

PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION

Doc. GA20/CC19/REP/02

**THE TWENTIETH PLENARY SESSION OF THE GENERAL ASSEMBLY
CULTURAL, EDUCATIONAL AND SOCIAL AFFAIRS COMMITTEE**

REPORT

ON

“SOCIAL REINTEGRATION OF JOBLESS PEOPLE”

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I. INTRODUCTION

1. Unemployment is one of the major social risks all over the globe. Due to the global trends of technological and economic restructuring the issue of unemployment and especially of long-term unemployment is becoming more and more acute in economic, political and social terms.
2. As in many parts of the world, as well as in the Black Sea region, unemployment is high and persistent. In most of the BSEC Member States unemployment rose dramatically in the early stages of transformation to the market economy and democracy. Hardships came to be an integral part not only for pensioners, disabled, refugees, but also for many people having become unemployed in the outcome of economic decline, structural changes in the economy.
3. It should be recalled that the issue of the Report lies within the scope of the BSEC Economic Agenda for the Future, which is addressing to the PABSEC and the National Parliaments of the BSEC Member States to focus their attention on improving legislation on social policies aimed at coping with poverty, growing unemployment and other hardships of the transition period.
4. The Ankara Declaration of the First General Assembly of the Black Sea Capitals' Association (Ankara, 5-6 September 2000) noted high unemployment, particularly among young people, among the problems of the capitals of the Member Countries.
5. Tackling unemployment, poverty and social exclusion is a high priority for all the BSEC Member States. This situation calls for elaboration of effective policies to combat it and to reintegrate jobless people into economic and social life, because unless this is done, political stability and social cohesion are at risk in the region. For that reason the Cultural, Educational and Social Affairs Committee has decided to take up the subject of "Social Reintegration of Jobless People" as the main issue on the agenda of its Twentieth Meeting.
6. Contributions for the Report and Recommendation 67/2002 have been received from the national delegations of Armenia, Bulgaria, Greece and Romania. Reference materials and statistical data used for the preparation of the Report were obtained by the International Secretariat mainly through the Internet.

II. REGIONAL DEVELOPMENTS IN THE FIELD OF UNEMPLOYMENT

7. According to the definition recommended by the **International Labour Organisation (ILO) the unemployed** are persons aged 15 years and over, who in the reference period: a) have no job and are not engaged in any activity in order to earn an income; b) are looking for a job, undertaking certain actions during the past 4 weeks (were registered with labour and unemployment offices or private placement agencies, attempted to start an activity on their own account, published advertisements, solicited a job among friends, relatives, colleagues, trade unions); c) are available to start work within next 15 days, if they immediately find a job.
8. The problem of unemployment exists in all the countries of the region, but it has emerged as a particularly acute problem in the transition societies, where it is an

entirely new phenomenon in all its economic, political and social dimensions, since before, policies of full employment have been pursued in the socialist countries of the region for decades.

9. The circumstances changed abruptly in 1990s. In each particular transition country there are some specific causes and reasons for this development. But there are also conditions, which determine the common features of the national transformations in general: a stable depression of the economy accompanied by certain structural changes in the industry (privatisation of property and restructuring of enterprises), in the agriculture (land reform and formation of agricultural enterprises of new types), in the services sphere – complete orientation on private sector, small and medium business first of all.
10. As a result of these difficult processes, labour market based on demand and offer, on competition came to take the place of “complete employment” of the planned economy. Economic reforms in the industrial and agricultural sectors changed the labour market in its major parameters: the supply of labour is much higher than the demand; the price of labour is rather low; negative trends in the structure of unemployment have stabilised, namely long-term unemployment and unemployment among professionals; job creation is haphazard, new jobs are not durable; the employment in newly established private firms fluctuates substantially.
11. Below is the table of registered unemployment in the BSEC Member States in 1996-1999, based upon the information received by the United Nations Economic Commission for Europe from the national statistical offices and the Labour Force Survey (with *).

