



Progress at Risk

Inequalities and Human Development
in Eastern Europe, Turkey, and Central Asia

*Empowered lives.
Resilient nations.*





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Resilient nations.*

REGIONAL HUMAN DEVELOPMENT REPORT 2016

PROGRESS AT RISK: Inequalities and Human Development in Eastern Europe, Turkey, and Central Asia

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United Nations Development Programme
Istanbul Regional Hub, Regional Bureau for Europe and the CIS

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ISBN: 978-92-95092-94-5

Editing and production: UNDP Istanbul Regional Hub, Regional Bureau for Europe and the CIS
Cover design, information design and data visualization: Ersoy-Ersoy Design Group

Cover image: James Brey/iStock/Getty Images ©

Abstract

Many of the countries and territories of Eastern Europe and Central Asia report relatively low levels of income, gender, and other socio-economic equalities. Despite the hardships of the region's post-1990 socio-economic transitions, official data indicate that, since 2000, income inequalities in most of the region have been low or falling—helping to reduce poverty and allowing the region's middle classes to stage a comeback. However, a closer look at these data suggest less optimistic conclusions. Moreover, the expansion of informal, vulnerable, and precarious employment is combining with growing gaps in social protection systems, "double burdens" on working women, and (in some of the region's less wealthy countries) pressures on household food and energy security to increasingly put these accomplishments at risk. Matters are further

complicated by the socio-economic pressures experienced by many vulnerable households, in countries where low commodity prices and slow growth in Europe and Russia are depressing employment prospects and remittances. This report examines the human development aspects of these challenges, within the context of the Sustainable Development Goals and the global Agenda 2030 promise to "leave no one behind". It calls for better measurement of inequalities and sustainability in official statistics, the expansion of care services to address gender-based labour market exclusion, reductions in tax burdens on labour, and expanding fiscal space via reductions in fossil fuel subsidies and increased collection of taxes on illicit financial flows and other goods and services with negative socio-environmental externalities.

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Foreword

Global narratives on inequalities and how best to address them have not yet fully connected with the transition and developing economies of Europe, Turkey, and Central Asia. This is partly because of the region's post-socialist heritage, which left relatively equal distributions of income, relatively broad access to social services, and relatively small gender disparities. Unfortunately, there are worrying signs that these advantages are being lost—and that problems of inequality and vulnerability are growing and converging with those of other regions.

This is occurring at a time when countries are beginning the national implementation of the global sustainable development Agenda 2030. This agenda, and its associated Sustainable Development Goals (SDGs), call *inter alia* for governments and their international development partners to ensure that "no one is left behind". But with low commodity prices and shrinking remittances, and slow growth in Russia and Europe, too many income- and employment-generation opportunities in the region are disappearing (IMF, 2006). In some of the region's poorer countries, more than half of the labour force is working in precarious or informal jobs and are not covered by social protection. Women are particularly vulnerable in these respects, as they are more likely to be outside of the labour force, or to be engaged in agriculture or other precarious work. Labour migrants, Roma and other ethnic minorities, and people living with HIV/AIDS or disabilities, are also facing serious risks. Governments in many countries are finding "leaving no one behind" to be increasingly difficult.

This report is intended to address these gaps. It explains how—despite relatively equal distributions of income, broad access to social services, and small gender disparities—many countries of this region are facing growing threats to their human development accomplishments. The report shows how popular concerns about inequalities—in terms of income and wealth, but also equality before the law—seem to be on the rise in many countries. It identifies key policy reforms and programming areas for more effective responses to the region's inequality challenges.

In keeping with the human development paradigm, the report puts people at the centre of the analysis. It shows how women, children and youth, ethnic minorities, people living with HIV, workers without decent jobs, and members of other vulnerable groups are more likely to experience unequal development opportunities and outcomes. The report also calls for ensuring that measures intended to leave no one behind today do not harm future generations' development prospects.

To respond to these threats, the report calls for reductions in the region's high taxes on labour, to be offset by higher taxes on environmentally unsustainable activities and more vigorous efforts to capture illicit financial flows for state budgets. It advocates greater investments in institutional capacity—particularly for national statistical offices, but also for ministries of labour, health, and social protection, and for courts, anti-corruption agencies, and human rights protection bodies. The report calls for expanded fiscal outlays on social services and active labour market policies, to reduce labour market exclusion and close gaps in social protection coverage. And it does so in ways that can help governments to apply the relevant portions of Agenda 2030—particularly SDGs 3 ("ensure healthy lives"), 5 ("achieve gender equality"), 8 ("promote full, productive employment and decent work"), 10 ("reduce inequalities between and among countries"), and 16 ("build effective, accountable, and inclusive institutions").

At UNDP we are pleased that this report has benefitted from contributions, suggestions, and support from many important partners. These include especially the representatives of the numerous organizations who provided feedback on the report at UNDP's Istanbul Development Dialogues (2016): #TalkInequality regional forum. We are also grateful for comments received from members of the Regional UNDG (UN Development Group) Team and Regional Coordination Mechanism for Europe and Central Asia.



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Acknowledgements

Contributors to this report include Elisabetta Addis, Bengi Akbulut, Ruth Bell, George Bouma, Joanna Brooks, Ayse Bugra, Stamatisios Christopoulos, Elena Danilova-Cross, Predrag Duric, Vesna Dzuteska-Bisheva, Brett Ellingham, Barbora Galvankova, Lika Gamgebeli, Christoph Hammelmann, Rafkat Hasanov, Envesa Hodzic-Kovac, Benedikt Hosek, Ipek Ilkkaracan, Shelley Inglis, Mastona Khalilova, Tamar Khitarishvili, Kijong Kim, Rosemary Kumwenda, John Macauley, Sheila Marnie, Zlatko Nikoloski, Caleb Odorfer, Jasmina Papa, Mihail Peleah, Brett Romero, Bharati Sadasivam, Ben Slay, Niina Tenhio, Arkadii Toritsyn, and Esther Werling.

Advisory board members and peer reviewers included Viktor Baramia (Europe Foundation), Anna Chernova (Oxfam), Gordana Matkovic (Center for Social Policy), Chris Murgatroyd (UNDP), Costa Palicarsky (UNODC), Zaza Namoradze (OSF), Michael Fembek (Zero Project), Zarko Sunderic (Center for Social Policy), Sally Ann Way (OHCHR), and Candice Welsch (UNODC).

The receipt of comments and suggestions from Almudena Fernandez, Jonathan Hall, Eva Jespersen, Thangavel Palanivel, Elena Panova, Sarah Renner, and Rastislav Vrbensky, is gratefully acknowledged.

Additional support in the report's finalization and dissemination from Tahmina Anvarova, Karen Cirillo, Thomas Dedeurwaerdere, Nicolas Douillet, Mehmet Erdogan, Paolo Galli, Christine Harrop, Asli Hekimoglu, Josy Philogene, Jan Szczyciński, Faik Uyanik, and Louisa Vinton is also gratefully acknowledged. The translation into Russian was performed by Anna Sokol.

This paper does not necessarily reflect the views of the United Nations Development Programme, the United Nations, or its Member States.

Executive summary

- **Following increases registered during the 1990s, significant reductions (or low overall rates) of income inequalities have been reported in much of the region.** Official data point to low or falling income inequalities in Belarus, Kazakhstan, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Turkmenistan, Ukraine, and Uzbekistan. This seems to have helped economic growth to reduce poverty in these countries/territories. In some other countries, however, high or rising levels of income inequality have slowed progress in poverty reduction. This underscores how—in addition to being desirable in and of themselves—low or falling income inequalities are central to prospects for poverty reduction in the region.
- **Progress in reducing income inequalities is now being put to the test** across the region. The combination of low commodity prices, falling remittances, and slow or negative growth on key European and Russian export markets is putting pressures on GDP in general, and on vulnerable households in particular. This poses new challenges as the implementation of the global sustainable development agenda 2030 begins in the region.
- **Data and indicator problems with measuring inequalities, and their links to social exclusion and environmental sustainability, in the region are significant.** These apparent downward biases in measurements of income inequalities—particularly in terms of undercounting the income shares accruing to the wealthiest households. They are apparent in the fact that many of the countries in the region seem unprepared to report on the indicators that are to be used to measure global progress on Sustainable Development Goal 10 (“reduce inequalities within and between countries”). They are apparent in gender equality indicators, some of which present artificially favourable pictures of women’s health status by comparisons with men—who, in a number of countries in the region, are displaying particularly worrisome mortality trends. They are apparent in labour-market indicators, which often blur the fact that differences in disparities between those who are employed are sometimes greater than disparities between those who are working and those who are not. And they are apparent in the absence of well accepted definitions, indicators, and data for natural capital and environmental sustainability.
- **Labour market inequalities and exclusion lie at the heart of the region’s inequality challenges.** This is the case both in terms of labour markets *per se*, and because access to social protection is often linked to formal labour market participation. People without decent jobs face much higher risks of poverty, vulnerability, and exclusion from social services and social protection. Women, young workers, migrants, the long-term unemployed, people with disabilities, Roma, and others with unequal labour market status are particularly vulnerable to these risks. While trends are improving in some countries and for some groups, in others, labour market inequalities are increasing.
- **Four directions in labour market inclusion are particularly important:** (i) reducing *de facto* tax burdens on labour; (ii) boosting the institutional capacity of labour market regulatory institutions, in order to better protect workers’ rights; (iii) easing those labour market regulations that cannot be effectively enforced, and often drive employment into the informal sector; and (iv) increased investment in active labour market policies, vocational education, and other measures to increase worker productivity and improve access to formal sector jobs.
- **Policy linkages between labour markets and social protection need to be strengthened.** While poorly designed social policies can reduce incentives for labour market participation and hiring, this is not a justification for reducing social protection spending and coverage. Instead, wherever possible, the taxation of labour to fund social benefits needs to be supplemented by other funding sources. These may include: (i) higher taxes on environmentally unsustainable activities; (ii) reductions in budget subsidies that accrue to the wealthy, or which support environmentally unsustainable activities; (iii) more aggressive measures to reduce the illicit financial flows, and with them the diversion of budget revenues to tax havens; and (iv) more

robust direction of budgetary procurement and contracting resources to companies that explicitly promote social inclusion (e.g., social enterprises). National social protection floors can be good platforms for addressing these issues.

- **While the region compares favourably to many other developing countries in terms of gender equality, it also lags behind global best practices in many areas.** Moreover, pre-1990s levels of gender equality that had been attained in many countries—many of which featured relative equality between men and women—have come under growing threat. Gender-based inequalities tend to magnify the impact of, other forms and dimensions of inequalities, based on class, race, age, ethnicity, disability, occupation and income. Unequal labour market outcomes in particular can have major implications for broader gender inequalities and the exclusion of women.
- **Development outcomes in the region are strongly influenced by access to quality health care, which is determined by the social, economic, and environmental determinants of health.** Non-communicable diseases account for 86 percent of premature mortality in the region, and are largely responsible for the lagging life expectancies among men. The region has also seen the largest increase in officially recorded HIV incidence worldwide, while AIDS-related deaths have tripled over the past 15 years. Rising HIV incidence rates can serve as proxy indicators for official and societal unwillingness to address difficult but important social exclusion challenges. Inequities are apparent in exposure to other diseases, as well as in morbidity, mortality, and access to treatment; survey data point to growing numbers of people for whom access to quality medical care is restricted by formal and informal out-of-pocket charges.
- **Available data indicate that the depletion of natural capital, and environmental sustainability concerns more broadly, are largest in the region's lower-middle income countries,** particularly in the Caspian Basin. In addition to being the site of the region's (and one of the world's) largest man-made ecological disasters (the Aral Sea

tragedy), development models in many of these countries are based on the extraction and processing of non-renewable fossil fuels, minerals, and non-ferrous metals. Such models can place high (possibly unsustainable) burdens on natural capital endowments. The consequences of unsustainable resource management can be particularly difficult for vulnerable households, which in some of these countries face significant food and energy security challenges.

- **Survey data point to extensive public concerns about the quality of governance,** *inter alia* regarding perceptions of corruption and unequal status before the law. These perceptions are indicative of deep, subjective concerns about inequalities in the region that are not necessarily captured in the official data on the distribution of income or wealth. Stronger efforts to reduce corruption and strengthen the rule of law are needed to:
 - ❖ decrease the informality that deprives many workers of labour rights and access to social protection;
 - ❖ boost government budget revenues, in order to make social protection systems more sustainable;
 - ❖ provide vulnerable groups (including those who may otherwise be subject to ethnic, gender, or other forms of discrimination) with better access to justice; and
 - ❖ level commercial playing fields, to improve income-generation prospects for small entrepreneurs.



