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LABOR MARKET COUNTRY PROFILES: EUROPE AND EURASIA

April 2009

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INTRODUCTION

The Labor Market Profiles of the countries of Europe and Eurasia (E&E) were produced to present a meaningful labor market analysis of the E&E region in the format of compact one-pager country profiles. The snapshots combine statistical indicators and analysis into a user-friendly format that explains labor market indicators and trends for each country. The tool takes under consideration the labor market datasets collected in 2003, 2004, and 2006 and uses further research and more recent reliable sources to supplement the data and to present an updated illustration of the labor markets in E&E countries.

The country snapshots include basic country information, statistics, and labor market indicators including the following:

- Demographic Trends
- Gross Domestic Product Growth (GDP)
- Productivity
- Employment
- Labor Force Participation
- Regional Labor Markets Characteristics
- Workforce Composition – by Age, Gender, Education
- Employment by Sector
- Unemployment
- Youth Employment/Unemployment
- Employment Elasticity
- Working Poverty
- Economic Growth and Its Relationship to Unemployment
- Barriers to Labor Market Entry or Re-entry

The profiles for each country follow alphabetically.



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ALBANIA

Employment and Labor Market

Overview

Albania has experienced a sustainable pace of economic growth at an average annual rate of over 5 percent since 2003. The country is characterized by a very young population - the average age is 31.7 years old, with children and young people about 46 percent of the population. The transition to a market economy and the free movement of people has affected the balance between urban and rural population. In 2004, the urban population grew to 45 percent from 35.8 percent in 1989.

Employment, Skills, and Productivity

Labor force (m, 2007)	1.1
Labor force growth rate (% p.a., 2004)	5.2%
Labor Productivity Growth Rate (% , 1995-2004)	7.8%
Skills – doctors/10,000 population (2007)	13.9
Literacy – adult (% , 2006)	Total 99% Male 99.3 / Female 98.7
Literacy – youth (% , 2005)	99.4%
Agricultural value-added per worker 2004 (2000\$ PPP)	\$1,356
Increase in monthly earnings in real terms (average, entire workforce 2007)	8%

Key National Data: Albania

Total population (m, 2007)	3.2
Population growth rate % per annum (2007)	0.3%
Urban population (share of total, %, 2006)	45%
Gross Domestic Product (\$ bn, 2008 IMF est)	13.5
GDP per capita (\$, 2008 / \$PPP, 2008) IMF est.)	4,247 / 6,797
GDP growth rate (2008 IMF est., % p.a.)	6.1%
Inflation rate (2008IMF est., % p.a.)	4%*
Unemployment rate *Registered Unemployment, Bank of Albania (2007)	13.2%
Percent of Population living under the national poverty line (2005 LSMS)	18.5%
FDI (in bln EUR, 2007)	0.48

Labor Market and Employment Challenges

The two outstanding issues for the Albanian labor market are informal employment and emigration, which hinder job creation. Despite a young and growing population, and a growing labor force, the official unemployment rate is high (13.2percent). If Albania cannot improve its job creation record in the formal sector, the country's young and potentially favorable demographics could further aggravate the unemployment problem and hamper economic growth.

A 2004 OECD study estimates that the informal economy generates approximately 23.4 percent of Albanian GDP. Other studies speculate the share to be as high as 30 to 60 percent of GDP, reflected by the

fact that only 31.3 percent of the labor force is employed under permanent contracts. There is a large share of employment that takes place under informal arrangements outside the coverage of labor legislation and social insurance. The growth of the informal sector is linked to the contraction of formal employment in manufacturing and the high volume of worker remittances. Remittances largely finance the start-up costs for new enterprises. Almost all enterprises in Albania are characterized as micro or small - 70 percent have only one employee. The primary barriers to growth and formalization of enterprises include Albania's unsuccessful implementation of laws governing enterprises, an undeveloped capital market, poor infrastructure, and a developing judicial system that makes firms, workers, and investors bear exaggerated risks.

Half of the Albanian labor force is employed in the low-productivity agricultural sector: agriculture employs 50 percent of the workers, yet, it provides only a quarter of the GDP. Employment in agriculture has been gradually falling, however, standing at 55 percent at the beginning of the transition. The largest reduction in labor force has occurred in the manufacturing sector, which has declined by half for men, and two thirds for women. The only sector that has raised employment levels since 1989 is the service sector. However, the upward shift is apparent only among men while the female participation has remained constant.

Population, Labor Force Structure, Employment, and Unemployment
(in thousands, ILO, 2007)

Age	Population*	Economically Active*	Employment		Unemployment	
			Male	Female	Male	Female
0-14	794					
15-24	602	303	NA	NA	NA	NA
25-49	1,076	852	NA	NA	NA	NA
50-64	432	247	NA	NA	NA	NA
65+	286	43	NA	NA	NA	NA
Total 15+	2,396	1,445	NA	NA	79	74
Total	3,190	NA	934		150	

*2007 est., ILO

Men and women are not distributed evenly across sectors and occupations in proportion to their shares in the total labor force. According to the ILO, unemployment for women (16.8 percent) is higher than the rates for men (11.8 percent). Whereas unemployment for both men and women has increased, male unemployment has largely been mitigated by emigration. Male emigration has not, however, led to female labor substitution. In fact, between 1989 and 2001, female unemployment increased by 110 percent. Possible explanations include social sanctions that confine women to household activities, mobility restrictions which limit their access to markets, elimination of female intensive activities (state

enterprises), and predominance of male intensive activities (trade and construction). The significant decline in female labor force participation (-211 thousand from 1989 to 2001) leads analysts to suspect that women are moving into the rather large informal economy. The gender wage gap in Albania has also increased over the last decade. The ratio of women's wages to those of men in non-agricultural sectors has declined: in 1990, women earned approximately 76 percent of male wages in non-agricultural sectors; by 2000, women's wages declined to 73 percent of men's wages.

Although there is no readily available data for youth unemployment (the 15-24 age group), ILO data from 2006 indicates that the economically active population between 15 and 34 years accounts for nearly half of the total unemployment (71.4 thousands versus 150 thousands total unemployment). This rate is evident that youth unemployment is a concrete labor market challenge in Albania.

Taxation

As of 2008, Albania introduced a 10 percent flat income tax, with social contribution accounting for additional 17.6 percent of wages.

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GDP and Labor Force by Industry

(In thousands, ILO, 2006)

Sector	GDP share*	Total Employees**
Agriculture, hunting, forestry and fishing	24%	542
Mining	0.7%	5
Manufacturing industry	12.3%	58
Electricity, gas and water supply	NA	10
Construction	9.4%	53
Wholesale, retail trade, repair of motor vehicles	NA	68
Hotels and restaurants	21.2%	16
Transport, storage and communication	12.1%	19
Financial intermediation	-3.3%	90
Real estate, renting, services	NA	
Public administration, defense, compulsory social sector	NA	
Other social and personal services	24.9%	
Education	NA	48
Health and social welfare	NA	25

* Albanian Institute of Statistics, 2004

** In thousands



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ARMENIA

Employment and Labor Market

Overview

Armenia is one of the most densely populated and ethnically homogeneous republics of the former Soviet Union. It has rich stores of minerals such as copper, which forms the base of its flourishing chemical industry. In 1994, a ceasefire was declared between the Republic of Armenia (RA) and Azerbaijan in their war over the Azerbaijani region of Nagorno-Karabakh. Its borders with Azerbaijan and Turkey were closed, forcing Armenia to import energy supplies and raw materials from other countries. Land trade routes through Georgia and Iran are either inadequate or unreliable. As such, the conflict, which still simmers, has resulted in severe economic decline for Armenia.

Key National Data: Armenia

Total population (m, 2007)	3.0
Population growth rate % per annum (2005-2015)	-0.3%
Urban population (% of total, 2005)	58.8%
Percentage of population below poverty line (2006)	26.5%
Gross Domestic Product (\$ bn, 2006)	6.6*
GDP per capita (\$, 2007, \$PPP)	4,945 (183.451)
GDP growth rate (2000-2006, annual %)	12.5%
Inflation, GDP deflator (2007, annual %)	3.9%
Unemployment rate (2007)	6.6%
FDI (in mln \$, 2006)	343

*Estimates vary.

Employment, Skills, and Productivity

Labor force (m, 2007 est.)	1.2
Labor force growth rate (% p.a., 1990 – 2006)	NA
Labor Productivity (GDP per employee, 2008 US\$)	3,400
Labor Productivity Growth Rate (1995-2004)	11.7
Skills – doctors/100,000 population (2000-04)	NA
Literacy – adult (% , 2005)	Total 99% Male 100 / Female 99
Literacy – youth (% , 2001)	100%
Children (7-17) working (% , 2001-04)	Total 10.1% Male 12.2 / Female 8.0
Agricultural value-added (% of GDP, 2007)	18%
Increase in real average monthly earnings (2000-2005)	NA

The Government of the Republic of Armenia (GRA) began ambitious economic reforms following the ceasefire. The outcome has been steady economic growth and lower inflation. Despite some continued inefficiency from the lingering effects of central planning, the country has achieved double-digit growth, a significant reduction in poverty, and large scale privatization of medium- and small-sized industry in recent years. Armenia joined the WTO in 2003.

Labor Market and Employment Challenges

While the spillover effects of the international financial meltdown are difficult to predict, economic growth in Armenia is likely to be positive, buoyed by construction and the service industry, supported by government-backed projects. Despite recent sharp falls in world copper prices, this sector will continue making a significant impact to Armenia's growth and development. Unemployment remains relatively high (6.6 percent) and annual inflation surged to 11.5 percent in August 2008, although this rate is expected to fall to within the government's target rate of 7.5

percent by the end of 2008. It remains lower than many of Armenia's regional peers.