Country	Unemployment (per cent) 1996	Unemployment (per cent) 1997	Unemployment (per cent) 1998	Unemployment (per cent) 1999
Albania	12.0	15.0	17.8	18.4
Armenia	9.3	10.8*	9.3*	11.2
Azerbaijan	1.1	1.3	1.4	1.2
Bulgaria	14.2	14.4	14.1	...
Georgia	3.2	2.6	14.5*	13.8*
Greece	10.3	10.3	10.8	...
Moldova	1.5	1.7	1.9	11.1*
Romania	6.7	6.0	6.3	6.8
Russian Federation	9.7	11.8	13.3	13.4
Turkey	5.8	6.9	6.2	7.3
Ukraine	7.6	8.9	11.3	11.9

12. Information on unemployment that state statistics offer is based on the one hand, on registers of the ministries dealing with labour or social protection and, on the other, on official examinations, realised by the statistical institutions (on the basis of Labour Force Survey etc. according to the ILO methodology). As a rule the number of officially registered unemployed is comparatively small and does not correspond to the real figures of unemployment.

13. The problem of increase in duration of joblessness – **long-term unemployment** is not less important problem than the problem of increase in the total number of unemployed, since a considerable number of these people become a permanent load on the social security system. Thus, according to the State Committee on Statistics of the Russian Federation, the average time spent looking for work for the period from 1994 to November 2000 increased from 6.7. months to 9.1 months. At the same time, the group of unemployed seeking work for more than a year sharply grew during the 90s – from 18.2% in 1993 to 40.3% in 1998 and 42.3% in 2000, thus becoming a dominant group. In Moldova the share of long term unemployment is 73.3% of the total unemployed. The situation with increase of the long-term unemployment is comparatively the same in the other Member Countries.
14. What are the main **demographic characteristics** of unemployment?
15. Distribution of unemployed by **type of settlement** shows that in most of the countries of the Black Sea region unemployment is more an urban problem than a rural one. The problem of urban unemployment arises from: 1) migration from rural areas, 2) producing graduates whose training does not meet present day needs and 3) inadequate information on trends in occupational requirements.
16. For example, while Albania is the least urbanised country in Europe with only 42 percent of the population living in urban areas in 2001, unemployment in the cities remains high (20 to 30 per cent) and chronic. In Armenia 94.7% of the unemployed reside in urban settlements, according to the 2002 statistics. In Bulgaria according to 2002 Labour Force Survey 70% of the total number of unemployed are in the towns and 23.8% in the villages. Unemployment in villages causes decrease of population in the villages and aggravation of the unfavourable age structure of the population living there. In Romania unemployment is three times higher among urban dwellers than among rural population. The increase of unemployment in the urban areas has led even to a substantial growth in urban-rural migration in Romania.
17. **Gender** aspects of unemployment in many respects are alike in all the countries: women in most of the countries are subject to the unemployment risk the utmost. Economic recession, the closure of plants, restructuring and the financial squeeze have especially negative effects on women in transition countries. Women were also affected by large cuts in the feminised public sector service jobs. This was not balanced by any meaningful increase in women's employment in expanding market-related services, such as banking, insurance and business services. The deterioration of women's position in the labour market is explained by the pattern of structural changes and by labour market policies. Their withdrawal from the labour force was seen in many countries as a remedy for massive male unemployment and cuts in childcare provided by the state.
18. For example, in Armenia, the number of unemployed women increased since last year by 1.4 per cent, and comprised 66 per cent in January 2002. In Bulgaria more than the half of the unemployed professionals are women, especially in the field of economics, health care, teaching, and the arts. In Moldova unemployment rate for men and women was 43.0% and 57.0% respectively in 2001. In Turkey unemployment is higher for urban women. In the Russian Federation the levels of unemployment for men and women differ only slightly – men constitute 53.9% of the unemployed. But,

for instance in Romania, male unemployment is higher than female unemployment: by the end of June 2002, the total number of unemployed was 929,695 people, 409,322 of whom - women. Some tendencies for changes were noticed in Greece (unemployment dropped to 10% in the third trimester of 2001, recording a small decline compared to the same period in 2000, when it was at 10.7% according to the figures by the Greek National Statistics Agency), where, even though women continue to occupy the top place compared to men concerning unemployment, the unemployment rate among them had dropped faster compared to men (1.4% for men compared to 0.3% for men).

