

COOPERATION ON EMPLOYMENT IN SOUTH EAST EUROPE

REVIEW OF EMPLOYMENT POLICIES AND OF THE PERFORMANCE OF EMPLOYMENT SERVICES IN THE STABILITY PACT'S BENEFICIARY COUNTRIES

TERMS OF REFERENCE

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1. Background and justification

The armed conflicts in the former Yugoslavia in the 1990's seriously affected the national economies and the national labour markets, not only of the countries directly involved in these conflicts, but also those of its neighbouring countries. The combined impact of direct war damages, economic embargo imposed on the belligerent countries, the lack of domestic capital for necessary large-scale restructuring and reluctance of foreign capital to come to the country due to political and economic uncertainties contributed to their much slower recovery and to high unemployment and underemployment of the population. In order to boost economic restructuring and growth in these countries, stabilise their political and social development, assist in resolving their disputes and pending problems and accelerate their integration into the European Union, the Stability Pact was concluded in 1999.

Among the Stability Pact objectives, the identification and analysis of the major problems and challenges in the area of social and employment policy is indicated as a very important issue for future successful development of these countries within the integrating Europe. Indeed, since 1989, all the Stability Pact countries have experienced dramatic employment losses and employment continued to decline even when these countries emerged from economic recession. The level of registered unemployment is very high and unemployment has a long-term character. Many of the jobless persons are young, first-time jobseekers but young workers also experience large labour turnover and a high incidence of short-term employment. The significant difference between registered unemployment and unemployment measured according to the ILO definition (the former exceeding the latter) is also characteristic in these countries, as many formally jobless persons are active in the informal sector. Other groups of population – those in employment or inactive – also frequently have second jobs in the informal sector. Typically, informal sector jobs are of a temporary nature and are of low quality, insecure and unprotected against accidents at work, occupational disease, etc. As the capacity of the formal economy to create new jobs is limited, informal employment is the only option for a large section of less competitive groups of population – the young without work experience, the elderly, women, persons with disabilities, low educated workers, members of minority groups, refugees and displaced persons and demobilised soldiers. According to household surveys on the social situation of the population, unemployment but also informal sector employment, is often combined with poverty.

These elements highlight the importance of a well-formulated active employment policy that would contribute to the creation of new employment, including through a higher inflow of foreign direct investment. Strengthening the institutional framework should result in a gradual formalisation of the informal economy. It is also necessary to improve the quality of employment by upgrading the level of education and skills of the labour force on the supply side and by enhancing the technological level of production and its organisation on the demand side. An important role in facilitating all these changes and movements in the labour market is to be played by sound labour market policies, directed in particular at vulnerable social groups. The improvement of the labour market and employment policies should be undertaken bearing in mind the development policies of the countries, and in particular their social inclusion and anti-poverty strategies, as employment is one of the key factors to reduce poverty and inequalities and to strengthen social cohesion.

2. Plan of action to address employment challenge

The South-East European Ministerial Conference on Employment held in Bucharest on 30-31 October 2003 acknowledged the serious employment challenges faced by the Stability Pact (SP) countries and called for regional cooperation in addressing these challenges so as to achieve major improvements in national employment policies.

The Final Declaration of the Bucharest Conference establishes the following key objectives for the cooperation on employment:

- To prepare the future integration of the SP countries into the European Union by converging towards the objectives and guidelines of the European Employment Strategy;
- To implement the Council of Europe standards in employment matters – the European Social Charter and the Revised Social Charter – and to create a situation conducive to the application of Council of Europe Recommendations concerning the promotion of employment; and
- To make operational the core elements of the International Labour Office's Global Employment Agenda in the countries of South Eastern Europe.

The International Labour Office (ILO) and the Council of Europe (CoE) were requested to give strategic guidance and support in this effort. The whole process is taking place under the auspices of the Social Cohesion Initiative of the Stability Pact. The Ministers of the SP countries responsible for employment will approve and regularly update the objectives of this cooperation process and the programme of activities, which will be designed and supervised by the Permanent High-Level Committee, composed of the General Directors of Employment. The Permanent High-Level Committee will also set up two Working Groups for undertaking the reviews of national employment policies and employment services of the SP countries.

Working Group I, under the guidance of the ILO, will undertake a review of national employment policies as to their real impacts on labour market developments. The main objective will be to guide the tripartite constituents in the SP countries in undertaking an in-

depth assessment of their national employment policy. The results of this evaluation can be used for **strengthening their labour market institutions and making their employment and labour market policies more effective and influential**. While direct recipients of the project will be the staff of the Government bodies, the labour market institutions and the social partners – employers' associations and trade unions, i.e. the institutions responsible for formulation and implementation of the national employment policy, the intended beneficiaries will be the working-age population (i.e. employed and unemployed persons but also discouraged jobseekers) in the SP countries and in particular the less competitive groups of workers.