GDP by Sector

(at current prices, as % of total GDP, RA National Statistical Service, 2006)

Sector	GDP share
Agriculture, hunting, fishing, and forestry	18.2%
Industry, including energy	17.9%
Construction	24.5%
Trade; repair of motor vehicles, motorcycles, personal and household goods	17.7%
Financial, real estate, renting and business services	4.7%
Other service activities	9.8%
Net taxes on products	8.2%

The GRA has given high priority to tax and customs reform, approving a comprehensive plan to make the tax system more efficient, as well as legislation to improve consumer protection, market transparency, and financial intermediation. Anti-corruption measures are also included in the GRA's reform package.

A three-year International Monetary Fund (IMF) program ended in May 2008. Under this program, Armenia progressed significantly and, as noted above, grew rapidly. A new IMF-funded program was recently approved, though this program provides lower funding than its forerunners and will focus solely on supporting Armenia in its transition to an emerging market economy. It aims to improve the fiscal framework, facilitate coordination between monetary and fiscal authorities, and continue the tax policy reform. Though the GRA has taken steps to improve the banking system, several areas require additional attention, namely banking supervision mechanisms, creditor rights support, and contract enforcement.

Population, Labor Force Structure, Employment, and Unemployment (in thousands, ILO, 2001)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	649.7					
15-24	582	321	182	139		
25-49	1159	970	496	474		
50-64	381	239	129	110		
65+	311.5	61.5	33.5	28		
Total 15+	2433.5	1591.5	841.5	751	22.9	59.9
Total	3083.2	1591.5	1591.5		82.8	

Due to the increasing ease of receiving construction permits in Armenia, private sector construction activity financed largely by the government is helping create jobs. According to the World Bank's *Doing Business 2009*, however, the ease of conducting business in Armenia declined by three points from 2007 to 2008, and the ease of starting a business decreased by 17 points over the same period. Thus, while Armenia has taken some steps to make the conduct of business less complicated over recent years, improvements in the business environment are still needed. This can be done through increasing competition in the service sector, deepening financial intermediation, and, continuing to implement the tax and custom reforms.

Labor Force by Industry

(in thousands, RA National Statistical Service, 2007)

Sector	Employees
Agriculture, hunting and forestry	504,500
Mining and quarrying	7,600
Manufacturing	110,500
Electricity, gas and water supply	22,800
Construction	29,700
Wholesale retail trade; repair of motors and goods	105,900
Hotels and restaurants	7,700
Transport, storage and communication	48,600
Financial intermediation	6,600
Real estate, renting and business activities	23,300
Public administration and defense; compulsory social security	34,900
Education	100,800
Health and social welfare	
Community, social and personal service activities	40,800

Tax System and Reform

According to the Heritage Foundation's "Index of Economic Freedom," Armenia has impressive fiscal and government freedom rankings due to the country's low tax rates, low government expenditure, and low revenue from state-owned businesses. Armenia's labor freedom index (the ease of hiring and firing workers along with the costs of doing so) is 73.1 percent: the non-salary cost of hiring is moderate, and dismissing a redundant employee is relatively costless. Both the top individual income and the top corporate tax rates are 20 percent. Social contributions are 14.25 percent of wages (2005).

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IMF (2008) "[Armenia – Concluding Statement of the IMF Mission](#)," 16 September 2008. • [IMF \(2008\) World Economic Outlook, 2008](#) • Central Intelligence Agency (2008) [World Factbook: Armenia](#), updated 23 October 2008 • National Statistical of the Republic of Armenia (2007) [Armenia in Figures](#), 2007 • U.S. Department of State (2008), [Armenia Profile](#), February 2008 • [World Bank](#) (2008) "Private Sector at a Glance-Armenia" • Ministry of Foreign Affairs of the Republic of Armenia (2008) "[About Armenia](#)" • Global Insight (2007) "[World Bank, IMF Praise Armenian Reform Progress, Outline Remaining Challenges in Joint Report](#)." • The Heritage Foundation (2008) "[Index of Economic Freedom: Armenia](#)." • Danielyan, Emil (2008) "[Government Keeps up Strong Growth in Tax Revenues](#)" *Armenian Liberty* 14 October 2008 • World Bank (2008) [Doing Business 2009](#). • ADB (2008), [Fact Sheet Armenia 2008](#)



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AZERBAIJAN

Employment and Labor Market

Overview

The Republic of Azerbaijan, a country of more than eight million located on the shores of the resource-rich Caspian Sea, is the largest and most populous country in the South Caucasus. The conflict with Armenia over the de facto independent Nagorno-Karabakh region of the country still has not been resolved, though this lack of resolution has not had very many effects on the Azeri economy due to the country's oil and gas wealth. Still, 100,000 Azerbaijanis live in refugee camps today and require assistance, some of which USAID provides. The Government of the Republic of Azerbaijan (GRA) began ambitious economic reforms, with the help of the International Monetary Fund (IMF) in the late 1990s that resulted in significant stabilization of the economy. Since 2003, annual GDP growth has exceeded 21 percent each year. Most of this increase has been fueled by the energy sector; non-oil GDP has increased 12 percent on average since 1999. While the country was named the world's top reformer (scored by showing improvements on seven out of ten indicators) by the World Bank's *Doing Business 2009*, the Azerbaijani economy is still in transition and reforms are slow, due to the effects of arbitrary tax and import customs administrations, weak court system, monopolistic tendencies in the market, as well as corruption.

Key National Data: Azerbaijan

Total population (m, 2007)	8.6
Population growth rate % per annum (2007)	1%
Urban population (% of total, 2008)	51.5%
Gross Domestic Product (\$ bn, 2007)	28.9
Percentage of population below below poverty line (2005)	49.6%
GDP per capita (\$, 2006)	2,373
GDP growth rate (2007)	24.7%
Inflation, GDP deflator (2007, annual %)	20%
Unemployment rate (2007)	6.6%
FDI (in mln \$, 2006)	3.3

Employment, Skills, and Productivity

Labor force (m, 2007 est.)	1.2
Labor force growth rate (% p.a., 1990 – 2006)	NA
Labor Productivity (GDP per employee, 2004 US\$)	NA
Labor Productivity Growth Rate (1995-2004)	11.7
Skills – doctors/100,000 population (2000-04)	NA
Literacy – adult (% , 2005)	Total 99.4 Male 99.7 / Female 99.1
Literacy – youth (% , 2007)	Total 99.9 Male 99.9/Female 100
Children (7-17) working (% , 2001-04)	Total 10.1 Male 12.2 / Female 8.0
Agricultural value-added (% of GDP, 2007)	6%
Increase in real average monthly earnings (2000-2005)	NA

Labor Market and Employment Challenges

In the period immediately following the fall of the Soviet Union, Azerbaijan was clearly poorer than most Soviet republics. However, the backbone of the Azerbaijani has traditionally been petroleum and, starting in the mid-1990s, Production Sharing Agreements (PSAs) were signed with foreign oil companies, bringing multi-million foreign direct investment (FDI) to develop gas and oil reserves in the Caspian Sea. This FDI helped bring about the construction and completion of the Baku-Tbilisi-Ceyhan pipeline that transports oil and gas to Turkey through Georgia, as well as the South Caucasus pipeline, which constitutes a large portion (nearly 60 percent) of Azerbaijan's income. Though revenue from oil and gas exports make up a large proportion of the country's GDP, Azerbaijan's agricultural sector has also experienced gains. At the beginning of 2008, nearly five million hectares of Azerbaijan's land was used for agriculture, which is more than half of the country's total land area. Agriculture contributes roughly four percent of GDP and provides livelihoods to just less than half of all households in Azerbaijan.

Population, Labor Force Structure, Employment, and Unemployment

(in thousands, I.L.O. 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	2054					
15-24	1793.3	646.8			54.7	36.1
25-49	3322.2	2974.2			91.9	70.9
50-64	849.8	641.5			23.3	4.1
65+	610.6	32.7				
Total 15+	6575.9	4925.2				
Total	8629.9	4925.2				

According to the Heritage Foundation's "Index of Economic Freedom," Azerbaijan's labor freedom index (the ease of hiring and firing workers along with the costs of doing so) is 59.2 percent, a relatively low score because of restrictive employment regulations that hinder employment creation and productivity growth. The non-salary cost of hiring is high, and dismissing a redundant employee can be difficult. The relatively small size of the Azerbaijani government, as well as low corporate tax rates help to strengthen the ease of doing business. The official unemployment rate in 2007 was 6.6 percent, and, in the same year, the Azerbaijani economy added 146,870 jobs.

Tax System and Reform

Azerbaijan scores high on the freedom rankings due to the country's moderate tax rates and low corporate tax rate. The top income tax rate is 35 percent, and the top corporate tax rates are 22 percent. Annual personal gross income is taxed up to 12,000 manats (\$14761.55) at 14 percent and income greater than 12,000 manats is taxed at 1,680 manats plus 35 percent of the amount exceeding 12,000 manats. The social contributions amounts to 2 percent of wages (2005).