19. Another large group of unemployed is the **youth** (15-24 years). The core of this group is filled in directly by secondary school leavers and university graduates, as well as by dischargees from the military service. Young people are the major part of the unemployed in general and of the long-term unemployed in particular. The fact that young people are more affected by unemployment than adults suggests that they face certain barriers in entering the labour market. The lack of work experience among young people may be an explanation for this situation. The employers may find it less expensive to hire adults who already have experience. In the majority of economies, the youth unemployment rate is higher for young females than for young males. During the last several years unemployment rate of young people remains high and stable both in transition and in non-transition countries. Thus, according to the information of the Centre for Humanitarian Dialogue, based in Geneva, youth unemployment in Armenia, Azerbaijan and Georgia often reaches 60 and sometimes even 80 per cent in 2000. In Moldova unemployment rate for young people was rather high - 24% in 2001. In Romania young people, especially in urban areas, are the group most affected by unemployment. In the Russian Federation for the age group 15-20, the level of unemployment was 35,1%, in November 2000, and for the age group 20-24 it was 16.6%. In Greece, according to the statistics of 1997 51.3% of unemployed were young people under 25 years.
20. In the first period of transition people with low **levels of education and qualification** dominated the structure of unemployment. But later a new tendency emerged – an increase in the proportion of registered unemployed with high levels of education and qualification. Thus, for example, in Armenia the educational level of unemployed has changed since 2000. The proportion of unemployed with university and secondary special education rose by 0.3 and 0.7 per cent, and comprised 12.4 and 24.5 per cent of the total number of unemployed, respectively in December 2001. In Bulgaria at the beginning of 1999, people with low levels of education and qualification dominated the structure of unemployment, but from the beginning of 2000 the rate of registered unemployed with higher levels of education and qualification increased: 18% of the unemployed are professionals, which represents 2.6% of entire workforce.
21. Different is the situation in non-transition countries. Educational level did not show up as statistically significant in terms unemployment in Greece. In Turkey workers with very low and very high qualifications tend to have lower unemployment rates.
22. **Profession** has a considerable influence on the risk to become unemployed in the transition countries. As a rule, the largest part of the unemployed worked before in industry, constructions and agriculture. Professions of the culture, education and health care sphere are on the second place. These developments are caused by the reduction of the state sector of economy in post-socialist countries. For example, in

Moldova more than half of employed worked in industry and agriculture – 63.8%, 15.5% worked in the fields of culture, education health-care.

23. The combination of comparatively high qualification levels in the workforce with shortage of jobs and low average wages still motivates qualified people to leave their countries in search of better living and working conditions. On the one hand, the **labour migration** has eased pressure on the labour market and social services, thus helping also to diffuse the social tension and maintain stability in the countries. On the other, this form of emigration also had a negative impact on the demographic trend and contributes to the “brain drain”.