Photo: Freya Morales / UNDP



Chapter 1

Measuring income and non-income inequalities

Measuring income and non-income inequalities

Key messages

► **Following increases registered during the 1990s, significant reductions in (or low overall rates of) income inequalities have been reported in much of the region.**

Official data point to either low or falling income inequalities, in Belarus, Kazakhstan, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Turkmenistan, Ukraine, and Uzbekistan.

► **Low or falling income inequalities seem to have helped economic growth to reduce poverty** in these countries. In some other countries, however, high or rising levels of income inequality have slowed progress in poverty reduction. This underscores how—in addition to being desirable in and of themselves—low or falling income inequalities are central to prospects for poverty reduction, inclusive growth, and sustainable development in the region.

► **World Bank data indicate that the numbers of people in the region living in poverty fell from at least 46 million in 2001 to about 5 million in 2013.** The numbers of people living in extreme poverty (less than PPP\$1.90/day) dropped below 1 million during this time. Likewise, the numbers of people vulnerable to poverty (living between PPP\$3.10/day and PPP\$10/day) dropped from about 115 million in 2003 to some 70 million in 2013. By contrast, the size of the middle class grew from about 33 million in 2001 to 90 million in 2013. The numbers of relatively “wealthy” individuals (living on more than PPP\$50/day) had risen to some 32 million in 2013—most of whom were living in Turkey and Kazakhstan.

► **Available data indicate that the region’s middle classes have made a comeback** since the turn of the millennium, following declines in both absolute and relative terms during the 1990s. In much of the region, middle classes seem to have grown as the shares of national income claimed by wealthy households have declined. As of 2013, at least 80 million people in the region had achieved living standards that are broadly consistent with the bounds of the “global middle class”.

► **Data and indicator problems with measuring income inequalities in the region are significant.** These are due in part to apparent downward biases in measurements of income inequalities—particularly in terms of undercounting the income shares accruing to the wealthiest households. Moreover, the Gini coefficient—the indicator most commonly used to measure income inequalities in the region—is not on the list of proposed indicators to be used monitor the implementation of the Sustainable Development Goals (SDGs). Few countries regularly release the data needed to measure progress on other income inequality indicators. This could significantly complicate monitoring of the national implementation of SDG10 (“reduce inequalities within and between countries”). Unofficial polling data strongly suggest that income inequalities are a significant, and growing, concern in the region.

Measuring income and non-income inequalities

Introduction

All of the countries and territories of Eastern Europe (including Turkey) and Central Asia whose development aspirations are supported by UNDP are now middle-income countries/territories.² In terms of UNDP's human development index (HDI), they have for years been in classified as enjoying "medium", "high", or (more recently) "very high" levels of human development. As such, the eradication of extreme poverty does not dominate the region's development agendas—even in its lower middle-income countries. Policy makers in the region are increasingly focusing on inequalities, exclusion, and vulnerability.

This focus is occurring against a backdrop of growing global concerns about inequalities. Beliefs that inequalities are increasingly threats to development are now widely held. In developed countries, they are apparent *inter alia* in the works of Piketty (2014), Stiglitz (2012), Milanovic (2016, 2011), and the OECD (OECD, 2015), which have focused on the distributional impact of capital accumulation/GDP growth dynamics, financial globalization, structural and demographic changes, wage premia for skilled labour, and interest group articulation patterns. UNDP's *Humanity Divided* (UNDP, 2013b) investigated causes and outcomes of income and other inequalities in developing countries. It found that, while income inequalities are rising in many developing economies, some had managed to reduce inequalities through policies that expanded social safety nets and promoted the formal-sector employment growth.

These narratives and experiences are not irrelevant for the transition and developing economies of Eastern Europe, Turkey, and Central Asia. However, they miss some important elements of the challenges posed by inequalities for these countries. For one thing, despite their "developing"/middle-income country status, these economies have for generations reported relatively low socio-economic equalities. While income inequalities rose during the "transition recessions" of the 1990s, these were interpreted by at least some observers as desirable, or at least inevitable, as a "correction" to (often violent) pre-transition social levelling. Moreover, official data indicate that, since 2000, income inequalities in many of the countries have fallen back towards pre-transition levels. These data also indicate that falling inequalities have helped reduce income

poverty and allowed the region's middle classes (measured income terms) to stage a comeback. They suggest that relatively well developed (with roots in pre-1990) social protection systems and comparatively high levels of gender equality have ensured that the benefits of economic growth have been fairly evenly spread.

However, a closer look at the income inequality data suggest less optimistic conclusions. For one thing, there is evidence that the official data significantly underestimate actual levels of income inequalities in the region. Moreover, large numbers of people are excluded from the benefits of the region's economic growth. These problems of exclusion and vulnerability reflect unequal access to decent jobs on the labour market, to health and other social services, and to natural capital, as well as unequal gender relations (which are the subject of subsequent chapters).

This picture is unfolding against a backdrop of the strong emphasis placed on inequalities apparent in the Sustainable Development Goals (SDGs), which underpin the global Agenda 2030 for sustainable development. This emphasis is apparent both in SDGs 10 ("reduce inequality within and among countries") and 5 ("achieve gender equality and empower all women and girls"), and in numerous other SDG targets and (prospective) indicators. It is also matched by a renewed commitment on the part of the UN system to support national efforts to improve the quality, quantity, and availability of sustainable development data—including data pertaining to inequalities. The 2014 publication of *A World That Counts* report by the UN Secretary General's Independent Expert Advisory Group called for a "data revolution" in order to support the SDG indicators that will be used to measure and monitor progress toward sustainable development.

Studies of inequalities often begin with quantitative analyses of disparities in distributions of income and (where data permit) wealth. While this approach is taken here, it should be noted that such analyses can have a number of weaknesses—particularly from a human development perspective. For one thing, disparities in income and wealth are often reflections of other, deeper socio-economic inequalities. A focus on "who has (or doesn't

² For the purposes of this study, these are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo, the Kyrgyz Republic, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

have) how much money" may obscure more important drivers of differences—such as gender, class, age, ethnicity. Likewise, unequal access to the labour market, decent jobs, and quality services—particularly health and education, but also reliable supplies of food, water, and energy—can limit individuals' opportunities to realize their full potential as human beings. These inequalities, which may not be fully reflected in data on income and wealth inequalities, underscore the importance of measuring and analysing non-income inequalities. They also highlight the importance of identifying the drivers of inequalities, which are more often about human development *opportunities* than they are about income inequalities and other development outcomes.

Second, as is shown below, the official data (from both national and international sources) on inequalities in income and especially wealth in the region leave much to be desired. In addition to spotty coverage within and inconsistencies across commonly referenced data sets, significant indications of downward bias in income inequality indicators are apparent. Moreover, subjective perceptions of inequalities—which may only loosely correlate with official data—can be an important indicator of social attitudes vis-à-vis justice, equity, and state legitimacy. Such "disconnects" between official data and popular perceptions may be particularly important in this region, in which countries whose official statistics show very low levels of income inequalities may also have political systems that are perceived by their citizens as subject to oligarchic capture and other forms of socio-political inequities.

Last but not least, not all inequalities are equally unjust. While the impact of some inequalities may be deep and pernicious, others may be broadly neutral; while still others may even be seen as desirable. During the early years of the post-communist transition, at least some observers believed that moderate increases in the region's income inequalities were both inevitable and desirable. Such sentiments reflected reactions against the socialist-era *uravnivilovka*—social levelling associated with state-sponsored violence (such as the forcible collectivization of agriculture or the seizure of homes and shops owned by the middle class), and which

was maintained by policy and institutional frameworks that discouraged (if not criminalized) individual initiative and self-reliance. After 1990, some increases in inequality—as some more talented individuals found ways to turn their human development opportunities into higher incomes—were anticipated. To the extent that post-transition increases in inequalities reflect the breaking of such shackles, they should perhaps not be condemned out of hand. According to this view, inequality may be like "cholesterol" (Ferreira et al., 2014), which comes in both "good" and "bad" varieties. The point is not to confuse them, and not to allow the "bad" to grow too large relative to the "good".

Ultimately, these are philosophical matters about which reasonable individuals may disagree. However, this report argues that the importance of "good inequalities" in the region has waned over the course of transition. This is apparent in the form of rising global concerns about inequalities, which can be seen *inter alia* in SDG10 ("reduce inequalities within and between countries"). It is also apparent in the consultations conducted by the UN system during 2012–2013 within this region on priorities for the post-2015 global development agenda (UNDG, 2013), which found that worries about unequal access to decent jobs and social services were a major concern. Most of all, this report reflects rising concerns that at least some pre-transition social accomplishments—near full employment, relatively high levels of female labour force participation, relatively broad coverage of social safety nets—are being lost, and that too many people get ahead thanks to political connections rather than their human development potential. It argues that the ratio of "good" to "bad" inequalities has in many countries moved too far towards the latter, and that steps should be taken to bring these proportions into healthier balance.

**Policy makers
in the region are
increasingly focusing on
inequalities, exclusion,
and vulnerability.**

Measuring income and non-income inequalities

Income inequality

Assessments of income inequality data in the region face three key problems. The first is the **frequent use of inconsistent data sets**. At the national level, reported levels of income inequalities differ according to whether the underlying data pertain to gross or disposable household income, whether estimates of in-kind goods and services (especially foodstuffs) produced for intra-household consumption are included in household income, or whether consumption expenditures are used as a proxy for incomes received. In addition, some Southeast European countries are moving away from the collection and analysis of standard household budget survey data in favour of the European Union's Statistics on Income and Living Conditions (EU-SILC) methodology. While international databases like POVCALNET and SWIID should in theory replicate/be repositories for national income-inequality data, the figures they contain are sometimes difficult to reconcile with what are reported by national sources.

The absence of publicly available data for some countries are a second major problem in

assessing inequalities in the region. This report benefits from official data provided by the national statistical authorities in most of the region. In a number of these countries, however, these data are not made available to the general public. These data gaps can complicate the monitoring of national progress in meeting the SDGs, *inter alia* by encouraging the use of outdated or inaccurate proxy data sets.

A third, emerging problem is that **income distribution is most commonly monitored via measures that are not included in the prospective list of SDG indicators**. Gini coefficients are among the common income-distribution measures that are not included in the list of indicators that have been proposed by the UN Statistical Commission's Inter-Agency and Expert Group on the SDG Indicators, for ratification by the General Assembly. Included instead in these indicators (e.g., for SDG10) are "growth rates of household expenditure or income per capita among the bottom 40 percent of the population and the total population"; "proportion of people living below 50 percent of median income, by age, sex and persons with disabilities"; and "labour share of GDP, comprising wages and social protection transfers".

Table 1—Gini coefficients for income inequality

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania*	28			30			28				27		
Armenia	45	43	40	36	37	37	34	36	36	37	37	37	37
Belarus					26	27	27	27	27	28	29	28	28
Georgia					45	46	45	46	46	46	43	42	41
Kazakhstan	33	32	31	30	31	31	29	27	28	29	28	28	28
Kosovo				30				30	29	28			
Kyrgyz Rep.	42	41	42	43	45	42	36	37	37	38	42	46	43
FYR Macedonia									41	39	39	37	35
Moldova					37	37	37	37	35	34	34	33	32
Montenegro				26	24	26	25	26	24	26	27	26	
Serbia**					33	32	30	30	33		38	39	38
Turkey	44	42	40	38	43	41	41	42	40	40	40	40	39
Turkmenistan					29	30	29	28	28	29	29	29	29
Ukraine			32	33	33	27	26	26	25	24	23	24	23
Uzbekistan									30	29	29	29	28

Source: National and territorial statistical office websites.

* For consumption expenditures.

** Data for 2006–2010 were collected according to household budget survey methodology, while data for 2012–2014 were collected according to EU Survey on Income and Living Conditions standards. The differences in Gini values between 2010 and 2012 might be due to these methodological differences.

Table 2—Trends in the shares of national income received by the four poorest deciles

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Albania*	100			96			101				102		
Armenia	100	107	95	101	113	112	112	110	111	111	107	111	107
Azerbaijan				100	93	98	99	97	97	101	104	101	102
Belarus				100	98	96	97	98	97	96	96	97	97
Georgia*	100	99	99	100	98	96	95	95	91	92	94	98	
Kazakhstan						100	105	110	107	104		108	107
Kyrgyz Rep.	100	104	103	96	100	99	122	116	116	112	100	87	103
FYR Macedonia								100	90	91	97		
Moldova					100	102	101	99	105	109	112	111	115
Turkey					100	107	106	104	109	108	108	107	108
Turkmenistan				100	101	104	105	100	101	110	104	107	108
Ukraine*	100	103	99	99	101	105	105	107	109	107	109	110	110
Uzbekistan					100	101	104	105	100	101	110	104	107
													108

Note: The indicator shown above takes this share as 100 in 2002 (or the first year for which these data are available, if later). Growth above 100 means that the share of national income received by the four poorest deciles has increased; a decline means that this share has declined.