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Labor Force by Occupation

(in thousands, State Statistical Committee of the Republic of Azerbaijan. 2006)

Sector	GDP Share	Total Employees
Agriculture, hunting, and forestry	6.9%	45,600
Fishing, fish-breeding	0.2%	800
Mining and quarrying	57.5%	41,200
Manufacturing	5.3%	110,700
Electricity, gas and water supply	0.6%	44,600
Construction	7.5%	70,200
Wholesale retail trade; repair of motors and goods, hotels, restaurants	5.8%	282,200
Transport, storage and communication	7.4%	90,400
Financial intermediation		16,300
Real estate, renting and business activities		66,500
Public administration and defense; compulsory social security		52,000
Education		338,800
Health and social welfare		135,900
Community, social and personal service activities	8.2%	81,400



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BELARUS

Employment and Labor Market

Overview

Belarus, a former Soviet republic, is strategically located between the open markets of the West and its largest trading partner, Russia. It has a well-developed industrial base and its citizens are highly educated. Though the country began implementing free market reforms in the early 1990s, President Alexander Lukashenko blocked and, in some cases, reversed these initial reforms. In office since 1994, Lukashenko renationalized banks that had been privatized following the dissolution of the Soviet Union. Roughly 80% of industrial enterprises in Belarus remain in state control. Redistribution policies undertaken by Lukashenko's government have had some success in helping the poorest portions of the Belarusian population.

The hostile business environment has discouraged foreign investment and caused major companies to cease their operations in the country. In 2008, the government's attempts to improve the country's business climate placed Belarus among top 10 reformers in the IFC's *Doing Business 2009* report. Belarus has made improvements in 6 out of 10 rated categories and now ranks 85, an significant improvement over its past, 115th rank. Belarus is currently feeling the effects of the global economic downturn and requested and received a \$2.5 billion IMF loan. Various challenges lie ahead for the country, including development of energy self-sufficiency, enhancing competitiveness, diversification of the economy, raising productivity, and improving government effectiveness.

Key National Data: Belarus

Total population (m, 2007)	9.7
Population growth rate (2008)	-0.4%
Urban population (share of total, 2008)	73.4%
Percentage of population below the poverty line (2004)	22%
Gross Domestic Product (\$ bn, 2007)	44.8
GDP per capita (\$, 2007)	10,600
GDP growth rate (2007)	8.2%
Inflation rate (2007)	8.4 %.
Unemployment rate (2007) (% of economically active population, official statistic)	1.0%
FDI (in bln\$, 2007)	1.8

Employment, Skills, and Productivity

Labor force (m, 2007)	NA
Labor force growth rate (% , 2006, manufacturing sector)	NA
Labor Productivity (GDP per employee, 1990 US\$)	NA
Labor Productivity Growth Rate (2007)	NA
Skills – doctors/10,000 population (2007)	48.5
Literacy – adult (% , 2005)	Total 99% Male 100% / Female 99%
Literacy – youth (% , 2005)	100%
Agricultural value-added per worker (2000)	\$3233.07
Increase in real average monthly earnings (2007)	NA

Labor Market and Employment Challenges

Belarus' continued isolation from the open markets of western countries diminishes its economic prospects. Its main trading partners are its immediate neighbors (Russia, Ukraine, and Poland). Prospects of trade with other European countries are limited due to the planned "union state" between Russia and Belarus. Such a union would form a single economic area designed to ease trade relations and logistics between the two countries. Even with the country's relative economic isolation and the continued centrally-planned system of market socialism, the Belarusian economy has been growing impressively for several years, aided by high prices of the energy resources shipped through Belarus from Russia. Belarus serves as transit corridor for Russian energy resources, thus receiving discounted prices on energy from Russia. High energy prices in recent years have led to increased economic growth in Belarus, with a GDP increase over 8 percent in 2007. As a result, the country has avoided the sharp drops in per capita incomes that its neighbors experienced, and now has one of the highest income levels among CIS countries.

The economy now shows signs of overheating under pressure from the global financial crisis. Significant wage increases, typical in the 1990s and early years of the 2000s, helped bolster consumer spending. Almost 20 percent of enterprises operate at a loss in Belarus, fueling soft budget constraint under which failing businesses are "bailed out" to prevent bankruptcy.

Soft budget constraint is a main characteristic of socialist economic systems and keeps firms from improving their own efficiency. Belarus began to move towards membership in the World Trade Organization in 1993. Progress on this front is slow as Belarusian firms became less competitive in world markets. Scholars predict that WTO membership will help bring about the long-needed reforms, including domestic tax reform and tariff reductions. Though the official unemployment rate is relatively low, there is significant underemployment, as firms tend to cut employee hours rather than lay-off employees. Furthermore, there has been a sharp reduction of labor force participation since 1991 due to a reduction in overall employment (discouraged workers). The unemployment rate among youth is high: Belarusians between the ages of 15 and 25 years constitute nearly 40 percent of the unemployed. While the Belarusian labor force is well-educated relative to other economies in transition, the skills possessed by the workforce do not match the demands of transition. Because of socialism's drive for industrialization, education had previously focused heavily on the hard sciences and engineering. Because of this, the country's economy suffers from a dearth of experts, particularly in the business, law, and social sciences sectors. This will need to be rectified by education reforms, as well as job skills training combined with economic policies that encourage job creation.

Population, Labor Force Structure, Employment, and Unemployment

(in thousands, ILO, 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	1421.7					
15-24	1552.4	671.3			3.6	8.2
25-49	3643.4	3308.8			8.5	16.8
50-54	713.3	408.9			1.6	3.9
55+	2359.0	353.9			1.5	
Total 15+	8268.1	4742.9	2099.8	2345.5	15.3	28.9
Total	9689.8	4742.9	4445.3		44.2	

Tax System and Reform

Belarus has moderate tax rates, with the highest income tax rate for individuals at 30 percent (total, including social contributions). Year 2009 started with the elimination of the multiple tax system and introduction of a flat income tax of 13 per cent. Corporate income is taxed at a rate of up to 24 percent. Overall, tax revenue in 2007 was approximately \$9 billion, or 20.6 percent of GDP. In recent years, Belarus has eliminated some taxes and simplified portions of the tax code, though reform in this area is still needed.

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Labor Force by Occupation

(In thousands, ILO Yearbook of Labour Statistics 2007,1994)

Sector	Total Employees
Agriculture, hunting and forestry	995.7
Industry (inc. mining, manufacturing, electricity/gas/water supply)	1311.5
Construction	328.9
Trade; certain repair motors and goods; hotels and restaurants	422.3
Transport, storage and communication	318.0
Financing, insurance, real estate and business services	40.9
Other community, social and personal service activities	1099.7



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BOSNIA – HERZEGOVINA

Employment and Labor Market

Overview

Thirteen years after Dayton, Bosnia and Herzegovina (BiH) is still characterized by political instability and slow implementation of economic reforms. The country has a bloated public sector, a weak private sector, and high unemployment. The population is relatively healthy, slow-growing, and highly literate, yet, the labor force is declining. Following the predominantly rural population, the economy also remains largely rural and a fair portion of the workforce is wedged in the low-productivity agricultural sector. Macroeconomic and fiscal pressures (heavy labor taxation) have undercut employment creation and efforts to upgrade skills and raise productivity.

Employment, Skills, and Productivity

Labor force (m, 2006)	1.2
Labor force growth rate (% p.a., 1990 – 2006)	-0.6%
Labor Productivity (GDP per employee, 1990 US\$)	25,379
Labor Productivity Growth Rate (% 1995-2004)	-0.8%
Skills – doctors/100,000 population (2000-04)	134
Literacy – adult (% 2005)	Total 96.7% Male 99 / Female 94.1
Literacy – youth (% 2005)	99.8%
Children (7-14) working (% 2000)	Total 20.2% Male 22.8 / Female 17.6
Private firms offering training (share of firms, % 2005)	47.2%
Agricultural value-added per worker 2003-05 (2000\$ PPP)	\$8270
Increase in monthly earnings in real terms (average, entire workforce 2000-2005)	19%

Key National Data: Bosnia and Herzegovina

Total population (m, 2006)	3.9
Population growth rate % per annum (2005-2015)	1.35%
Urban population (share of total, 2005, %)	45.7%
Gross Domestic Product (\$ bn, 2005)	9.9
GDP per capita (\$, 2005, \$PPP, 2005)	2,546 (7,032)
GDP growth rate (2000-2005, % p.a.)	4.7%
Inflation rate (2000-2005, % p.a.)	2.2 % p.a.
Inflation rate (2005-2007, % p.a. IMF est.) (*accelerating rapidly from mid-2007)	3.7%*
Unemployment rate (2007)*	25%
* Rate estimate including the informal economy	
Percent of Population living Under the national poverty line (2004, CIA)	25%
FDI (in bln EUR, 2007)	1.6

Labor Market and Employment Challenges

Labor market issues are more explicit in BiH compared to other transition countries. Due to the fragmented government structure in BiH, labor laws and regulations are handled by the sub-state entities, rather than on a central level.

The recent IMF Article IV report on BiH (October 2008) highlights several difficulties affecting the labor market. Prominent are a high public sector wage bill (12% of GDP) and recent increases in average public sector wages of 13% per annum. These wage pressures tend to signal a labor market environment where “insiders” (i.e., those with jobs) are protecting their positions and incomes at the expense of “outsiders” (i.e., the unemployed and self-employed). Hence, outsiders remain in the low-productivity agriculture sector or, if they have appropriate skills, seek employment abroad. High unemployment and emigration of skilled workers in a declining labor force are a particularly worrying trend and a proof of existing entry barriers in the labor market.

Private sector employment creation is blocked by major administrative barriers for entrepreneurship development such as high taxes, difficulty in accessing loans or starting a business (as

indicated in the World Bank’s *Doing Business 2009*), as well as an inadequate privatization process. These factors, combined with high taxes and deductions on wages, contribute to the existence of an informal labor market sector.

The 2008 World Bank report on labor market and poverty in BiH suggests strong evidence that the informal sector is associated with lower productivity and greater inequality of wages.