Working Group II will, under the guidance of the Council of Europe, undertake a review of the performance of employment services. It will pay particular attention to programmes and measures aimed at the most vulnerable groups of the population.

The objectives of the review are:

- to improve the quality of service delivery and to better adapt the services provided to the needs of the users of employment services (both jobseekers and employers);
- to promote legislative and practical measures to improve access to employment for all;
- to identify ways of improving access to employment and, where appropriate, self-employment for vulnerable groups;
- to help develop local partnerships with main stakeholders - among which the employment services play a key role - to better respond to the needs of local/regional labour markets;
- to increase cooperation and exchange of information among employment services in the region so as to facilitate greater labour mobility and, in the long term, the emergence of a regional labour market;
- to examine models of bilateral agreements in order to promote free movement of the workers in the region (taking into account Council of Europe and other instruments in the area of coordination of social security instruments).

The review process undertaken by both working groups will take into account the main instruments and texts elaborated by both the ILO and the Council of Europe, among which, in particular:

- Convention No. 122 on Employment Policy of the ILO, ratified by all the SP countries.
- Convention No. 88 on Employment Service, Convention No. 142 on Human Resources Development, Convention No. 158 on Termination of Employment, Convention No. 150 on Labour Administration, Convention No. 168 on Employment Promotion and Protection against Unemployment, Convention No. 100 on Equal Remuneration, Convention No. 111 on Discrimination (Employment and Occupation) and Convention No. 156 on Workers with Family Responsibilities.
- The European Social Charter and Revised European Social Charter of the Council of Europe.
- Other relevant Council of Europe documents: the Guidelines on local partnership for the development of employment, Recommendations of the Committee of Ministers of the Council of Europe and other texts elaborated by the Council of Europe.

The review will be carried out bearing in mind the objectives and guidelines of the European Employment Strategy of the European Union.

Of particular relevance for the review are the following publications:

- *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe* (ILO Geneva 2003) by S. Cazes and A. Nesporova;
- *Employment and labour market policies in transition countries* (ILO Geneva 1999) by A. Nesporova;
- *Social Dialogue in Central and Eastern Europe* (ILO Budapest 1999) edited by Giuseppe Casale;
- *Access to employment in South East Europe: an issue paper* (Council of Europe, October 2003, SEER/Employment (2002) 1st. rev.) by Irena Zareva.

3. Objectives of the review of employment policies and of the performance of employment services

3.1. Long-term objective:

The review process intends to contribute towards promoting full, productive and freely chosen employment of men and women in the SP countries by assisting the policy makers and the social partners in the assessment of their national employment and labour market policies and in the improvement of their labour market impact and effectiveness.

3.2. Short-term objectives:

- To review and refine the national employment policies and labour market programmes of the countries involved so as contributing to a better response to their specific needs and to a visible improvement of the labour market situation.
- To improve the performance of the employment services, so as to enhance the quality of services delivery and to contribute to a better access to work for all citizens, particularly the most vulnerable.

4. Measurement of progress achieved

The following elements will be taken into consideration to measure the progress achieved through the implementation of the cooperation process:

- The extent to which the government, the social partners and other important institutions have reached consensus on how to reshape national employment and labour market policies.
- The extent to which the constituents have integrated the recommendations prepared by the ILO and the Council of Europe into the national employment and labour market policies and have allocated necessary funding for their implementation.
- Positive impact of the national employment and labour market policies on more favourable employment and unemployment rates.

More measurable indicators are likely to be developed as a result of the implementation of the process. They will be included in the present terms of reference, as further elements of evaluation, at a later stage.

5. Main activities to be undertaken and working methodology

The major outputs of the project will be a series of country reviews of employment policy (CREP). In order to prepare the CREPs, the following activities are envisaged:

5.1. In-depth analysis and assessment are undertaken:

The CREPs will be based on national country reports that should analyse the national employment policy in the context of economic, employment and social developments of the country. These national reports should be produced annually by national ministries of labour after consultation with the social partners.

The reports should include: a) a general overview of the macro-economic context and developments; b) an analysis of the labour market situation and programmes and their development; c) a review of the progress in the formulation/refinement and implementation of national employment policy and of outcomes of applied labour market policies; d) an overview on the operation of the employment services and of their cooperation arrangements with the social partners and other relevant stakeholders; e) a description of programmes and measures aimed at improving access to work for the most vulnerable groups; and f) information on labour mobility in the region.