* Consumption expenditures are used as proxies for income.

Source: National statistical office websites.

In light of this, two measurements of income inequalities in the region are presented here, in time-series form: Gini coefficients for income distribution, obtained from relevant statistical offices (Table 1); and trends in the incomes received by the poorest 40 percent, relative to national income trends overall (Table 2).

Gini coefficients. Although it seems unlikely to serve as a global SDG indicator, the Gini coefficient remains the most commonly used and most widely available official indicator of income inequality in the region. As the figures in Table 1 show, time series Gini coefficient data were obtained for 15 economies in the region, from the relevant statistical offices. They suggest a division into groupings of economies:

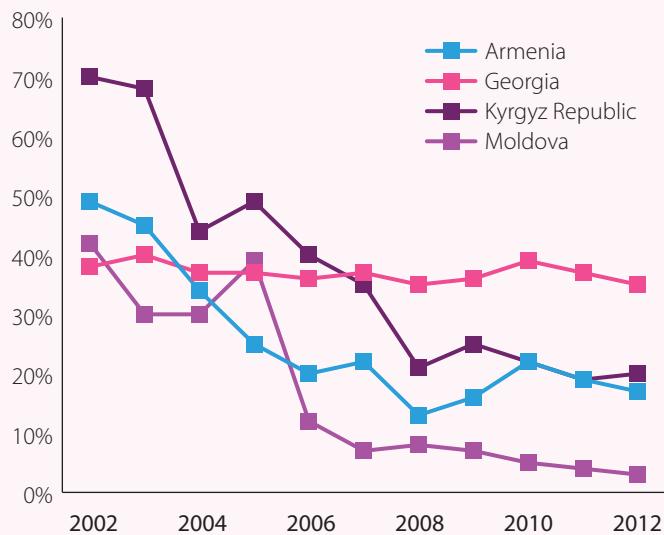
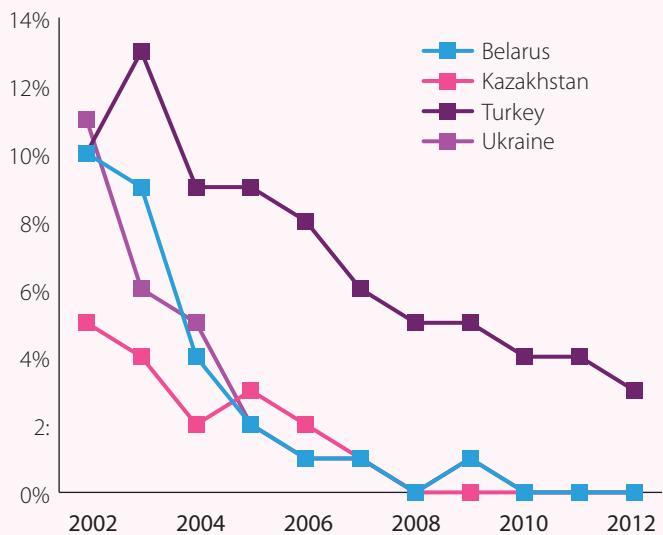
- ▶ That show generally low (by international standards) levels of income inequality—Belarus, Kazakhstan, Kosovo, Montenegro, Turkmenistan, Ukraine, and Uzbekistan;
- ▶ That show high (or higher) but falling levels of income inequality—Georgia, the former Yugoslav Republic of Macedonia, Moldova;
- ▶ That show high (and not falling) or rising levels of income inequality—Armenia, the Kyrgyz Republic and Serbia; as well as

- ▶ For which the data are either unavailable (Bosnia and Herzegovina, Tajikistan) or inconclusive (Albania, Turkey).

Longer-term time series data showing Gini coefficients for the distribution of consumption expenditures (as proxies for income) are available in the World Bank's POVCALNET data base. These series, which in some cases stretch back to the 1980s (i.e., to the pre-transition period), generally show increases (sometimes large ones) in very low (by international standards) pre-transition inequality levels during the 1990s. These have generally been followed by declining income inequality levels during the new millennium. However, the trends depicted in the POVCALNET data are not always consistent with those apparent in the data provided by national statistical offices.

"Bottom 40s". In contrast to the Gini coefficient, the ratio of growth rates of household income per capita among the least wealthy four deciles/two quintiles/"bottom 40 percent" of the population, relative to the total population, is included in the list of prospective SDG10 indicators. Trends in this ratio, which are shown in Table 2, highlight the importance of global financial crisis (2008) in the region—particularly for Armenia, Kazakhstan, and the Kyrgyz Republic. Whereas the shares of income received by the "bottom 40" rose in the years

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Figure 1—Poverty rates (2002-2012)**Figure 2—Poverty rates (2002-2012)**

Note: The poverty rates are derived using an international poverty threshold of \$3.10/day—in purchasing-power-parity (PPP) terms, based on the International Comparison Programme's 2011 PPP exchange rates.

Source: World Bank POVCALNET database.

prior to 2008 in these countries, they declined afterwards. On the other hand, for Moldova, Turkey, Turkmenistan, Ukraine, and Uzbekistan, increases in this share are apparent for the past decade overall, as well as for the post-2009 period. For Belarus, the “bottom 40” share seems to have remained roughly constant since 2006 (at a relatively high level), while the data for the former Yugoslav Republic of Macedonia show a sharp decline in this share after 2010, followed by a partial recovery. A somewhat similar pattern is apparent for Georgia, where a large decline in the share of national income received by the poorest four deciles during 2005-2010 was followed by a partial recovery thereafter.

Overall, ten of the thirteen economies for which these data are available report growth in the share of total incomes received by households in the poorest four deciles, for the relevant reference years (Table 2). Since these countries also reported economic growth during this time, these favourable “bottom 40” trends indicate that these countries’ growth was inclusive, as well as helping to reduce poverty (Figures 1, 2). Moreover, of the countries which reported declines in the share of total incomes received by households in the poorest four deciles during the reference period (Table 2), Belarus’s already low levels of income inequality (as seen in its low Gini coefficient—Table 1) seem to have limited the potential

increases in poverty that could have resulted from rising inequalities and slow economic growth. By contrast, Georgia’s relative high income inequality levels combined with the reported declines in the share of national income accruing to the poorest four deciles seem to have prevented significant reductions in Georgia’s relatively high poverty rates during 2002-2012—despite the high GDP growth rates reported during this time.

It should be mentioned, however, that as a measure of inequality, the “bottom 40” indicator seems quite inferior to the Gini coefficient. The former is rather a measure of the degree to which the incomes of less wealthy households have undergone compression vis-à-vis, or diverge from, national averages. As such, it tells us nothing about trends in the share of income accruing to well-to-do households. As is explained below, this could be where the data gaps in the region are largest.

The two other above-mentioned SDG10 indicators—“the proportion of people living below 50 percent of median income, by age, sex and persons with disabilities”, and “the labour share of GDP, comprising wages and social protection transfers”—also seem problematic in the regional context. The former indicator is not reported by most of the region’s statistical offices, and while the nationwide median income can be estimated



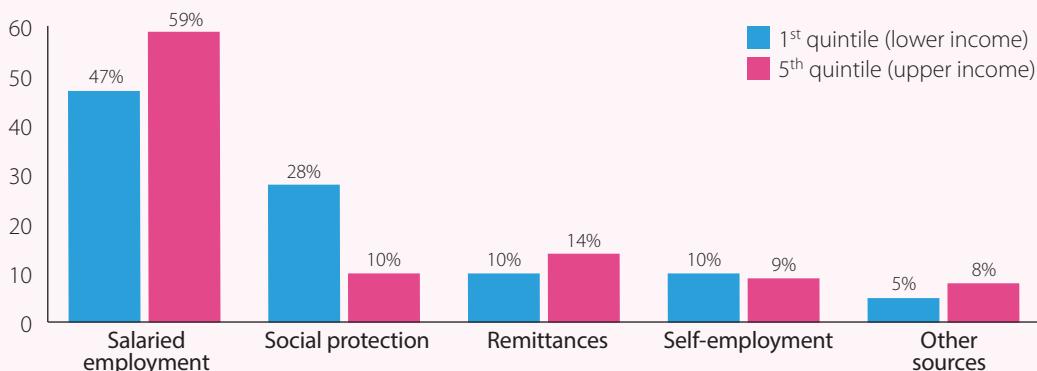
A man sells watermelons in downtown Pristina, Kosovo. The global financial crisis of 2008-2009 has made a significant impact on employment rates in the Western Balkans.
Photo: Karen Cirillo / UNDP

from the quintile/decile data that are reported, the absence of such data that are disaggregated “by age, sex and . . . disabilities” would seem to reduce the value of such estimates.

By contrast, shares of income generated from labour, capital, and other sources are reported by many statistical offices in the region. However, the links between labour (versus capital) incomes on the one hand and income inequalities on the other are not straightforward. In Moldova, for example, salaried employment accounted for larger shares of household incomes for fifth-

quintile (upper-income) than for first-quintile (lower-income) households during the 2006-2014 period (59 percent versus 47 percent—Figure 3). By contrast, other incomes (including from capital and property) were not particularly large for either group (nor were the differences between them). In such circumstances, efforts to increase national income shares devoted to labour could increase income inequalities, rather than reducing them. This reflects the relatively large wage gaps between those with “decent” formal sector employment on the one hand versus those labouring in the informal sector—many of

Figure 3—Income shares derived from various sources, by income quintiles (Moldova, 2006-2014—annual averages)



UNDP calculations, based on household budget survey data taken from <http://statbank.statistica.md>.

Measuring income and non-income inequalities

A focus on “who has (or doesn’t have) how much money” may obscure more important drivers of differences—such as gender, class, age, ethnicity.

whom are engaged in precarious or vulnerable employment. Differences in the distribution of labour income (and in labour market status more broadly) may tell us more about inequalities than overall shares of national income accruing to labour.

The share of Moldovan household incomes provided by state-funded social protection (mostly pensions) was nearly three times larger for lower-income (28 percent) than for upper-income (10 percent) households during the 2006–2014 period. This pattern—which is apparent in much of the region—is particularly important in countries like Azerbaijan, Belarus, Turkmenistan, and Uzbekistan, where significant shares of the national wealth (including especially natural resources), and also large enterprises and financial institutions (the economic “commanding heights”) are under state ownership. In principle, capital incomes generated by these assets therefore accrue to states, rather than to private individuals. States in turn redistribute these incomes to households, including via social protection and state-provided (or subsidized) social services. In such circumstances, high incomes accruing to

the owners of capital (i.e., the state) can reduce inequalities, rather than increase them.

Relatively favourable assessments of income inequality trends in the region hinge on assumptions about the accuracy of the official data that underpin them. A close examination of these data suggests that they are biased downward—perhaps significantly. There are three reasons for this.

The first lies in inconsistencies between the official income distribution data reported by national statistical authorities on the one hand and unofficial polling data on living standards available in the region on the other. For example:

- ▶ World Values Survey data show that significant and growing numbers of respondents in a number of countries in the region agree with the statement that “incomes should be made more equal” (as opposed to “we need larger differences in incomes, as incentives”—Table 3). This trend is particularly apparent in countries where national statistical offices report very low Gini coefficients for income inequality, like Belarus and Ukraine.
- ▶ Caucasus Barometer data indicate that 20–40 percent of all survey respondents in Armenia,

Shares of *Caucasus Barometer* survey respondents who claim to receive “no personal income” versus the shares of national income accruing to poorest income deciles, as reported by National Statistical Offices (2008–2013)

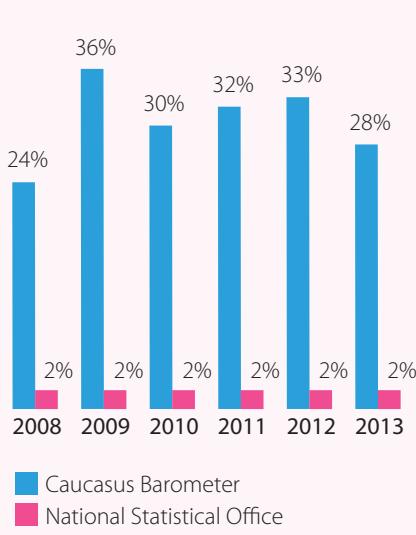
Figure 4—Armenia



Figure 5—Azerbaijan



Figure 6—Georgia



Sources: National statistical offices, and *Caucasus Barometer* database. The NSO data for Georgia are for consumption expenditures.