Population, Labor Force Structure, Employment, and Unemployment
(in thousands, ILO, 2006)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	639					
15-24	495	165			61	42
25-49	1172	774			129	99
50-64	576	211			24	11
65+	49	27				
Total 15+	2292	1177	528	283	215	151
Total	3372	1177	811		366	

The informal sector presents a particular challenge for policy makers in the terms of tackling unemployment. It makes it really difficult to determine the actual rate of unemployment. The official statistic does not count as employed those working in agriculture or the informal (gray) market, as well as workers without health, pension and unemployment insurance. Therefore, the official unemployment rate is around 40%, while the estimated real unemployment in the country (informal jobs considered) is lower - 25%. Whatever the rate, unemployment remains extremely high (between 25-40%) and a crucial economic issue.

According to the latest 2008 Labor Force Survey, the youth unemployment rate (51.9%) is double that of the overall rate and four times higher than the EU average. That points to another interrelated policy area – education. The educational system in BiH is not aligned with the labor market needs and fails to produce the qualified skills that are in demand.

GDP and Labor Force by Industry
(BiH Federal Office of Statistics, 2006, 2007)

Sector	GDP share	Total Employees*
Agriculture, hunting, forestry and fishing	5.6%	9,624
Mining	2%	15,343
Manufacturing industry	11.2%	85,093
Electricity, gas and water supply	4.2%	13,346
Construction	4.3%	26,167
Trade; repair of motor vehicles, motorcycles, personal and household goods	12.1%	68,689
Catering trade	2.5%	15,656
Transport, storage and communication	7.7%	28,434
Financial intermediation	4.1%	8,981
Real estate, renting, services of which: imputed rent	9.7%	14,581
Public administration, defense, compulsory social sector	5.9%	46,623
Education	8.6%	34,751
Health and social welfare	4.6%	27,272
Other social and personal services	4.2%	15,917

* In thousands

Sources Used

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GEORGIA

Employment and Labor Market

Overview

Georgia, a small country of 4.4 million people, was severely affected by the dissolution of the Soviet Union in 1991 and the civil war that ensued amongst Georgia proper and its separatist regions. Formerly known for its agricultural and energy exports, predominantly to its Soviet neighbors, Georgian output has fallen by some 70 percent and exports by 90 percent since 1991. This was the worst decline suffered by any transition economy. Georgia has made great progress in recent years, however, in improving and reforming its economy, showing GDP gains of 12 percent on average every year since 2004. A resource rich and fertile land, Georgia is also home to a highly educated labor force with a long tradition of entrepreneurship. Though the country's recently implemented macroeconomic policies and anti-corruption measures have increased investor and consumer confidence, the recent conflict with Russia over the autonomous regions of Abkhazia and South Ossetia shows the political volatility of the region as a whole. It also calls attention to the need for Georgia to continue to introduce market-oriented reforms as well as policies aimed at reducing regional political risk to encourage foreign and domestic investment in the economy.

Key National Data: Georgia

Total population (mln, 2008)	4.4
Population growth rate (% , 2008)	-0.3%
Urban population (share of total, 2008, %)	53%
Percentage of population below the poverty line (2006)	31%
Gross Domestic Product (\$ bn, 2007)	17.8
GDP Growth Rate (% , 2007)	12%
GDP per capita (\$, PPP, 2007)	4010
Inflation rate (% , 2008)	11.2%
Unemployment rate (2007)	13.3%
FDI (in bln\$, 2007)	1.7
FDI (% of GDP, 2007)	51.1%

Employment, Skills, and Productivity

Labor force (m, 2007)	2.02
Labor force growth rate (% , 2007)	-0.98%
Labor Productivity (GDP per employee)	NA
Labor Productivity Growth Rate (% p.a., 1995-2004 per employee)	6.4%
Literacy – adult (% , 2004 est.)	100%
Literacy – youth (% , 2004 est.)	100%
Number of physicians (th, 2007)	20
Children 7-14 working (% , 2000)	21.5%
Agricultural value added (% of GDP, 2007)	NA
Industry value added (% of GDP, 2007)	NA
Increase in real average monthly earnings (2007)	NA

Labor Market and Employment Challenges

Georgia's labor force has been declining since 2004, losing approximately 80,000 workers between 2003 and 2008, primarily due to emigration and shrinking population. In 2007, the Georgian government introduced new more flexible labor regulations that enhance employment opportunities and productivity growth. The recent regulations include eased restrictions on the duration of contracts and overtime hours, and eliminate the requirement to notify and receive permission from labor unions prior to laying-off a worker. As a result, according to the Heritage Foundation Labor Freedom Index Georgia leads the world in labor market freedom (99.4 percent score): the: the cost of employing a worker is minimal, and dismissing an employee is costless.

Furthermore, the government has declared employment-generating growth as its key objective for the coming years. Plans to achieve employment-generating goals include broadening the transport network and liberalizing transport policies; enhancement of energy security and independence; and establishment of standardization and accreditation mechanisms that are in line with EU standards. Strong emphasis has been placed on human resource development, namely improvement of the healthcare sector, quality of the education system, and social protection measures.

Population, Labor Force Structure, Employment, and Unemployment
(in thousands)

Age	Population (ILO, 2005)	Economically Active (ILO, 2005)	Employment (ILO, 2007)		Unemployment (ILO, 2007)	
			Male	Female	Male	Female
0-14						
15-24	578.3	195.5			31.4	26.3
25-49	1346	1068.3			85.9	71.7
50-64	586.7	452.6			24.1	18.3
65+	649	307.5			2.3	1.2
Total 15+	3160.0	2023.9	888.1	816.2	143.7	117.3
Total	3160.0	2023.9	1704.3		261.2	

Tax System and Reform

A new system of taxes, introduced in 2006, simplified the tax regime by reducing tax rates and eliminating some exemptions, which is helping reduce corruption. In addition, the Georgian government plans to eliminate import duties.

Georgia has a moderate personal income tax system and relatively low corporate taxes. The income tax rate for individuals stands at a flat rate of 12 percent, and the corporate tax rate at 15 percent (reduced in January 2008

from 20 percent). Tax revenue in 2008 constituted 21.7 percent of the country's GDP. Employers contribute 20 percent of employees' incomes to social security. This percentage, reduced from 31 percent in 2006, makes it easier for employers to hire new workers. Georgia also implemented an improved tax collection regime that brought about a 300 percent increase in corporate taxes collection.

Labor Force by Occupation

(ILO Yearbook of Labour Statistics, 2005)

Sector	GDP Share	Total Employees*
Agriculture, hunting, fishing, and forestry	18%	947.8
Industry (inc. mining, manufacturing, electricity/gas/water supply)	14%	119.0
Construction	7%	43.1
Trade; certain repair motors and goods	14%	188.2
Hotels and restaurants	3%	16.3
Transport, storage and communication	14%	69.3
Financial intermediation	1%	13.3
Real estate, renting and business activities	6%	25.9
Public administration and defense; compulsory social security	6%	81.8
Education	4%	130.9
Health and social work	4%	58.0
Other community, social and personal service activities	8%	38.2

* In thousands

Sources Used

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KOSOVO

Employment and Labor Market

Overview

After gaining independence from Serbia in 2008, Kosovo became the newest independent state in Europe. It is also one of the region's poorest countries with a GDP dwarfed by those of its neighbors. Its economy suffers the results of poor policies, lack of access to international trade, and civil conflict in the 1990s, which all combined left the country in disarray. Since the end of the conflict in Kosovo, with the support of the international community infrastructure and institutions have been vastly rehabilitated. A modern legal framework has been constructed, liberal market policies have been implemented, a sound banking sector has developed, and progressive government institutions have been built. Yet, economic growth has remained slow, bolstered mostly by international aid and remittances from the Diaspora which together are currently estimated to account for 30 percent of GDP

Key National Data: Republic of Kosovo

Total population (m, 2007 est.)	2.1
Population growth rate % per annum (2000-2006)	1.5%
Urban population (share of total, 2006, %)	37%
Gross Domestic Product (\$ bn, 2007)	4
GDP per capita (\$, 2005)	\$1,755
GDP growth rate (2007, % p.a.)	2.3%
Inflation rate (2005-2007, % p.a. IMF est.)	2%
Unemployment rate (2007)	43%
Population living below the national poverty line (% , 2007, WB)	45%
FDI (in bln EUR, 2007)	NA

Employment, Skills, and Productivity

Labor force (2007, CIA est.)	832,000
Labor force growth rate (% p.a., 2006 – 2007)	-2.5 %
Labor Productivity (GDP per employee, 1990 US\$)	NA
Labor Productivity Growth Rate (% ,1995-2004)	NA
Skills – doctors/100,000 population (2000-04)	NA
Literacy – adult (% , 1991)	Total NA
	Male / Female
Literacy – youth (% , 2006)	99.5%
Agricultural value-added per worker 2003-05 (2000\$ PPP)	NA
Increase in monthly earnings in real terms (average, entire workforce 2000-2005)	% NA

Labor Market and Employment Challenges

The Statistical Office of Kosovo is currently preparing for its first population census since 1981, which means that the accuracy of labor market and economic data currently available is difficult to ascertain. Most sources caution that their data should be interpreted as estimates or projections. What we do know is that according to a 2007 World Bank Poverty assessment, living standards in Kosovo have remained poor and vulnerability widespread due to economic stagnation. It is estimated that 45% of the country's population lives below the poverty line, an unusually high proportion for the region.

Kosovo is characterized by a young and well educated workforce. Over 40% of the overall workforce, however, is unemployed and this lack of opportunity has led to outward migration, a growth of economic activity in the informal sector, and black market activities. In 2004, it was estimated that nearly half of economic activity in Kosovo occurs within the informal sector, a factor which may well explain low official participation rates.

