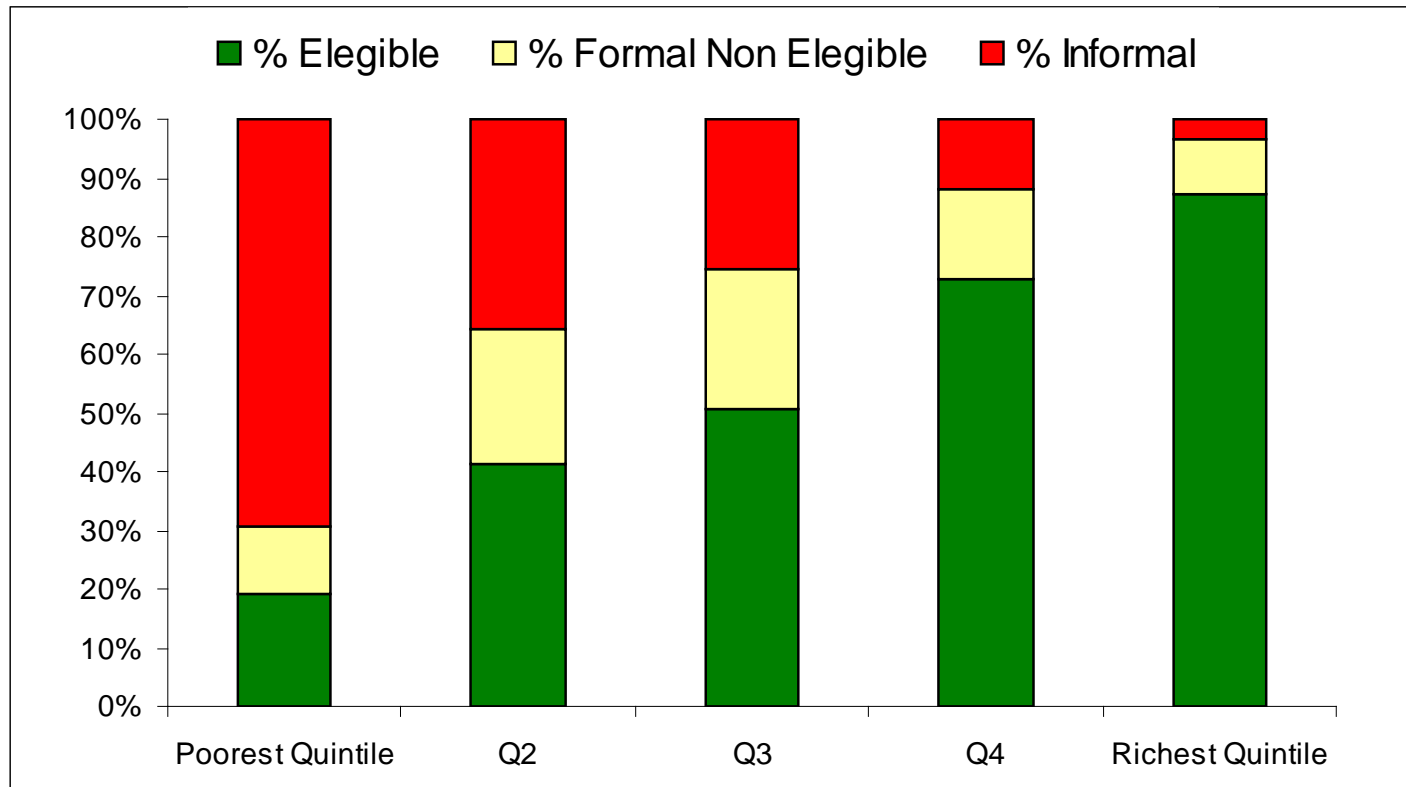


Unemployment, Part-time Work, Workers on Administrative Leave, and Workers having Wage Arrears in Russia and in Ukraine in the First and Second Quarter of 2009