Table 3—Perceptions of inequality from the World Values Survey (1990-2014)

	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014
Armenia		38%			47%
Belarus	24%	37%			65%
Georgia		26%			45%
Kazakhstan					55%
FYR Macedonia				54%	56%
Moldova		31%	32%	46%	
Ukraine		37%		28%	81%

Shares of World Values Survey respondents to questions on income inequalities who, on a scale of one ("incomes should be made more equal") to ten ("we need larger differences in incomes, as incentives") answered in the one to five range.

Azerbaijan, and Georgia believed they were receiving "no personal income" during 2008-2013. Even allowing for some exaggeration, these figures are difficult to reconcile with the official data, which show 2-7 percent of household incomes accruing to the lowest deciles in the national income distribution tables (see Figures 4-6).

- The results of the "social exclusion index" presented in UNDP's 2011 regional human development report *Beyond Transition* (UNDP, 2011c) found that significant numbers of respondents in six countries surveyed experienced multiple deprivations (of significant intensity) vis-à-vis their countries' social-economic and political mainstreams (Table 4).

The second reason for suspecting that official measures of income inequality may be biased downwards is apparent in the decile data on the distribution of consumption expenditures (which

often serve as a proxy for household income)—which imply that virtually no one in the region earns (or at least spends) more than \$100/day in purchasing-power-parity terms. Since per-capita GDPs in the region when valued in purchasing-power-parity terms are typically 2-3 times larger than per-capita GDPs expressed in market exchange rates, these data imply that virtually no one in the region spends more than \$50/day (in nominal terms). This corresponds to consumption expenditures of some \$1520 per month/\$18,250 per year. Such modest expenditure patterns would seem difficult to reconcile with the high-end shopping malls and automobile dealerships that now dominate retail trade infrastructures in much of the region.

Emerging evidence of sample bias is a third reason for suspecting that official measures of income inequality may be skewed downwards. A recent study conducted by researchers at Ukraine's Academy of Sciences found a systematic

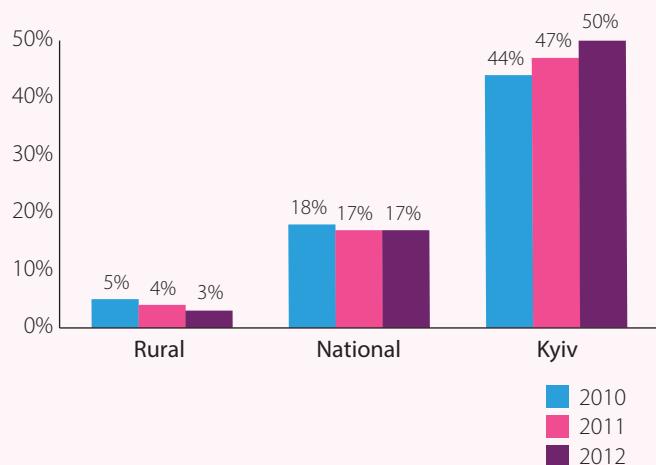
Table 4—Social exclusion survey data (2009)

	Exclusion headcount (A)	Average number of deprivations excluded people face (share of total) (B)	Social exclusion index score (A x B x 100)
Kazakhstan	32%	44%	14
FYR Macedonia	12%	45%	5
Moldova	40%	46%	18
Serbia	19%	45%	8
Tajikistan	72%	46%	33
Ukraine	20%	43%	9

Source: UNDP (2011c), p. 38.

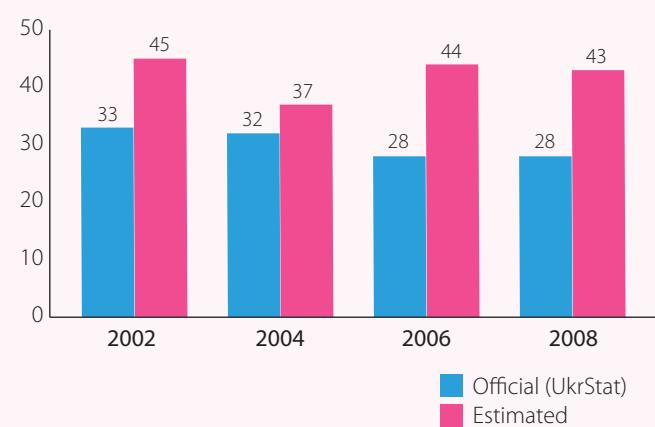
Measuring income and non-income inequalities

Figure 7—Household living standards survey non-response rates in Ukraine (2010-2012)



Source: Professor Volodymyr Sarioglu,
Ukrainian Academy of Sciences (2016).

Figure 8—Estimated Gini coefficients for income inequality in Ukraine, after corrections for informal activities (2002-2008)



Source: Toхтарова (2011), p. 172.

downward bias in the income distribution data generated by Ukraine's household surveys. Non-response rates for household living conditions surveys during 2010-2012 in Kyiv—Ukraine's richest region—were double the national average, and many times greater than the non-response rates reported for Ukraine's (often much poorer) rural regions (Figure 7). Less well-to-do people in the Ukrainian countryside therefore seem to be much more likely to provide the statistical authorities with information on their living conditions than are their wealthier city cousins. The researchers at the Academy of Sciences found that correcting this bias would raise Ukraine's official Gini coefficient for income equality by four points (from 23 to 27). Other estimates of Ukraine's Ginis (adjusted, for example, to better reflect incomes earned in the informal sector—see Тохтарова, 2011) have produced even larger "corrections" to the official data (Figure 8).

Official estimates of income distribution are in fact well known to contain downward biases. For example, the World Bank's POVCALNET poverty and inequality database website notes that "estimates of the densities [of income data points] near the bottom and top tails of the distribution could be quite unreliable".³ This increases the importance of other, subjective measures and assessments of income inequality, as well as of measures of non-income inequality. Moreover, many types of

³ The World Bank's POVCALNET poverty and inequality database website notes that "estimates of the densities [of income data points] near the bottom and top tails of the distribution could be quite unreliable".

⁴ For more on non-income inequalities in the region, see UNDP (2014).

inequalities and disparities are more important, and visible, at the sub-national level (Box 1).

Non-income inequality measures

Income poverty rates are incomplete measures of the extent to which people are deprived of the goods, services, capabilities, and opportunities they need to live long, healthy, fulfilling lives. Much of the rest of this report is devoted to examining other measures of non-income inequalities and exclusion—particularly as concerns labour market, gender, health, governance, environmental, and other drivers of vulnerability. Composite indicators—such as UNDP's human development index (HDI), multidimensional poverty indexes, or the indicators used in UNICEF's multi-cluster surveys—can provide fuller measures of development progress.⁴

In terms of disparities vis-à-vis national averages for the non-income dimensions of well-being, UNDP's inequality-adjusted HDI (IHDI) can offer insights (Figure 9), as it reflects losses to each of the HDI's three components (measures of per-capita GNI, education attainment, and life expectancy) due to inequalities. The IHDI indicates that, compared to the rest of the world—even the developed OECD countries—inequalities

in the region remain relatively small. As income inequalities are treated in some detail above, this section focuses on non-income inequality trends shown by the IHDI for the Eastern European and Central Asian region.

The region generally fares quite well compared to other regions in terms of the IHDI. In addition to the relatively low income inequalities reported in Table 1 above, this also reflects the region's relatively equal levels of education attainment. As shown in Figure 10, inequalities in educational attainment in the region in 2015 were on average below those recorded for the OECD countries (not

to mention the rest of the world). On the other hand, the data in Figure 11 point to somewhat less equality in terms of the HDI's health component. While these inequalities in the region are below global averages, they are larger than those reported for Latin America, not to mention the OECD countries. (A full presentation of the region's human development performance can be found in the statistical annexes accompanying this report.)

Box 1—The sub-national disaggregation of inequality data in Turkey, Bosnia and Herzegovina, and Kazakhstan

National averages can sometimes obscure more than they illuminate. For this reason, inequality indicators should (wherever possible and relevant) be disaggregated by gender, age, ethnicity, and other vulnerability criteria—including geographic location.

The importance of sub-nationally disaggregated inequality indicators is apparent in the data gathered for Turkey, Bosnia and Herzegovina, and Kazakhstan for the country case studies that accompany this report. In particular:

- Gini coefficients for Turkey's regions (from data collected during 2006-2011) suggest that income inequalities are significantly lower in the country's Black Sea and Marmara regions than in Turkey's inland, eastern, and Mediterranean (southern) regions.

- The data* from Bosnia and Herzegovina show deviations in BiH's 17 regions from national averages for a series of social and economic variables. These are expressed as a composite

Turkey and its regions (2006-2011 data*)	Gini coefficients (income inequality)
Eastern Black Sea	31
Eastern Marmara	32
Western Black Sea	32
Istanbul	36
Western Marmara	36
Central Anatolia	36
Western Anatolia	37
North Eastern Anatolia	38
Aegean	39
South Eastern Anatolia	39
Turkey Overall	39
Mediterranean	40
Central Eastern Anatolia	40

* Most recent year.

indicator showing spatial trends in both income and non-income inequalities. Whereas this indicator for the country's richest region (Sarajevo canton) was some 34 percent above the national average in 2010, the least developed region (Canton 10) scored 21 percent below the national average. By 2015, however, sub-national disparities had moderated: Sarajevo's indicator was only 30 percent above the national average; while the indicator for the least developed region (Una-Sana canton) was some 16 percent below the national average. Ten of BiH's 17 regions reported declines in their disparities vis-à-vis national averages during 2010-2015—with Canton 10 registering the largest improvement.

* Unpublished case study:
Spatial Inequalities in
Bosnia and Herzegovina

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Deviations from national averages			
Region	2010	2015	Change*
Sarajevo canton	34%	30%	-3%
Herzegovina Neretva canton	12%	14%	2%
District Brcko	1%	5%	5%
East Sarajevo area	1%	-3%	-4%
Foca area	-1%	4%	5%
Banja Luka area	-1%	-2%	-1%
Tuzla canton	-3%	-4%	-1%
Zenica-Doboj canton	-3%	-5%	-1%
Central Bosnia canton	-4%	-7%	-3%
Trebinje area	-9%	-3%	6%
Bosnian Podrinje canton	-10%	0%	9%
Doboj area	-10%	-9%	1%
Una-Sana canton	-12%	-16%	-4%
Posavina canton	-13%	-8%	5%
Bijeljina area	-14%	-13%	1%
West Herzegovina canton	-15%	-6%	9%
Canton 10	-21%	-11%	10%

* In percentage points

- In Kazakhstan, data showing the changes in the shares of national income received by households in the four poorest deciles ("Bottom 40") are available for each of the country's 16 regions. These data indicate that, during the 2010-2014 period, the income shares received by these households in the capital city of Astana grew 17 percent faster than incomes overall in this region. By contrast, low-income households in a number of Kazakhstan's western and northern regions saw their share of total income decline during this time.

Region	Cumulative change in "Bottom 40" income share (2010-2014)
Astana City	17%
Pavlodar	7%
Almaty	4%
Aktyube	3%
Southern Kazakhstan	2%
Kyzylorda	1%
Zhambul	0%
Eastern Kazakhstan	0%
Atyrau	-1%
Kostanai	-2%
Akmola	-2%
Almaty City	-2%
Northern Kazakhstan	-3%
Karaganda	-3%
Mangistau	-5%
Western Kazakhstan	-5%

These data show that many different indicators can be used to monitor sub-national trends in socio-economic inequalities in the region. Use of these indicators could help governments to align regional development policies and programming with national SDG implementation efforts—particularly for SDG10 ("reduce inequalities within and between countries").

Sources: Raziye Selim, Öner Günçavdi and Ayşe Aylan Bayar, <<Türkiye'de Bireysel Gelir Dağılımı Eşitsizlikleri: Fonksiyonel Gelir Kaynakları ve Bölgesel Eşitsizlikler>>, Publication No: TÜSİAD-T/2014-06/554 (June 2014), 123; UNDP-BiH, <<Spatial Development Inequalities in Bosnia and Herzegovina>> (March 2016); and UNDP-Kazakhstan <<Региональные Различия и Неравенство в Казахстане>> (July 2016).

Middle classes in the region

Many studies of inequalities naturally focus on the “most unequal”—the richest and the poorest, how many of them there are, what makes them this way, and how different they are from the rest of us. But analyses of the “tails” of the income distribution are implicitly also about the “middle” of the distribution—if only because a smaller middle makes for bigger tails (and vice versa). Studies of inequalities can therefore also be studies of the middle class—particularly since concerns about greater inequalities are often accompanied by worries about “the shrinking middle class”.