III. SOCIAL CONSEQUENCES OF UNEMPLOYMENT

24. Unemployment has multitude negative effects both on macro-social and individual levels. Social exclusion of the unemployed and poverty are leading among them. Social exclusion and poverty are interrelated, but should be kept apart. The larger and longer is the unemployment, the deeper and more complicated are the social and economic problems it causes in society.
25. Some negative effects of long-term unemployment are already visible. Others are to be expected in the years to come. The major economic effect is the exemption of the labour force from labour for a period longer than one year. After one year of unemployment most unemployed lose their professional skills. For society this means a loss of economic and social gains and no return of investments made. Moreover, unemployed people represent a vulnerable economic and social group. The society invests further in unemployment benefits, social support benefits for long-term unemployed, and in expenses for their reintegration in employment. In addition to the economic burden of long-term unemployment, social, cultural, ethnic and political effects show the real costs of unemployment caused to the entire society and to unemployed individuals. In their struggle to survive, unemployed are inclined to join the shadow economy and to conduct criminal and violent behaviour. Many consequences of unemployment are manifest in psychological and behavioural deformations of personality.
26. The negative effects of long-term unemployment are rather relevant when the model of management of economy is being changed as this is currently the case in the countries in transition. The mechanisms of labour market in the region are still evolving simultaneously with the structural adjustment. This brings about difficulties in the adaptation of economic actors to the long-term unemployment. The slow and painful reforms offer a typical example of such a development where the economic and social costs of the transition by far exceed the expectations.
27. Long-term unemployment deepens the stratification in society, dividing it in numerous poor and few rich people. A new social structure emerges. The moral values of social groups change. The impoverished part of society, which includes long-term unemployed, gets more and more isolated and demoralised.
28. The long-term unemployment affects compact ethnic groups and brings about a deep ethnic division in society, thus causing ethnic tensions and undermining the national integration.

29. From the point of view of long-term unemployment of young people, the period of transition does not bring the benefits of market economy and causes hesitation in young people to support it. Staying out of employment at the time they should start their working life, young people cannot improve their professional qualification on the basis of the preceding theoretical education in schools and universities. This drives young people out of economic and social life for shorter or longer periods of time.
30. The consequences for marginalised young people are manifold. Without occupational status and earnings, they fall to a low social position. They have a low self-confidence. They are socially unstable and disintegrated to a high degree. Young people, who lack the influence of a healthy labour environment, manifest numerous problems in their adaptation to community. When lacking earnings, young people are financially dependent on their parents. Thus their material and social problems are transferred to other members of the household. Jobless young people are abstaining from marriage and breeding of children.
31. Unemployment is one of the basic factors for the stress, which causes this development. Those, who enter the long-term unemployment and therefore stay for a long time in economic and social isolation, are disposed to mental illnesses, drug abuse etc.
32. A typical element of the transition and of the economic crisis is the increased instability of women in the labour force, especially in case of maternity. Unemployment leads the women to their marginalisation in economic and social activities. Among the typical effects are the lower rates of marriages and births, and the orientation to one-child family. Unemployment and extreme poverty can push some women to prostitution.
33. All these problems are transferred directly or indirectly from the individual to the state and to the entire society.

IV. STRATEGIES FOR COPING WITH UNEMPLOYMENT AND REINTEGRATION OF JOBLESS PEOPLE

34. In the first years of transition the local institutions turned out to be completely unprepared to cope with the increase of unemployment, reaching high levels, because of the lack of financial resources for job creation, training and re-training of unemployed, and for securing decent unemployment benefits.
35. During the early stages of economic reforms the governments in some transition countries tried to mitigate the magnitude of unemployment by requiring the employees of state-owned enterprises to take leave or by introducing reduced work schedules with 50% to 70% salary reduction. These policies brought to the growth of **hidden unemployment**. For example, an ILO survey of industrial enterprises, covering over 500.000 workers in Ukraine in 2000, shows that despite the official figures of unemployment “most of the employed do not have jobs”, “and many of those in jobs are not being paid”. 18 percent of all workers were on unpaid "administrative leave," a large proportion for at least three months. As a result, they were counted as employed although they were actually unemployed; over 20 percent of workers had part-time

status, with most receiving no income; about 12 percent of all women nominally employed in Ukrainian factories were on long-term "maternity leave." The 2001 study by the U.S. Agency for International Development shows that in Moldova open and hidden unemployment are commensurable: open unemployment 6.2% and hidden unemployment 6.0%. Hidden unemployment increases considerably if to include into this group people that forcedly work half-time.