An outline for the national reports to be submitted to the ILO and the Council of Europe are appended to the present terms of reference. The outline will give indications as to the content of the report on employment policies and will also cover the performance of employment services, with a particular emphasis on access to work for vulnerable groups.

The national reports should be submitted to the ILO and the Council of Europe Secretariat for assessment. The deadline for submission of the first reports is **30 April 2004**.

Based on exchanges of comments, including those of the social partners, the process should produce a CREP that will be discussed by the Permanent High-Level Committee. The ILO and the Council of Europe will collaborate in this in-depth assessment with the constituents in two SP countries per year, so that the whole project can be completed within 3 years.

Bulgaria and Romania have already prepared Joint Assessment Papers with the assistance of the European Commission. They will therefore not prepare annual reports and will not be submitted to a review of employment policy. However, their experience will be a source of inspiration for the other participating countries.

The draft CREPs will be discussed in the annual meetings of the Working Group I and II of the Permanent High-Level Committee and in national tripartite conferences (to be organised by the ILO) before they are finalised.

5.2. Organisation of peer reviews of national employment policy:

The countries which will not cooperate with the ILO and the Council of Europe on the in-depth assessment of their national employment policy in the respective year will also be requested to prepare an annual national policy report in line with the above-mentioned outline. Their reports will be assessed by the other participating countries. The two countries for which a CREP is under preparation and Bulgaria and Romania will each assess the employment policy of one of the four remaining countries.

The peer reviews will take place during the meetings of Working Groups I and II: a peer review of employment policies will take place within Working Group I and Working Group II will allow for a peer review of the performance of employment services.

5.3. Capacity building is undertaken:

During the CREP's preparation process, the ILO and the Council of Europe will work closely with policy-makers and the social partners and will contribute towards their capacity-building. The social partners will thus assume an increasingly active role in the design and implementation of the national employment and labour market policies. The national tripartite conferences organised at the end of each CREP exercise and a sub-regional conference to take place at the end of the whole project¹ will also strengthen the national capacity for management of labour market changes from the economic and social point of view.

Discussion of the CREPs in Working Groups I and II, as well as of peer reviews, will also be a valuable learning process for the policy-makers from all the SP countries. It will help them prepare good national policy reports on a regular basis and properly assess and better shape their policies.

5.4. Technical assistance is provided to the participating countries:

Technical assistance will be provided to the countries directly involved in the CREP exercise in setting up or reforming the main segments of their employment systems, enhancing efficiency of national labour market institutions (i.e. labour legislation, labour market policies, tax system, social protection schemes, etc) and in improving the quality of service delivery of the employment services. Technical assistance will start with the provision of guidelines to prepare the national employment policy report (see Appendices to the terms of reference). In the course of the preparation of the national reports, extensive commenting on early drafts and other advisory services will be offered.

Close cooperation with constituents and national experts is foreseen in the six Stability Pact countries (in Romania and Bulgaria the project will build on work done in cooperation with the European Commission). Two countries will benefit from this cooperation each year.

The ILO and the Council of Europe will provide:

- guidelines to prepare the national country reports (see Appendix);
- commenting and other advisory services for improving and finalising the reports;

¹ Both the national tripartite conferences and the final sub regional conference will be organised by the ILO in cooperation with the Council of Europe.

- the report findings and policy conclusions will be discussed with the constituents in a tripartite national conference, to be organised by the ILO in cooperation with the Council of Europe in each country under review;
- the ILO and the Council of Europe will assist the countries in reflecting the policy recommendations in national employment policies.

For the ILO, the project will be designed, managed and backstopped by both the ILO/EMPSTRAT and the Sub-Regional Office Budapest in consultation with IFP/SOCIAL DIALOGUE and EUROPE. For the Council of Europe, the project will be prepared and implemented by the Secretariat of Directorate General of Social Cohesion/Department of Social Policies.

6. Monitoring, evaluation and reporting

The three-year cooperation process started in December 2003.

The three components of the process (i.e. assessment/capacity-building/programme implementation) should not be separated. Findings from the policy assessment will fit into capacity-building activities and will have practical application in the implementation of the employment programme.

The Permanent High-Level Committee will report on the progress achieved under the cooperation process to the Ministers responsible for employment of the participating countries at the Ministerial Conferences to be organised every 18 months. The next Ministerial Conference should take place in **Spring 2005**. The Ministers will revise, if needed, the present terms of reference.