Such issues are particularly relevant among the developing and transition economies of Eastern Europe and Central Asia (Centre for Economic Research, 2015; Friedrich Naumann Stiftung, 2014; Малева *et al.*, 2015; Рузанов, 2010; Tekes, 2014). Prior to the 1990s virtually all of the region’s transition economies had “socialist” middle classes, consisting of well educated blue- and white-collar workers, engineers, and other members of the technical, creative, and administrative intelligentsia. While not necessarily commanding incomes or possessing wealth that corresponded

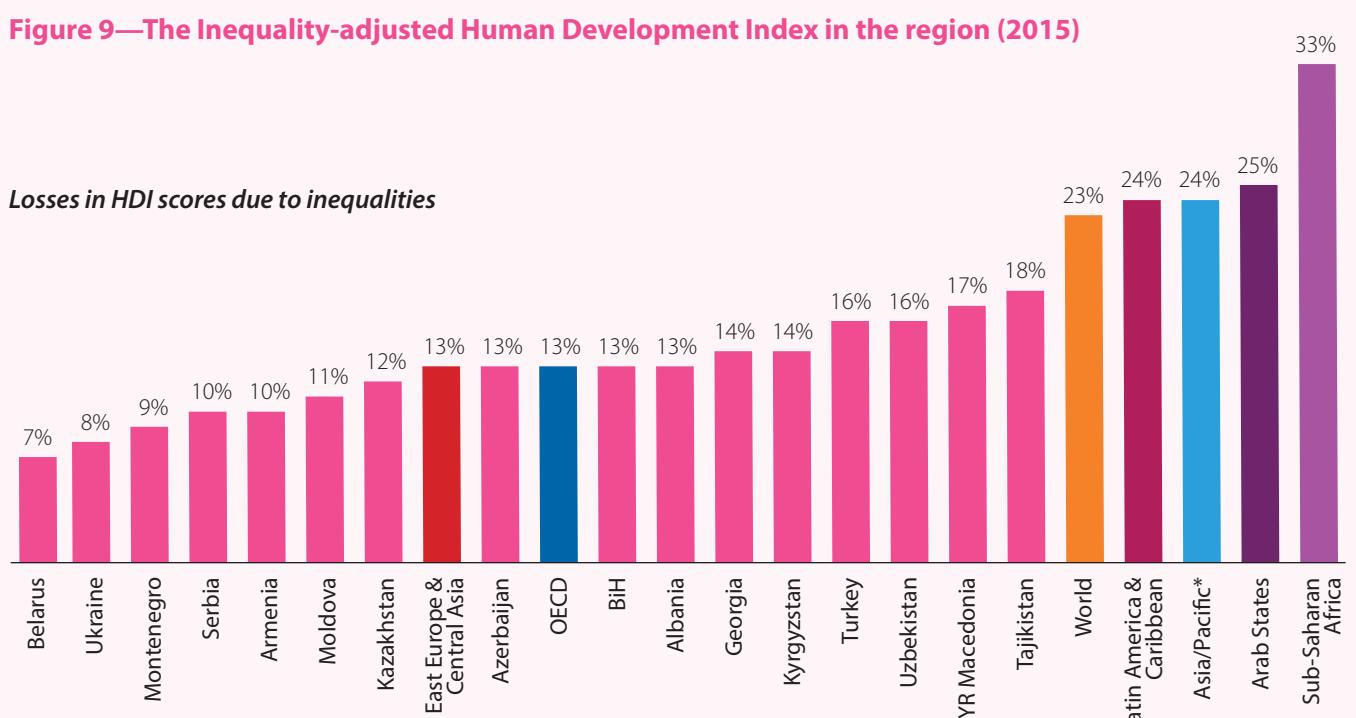
to middle-class societies in OECD countries, these middle classes were forces of stability, and progress prior to the advent of transition. They generally thought of themselves as possessing middle-class status.

Moreover, since the 1990s, many of these countries/territories (as well as Turkey) have experienced significant increases in per-capita income. Combined with their relatively low income inequality levels, this personal income growth implies that millions of people in the region’s upper middle-income countries/territories (Albania, Azerbaijan, Belarus, BiH, Kazakhstan, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, and Turkmenistan) may today be considered members of the “global middle class”—possibly with aspirations and world views to match.

How large are the region’s middle classes? How are they best defined and measured? Three approaches to answering these questions may be identified (Atkinson and Brandolini, 2011; Brandi and Buege, 2014; Kochhar, 2015):

Some pre-transition social accomplishments are being lost.

Figure 9—The Inequality-adjusted Human Development Index in the region (2015)



Source: UNDP Human Development Report Office.

* Average for East, South Asia.

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- **Material well-being**, as reflected in such criteria as per-capita income and wealth/property ownership (e.g., car(s), housing) and the corresponding ability to access certain services (e.g., education, health, travel);
- **Subjective perceptions**, concerning such issues as education, family background, and the associated social implications—based on individual self-identification; and
- **“Neither rich nor poor”**. To be a useful category of social analysis, the middle class (those in the middle of the socio-economic distribution) must be qualitatively and quantitatively different from those in the tails.

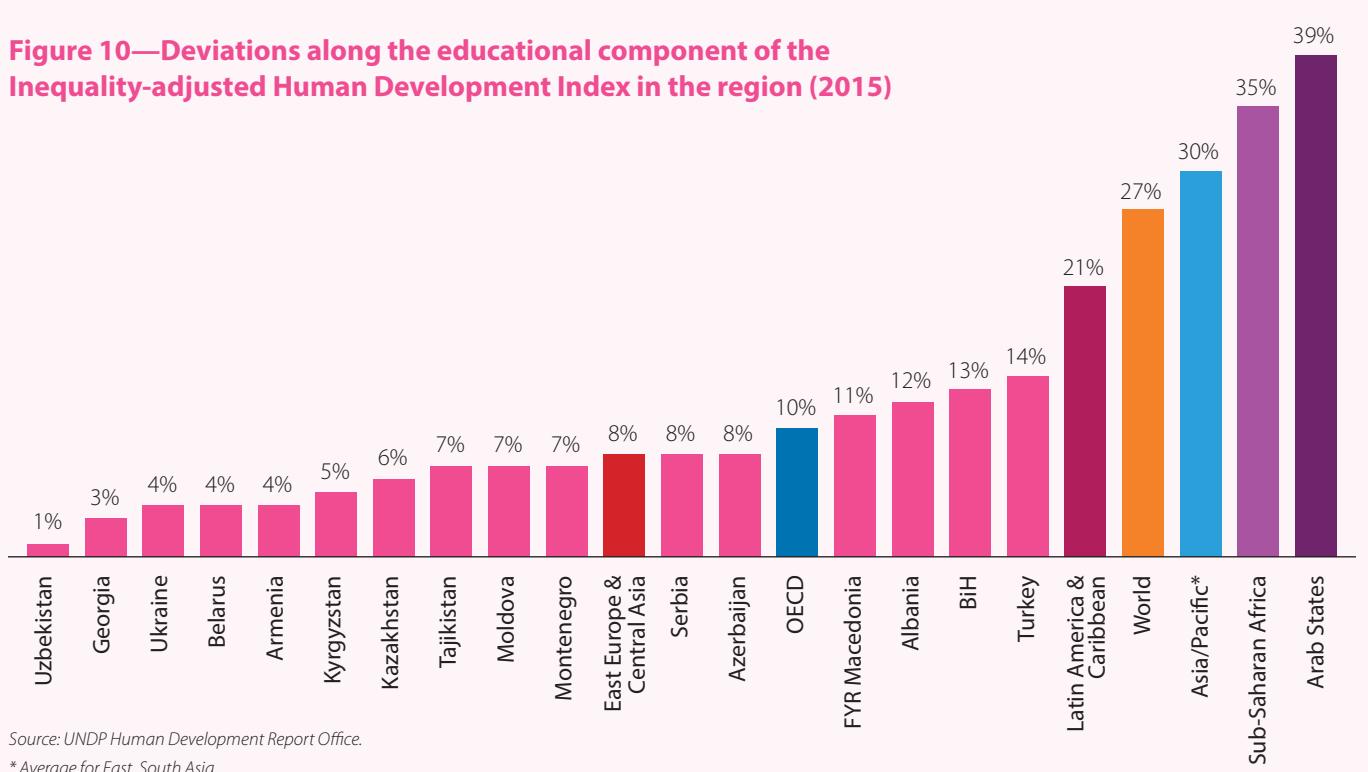
Many different approaches to defining and measuring the middle class can be found in the literature (for a subset of these, see Box 2). A key question is whether the middle class is to be defined in terms of absolute criteria (e.g., “members of the middle class earn between ‘X’ and ‘Y’ per day/month/year”); or relative criteria (e.g., “if the rich are the top 10 percent and the poor are the bottom 20 percent, then the middle class is the middle 70 percent”).

In this report, we present the results of the application of two such approaches that: (i)

are based on quantitative indicators that are methodologically compatible with the income equality data presented above; and (ii) reflect both the “material well-being” and “neither rich, nor poor” logic described above. These are:

- A relative approach, which defines the:
 - ❖ Bottom two deciles of national household income distribution data as “lower-income” (i.e., relatively poorer than the middle class);
 - ❖ Middle six income deciles as “middle class”; and
 - ❖ Top two income deciles as “upper-income” (i.e., relatively richer than the middle class); and
- An absolute approach, which defines the:
 - ❖ Poor (low-income) as those living below the World Bank’s new global poverty threshold of PPP\$3.10/day (with the extreme poor living below the PPP\$1.90/day threshold, using 2011 PPP exchange rates);
 - ❖ Vulnerable as those living below the PPP\$10/day threshold, but on more than PPP\$3.10/day (using 2011 PPP exchange rates);

Figure 10—Deviations along the educational component of the Inequality-adjusted Human Development Index in the region (2015)



Source: UNDP Human Development Report Office.

* Average for East, South Asia

Box 2—Examples of methodologies for defining and measuring the middle class

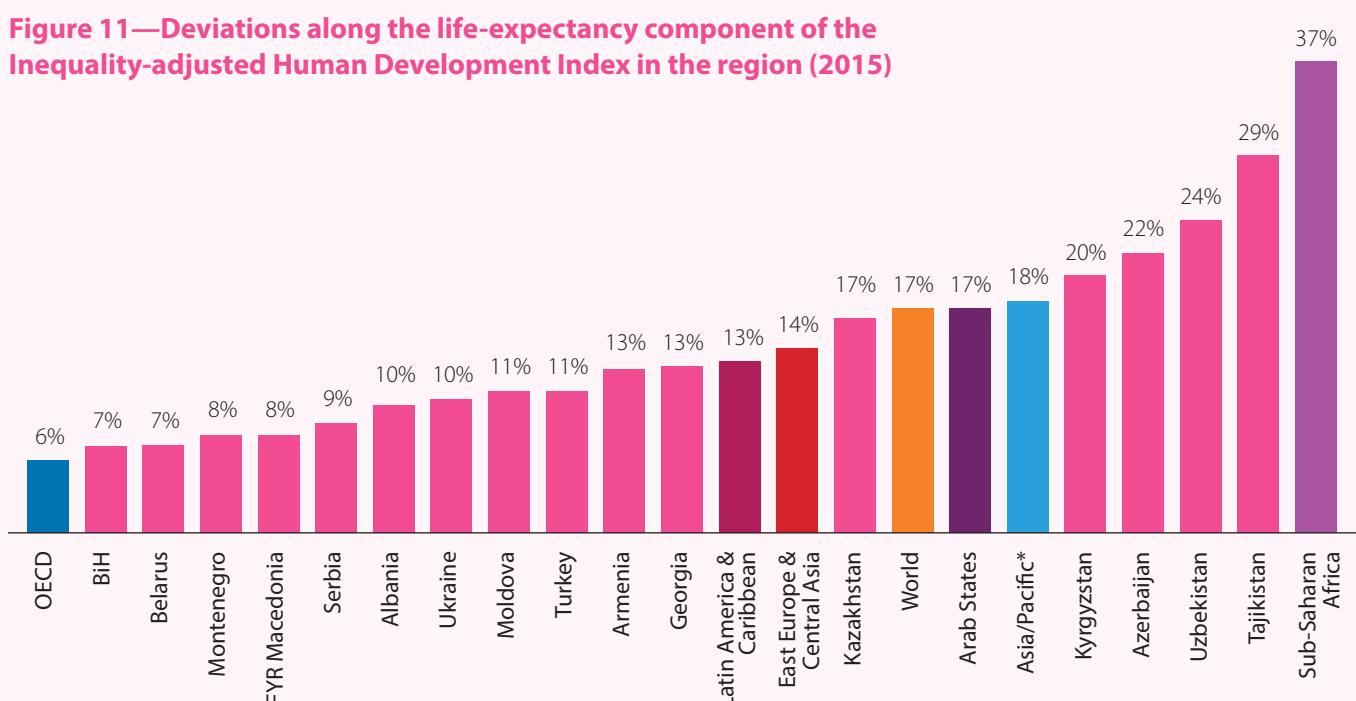
- ▶ ILO: Members of the middle class have average per capita incomes in the PPP\$4-13/day range in developing countries, and above PPP\$13/day in developed countries.
- ▶ African Development Bank: Members of the middle class have average per capita incomes in the PPP\$10-20/day range.
- ▶ OECD: Members of the middle class have average per capita incomes in the PPP\$10-100/day range.
- ▶ Atkinson/Brandolini: Members of the middle class have average daily per capita incomes equal to 75-125 percent of the median income.