Population, Labor Force Structure, Employment, and Unemployment
(estimated %, KOS, 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	29.6	57.9	NA	NA	NA	NA
15-24	19.1	81.3	13.6	5.1	65.0	78.6
25-54	37.5	77.0	53.7	17.2	33.7	49.2
55-64	7.0	93.2	42.4	8.4	22.4	25.3
65+	6.8	90.6	4.2	0.5		
Total 15+	NA	NA	40	12	38.5	55.2
Total	NA	NA	NA		NA	

Youth unemployment is perhaps one of the greatest challenges faced by Kosovo. With an estimated 60-70 percent youth unemployment and nearly 30 percent of the population under the age of 15 and preparing to flood the marketplace, the youth population represents a vast untapped resource for Kosovo's economy. Investment in increasing employment levels within this demographic group is widely thought to be a key to discouragement of youth violence and encouragement of long-term economic growth.

After the successful privatization of some 250 socially-owned-enterprises, the process is expected to accelerate further in 2009, with the government initiating large international public tenders in infrastructure and public services. The effort is expected to stimulate entrepreneurship and economic growth, attract FDI and create new jobs.

GDP and Labor Force by Industry
(KOS, 2006, 2007)

Sector	GDP share	Total Employees*
Agriculture, hunting, forestry and fishing	%	14.6
Mining	%	1.0
Manufacturing industry	%	10.4
Electricity, gas and water supply	%	2.7
Construction	%	6.6
Wholesale and retail trade; repair of motor vehicles, motorcycles, personal and household goods	%	16.9
Catering trade	%	3.9
Transport, storage and communication	%	4.5
Financial intermediation	%	1.1
Real estate, renting and business activities	%	1.4
Public administration, defense, compulsory social sector	%	9.6
Education	%	12.1
Health and social welfare	%	7.0
Other community, social and personal service activities	%	8.3

* In thousands

Sources Used

Statistical Office of Kosovo (KOS) [Annual Statistical Publications](#), 2007 • World Bank (2008) [Kosovo Country Brief](#) • U.S. Department of State (2008), [Kosovo Profile](#), May 2008 • CIA World Factbook (2008) [Kosovo: Kosovo Poverty Assessment](#) World Bank Report No. 39737-XK, October 2007 • [Kosovo Youth in Jeopardy](#), World Bank Report No. 43596-XK, September 2008 • Corbanese, V. and G. Rosas (2007), [Young people's transition to decent work: Evidence from Kosovo](#), Employment Policy Department, ILO, Geneva.



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MOLDOVA

Employment and Labor Market

Overview

Moldova, a landlocked country, is the most densely populated of all the former Soviet republics. Even with its favorable climate and rich farmland, Moldova remains one of the poorest countries in Europe. The country's economy is heavily dependent on agriculture. Following the economic collapse after the dissolution of the Soviet Union, Moldova managed economic growth averaging 7 percent a year from 2000 to 2005. Growth slowed in 2006 and 2007, however, due to a two-fold increase in the price of gas (imported from Russia), and increase in the price of electricity (70 percent of which is imported from Transnistria). Growth was further hampered by the politically motivated ban on wine exports to Russia (which accounted for more than one-third of all Moldovan exports) in 2006, as well as by the 2007 drought which was the most severe Moldova has faced in 50 years. In 2008, GDP grew at 7.2 percent but the world financial crisis slowed growth in the last quarter.

Key National Data: Moldova

Total population (mln, 2007)	3.79
Population growth rate (% , 2007)	-1%
Urban population (share of total, 2007, %)	41.3%
Percentage of population below the poverty line (2005)	29.1%
Gross Domestic Product (\$ bn, 2007)	4.23
GDP Growth Rate (% , 2007)	5%
GDP per capita (\$, 2007)	\$2,300
Inflation rate (% , 2007)	12.3%
Unemployment rate (2007)	2.1% *
FDI (in mln\$, 2007)	459
FDI (% of GDP, 2007)	10.2%

*Approximately 25% of working-age Moldovans are employed abroad.

Employment, Skills, and Productivity

Labor force (m, 2007)	1.3
Labor force growth rate (% , 2006, manufacturing sector)	NA
Labor Productivity (GDP per employee, 1990 US\$)	NA
Labor Productivity Growth Rate (% p.a., 2000-2004)	2.8%
Literacy – adult (% , 2005)	Total 99% Male 100% / Female 99%
Literacy – youth (% , 2005)	100%
Agricultural value added (% of GDP, 2007)	17%
Industry value added (% of GDP, 2007)	15%
Increase in real average monthly earnings (2007)	NA

Labor Market and Employment Challenges

Moldova's markets lack the diversification needed to deal with its rapidly increasing domestic consumption of goods and ever-higher energy prices. One consequence is Moldova's increasing trade deficit, which grew from \$1.6 billion in 2006 to \$3.3 billion in 2008 (an increase of \$1.7 billion in three years). Furthermore, the country's economy continues to rely on remittances from Moldovan nationals working abroad, the amount of which officially transferred through banks totaled more than \$1.2 billion in 2007 and over \$1.6 billion in 2008. One of the biggest challenges for the Moldovan economy is the large and increasing emigration, which has reached 25 percent of the economically active population. This phenomenon, coupled with the money sent from abroad, has decreased the labor force while increasing domestic consumption, which cannot be met without significant imports.

Structural reforms are aimed at combating the negative effects of emigration through, for example, improving the investment climate to create jobs, increasing the efficiency and management of public resources, and strengthening the social protection systems. Moldova has significantly lower levels of FDI per capita, compared to other Eastern European countries. As the country is defining the role of the government in society, Moldova has taken steps to address red tape, opaque decision-making, corruption and excessive regulation of business activity. The government has created an adequate legal base, including favorable tax treatment for investors. Under Moldovan law, foreign companies enjoy the same treatment as local companies. The country views investments as vital for

sustainable economic growth and poverty reduction. These facts certainly helped Moldova during the last year and according to the Moldova National Bank, for the first nine months of 2008, net foreign direct investments in Moldova amounted to USD 553.58 mln, an increase of 86 percent compared to the same period in 2007. Nevertheless, FDI in Moldova is far below the country's needs.

Population, Labor Force Structure, Employment, and Unemployment

(in thousands, ILO)

Age	Population (ILO, 2005)	Economically Active (ILO, 2005)	Employment (ILO, 2007)		Unemployment (ILO, 2007)	
			Male	Female	Male	Female
0-14	683.7					
15-24	701.1	152.2			12.1	8.2
25-49	1319.3	880.8			22.5	14.2
50-64	540.6	328.9			6.7	2.7
65-70*	355.6	60.3				0.1
Total 15+	2916.4	1422.2	621.5	625.7	41.3	25.2
Total	3600.1	1422.2	1247.2		66.5	

Sources Used

- IMF (2008) [World Economic Outlook Database](#), April 2008 • IMF (2008) [World Economic Outlook, Housing and the Business Cycle](#), Washington D.C.: International Monetary Fund • U.S. Department of State (2008) [Background Note: Moldova](#), June 2008 • ILO (2007) [Yearbook of Labour Statistics Time Series](#), 66th Issue, Geneva: International Labour Office • WIIW (2008) [Handbook of Statistics 2008](#) • International Monetary Fund (2008) [Moldova GDP](#). World Economic Database. Last updated April 2008 • Chamber of Commerce and Industry of the Republic of Moldova (2008) ["The Economic Situation and Investment Climate of the Republic of Moldova."](#) 10 July 2008 • World Bank (2007) [Country Brief: Moldova](#). 17 November 2008 • World Bank (2007) [Europe & Central Asia Selected World Development Indicators: Moldova](#). • United Nations (2008) [World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge](#). UN Conference on Trade and Development (UNCTAD) • IFC and the World Bank (2007) [Attracting Investment to South East Europe: Survey of FDI Trends and Investor Perceptions](#). November 2007 • World Economic Forum (2008) [Global Competitiveness Report 2008-2009](#). • Commission of the European Communities (2004) ["Country Report: Moldova."](#) Commission Staff Working Paper European Neighborhood Policy (ENP) 12 May 2004 • OECD (2003) ["Tax Policy Assessment and Design in Support of Direct Investment: A Study of Countries in South East Europe."](#) OECD Tax Centre for Tax Policy and Administration, April 2003.

Tax System and Reform

The State Tax Administration of the government of Moldova introduced the country's tax code on January 1, 1998. The code was thought to be up to international standards. However, it lacks implementing regulations and certainty regarding its application. Moldova levies a withholding tax on corporate dividends at a rate of 15 percent. The individual income tax rates on gross income range from 7 percent to 18 percent depending on the income bracket. Social insurance contributions account for 23 percent withholdings of the gross salary of employees. From 2008, all legal entities apply the 0% Corporate Income Tax rate (CIT). As Moldova has 37 operational Double Tax Treaties and around 36 operational Agreements on investments protection, multinational companies have a great opportunity to consider Moldova for tax efficient international business structuring.

Labor Force by Occupation

(in thousands, ILO *Yearbook of Labour Statistics*, 2007)

Sector	Total Employees
Agriculture, hunting and forestry	434.4
Industry (inc. mining, manufacturing, electricity/gas/water supply)	173.6
Construction	75.7
Trade; certain repair motors and goods	182.7
Hotels and restaurants	22.9
Transport, storage and communication	68.2
Financial intermediation	15.1
Real estate, renting and business activities	32.4
Public administration and defense; compulsory social security	73.7
Education	123.4
Health and social work	65.7
Other community, social and personal service activities	37.8



MONTENEGRO

Employment and Labor Market

Overview

Montenegro, a small republic on the coast of the Adriatic, is a lower-middle income country composed of approximately 678,000 people of 15 different ethnicities (of which Montenegrin is the majority, at 43.2 percent of the population). Following a decade of economic stagnation resulting from war and political uncertainty, Montenegro declared independence from Serbia in 2006, a declaration that Serbia did not dispute. Having unilaterally adopted the Euro as its currency in 2002, Montenegro has its sights set on European Union membership. The urbanization and industrialization that occurred during the republic's time as a member of Yugoslavia still forms the basis of the Montenegrin economy, though a revival of tourism has become an increasingly important factor. In order to promote the growth of tourism as well as continued successful reform aimed at EU membership, the government of Montenegro needs to improve its infrastructure and increase job opportunities.