Turkey

Government's wage subsidy program:
protecting better off in the labor market



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Types of policy measures

Create jobs

- Public works; public investment program
- Wage subsidies (for new entrants) / social security tax reductions
- Start up support; business tax reduction
- Flexibilization of labor regulation

Protect jobs

- Short term compensation
- Wage subsidies, social security tax reduction
- Retraining, preventative training

Enhance employability

- Job search assistance
- Training/retraining (w or w/o stipends)
- Apprenticeship, internships
- Income tax reduction, work credit, restructuring unemployment benefit
- Mobility allowances

Provide income support

- Unemployment benefit increases
- Training allowances
- Social assistance (incl public works)

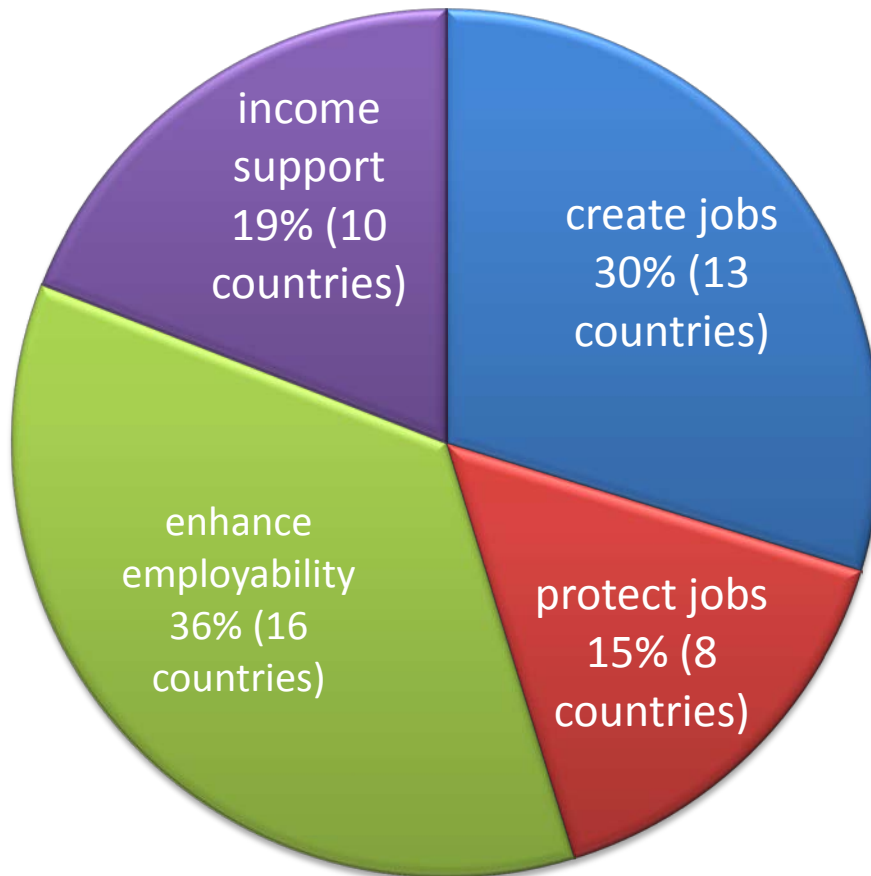
Employment Policy Responses in 18 ECA countries

Create jobs

Protect jobs

Enhance
employability

Provide
income
support



Trends

Labor supply policies in focus (including structural reforms); labor demand (“creating”) for most countries time-limited

Increasingly, programs across categories include income support objective (public works, training)

Tightening of incentives and conditionalities for beneficiaries across programs (training, unemployment, PW)

Points

A. Labor market adjustments in ECA

B. Implications for Policy

C. Reflections

Reflection

- ‘Employment’ versus income support objectives more mixed in many countries
 - Delinking from labor market costly – but does that reach the most vulnerable?
- Buffering shock in many countries difficult – needs amalgam of instruments
- Short-term response vs longer-term institutions building?
 - How can short-term crisis measures be used to address underlying longer-run institutional reforms?