- ❖ Middle class as those living below the PPP\$50/day, but on more than PPP\$10/day (using 2011 PPP exchange rates); and
- ❖ Upper-income as those living on more than PPP\$50/day (using 2011 PPP exchange rates).

Results of the “relative” approach. Trends in the evolution of the middle classes in Europe, Turkey, and Central Asia generally show similar pattern:

their share of the national income fell in the 1900s (during transition recessions) and then recovered after the new millennium. In most of these countries, the middle classes’ shares of national income are now at, or above, pre-transition levels. Virtually all of the variation in middle classes’ shares of national income can be explained by offsetting changes in upper-income classes’ shares of national income. The shares of national income received by the bottom two deciles have remained

Figure 11—Deviations along the life-expectancy component of the Inequality-adjusted Human Development Index in the region (2015)



Source: UNDP Human Development Report Office.

* Average for East, South Asia.

Measuring income and non-income inequalities

The numbers of people in the region living in poverty fell from 46 million in 2001 to about 5 million in 2013.

surprisingly constant over time (at around 8-10 percent of national income) in most of the region.

In most of the region, the middle classes' shares of income have generally been significantly larger than the upper-income classes' share. In Georgia and Turkey (Figures 12-13) by contrast, these two shares are roughly constant (at 45-50 percent of national income), while the shares of national income received by the poorest two deciles in these countries have been the smallest in the region (fluctuating around 5 percent). Economies with the largest middle classes (e.g., Belarus, Kazakhstan, Kosovo, Ukraine—Figures 14-17) also tend to have the largest shares of income received by the bottom two deciles, and the smallest shares of income received by the richest 20 percent.

The results of the Ukrainian research mentioned above suggest that the shares of income ascribed to the wealthiest deciles may well be undercounted. Still, on the whole these data do not describe a region whose middle classes have been decimated. They instead broadly suggest a return to pre-transition income shares. In light of the region's generally low Gini coefficients, this

conclusion should not come as a surprise. Still, it stands in contrast with many of the narratives commonly heard in the region. It may be that the truly relevant changes are occurring within the deciles (especially the bottom two) rather than across them—or that quantitative data are unable to accurately capture the truly wrenching social changes that these countries have experienced in the past 25 years. Nonetheless, these results provide food for thought.

Results of the “absolute approach”. Compared to the above analysis, this approach has a number of advantages. These include *inter alia*: (i) explicit links to global poverty thresholds—thereby linking absolute and relative poverty (i.e., inequality) measures; (ii) an extension of the previous approach's three-tiered social stratification, to include also those vulnerable to poverty (i.e., living above the poverty line but not necessarily in the middle class)—and also (if we so chose) those living in extreme poverty (i.e., below the World Bank's new PPP\$1.90/day threshold), as well as different tiers within the middle class (i.e., those living between PPP\$10/day and PPP\$20/day, versus those living between PPP\$20/day and PPP\$50/day); and (iii) answers to such questions as “how many people in country X have incomes above PPP\$20/day?”

Shares of income distributed to middle, upper, and lower income classes

Figure 12—Georgia



Figure 13—Turkey

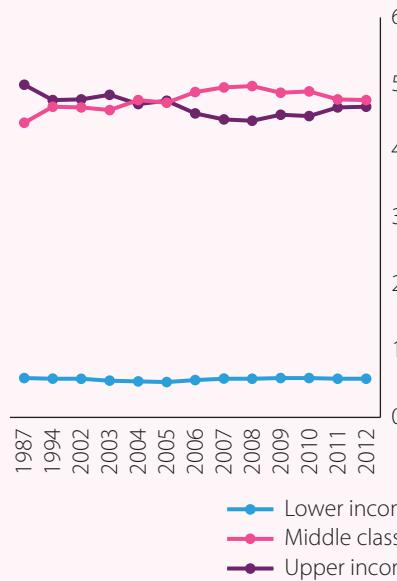


Figure 14—Belarus



UNDP calculations, based on POVCALNET data.

This analysis suggests that, during 2000-2013, the numbers of people in the region living in poverty fell from 46 million in 2001 to about 5 million in 2013 (Figure 18).⁵ (The numbers of people living in extreme poverty, as per the World Bank's PPP\$1.90/day criterion, dropped below 1 million.) Likewise, the numbers of people vulnerable to poverty (i.e., in the PPP\$3.10/day – PPP\$10/day range) dropped from about 115 million in 2003 to some 70 million in 2013. By contrast, the size of the middle class grew from about 33 million in 2001 to 90 million in 2013. Interesting, after nearly disappearing 2002-2004, the numbers of "wealthy" individuals (living on more than PPP\$50/day) had risen to some 32 million in 2013—most of whom were in Turkey and Kazakhstan. Adding the 25 million individuals estimated to be living on between PPP\$20/day and PPP\$50/day to this figure suggests that some 60 million people in the region have achieved living standards that are broadly consistent with the bounds of the "global middle class".

Consideration of these trends in terms of changes in the relative size of the various classes shows that, whereas more than three quarters of the region was living in poverty or vulnerable to it during 2000-2003, by 2013 this share had dropped to under 40 percent. While the middle

classes were the chief beneficiaries of these improvements in living standards, it is interesting to note that the share of those living on more than PPP\$50/day had risen to 16 percent in 2013 (from close to zero in 2002-2003).

In broad brush strokes, these results are quite consistent with those suggested by the "relative" approach to defining the region's middle classes described above. They also do not describe a region whose middle classes have been decimated by transition. An important difference lies in the two approaches' treatment of the wealthy, however. Whereas the relative approach shows the upper classes' shares of national income remaining roughly constant or shrinking in most of the region, the absolute approach points to the rapid growth in this group's share of total income from virtually nothing in 2003 to 16 percent a decade later. This may explain the widespread concerns about growing inequalities in the region—even if the distribution of total household incomes (as measured in deciles) has not changed so dramatically.

⁵ These data do not include Turkmenistan and Uzbekistan.

Shares of income distributed to middle, upper, and lower income classes

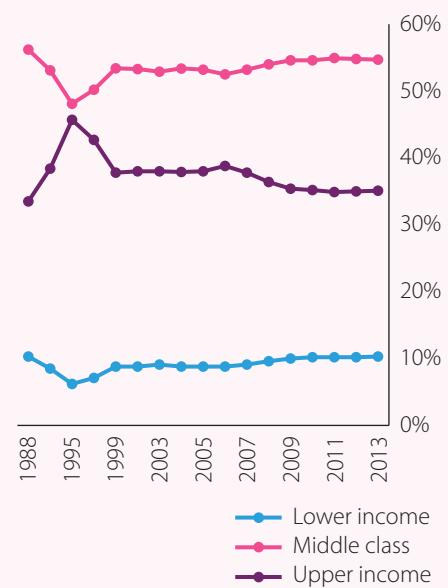
Figure 15—Kazakhstan



Figure 16—Kosovo



Figure 17—Ukraine



Measuring income and non-income inequalities

How rich are the region's rich?

Global household wealth is unequally distributed: there are an estimated 31 million millionaires and more than a thousand billionaires (in US dollar terms) in the world. As one source notes: "The bottom half of the global population together possess less than 1 percent of global wealth. In sharp contrast, the richest 10 percent own 86 percent of the world's wealth, with the top 1 percent alone accounting for 46 percent of global assets" (*Credit Suisse Global Wealth Databook, 2013*).

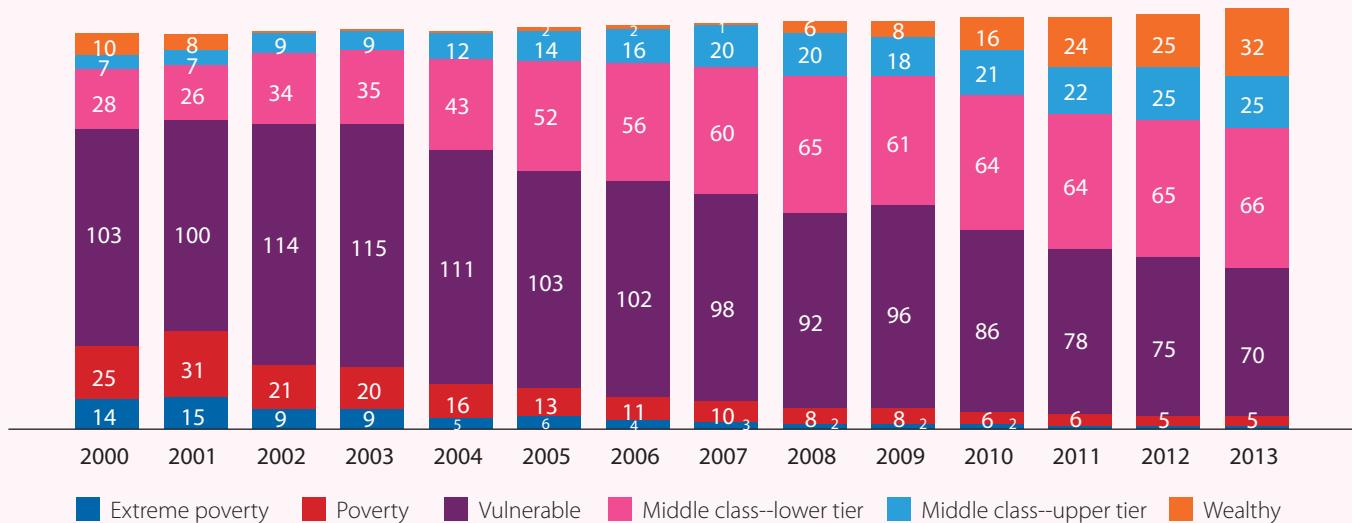
While some countries in the region report data on the distribution of wealth, these seem to generally be limited to savings accounts and some personal assets. Broader, internationally comparable measures of individual wealth are

difficult to come by. A number of conclusions are suggested by the estimated Gini coefficients for the distribution of wealth (offered for the region as well as globally) in the *Credit Suisse Global Wealth Reports* (Table 5). First, with the exceptions of Kazakhstan, Turkey, and Ukraine, inequalities in the distribution of wealth generally remained the same or declined during 2010-2015. Second, inequalities in wealth in most of the region are below world averages. This also can be seen as a legacy from the region's socialist past, when significant private holdings of wealth as such did not exist. (In light of the large share of state property that remains in state hands in much of the region, this legacy role may continue in some countries.) While interesting, these estimates would seem to be difficult to reconcile with popular concerns about the concentration of wealth, and power, in what are sometimes viewed as oligarchic socio-political in some countries in the region.

Table 5—Gini coefficients for the distribution of wealth in the region (2010-2015)

	2010	2011	2012	2013	2014	2015
Albania	0.68	0.654	0.657	0.656	0.668	0.658
Armenia	0.668	0.644	0.639	0.639	0.668	0.628
Azerbaijan	0.612	0.595	0.652	0.651	0.646	0.591
Belarus	0.648	0.637	0.624	0.622	0.646	0.65
BiH	0.678	0.665	0.659	0.658	0.663	0.67
Georgia	0.703	0.684	0.79	0.68	0.68	0.666
Kazakhstan	0.658	0.863	0.838	0.867	0.873	0.874
Kyrgyz Republic	0.673	0.659	0.66	0.659	0.646	0.633
FYR Macedonia	0.727	0.694	0.689	0.688	0.69	0.693
Moldova	0.688	0.671	0.648	0.647	0.68	0.674
Montenegro	0.652	0.669	0.635	0.634	0.657	0.658
Serbia	0.645	0.635	0.626	0.625	0.654	0.661
Tajikistan	0.669	0.657	0.638	0.638	0.629	0.624
Turkey	0.704	0.844	0.842	0.837	0.843	0.821
Turkmenistan	-	-	-	0.68	0.667	0.673
Ukraine	0.64	0.889	0.892	0.9	0.919	0.916
Africa	0.849	0.872	0.865	0.846	0.856	0.856
Asia-Pacific	0.869	0.881	0.889	0.887	0.895	0.892
China	0.69	0.697	0.689	0.695	0.719	0.733
Europe	0.799	0.829	0.831	0.83	0.827	0.834
India	0.778	0.804	0.813	0.813	0.814	0.831
Latin America	0.785	0.793	0.797	0.806	0.809	0.809
North America	0.799	0.816	0.842	0.841	0.837	0.842
World	0.881	0.893	0.902	0.905	0.911	0.915

Source: *Credit Swiss Global Wealth Reports (2010-2015)*.