Key National Data: Montenegro

Total population (th, 2008)	678
Population growth rate (% , 2008)	3%
Urban population (% of total, 2005 est.)	61%
Percentage of population below poverty line (CIA, 2007)	7%
GDP (\$ bln, 2006 (PPP))	3.5 (7.2)
GDP per capita (\$, 2007, \$PPP)	5,995.5 (9,034)
Real GDP growth rate (% , 2007-2008)	8%
Inflation (% , 2007)	8.4%
Unemployment rate (2007 est.)	14.7%
FDI (net, bln \$, 2007)	1.38
Increase in FDI from 2007 to 2008	15%

Employment, Skills, and Productivity

Labor force (th, 2006)	290.8
Labor force growth rate (% p.a., 2005 – 2007)	2.6%
Labor Productivity (GDP per employee, 2008 US\$)	NA
Labor Productivity Growth Rate (2007, %)	11%
Skills – doctors/100,000 population (2000-04)	NA
Literacy – adult (% , 2003)	Total 97.7% Male NA / Female NA
Literacy – youth (% , 2003)	99.3%
Agricultural value-added (% of GDP, 2007)	8.4%
Increase in real average monthly earnings (2007)	15%

Labor Market and Employment Challenges

Montenegro has rigid labor restrictions that hinder overall growth of employment and productivity. That contributes to the high unemployment rate in the country, as the non-salary cost of hiring a new employee is relatively high. Montenegro's officially reported unemployment rate is 14.7 percent in 2007, with a youth unemployment rate of 38.3 percent in the same year – more than double the national rate. There has been little investment in school infrastructure, vocational technical education, and job training. Montenegro needs to improve its workforce development programs in order to align itself with quality and productivity guidelines put forth in the European Employment Strategy.

Additionally, there is an imbalance in the labor market regarding minorities in Montenegro. A large share of the country's unemployed, poor ethnic minorities and refugees are concentrated in economically disadvantaged, rural zones (mainly, the northern and central parts of Montenegro). As ETF notes, social exclusion is basically institutionalized in the country, therefore increased regional social and economic incorporation, development programs, and large-scale job-creation are needed to help integrate the entire workforce of Montenegro. Though certain gains in that direction have been registered through the rapidly burgeoning tourism industry, the employment rate is still low. Increasing the number of jobs available in

the country can be done through policies that encourage employers to hire more employees or stimulate entrepreneurship.

Population, Labor Force Structure, Employment, and Unemployment

(MonStat 2007, in thousands, %)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14						
15-24	NA	32.8 (12.5%)	12.3 (10.1%)	8 (8.8%)	5.9 (22%)	6.6 (27.6%)
25-49	NA	174.2 (66%)	80 (65.7%)	61.4 (67.%)	17 (63%)	15.7 (65.4%)
50-64	NA	54.5 (20.7%)	28 (23%)	21 (23.%)	3.8 (14.2%)	NA
65+	NA	2.4 (0.9%)	NA	NA	0.2 (0.8%)	0
Total 15+	509.6	263.7 (100%)	121.7 (100%)	91 (100%)	27 (100%)	24 (100%)
Total	638	263.7	212.7		51.1	

Social security contributions are due by both the employer and the employee. These contributions are made to pension, health, and unemployment security. The employees' contributions are withheld by the employer from gross wages, whereas employers' contributions are a portion of operating expenses. Though the system of taxation and collection has undergone substantial reforms (including the aforementioned tax reductions, as well as the introduction of VAT), it still needs reforms in order to comply with EU standards. Problems include discriminatory tax collection—fueled by widespread corruption among tax collectors—, fraud, and tax evasion.

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Tax System and Reform

In December 2006, the parliament of Montenegro approved a flat-tax regime to replace the previous two- and three-tier tax systems in place for corporate and personal incomes, respectively. The income of both foreign and domestic companies is now taxed at 9 percent—the lowest corporate tax rate in the region. Personal income is taxed at a rate of 15 percent, with plans to reduce this tax to 12 percent in 2009 and further to 9 percent by 2010. If this plan is implemented, the corporate and personal income tax rates will be equal, as well as lower than other countries in the region (e.g., Macedonia, with a unified tax of 10 percent).

GDP and Labor Force by Industry

(Statistical Office of Montenegro, 2005 / 2007)

Sector	GDP share (2005)	Total Employees* (2005 / 2007)
Agriculture, hunting, forestry and fishing	10.4%	2,884 / 2,698
Mining	1.7%	4,079 / 3,753
Manufacturing industry	9.8%	25,971 / 25,697
Electricity, gas and water supply	5.6%	5,496 / 5,594
Construction	3.6%	7,563 / 6,647
Wholesale, retail trade, repair of motor vehicles	12.5%	23,789 / 30,750
Hotels and restaurants	3.5	11,110 / 11,307
Transport, storage and communication	11.3%	13,745 / 11,358
Financial intermediation	2.9%	3,014 / 3,143
Real estate, renting, services	13.9%	5,067 / 5,354
Public administration, defense, compulsory social sector	10.9%	9,524 / 17,575
Education	5.1%	12,974 / 12,687
Health and social welfare	5.4%	11,200 / 12,004
Other social and personal services	3.5%	7,924 / 7,841

* In thousands



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REPUBLIC OF MACEDONIA

Employment and Labor Market

Overview

Economic growth in Macedonia has been steady in 2007 and 2008, led by stronger domestic demand and increasing foreign direct investment (FDI). The government has been very prudent in keeping inflation low, averaging less than 1 percent from 2002 to 2006, sometimes with periods of deflation. Since 2007, however, inflation has been rising due to external shocks, as well as oil and food price increases. In 2008, inflation was 10 percent. Overall, the Macedonian economy is exposed to external vulnerabilities and internal macroeconomic pressures such as widening current account deficit and wage and pension pressures.

Key National Data: Macedonia

Total population (m, 2007)	2
Population growth rate % per annum (2007)	0.1%
Urban population (share of total, %, 2007)	57.8%
Gross Domestic Product (\$ bn, 2007)	7.7
GDP per capita (\$, 2007 / \$PPP, 2007)	3,751 / 8,491
GDP growth rate (2007, % p.a.)	5%
Inflation rate (2007, % p.a. IMF)	3.8%*
Unemployment rate (ILO, 2007)	34.9%
Percent of Population living Under the national poverty line (2007)	29.4%
FDI (in mln \$, 2006)	351

Employment, Skills, and Productivity

Labor force (m, 2007)	0.9
Labor force growth rate (% p.a., 2007)	1.7%
Labor Productivity (GDP/ hour, 2007, US\$)	NA
Labor Productivity Growth Rate (% , 2008)	5.5%
Skills – doctors/1,000 population (2007)	2.5
Literacy – adult (% , 2006)	Total 96.8% Male 98.5 / Female 95.2
Literacy – youth (% , 2005)	98.7%
Agricultural value-added per worker 2004 (2000\$ PPP)	\$3,545
Increase in monthly earnings in real terms (average, entire workforce 2008)	4.6%

Labor Market and Employment Challenges

Macedonia has the highest unemployment rate in Europe. Even as part of Yugoslavia, the country experienced two-digit unemployment rates since the 1980s, suggesting that unemployment is of a structural rather than transitional character. Macedonia's high unemployment rate is due largely to labor market inflexibility and systematic problems such as an education system that is not responsive to the needs of the labor market, inefficient privatization, weak institutions, and a poor general business environment that stifles investments in new or expanding businesses. The main characteristic of unemployment in Macedonia is that the typical Macedonian unemployed person has been unemployed for a long time, is possibly a discouraged worker, and has a low level of education and skills that do not fit with labor demand. The skills gap is a pressing issue for the Macedonian labor market. In 2004, 50 percent of the unemployed had less than a secondary education. Youth unemployment was at 57.3 percent in 2007, which is significantly higher than the already soaring national rate. Unemployment across gender lines is close to parity with 34.5 percent among men and 35.5 percent for women.

The official number of registered unemployed overestimates the true number of unemployed, as many workers are registered as unemployed to take advantage of social, health, and unemployment insurance benefits, while actually they are working in the informal sector. Two major factors hamper job creation in Macedonia. First, the labor costs imposed by high personal income tax and social contributions are extremely burdensome and discourage employers from hiring. As a relief in that direction, in 2009, the concept for gross salary was introduced and the amount of the social contributions was decreased, yet, efforts here need to be consistent in order to encourage businesses to employ new workers.

Population, Labor Force Structure, Employment, and Unemployment
(in thousands, ILO, 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Men	Women	Men	Women
0-14						
15-24	326	117	NA	NA	42	25
25-49	755	596	NA	NA	111	85
50-64	352	186	NA	NA	36	17
65+	196	8	NA	NA	0.2	0.03
Total 15+	1,629	907	359	231	189	128
Total	2,000	907	590		317	

Second, the system tends to discourage flexible forms of employment, e.g. part-time employment, with a high tax wedge on low income wages and self-employment income, as well as by restricting access to the social insurance system for these types of income generating activities. According to the Heritage Foundation, Macedonia's labor freedom index (the ease and cost of hiring and firing workers) is 59.8 percent (the worst in the region) - the non-salary cost of employing a worker is very high, and

laying-off a worker is difficult (with the latest amendments on the Law on Labor Relation from 2008, the laying-off procedure has been eased). Furthermore, labor regulations in Macedonia are burdensome and rigid. Combined, these policies have produced a three-tier employment market: some workers are fully employed in the formal market, covered for both tax and social insurance; some are engaged on contractual basis; and some are employed informally, paying neither taxes nor insurance, and lacking the benefit of the social protection system.