36. The emergence and rapid increase of unemployment in the countries of the region has completed the authorities to officially recognise this social problem, and to develop certain strategies for coping with it.
37. Amendments to the labour legislation to increase labour market flexibility, which aim to bring regulations more into line with the European laws and standards, are under way in many PABSEC Member Countries. However, further legislative work is necessary.
38. At the beginning of the second decade of transition, the societies started to face a slow trend towards economic and social stabilisation, with development of new systems of distribution of incomes and resources, further deregulation of economy, innovative measures for decreasing unemployment, based on self-employment strategies.
39. Drawing on the experience gained in the industrialised states in combating unemployment, the measures applied can be roughly divided into "passive" and "active". The first are meant to protect the individual, who is no longer employed, by securing him a monthly income. Active measures intend to help the individual to enter or re-enter the labour market, through vocational training, by promoting job creation, specialised advice for business start-ups etc.
40. For example, as a passive measure, the registered unemployed in Armenia are receiving a monthly dole, which is approximately equal to 7 USD. Several programs are being implemented as an active measure for the reintegration of jobless people in the Republic: information and consultations on professions that have high demand in the labour market, training and re-training. The National Employment Service is realising a program aimed at stimulating entrepreneurship in order to decrease the level of unemployment. International organisations are providing their assistance in easing the problem of unemployment: "Assistance for Employment Policy of Armenia" is being implemented in the framework of EU's TACIS program in 2000-2002; "Food for Work" – by the UN's World Food Program" etc.
41. Since several countries of the region strive to accelerate their integration into the EU, they have already some well prepared national strategies for coping with unemployment in the given context. They lay the stress on the active measures of creating jobs and training the unemployed. The reliance on personal initiative and responsibility counts high in this strategy, which is the underlying philosophy of the new legal regulations concerning unemployment.
42. The Law on Employment Promotion adopted by the National Assembly of Bulgaria on 20 December 2001, enforced on 1 January 2002, stipulates that the Government adopts a National Action Plan for Employment (NAPE) annually which should be financially guaranteed. The 2002 NAPE envisages to ensure employment to 51.242

persons, temporary employment to 28.541 persons, and training for 52.072 persons. The major measures included into the labour market programs are subsidies for employment, temporary employment schemes (national program for temporary employment, program for temporary employment during winter months, and a special scheme for temporary employment in the regions with particularly high level of unemployment), assistance for self-employment and programs for training and re-training. The registered unemployed persons are receiving an unemployment benefit.

43. In Romania legislative measures were adopted from 1991 onwards. Law no. 1/1991 on social protection and professional integration of the unemployed, which underwent a series of subsequent amendments, provided mostly passive measures to fight against unemployment. All the persons defined as unemployed are eligible for financial support, namely for an “unemployment benefit”, “allowance for vocational integration”, and a “support allowance”. Another passive measure for the protection of the unemployed is the early retirement. Active measures for coping with unemployment were first adopted in 1997, targeting job creation and helping job-seekers to find employment. This includes vocational training, job creation schemes, as well as information, documentation, and consultation regarding the labour market. Law no. 76/2002 on the social security system for unemployment and stimulation of employment aimed at prevention of unemployment and combating its social impact, employment or re-employment of job-seekers, support of persons from the disadvantaged categories in finding a job, stimulation of employers to employ job-seekers, improvement of job occupancy structure by economic branches and geographical areas and other important measures. The Governmental Program for 2002-2004 foresees implementation of economic measures aimed at prompting job creation in order to cut down the unemployment below 8-9% by 2004. To this end, the National Strategy for Labour Power Employment for 2002-2004 was drawn up. In order to implement it, the National Agency for Labour Force Employment has worked out annual programs, providing concrete measures aimed at increasing the employment chances for job-seekers, at adapting labour force to the demands of the labour market, as well as at protection against unemployment risks. The year 2001 was the first when the Program for the Stimulation of the Labour Force Employment and Unemployment Cut-down was developed and approved, and whereby some 174,750 people found employment. In the context of Romania’s preparation for the accession to the European Union, the priority was the development of the National Action Plan for Labour Force Employment (NAPE), worked out in line with the European Union strategy for labour force employment. National Action Plan for Labour Force Employment sets out the steps planned to be implemented on short and medium term, in order to increase the employment degree and to reduce unemployment, to support life-long learning, to ensure a more effective and flexible labour market aimed at a prompt response to economic changes, at avoiding social discrimination and exclusion.
44. In Greece the Ministry of Employment has taken actions to decrease the number of unemployed women, developing active policies for women, making concrete steps in favour of women within the framework of different projects and community initiatives, such as the EQUAL.
45. The analysis of the institutional strategies for coping with unemployment shows a relatively great variety of provisions, measures and programs for supporting those who