Figure 18—Trends in absolute numbers of members of middle, other classes in the region (2000-2013)

UNDP calculations, based on POVCALNET data. Figures are in millions. Turkmenistan and Uzbekistan are not included.

Conclusions and recommendations

For those who are concerned about the global effects of increasing inequalities, the official data in income inequalities in this region suggest a reassuring picture. With a few exceptions, most of the developing and transition economies of Europe, Turkey, and Central Asia report low, or declining, levels of income inequality; internationally comparable estimates of the equality of wealth distribution produce the same results. However, such a picture is at odds with many commonly accepted narratives about the region—which tend to reference large and growing inequalities in income, wealth, and other important aspects of human development. They also are difficult to reconcile with unofficial polling data, as well as with independent expert assessments.

This raises the question: what's wrong—the data, or the perceptions? To be sure, the quality of the data on income and wealth inequalities in the region is not beyond reproach. For example, the household budget survey data from which the income inequality indicators that populate both national and international data bases are drawn are widely recognized as missing the incomes both of the very poor (who typically slip between the cracks of national surveys) and at least some of the incomes of the very rich.

Reliance on consumption-based surveys that underpin internationally comparable databases like POVCALNET may also explain some of these discrepancies. Such surveys do not reflect incomes earned but not spent on consumption—which, in the case of wealthy households (with high average propensities to save)—may further underestimate the shares of national incomes distributed to wealthy households. However, the data on the distribution of consumption expenditures also seem problematic—particularly in their implication that virtually no one in the region is spending more than PPP\$100/day. In market exchange rate terms, this translates into annual expenditures in the \$12,000 to \$18,000 range. Such figures are simply not credible.

Still, these data should not be dismissed out of hand. Declines in income inequalities in many Latin American countries have been well documented;⁶ there's no reason that other developing regions can not report similar tendencies. Perhaps more serious questions concern whether those economies in the region that seem to have made the most progress in reducing (or maintaining low) income inequalities will be able to retain these accomplishments in the face of the socio-economic challenges that they are now facing.

⁶ See, for example, Luis et al., 2009.



Photo: Vladimer Vaishvili / UNDP



Chapter 2

Inequalities, employment,
and social protection



Key messages

- **Labour market inequalities and exclusion lie at the heart of the region's inequality challenges.** This is the case both in terms of labour markets *per se*, and because access to social protection is often linked to formal labour market participation. People without decent jobs face higher risks of poverty, vulnerability, and exclusion from social services and social protection. Labour market inequalities also lie at the heart of the region's SDG agenda, with its focus on inclusion and leaving no-one behind.
- **Labour market inequalities are particularly important in terms of access to formal employment.** Because informal, precarious, migratory, and forms of vulnerable employment are widespread throughout the region, employment does not necessarily offer much protection against poverty or social exclusion—particularly in the region's less wealthy countries. Women, young workers, migrants, the long-term unemployed, people with disabilities, Roma, and others with unequal labour market positions are particularly vulnerable to broader risks of poverty and exclusion. While trends are improving in some countries and for some groups, in others, labour market inequalities are increasing.
- **Many commonly used labour market indicators offer only limited insights into labour market performance** and their links to equalities. This is apparent in the “employment”/“unemployment” statistical dichotomy, and in the infrequency with which publicly available labour market data are disaggregated by gender, ethnicity, and other vulnerability criteria. Different labour market statuses—inactivity, unemployment, underemployment, informal employment, formal employment, migrant work, etc.—represent points along multi-dimensional labour market continua, with much overlap and fluidity between the categories. Inequalities among the employed can be as great, or greater, than those between the employed and unemployed.
- **Four directions in formalizing employment are particularly important:** (i) reducing the *de facto* tax burden on labour; (ii) boosting the institutional capacity of labour market regulatory institutions, in order to better protect workers' rights in the formal sector; (iii) easing those labour market regulations that cannot be effectively enforced, and often drive employment into the informal sector; and (iv) increased investment in active labour market policies, vocational education, and other measures to boost worker productivity and improve access to (and the attractiveness of) formal sector jobs.

► **Policy linkages between labour markets and social protection need to be strengthened.**

While poorly aligned social policies can reduce incentives for labour market participation and hiring, this is not a reason for reducing social protection spending and coverage. Instead, wherever possible, the taxation of labour to fund social benefits needs to be reduced in favour of other funding sources. These may include: (i) higher taxes on environmentally unsustainable activities; (ii) reductions in budget subsidies that accrue to the wealthy, or which support environmentally unsustainable activities; (iii) more aggressive measures to reduce the illicit financial flows, and with them the diversion of budget revenues to tax havens; and (iv) more robust direction of budgetary procurement and contracting resources to companies that explicitly promote social inclusion (e.g., social enterprises). National social protection floors can be good platforms for addressing these issues.

► **Social protection is also about social services and the care economy.**

Increased investments in social service provision—particularly in terms of care for children, the elderly, and persons with disabilities—can boost participation in labour markets and vocational training programmes, particularly for women. In Turkey, for example, bringing

state budget spending on social care services up to OECD averages would generate an estimated 719,000 social care jobs—more than 2.5 times the total number of jobs that would be created by devoting the same amount of budget funds to construction/infrastructure projects. An estimated 84 percent of the workers hired into these social care jobs would have permanent contracts with greater job security (versus 25 percent in construction); 85 percent would have social security coverage (compared to 30 percent in construction).

► **In many countries, gaps between de jure social protection guarantees and de facto access to social benefits and services are significant and growing.**

Addressing these gaps could be achieved by balancing social protection and employment schemes with locally provided, more flexible and individual-focused inclusion mechanisms.

► **Many of those excluded from the labour market are not reached by traditional active-labour market programmes.**

This is due in part to weaknesses in outreach to vulnerable communities (e.g., ethnic minorities, low-skilled workers in rural communities), but also to chronic under-funding.

Introduction

The previous chapter has shown that, in most countries of the region, important progress has been made in reducing income inequality levels, or in keeping them relatively low. But it also suggested that these relatively favourable outcomes may in part reflect statistical distortions, and that they seem at odds with prevailing sentiment about large inequalities in many countries. The nature, and drivers of inequalities in the region therefore need to be examined in more detail. Labour markets (since this is where most incomes in the region are earned) and social protection (which is intended *inter alia* to limit shocks to labour incomes) are particularly important in this respect.

Inequalities in labour market opportunities concern not only differences between those who are employed and those who are not: they also concern differences among those who are employed. In most of the region, those who are in precarious, informal, low wage, low productivity jobs can suffer from the same (sometimes even worse) risks of poverty and exclusion as those who are without jobs. As is apparent in the region's low labour force participation, employment, and (in some countries) high unemployment rates, problems of labour market exclusion affect significant sections of the working age population. This exclusion can threaten social cohesion as well as chronically underutilize the region's considerable human capital.

The "leaving behind" of considerable sections of the workforce is not always reflected in standard poverty or labour market indicators. While these may help ensure international comparability, they often fail to capture critical dimensions of labour market and broader social inequalities. As such, they may provide a poor basis for policy design and implementation. Even within the employed population inequalities affect individual and household welfare, as evidenced by the data on the "working poor", and on informal and vulnerable employment. Many of those at the bottom of the income scale cannot afford to be "idle"; they may have little choice but to engage in low quality or vulnerable employment. Given the low levels and limited duration of support for the registered unemployed, many workers without jobs do not register for unemployment benefits. They either withdraw from the labour force, accept low-quality jobs, or join the army of labour migrants.

Quantifying the share of the workforce enjoying decent work is extremely complex. Some authors refer to dual labour markets, between those in formal and those in informal employment, or between those in decent jobs and those in non-decent jobs. But even here, reality is often more complex than dichotomous, black-and-white characterizations. For example, public sector employees in some countries may have more job security and better access to social protection—but their wages may be so low as to make them part of the "working poor". Informal sector workers may not enjoy labour rights or social protection, but they may be able generate incomes that are sufficient to keep themselves, and their families, out of poverty. Moreover, even workers who are formally employed may receive significant shares of their wages in the form of unregistered (and therefore untaxed) cash under the table.

Decent work is a fundamental component of human development (UNDP, 2015d). Human development emphasizes the importance of expanding human choices in all aspects of life, including work. While jobs are a means to income, human dignity, agency and security, from a human development perspective, other kinds of labour that can enhance wellbeing—unpaid work, care work, voluntary or creative work—also matter. Not all work leads to human development: hazardous work, sex work, forced labour and child labour can destroy human dignity and potential. Work can exacerbate inequalities in human development, especially when accompanied by unequal access to health and education, which can in turn perpetuate inter-generational inequalities. Work inequalities persist worldwide, between the paid and unpaid, the skilled and unskilled, capital and labour, migrants and citizens, and between men and women. Low quality work, discrimination, exploitation and lack of worker protection can likewise undermine the positive contribution that work can make towards human development.

UNDP (2011c) explains how exclusion from formal labour markets can be associated with multiple forms of deprivation, which in turn heighten individual risks of social exclusion. Labour market exclusion was found to be a major driver of exclusion from economic life, which in turn contributed to exclusion from social and political processes.

Unequal employment opportunities in the region have led to large internal and external migration flows—many of which exhibit high degrees of irregularity/informality. While these movements can raise incomes and create new development opportunities for migrants and their families, they are also associated with many risks and insecurities. They may also contribute to new forms of inequalities, most notably between those households with migrant members and access to remittances, and those without. Moreover, while remittances may reduce poverty, they may increase inequality. In Moldova, for example, household budget survey data indicate that remittances accounted for 14 percent of household incomes received by the wealthiest 20 percent of the population during 2006–2014—and only for 10 percent of household incomes received by the poorest 20 percent of the population during this time (Figure 3, above).

Drivers of labour market exclusion include the capital- and resource- (as opposed to labour-) intensive economic growth patterns that have taken root in much of the region (especially in CIS countries), and which often result in a paucity of decent, formal, private sector jobs outside of the extractive sector. While this result reflects many factors, the low priority often ascribed to employment—reflecting the (mistaken) belief that economic growth will automatically generate more and better jobs—plays a key role. While it is now widely understood that links between GDP and job growth not are automatic, some governments have been slow to put in place the institutional frameworks needed for comprehensive national employment policies. Efforts to address the considerable skills mismatches that stand behind many cases of labour market exclusion (particularly for young workers) have not been especially successful.

Helping economic growth to translate into decent job opportunities requires holistic, whole-of-government approaches—particularly in terms of the links between employment and social protection policies. Most countries in the region inherited social protection systems that were designed to complement full or near-to-full employment situations. In circumstances of entrenched joblessness, however, proposals to compensate for the lack of formal employment opportunities by providing minimum income floors, or by using social protection to achieve

more “transformative” labour market outcomes, often encounter opposition. Concerns have usually focused on possibly excessive fiscal burdens and disincentives for labour market participation; more restrictive (rather than expanded) social protection systems have resulted. Many workers have resorted to informal employment—thereby entering a vicious circle whereby they also lose access to social insurance (e.g., health and pension insurance) as well as other benefits (e.g., maternity leave) and protections nominally guaranteed by law. Other households have responded by relying on remittances and other coping mechanisms; or have simply slipped into poverty. Social protection systems therefore need to become better aligned with current labour market conditions, in order to more effectively counter exclusion. This will involve *inter alia* re-thinking the traditional ways in which social protection is funded, and in particular looking beyond labour taxes to expand the available fiscal space.

Labour market inequalities, human development, and the Sustainable Development Goals

Approaching the problems of labour market inequalities through the lens of human development can combine an understanding of the complexity of the issue with the placing of the individual at the centre of development processes. It places individual choice at the centre of well-being; and for this choice to be effectuated, inequalities of opportunity on the labour market have to be addressed.

While decent work can make positive contributions to human development, **indecent work (such as forced labour or work without social protection) can be detrimental to human development** (UNDP, 2015d). Moreover, exclusion from work can create a vicious cycle of social exclusion, under which individuals who are unable to participate in formal labour markets

face limited human development opportunities and choices (UNDP, 2011c). The changing world of work, the globalization of certain markets and growing shares of non-standard employment (e.g., short-term work on irregular contracts) increase the challenges of ensuring that work makes a positive contribution towards human development. People-centred approaches can help to harness the positive contribution of work to human development, alleviate the negative effects of economic and business cycles, and build resilience against structural crises.