Employment and unemployment also show significant variations across minorities. All minorities groups are participating in the labor market at a rate notably less than their share of the population. In particular, the biggest minority group – the Albanians – participates to a lesser degree in the formal labor market, and to a greater extent in the informal labor market.

Macedonia has begun to shift away from low productivity, low wage sectors towards the service sector and human capital production (education and training), albeit at a slow pace.

Taxation

The personal income tax rate in Macedonia is a flat 10 percent. The social contributions are 32 percent of wages, paid entirely by the employer (2005) and are deemed to be one of the main obstacles to job creation.

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GDP and Labor Force by Industry
(Macedonian State Statistical Office, 2006; ILO, 2006)

Sector	GDP share	Total Employees*
Agriculture, hunting, forestry and fishing	10.8%	108
Mining		5
Manufacturing industry	20.2%	126
Electricity, gas and water supply		16
Construction	5.7%	38
Wholesale, retail trade, repair of motor vehicles		83
Hotels and restaurants		17
Transport, storage and communication		35
Financial intermediation		9
Real estate, renting, services	46.4%	16
Public administration, defense, compulsory social sector		41
Education		34
Health and social welfare		33
Other social and personal services		25

* In thousands (% of total employees)



RUSSIA

Employment and Labor Market

Overview

The Russian Federation, with an area of 6.5 million square miles, has abundant natural resources. Minerals and natural gas are the country's main exports and employ a large number of workers, both directly and indirectly. Over the past nine years, the Russian economy has grown at an average of 7% annually, predominantly due to economic reforms and high commodity prices. This growth helped the government to build the world's third-largest foreign exchange reserves as a buffer against commodity price fluctuations. Yet, reforms in the banking and tax sectors, as well as prudent fiscal policy, did not spare the Russian economy from the effects of the global financial crisis. In the last quarter of 2008, overall productivity decreased significantly, resulting in a 0.4 percent reduction in GDP in October alone. Especially considering the current global financial downturn, the need for continued reforms remains, specifically in areas of financial regulation, civil service organization, and government monopolies such as the railroad and gas industries.

Key National Data: Russia

Total population (m, 2008)	142.2
Population growth rate % per annum (2008)	-0.5%
Urban population (share of total, 2008, %)	73%
Percentage of population below the poverty line (2002)	20%
Gross Domestic Product (\$ bln, 2007)	1290
GDP per capita (\$, 2007, \$PPP)	14800
GDP growth rate (% , 2007)	8.1%
Inflation rate (% , 2008)	13.3%
Inflation rate (consumer prices, %, December 2008)	0.7%
Unemployment rate (2007)	6.1%
FDI (in bln\$, 2007)	52.5

Employment, Skills, and Productivity

Labor force (m, 2007)	75.1
Labor force growth rate (% , 2006, manufacturing sector)	NA
Labor Productivity (GDP per employee, 1990 US\$)	NA
Labor Productivity Growth Rate (% p.a., 2000-2004)	3.7%
Industrial Production Growth Rate (2007)	7.4%
Literacy – adult (% , 2008)	Total 99% Male 100% / Female 99%
Literacy – youth (% , 2007)	99.8%
Agricultural value-added (bln\$, 2005)	36.4
Increase in real average monthly earnings	NA

Labor Market and Employment Challenges

Russia's official unemployment rate is 6.1 percent of the economically active population. Notwithstanding this relatively high rate, Russian businesses are short of skilled workers. State employment agencies report more than one million vacancies. The major challenge, therefore, is to rectify this skills mismatch and fill jobs through job skills training.

A continuing concern for the Russian government is the country's low birth (11.03 births/1,000 population [2008 est.]) and high death (16.06 deaths/1,000 population [2008 est.]) rates, especially among working age males). Such discrepancies, coupled with emigration, have caused a significant annual decrease in the country's population, which has declined by 6.6 million since 1993. While the government has begun to implement population policies to provide incentives for childbearing, little has been done to discourage Russian workers from emigrating.

With Russian companies now reporting decreased orders, unemployment is rising. Companies are introducing wage or hour cuts—and even layoffs—to deal with such sharp declines. As much as 53 percent of the rural population is unemployed. Even more dire, however, is the production decline in Russia's oil industry. Oil and natural gas account for almost 80 percent of the country's exports, and with the price of oil and other commodities falling well below Russian expectations (the government based its 2009 budget on \$70 per barrel for oil), the economy is extremely vulnerable. The loss of export revenue is depleting Russia's "rainy day" fund of billions of dollars and leaving little, if anything, for the

government to invest in infrastructure. Russia's manufacturing base requires broad ranging modernization and this sudden drop in resource availability undercuts investing to improve worker safety, as well as productivity and overall efficiency.

Russia continues discussions and piecemeal reforms toward WTO accession. However, corruption, weak law enforcement, the arbitrary implementation of conditions related to FDI, and antiquated infrastructure are creating obstacles to this endeavor.

Population, Labor Force Structure, Employment, and Unemployment

(in thousands, ILO, 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14	20852					
15-24	23365	9570			758	630
25-49	53465	48377			1349	1222
50-64	24661	15958			329	273
65+	19772	1253			16	11
Total 15+	121263	75159	35650	34920	2453	2136
Total	142115	75159	70570		4589	

Tax System and Reform

In 2000 and 2001, the Russian government reformed the country's tax code, implementing a 13 percent flat tax rate for individuals who are Russian citizens. Corporations have two taxes: a federal tax of 6.5 percent, in addition to a regional tax of 17.5 percent, with a maximum tax of 24 percent. This new simplified tax system serves to ease the payment and collection of taxes. Non-residents are taxed at a rate of 30 percent. Individuals pay taxes only on income earned in the Russian Federation. Employers pay all social security contributions to the state on behalf of their employees, giving nearly 3 percent each to the social insurance fund and the obligatory federal and local health insurance fund. Pension fund payments are funded by income taxes, paid by the employer, of up to 14 percent, depending on the individual's income.

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Labor Force by Occupation

(in thousands, WIIW *Handbook of Statistics 2008, 2007*)

Sector	GDP Share	Total Employees
Agriculture, hunting fishing and forestry	4.1%	6902
Industry (inc. mining, manufacturing, electricity/gas/water supply)	28%	14320
Construction	5.1%	5268
Trade; certain repair motors and goods	17.7%	11777
Hotels and restaurants	0.8%	1214
Transport, storage and communication	8.1%	5439
Financial intermediation	4.1%	1044
Real estate, renting and business activities	8.9%	5034
Public administration and defense; compulsory social security	4.5%	3551
Education	2.4%	5988
Health and social work	2.9%	4588
Other community, social and personal service activities	1.7%	2555



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SERBIA

Employment and Labor Market

Overview

Since 2001, Serbia has undertaken an ambitious program of economic reforms, including macroeconomic stabilization, liberalization of foreign trade and domestic prices, privatization, and restructuring of the banking system. The economy grew steadily through 2007 and 2008 with inflation falling markedly. However strong, the economic growth is imbalanced, boosted by increase in wages, credit, and public spending. Structural reforms and privatization have been slow and the government has been adhering to rather loose fiscal policy. Foreign Direct Investment (FDI) levels dropped from \$4.5 billion in 2006 to \$2.2 billion in 2007, which inevitably affects job creation and the labor market in the country.

Key National Data: Serbia

Total population (m, 2007)	7.6
Population growth rate % per annum (2007)	-0.4%
Urban population (share of total, %, 2002)	56.5%
Gross Domestic Product (\$ bn, 2007)	39.9
GDP per capita (\$, 2007 / \$PPP, 2007)	5,387 / 10,071
GDP growth rate (2008 IMF est., % p.a.)	6%
Inflation rate (2007, % p.a. IMF)	6.8%*
Unemployment rate (2007)	18.1 %
Percent of Population living Under the national poverty line (2007, CIA)	6.5%
FDI (in bln USD, 2007)	2.2

Employment, Skills, and Productivity

Labor force (m, 2006)	3.2
Labor force growth rate (% p.a., 2007)	-2.5%
Labor Productivity (GDP/ hour, 2007, US\$)	NA
Labor Productivity Growth Rate (Statistical Office of Serbia, %, 2007)	12.4%
Skills – doctors/10,000 population (2002)	31
Literacy – adult (% , 2002)	Total 96%
	Male 99 / Female 94
Literacy – youth (% , 2002)	99%
Agricultural value-added per worker 2004 (2000\$ PPP)	\$1,753
Increase in monthly earnings in real terms (average, entire workforce, 2004 data valid for Serbia and Montenegro)	10.9%

Labor Market and Employment Challenges

In an attempt to address labor market challenges strategically, achieve sustainable employment growth, and attract FDIs, in 2005, the Government adopted the *National Employment Strategy 2005-2010*. Yet, four years into its implementation, the labor market in Serbia is characterized by lack of flexibility, and substantial legal, administrative, and institutional barriers, coupled with bloated public and private sector wages that surpass productivity levels. The labor force shrunk in two consecutive years – 2006 and 2007, whereas unemployment for the same period increased. General employment has been decreasing since 2001, which is not due to emigration like in other Eastern European countries (the EU labor market is not open to Serbia yet), but is due to the ongoing process of privatization and restructuring that has resulted in redundancies. Despite its consistent growth, the private sector is unable to absorb the redundant workers, which is one of the consequences of Serbia's rigid labor market. Another such consequence is that workers from less productive sectors of the economy cannot move to productive ones.