have lost their jobs. Coping with unemployment is not a simple or routine task. On the contrary, it requires a complex approach that combines different forms of economic, financial support for those affected by unemployment with measures aimed at facilitating their integration in the labour market, that is both active and passive measures. While the passive support poses relatively few problems, especially concerning the necessary financial resources, active measures are very closely linked to a highly demanding sector of the modern society – the labour market. That is why actively coping with unemployment requires constant adjustment to the evolution and demands of the labour market, as well as a preserving endeavour to connect unemployed with this market. In other words, active measures should establish a functional link between the demand for labour and the categories of unemployed best studied for those jobs or activities.

46. Only well targeted active policies for promotion of employment could be successful. Programs intending to promote employment of long-term unemployed should have a priority. Numerous and diverse programs should be implemented to address the various specific parts within the larger groups of the unemployed. And the most important - economic reforms encouraging sustainable economic growth should be accelerated and better coordinated in order to render broader possibilities for preventing unemployment.

V. CONCLUSIONS

47. The analysis of the situation with unemployment leads to conclusions having both general and more specific character. Unemployment is undoubtedly a very grave limitation on basic human right. It takes specific meaning from broader economic, political and social context.
48. Unemployment has a multitude of negative effects both on macro-social and individual levels. The maintenance of a part of the labour force outside the sphere of economic activity has unfavourable impacts on the dynamics of major macro-economic indicators, such as Gross Domestic Product and added value. The societies suffer losses because of the lack of reciprocity of the investments in education and professional qualification. The state has to provide considerable financial resources for social support of the unemployed.
49. The impoverishment of the unemployed segment of the population is progressing. This leads to strengthening of frustration and negative tendencies, as well as to escalation of various forms of deviance. There is an explicit dependence between the level of unemployment and crime.
50. The social isolation of the unemployed is emerging as an acute social problem. The predominant part of its effects on the individual and macro-level have negative and destructive potential. They threaten the consolidation processes in society, which are necessary for achieving the goals of the social transformation and the individual integrity of the unemployed. Manifested in their complexity, they might challenge the further development of the reforms in transition countries. That is why solving the problem with the labour and social reintegration of the unemployed would determine to a great extent the pace and the results of the economic and social changes.

51. Steps have been taken to cope with unemployment, including passive and active measures. But the low level of unemployment support in most of the BSEC Member States cannot ensure a sufficient well-being for unemployed households. Active measures have been adopted in a variety of forms, but at least as far as training courses are concerned, still do not appear to be enough efficient.
52. The key issue in coping with unemployment is the lack of financial resources for job creation, training and retraining of unemployed, and for securing decent unemployment benefits. Reintegration of unemployed into working life requires new investments.
53. There are also problems connected with the lack of entrepreneurship and fear of risk in the transition countries. Obstacles to new enterprise development need to be reduced and barriers to foreign investment need to be dealt with.
54. Transformation in the region as a whole, as well as in particular countries, is going to take decades and imply high social costs. The success of transformation very much depends on the development of adequate policies towards employment and unemployment.
55. The general and necessary prerequisite for achieving effective employment and for lowering both the duration and real levels of unemployment is the economic growth accompanied by employment creation. Without these conditions, any policy directed at reducing the level of unemployment will inevitably fail and concrete steps, directed to the adaptation of the unemployed to the labour market, will have little or no impact and would be of a palliative nature.