At the end of the project, the ILO will prepare a summary report highlighting the general policy conclusions, the main achievements and the lessons learnt from the project. They will be discussed at a sub-regional conference in 2007 (to be organised by the ILO).

COUNTRY REVIEW OF EMPLOYMENT POLICY

OUTLINE FOR NATIONAL REPORTS

I. GENERAL OVERVIEW OF THE MACRO-ECONOMIC AND SOCIAL CONTEXT OF THE COUNTRY

- 1.1. Main macro-economic indicators and trends after 1989 until now: GDP growth rates, inflation and interest rates, productivity rates, public finance situation (current account balance, foreign debt), unemployment rates, foreign trade performance (foreign trade balance), FDI inflows, poverty level.
- 1.2. Economic reforms and policies adopted for building a market-based economic system and for macroeconomic stabilization and promotion of economic development. What has been their effect on employment and social development?
- 1.3. Adjustment of the enterprise sector to new economic conditions. Has the economic policy and privatisation policy of the government contributed to sound enterprise-restructuring, increase in their competitiveness, increase in investment activity and creation of good business environment? What have been the effects of privatisation and enterprise restructuring on employment?
- 1.4. Assessment of the government's policy towards domestic and foreign direct investment and the effect of domestic and foreign direct investment (both immediate and secondary effects) on employment.
- 1.5. Development of the small enterprise sector and assessment of the government's policy on small enterprise promotion. Assessment of the quantity and quality of jobs created in this sector.

II. DIAGNOSIS OF THE LABOUR MARKET SITUATION

- 2.1. Main labour market indicators (if available and reliable) on labour market trends and conditions: demographic development, labour migration trends, labour market participation rate, employment to population ratio, status in employment, employment by economic sector, employment by level of education, unemployment registered and measured by labour force survey, unemployment by age and gender, long-term unemployment, regional variations in unemployment, unemployment by level of education, minimum and average wages, etc. Estimation of the size of employment in the informal sector – as primary and secondary activities.
- 2.2. Identification of major current problems and challenges in the labour market and their causes. Is the level and quality of education and skills adequate to the labour market needs or are there major skill mismatches at the national and/or regional level or by occupation?

III. ANALYSIS OF EMPLOYMENT AND LABOUR MARKET POLICIES

- 3.1. Detailed description of current labour market policy and social policy related to employment (i.e. employment protection legislation, labour taxation, unemployment benefit schemes, early retirement, active labour market policies/programmes, social assistance to unemployed persons ineligible for unemployment benefits).
- 3.2. Does current labour legislation create any (major) obstacles for enterprises to adjust smoothly their personnel or labour input to changing economic conditions and if yes, what are these obstacles? Could you describe major changes in labour legislation and labour market policies after 1989 until now and their impacts on employment? Are any major changes in labour legislation and labour market policies envisaged in the near future?
- 3.3. Description and analysis of a national employment strategy/policy and of its implementation. What are the impacts of this strategy/policy on the national and regional labour markets? Does this strategy/policy promote gender equality in the field of employment? Does it also include measures to combat discrimination on other grounds than gender? Are there any other national strategies with direct impact on employment?
- 3.4. Analysis and assessment of special labour market programmes (if such programmes exist) targeted at youth, women, long-term unemployed, older workers, disabled workers and ethnic minorities.
- 3.5. Access of unemployed jobseekers and other workers' groups to active labour market programmes, including labour market training (eligibility criteria; annual numbers of participants in individual programmes from their introduction until now and their share in registered unemployment and total labour force; how many of them have found employment after their completion; expenditure on active labour market programmes in national currency and as % of GDP). Has any evaluation been made of labour market impact of active labour market programmes and if yes with what results?
- 3.6. Access of unemployed jobseekers to unemployment benefits, social assistance and early retirement (eligibility criteria, annual numbers of benefit recipients and their share in registered unemployment and total labour force; annual numbers of early retirees; average level of unemployment benefits in national currency and as % of average wage; expenditure on unemployment benefits, social assistance to unemployed persons and early retirement in national currency and as % of GDP). Do the unemployment benefit system and the social welfare system create disincentives for unemployed persons to take up new employment?
- 3.7. Involvement of the social partners in the area of employment policy, labour market programmes, labour relations and wage formation. What is their assessment of their role played in the formulation and implementation of employment policy?
- 3.8. What are the achievement and challenges of these policies and programmes in the labour market? Some reasons can be suggested.

- 3.9. Are any social pacts and/or any forms of partnership on employment concluded at the national, regional or local level in your country? If yes, how they are implemented and with what result?