The numbers for the registered unemployed are not reliable because some people register as unemployed to receive the unemployment insurance related benefits, (mainly health insurance) but continue to

work in the informal sector. Less than half of the workforce has permanent employment in the formal sector. Out of the 21 percent registered unemployment in 2006, only about a third (8 percent) were receiving unemployment benefits/social assistance through the National Employment Service. Many people have developed a survival-lifestyles characterized by multiple employments, readily switching between employment and unemployment, as well as between formal and informal activities, as opportunities become available.

Population, Labor Force Structure, Employment, and Unemployment
(in thousands, ILO, 2007)

Age	Population	Economically Active	Employment		Unemployment	
			Men	Women	Men	Women
0-14	1,202					
15-24	878	292	NA	NA	72	56
25-49	2,332	1,977	NA	NA	156	199
50-64	1,698	840	NA	NA	61	40
65+	1,448	131	NA	NA	1	0.4
Total 15+	6,357	3,241	1,546	1,110	290	296
Total	7,559	3,241	2,656		586	

Youth unemployment was 43.7 percent in 2007 - 2.5 times the national average. As the European Training Foundation 2008 report points out, one in three young Serbs take more than two years to get their first job after leaving school. That indicates a gap between education on one side, and the labor market and the business community on the other, as well as the marginalized role of vocational training.

Regional imbalances are one of the most outstanding labor market concerns for Serbia with Belgrade and Vojvodina in sharp contrast to Central Serbia and rural regions in terms of job creation, unemployment, and wages. Between 2000 and 2005, Belgrade increased its share of GDP from 27.9 to 34 percent, Vojvodina from 30.7 to 31.2 percent, while Central Serbia's share of GDP fell from 41.1 to 34.8 percent.

GDP and Labor Force by Industry
(Statistical Office of Serbia, 2006; ILO, 2006)

Taxation

Serbia has a 12 percent flat tax rate on personal income from wages. Social security contributions are an additional tax on wages as follows: 11 percent for pensions and disability insurance, 6.2 percent for health insurance, and 0.8 percent for unemployment insurance.

Sector	GDP Share	Total Employees*
Agriculture, hunting, forestry and fishing	9.6%	540
Mining	14.3%	31
Manufacturing industry	15.6%	519
Electricity, gas and water supply	3.7%	62
Construction	4.1%	159
Wholesale, retail trade, repair of motor vehicles	11%	407
Hotels and restaurants	1.1%	85
Transport, storage and communication	7%	151
Financial intermediation	2.8%	43
Real estate, renting, services	14%	70
Public administration, defense, compulsory social sector	3.4%	143
Education	4%	130
Health and social welfare	5%	174
Other social and personal services	2.6%	110

* In thousands

Sources Used

WiiW (2008) *Handbook of Statistics 2008* • World Bank (2008), [World Development Indicators Database 2008](#) • ILO ([LABORSTA data and statistics, 2007](#)) • IMF (2008) *World Economic Outlook, 2008* • World Bank, [Ed Stats - Serbia](#) • Statistical Office of Serbia(2008) *Statistical Yearbook 2008* • IMF (2007) [Serbia-2007 Article IV Consultation, Concluding Statement of the Mission](#) • World Bank (2004) *Republic of Serbia – An Agenda for Economic Growth and Employment*, Country economic memorandum, December, 2004 • KPMG (2008), [Individual Income Tax Rate Survey 2008](#) • IOM(2007) [Labor Market Survey Serbia, Third Annual Review](#) • European Training Foundation (2008) [Transition from Education to Work in EU Neighbouring Countries](#) • European Training Foundation (2006) [Labor Market Review of Serbia 2006](#) • Economic Commission for Europe Statistical Division - UN/ECE (2008) • CIA (2008)[World Factbook](#) • Nation Master, [Agricultural Value Added per Worker](#)



UKRAINE

Employment and Labor Market

Overview

Ukraine's fertile black soil produced more than one-fourth of all the agricultural output of the Soviet Union until 1991. Following the dissolution of the Soviet Union, Ukraine's output and economy declined sharply for eight years, largely due to lack of reform and structural imbalances. These reforms are still incomplete, leaving the economic structure distorted and the capital markets underdeveloped. Some modest improvements have occurred since 2000 with average GDP growth of 4.7 percent annually. This growth has helped improve welfare and lower the unemployment rate. The country joined the WTO in May 2008, a membership that is expected to increase living standards and investment in Ukraine through expanded free trade agreements. Ukraine, however, is currently feeling the effects of the global economic downturn (Ukraine received a \$16.4 billion IMF loan in November 2008) and needs to complete the implementation of various reforms in order to ensure continued economic growth.

Key National Data: Ukraine

Total population (m, 2008)	46.4
Population growth rate % per annum (2000-2006)	-0.6%
Urban population (share of total, 2008, %)	68%
Percentage of population below the poverty line (2005)	27.1%
Gross Domestic Product (\$ bn, 2007)	324.8
GDP per capita (\$, 2005, \$PPP, 2005)	7000
GDP growth rate (2000-2005, % p.a.)	4.7
Inflation rate (2000-2005, % p.a.)	2.2 % p.a.
Inflation rate (2005-2007, % p.a. IMF est.)	3.7*
Unemployment rate (2007)	2.3%
FDI (in bln\$, 2007)	26.9

Employment, Skills, and Productivity

Labor force (m, 2007)	21.6
Labor force growth rate (% , 2006, manufacturing sector)	-0.3%
Labor Productivity (GDP per employee, 1990 US\$)	NA
Labor Productivity Growth Rate (2007)	14.8%
Skills – doctors/100,000 population (2000-04)	NA
Literacy – adult (% , 2005)	Total 99% Male 100% / Female 99%
Literacy – youth (% , 2005)	100%
Children (5-14) working (% , 1999)	Total 2.4% Male 3.0% / Female 1.8%
Agricultural value-added per worker 2006 (2000\$ PPP)	\$8201.20
Increase in real average monthly earnings (2007)	15%

Labor Market and Employment Challenges

Though GDP growth over recent years has lowered the unemployment rate, there has been no increase in formal employment. Employment increased in the informal sector, especially in rural areas.

Ukraine has a healthy system of natural resource-based exports. Its largest and most profitable industry, steel, constitutes almost 40 percent of Ukraine's exports and the steel sector employs more than 500,000 people. Due to falling steel prices, tens of thousands of steel workers in Ukraine are due to be laid off in the coming year. The government is attempting to moderate these layoffs through international mediation with world metal producers and also through economic trade diversification.

In the second half of 2007, the government tightened monetary conditions in an effort to deal with high inflation. Inflation remains an immediate challenge for policy makers. In the first quarter of 2008, consumer prices rose by 31.1 percent. The main contributor was soaring food prices (which peaked at 50 percent). The recent wage increase allowed wage levels in Ukraine to better match productivity. Future wage increases, however, would be rather harmful to the economy as wage increases above productivity rates undermine Ukraine's competitiveness in international markets.

On the other hand, moderate wages increase or lack thereof could cause Ukrainians to seek better-paying employment in foreign countries (the top four recipients of Ukrainian nationals are Russia, Belarus, Germany, and the United States). Together, emigration and low birth rates have led to a

decline in population and a significant decrease in the labor force. The slow down in the population growth rate has moderated since 2001.

Population, Labor Force Structure, Employment, and Unemployment

(in thousands, ILO, 2005)

Age	Population	Economically Active	Employment		Unemployment	
			Male	Female	Male	Female
0-14						
15-24	7491.7	3011.7	1451.2	1112.2	221	166.8
25-49	17021.7	14244.5	6754	6524	431.2	413.8
50-64	8075.9	4392.9	2113.1	2094.5	118.5	66.3
65-70*	3251.2	631.7	288.4	342.6		
Total 15+	35840.5	22280.8	10606.7	10073.3	770.7	646.9
Total	35840.5	22280.8	20680		1417.6	

*The retirement age for women is 54, for men 59.

employers pay social security contributions in the following levels: 31.8 percent to pension funds, 2.9 percent to social security funds, and 1.3 percent to employment insurance funds. Prizes and winnings are taxed at 30 percent and revenue from the sale of property at 5 percent. Income from the sale of a house is taxed at one percent, while inheritance received (by immediate family member) is not taxed at all. Reforms under discussion include consolidating the many tax laws into a single, all-encompassing tax code in order to simplify administration and help improve compliance.

Tax System and Reform

Ukraine's tax system remains cumbersome due to rapid and unpredictable changes. Frequently revised tax laws are poorly worded, and thus, ambiguous. In a recent study by PricewaterhouseCoopers and the World Bank, Ukraine was deemed one of the most complicated countries in which to pay taxes. Corporate profits are taxed at 25 percent, while personal income tax is 15 percent (as well as rental profits and investment revenue). Ukrainian

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Labor Force by Occupation

(in thousands, WIIW *Handbook of Statistics 2008, 2007*)

Sector	GDP Share	Total Employees
Agriculture, hunting and forestry	6.6%	3484.5
Industry (inc. mining, manufacturing, electricity/gas/water supply)		3973.0
Construction	4.5%	1030.2
Trade; certain repair motors and goods	12.8%	4564.4
Hotels and restaurants		
Transport, storage and communication	9.6%	1451.9
Financial intermediation	5.4%	344.4
Real estate, renting and business activities	8.2%	1134.7
Public administration and defense; compulsory social security	4.5%	1036.4
Education	5.1%	1693.7
Health and social work	3.2%	1359.0
Other community, social and personal service activities		832.5