IV. OPERATION OF THE EMPLOYMENT SERVICES

- 4.1. Description of the organisation, mandate, territorial distribution of responsibilities, level of resources and staffing of the Employment Service; in particular, outline description of the main responsibilities of employment services (information on job opportunities, involvement in vocational training, working relation with employers, etc...)²
- 4.2. Are there alternative/private employment agencies in your country? If so, how do they operate? And how does the National Employment Service relate with them?
- 4.3. What are the main problems facing employment services (legal, financial, related to staff capacity, etc...)?
- 4.4. Indicate if some regions are at a particular disadvantage in terms of the labour market and if specific measures are taken to improve/adapt the work of local employment services accordingly.
- 4.5. Evaluation of the performance of employment services: please describe existing monitoring and evaluation procedures and, if they exist, provide statistics /indicators of performance; are there mechanisms of involvement of users in the evaluation of the performance of employment services?
- 4.6. Explain recent measures, if any, taken to build the capacity and improve the performance of employment services.
- 4.7. Do the employment services have the capacity to deal with mass redundancies?
- 4.8. Does the employment service have cooperation programme(s) with employment services of other countries (for instance, in the framework of twinning programmes?)
- 4.9. What are the partner organisations/institutions involved in cooperation with the employment services (other than employees and employers trade unions/organisations)? Are the employment services cooperating with: regional and local authorities, NGO's (particularly those working with vulnerable groups), education and training services, advisory services for, for instance, young people and adults or for minority groups, etc...?
- 4.10 Describe the cooperation of social partners with employment services in the work of employment services:³
- are the social partners members of the management boards or advisory bodies of employment services at national, regional and local level?

² This question is complementary to question 3.4.

³ This question is complementary to 3.7.

- are social partners involved in finding solutions for workers in case of closing down/restructuring of enterprises?

V. EMPLOYMENT SERVICES AND VULNERABLE GROUPS IN THE LABOUR MARKET

- 5.1. What are, in your country, the groups considered to be the most vulnerable regarding access to employment (i.e. refugees and asylum seekers, Roma and other minority groups, disabled workers)? Describe specific policies and measures taken to improve the operation of employment services with respect to these groups (specific training of staff, posts of advisors for persons from minority and/or other vulnerable groups, practical measures to improve access to employment services for some groups, etc...). Describe measures taken by employment services to prevent these vulnerable groups from being excluded from the labour market. Are these policies and measures part of wider policies/programmes aiming at improving the situation of particular vulnerable/minority groups or of policies to fight against exclusion/poverty?
- 5.2. Describe legal and administrative measures as well as practical modalities taken to enforce principles of non-discrimination and equality of opportunities (gender, migrant workers, ethnic minorities and disability related) in the work of the employment services; what are the main difficulties faced in implementing non-discrimination in daily work of the employment services?⁴

VI. LABOUR MOBILITY IN SEE AND THE ROLE OF EMPLOYMENT SERVICES

- 6.1. Provide information on existing/potential mobility of labour, both internally and externally; if available, please specify the type of jobs and average duration of contracts abroad.
- 6.2 Describe legal/practical measures to foster labour mobility, both internally and externally, and in particular at regional (SEE) level. What are work permit regulations for foreign workers? Could you assess their impact in reality? What are the main barriers to mobility (e.g. lack of availability of housing, etc...)?
- 6.3 Are there any local/regional mobility agreements, for instance trans-border agreements?
- 6.4. Is there a system of information on job opportunities throughout the country/abroad? Is the information system on offers/demands throughout the country computerised? Are there alternative countrywide sources of information (private employment agencies, interest services, etc...)?
- 6.5 Are employment services involved in preparing/implementing bilateral agreements on labour mobility? If so, with which country(ies)?

⁴ This question is complementary to question 3.3.

6.6 Did your country sign the international and European instruments of coordination of social security?⁵ Is it envisaged to sign bilateral agreements with other countries involved in the cooperation process?

6.7 Are there possibilities for the staff of employment services to gain work experience/to be seconded with foreign key partners?

VII. SUMMARY OF MAIN FINDINGS AND POLICY CONCLUSIONS AND ASSISTANCE NEEDED

7.1. Summary of main recent labour market developments, challenges and impacts of national policy responses.

7.2. How in your view should the employment strategy/policy and delivery of services by employment agencies be improved and/or changed in order to meet these challenges?

7.3. Assistance needed from international organisations.

⁵ In particular Council of Europe and ILO Conventions and other instruments in the field of social security.