The human development concept is also apparent in the SDGs' focus on labour market outcomes that can support economic and environmental (as well as social) sustainability (Box 3). The aim is not only to achieve economic growth, but economic growth which creates jobs, which should in turn be: (i) beneficial for human development; and (ii) not cause irreparable damage to the environment (thus putting jobs for future generations at risk). These concerns and the sustainability approach are reflected in the global Agenda 2030, which was agreed upon by all United Nations member states in 2015.

Box 3—Work and the Sustainable Development Goals

SDG8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" addresses labour market inequalities on several levels.

- It calls for the application of the "nobody left behind" principle to the labour market, particularly in terms of equal inclusion of women and men, of young persons and persons with disability;
- It emphasizes workers' rights and a safe working environment. It also calls for the eradication of work that is directly detrimental to human development, such as forced and child labour;
- It calls for economic and social policies that promote the growth of decent jobs while ensuring environmental sustainability. This includes replacing ecologically devastating work with sustainable alternatives (e.g., sustainable tourism), and promoting efficient use of resources.



These issues are also apparent in the targets incorporated into other SDGs. Concerns with employment quality are evident in target 1.3 which aims to implement nationally appropriate social protection systems (also addressed in target 10.4). The inclusion aspect is linked to SDG10, with its focus on reducing inequalities and striving for social, economic and political inclusion for all. The implementation of Goal 8 should also be compatible with achieving the targets under SDG12 (on sustainable consumption and production).

Figure 19—Labour force participation rates, by sub-region (2004-2014)

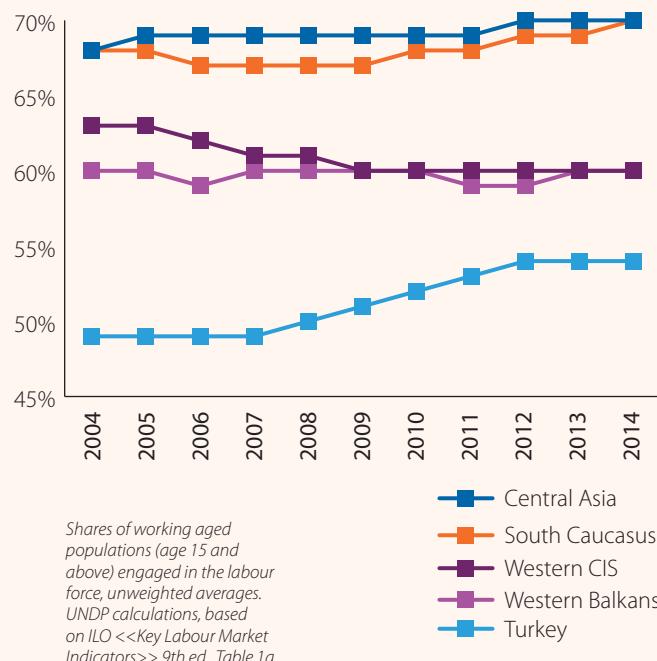
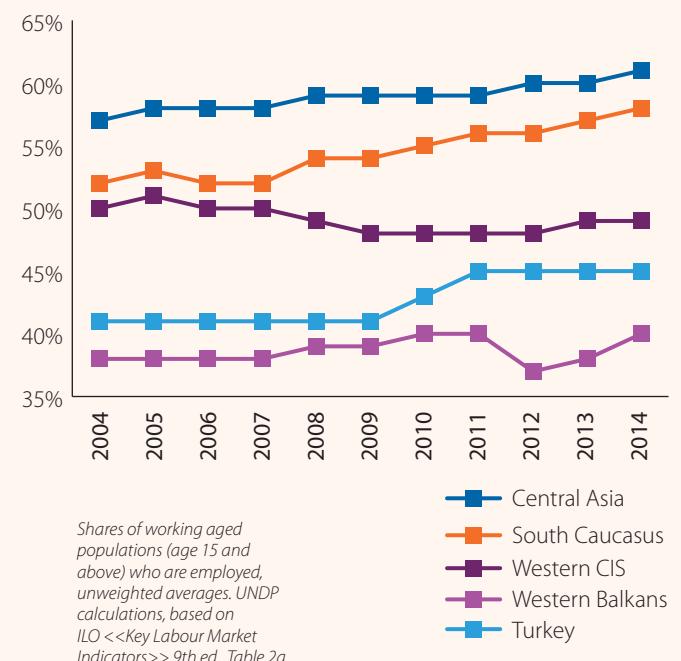


Figure 20—Employment rates, by sub-region (2004-2014)



Labour market outcomes—general trends

Inequalities in employment outcomes and opportunities are in practice difficult to separate.

In some parts of the region, they are reflected in high unemployment rates; in others, they are apparent in low labour force participation and employment rates. In all countries, however, crafting a true picture of labour market performance and links to broader inequalities requires a special emphasis on informal, vulnerable, and migratory employment, as well as their underlying causes.

The diversity of labour market outcomes across in the region is apparent in national labour force participation rates, which range from nearly 80 percent in Kazakhstan to under 50 percent for Moldova (for adult populations—Figure 19). Whereas participation rates have been falling in the Western CIS countries, they have been high and rising in Central Asia and the South Caucasus, as well as in Turkey (albeit from much lower levels). Broadly similar trends are apparent for employment rates in the region (Figure 20). For the Central Asian and South Caucasus

countries these have been high and rising, and have generally returned to pre-transition levels. By contrast, only about one third of the working-aged populations in the Western Balkans are reported as being formally employed.

The impact of the global financial crisis of 2008-2009 is quite apparent in the employment trends for the Western Balkans, Western CIS, and Turkey—which remain well below the rates reported in the South Caucasus and Central Asia. The low employment rates in the Western Balkans also reflect unemployment rates that are often well above 20 percent—and are among the highest in the world (for countries/territories not engaged in conflict). Unemployment rates reported for Bosnia and Herzegovina, Kosovo, and the former Yugoslav Republic of Macedonia are often in excess of 30 percent. As the data in Figure 21 show, these are well above the unemployment rates reported in the most of the rest of the region.

In sum, these data highlight significant sub-regional differences in labour market performance (Figure 22). On the one hand, the countries of Central Asia and the Southern Caucasus report high rates of labour force participation and employment, and correspondingly low rates of unemployment. At the other end of the

Inequalities, employment, and social protection

spectrum, the Southeast European economies report extremely low employment rates, due both to high unemployment and low labour force participation. Labour market inactivity is particularly pronounced in Turkey as well, but also in the Western CIS countries, where it offsets relatively low unemployment rates. It should be noted, moreover, that since 2014, labour market trends have deteriorated significantly in many CIS countries, due to low commodity prices, falling remittances, and slowdowns in key export markets (IMF, 2016).

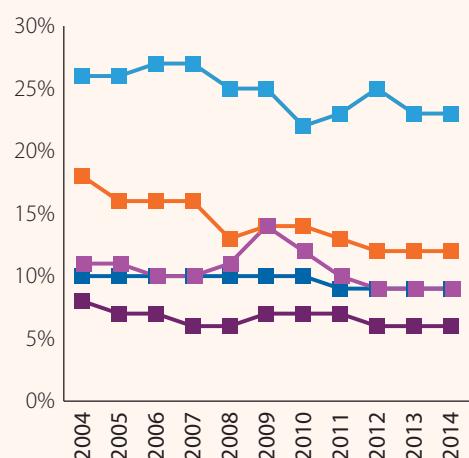
Overall, standard labour market indicators point to **worrying disparities in employment outcomes**, which in turn suggest considerable inequalities in employment opportunities. They also point to significant differences in employment outcomes by sub-region, with indicators for Southeast European countries being particularly worrying. However, as discussed below, the standard indicators may not fully capture labour market disparities in the region, largely because they do not capture the quality of employment. Central Asia may have higher participation rates and lower unemployment rates than the Southeast European countries, but few would argue that the quality of employment is better, or that there is less vulnerability, in Central Asia.

⁷ See ILO's standard definition, used to derive employment indicators from Labour Force Surveys.

Limitations of standard employment indicators

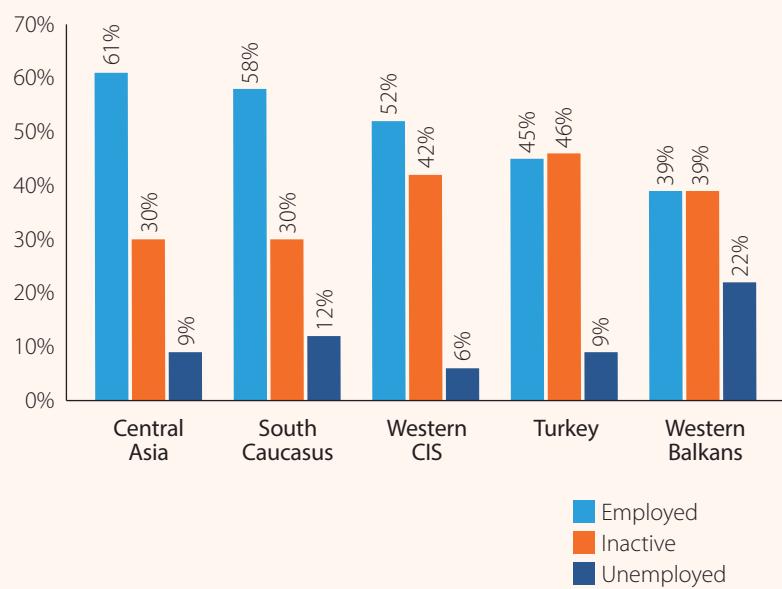
The standard labour market indicators described above (labour force participation, employment, and unemployment rates—see Box 4) cannot in themselves capture the full extent of inequalities in the labour market in the region, for several reasons. For one thing, employment rates show the share of the working-age population that is engaged in a productive activity—irrespective of whether this activity corresponds to full time, regular, formal and decent employment. This indicator does not distinguish between those who work "normal" or regular work hours on regular contracts, versus those on shorter and unstable work schedules. Nor does it indicate whether the activity is in the formal or informal sector, and therefore whether the individuals in question have rights to protection, a safe working environment, and to social insurance coverage. This indicator thus gives no indication of the quality of the employment enjoyed by different sections of the workforce, and the extent of under-employment and low quality, low wage employment.⁷ A person working a 40-hour week as an employee of a formal sector enterprise will be counted as employed, in the same way as

Figure 21—Unemployment rates, by sub-region (2004–2014)



Shares of the labour force that are unsuccessfully seeking employment, unweighted averages. UNDP calculations, based on ILO <<Key Labour Market Indicators>> 9th ed., Table 9a. Data are for ages 15 and above.

Figure 22—Labour force distribution, by sub-region (2014)



UNDP calculations (unweighted averages), based on ILO <<Key Labour Market Indicators>> 9th ed., Table 2a.

Box 4—Definitions: Standard labour market indicators⁸

Employment rate – the proportion of the population engaged in some kind of employment. This may be salaried employment or self-employment. This data is usually derived from Labour Force Surveys which ask about a person's activity in a given reference period (usually a week). To be classified as employed, it is usually enough to be engaged in some work activity, irrespective of the hours worked and salary earned.

Labour force participation – labour force participation is the proportion of economically active population in the total working age population. Economic activity in this context means any participation in the labour market by anybody of the given age group, may it be through employment or intention (i.e. job-search: the unemployed who are actively seeking employment). The sum of the economically active population is also called the labour force. Conversely, the portion of the population not participating in the labour market is often described as inactive.

Unemployment rate – to be classified as unemployed, a person must be without work, available and actively seeking work during the reference period. Unemployment rates are usually calculated as the proportion of the economically active population classified as unemployed. However, unemployment status is often linked to eligibility for benefits, and some countries use more restrictive criteria due to the fiscal implications of using the standard definition to determine eligibility.

Long-term unemployment – long term unemployment is a state of unemployment lasting continuously over a long period of time, usually upwards of one year, and is usually expressed as a percentage of total unemployment.

Joblessness – The joblessness rate is the sum of the unemployed and the inactive: the proportion of the working-age population which is not in employment. While not commonly used as a standard indicator, it can provide useful insights into labour market situations, especially when use of restrictive unemployment criteria disqualifies some workers from being counted as unemployed despite the fact that they are actively seeking work.

somebody working in a temporary job for 1-2 hours a day, or as a self-employed farmer, working informally on a small plot. To give some examples:

- While Kazakhstan has traditionally reported the highest employment rates in the region, nearly one third of those classified as employed are self-employed—with the majority engaged in small scale low-productivity agricultural activities (Kazakhstan State Statistical Committee 2015);
- While Azerbaijan has generally been a close second to Kazakhstan in terms of reported employment rates, 37 percent of the workforce (and 44 percent of the female workforce) is employed in agriculture, which accounts for just over 5 percent of GDP (Lubyova, 2013; World Bank, 2015a). These disparities result in low rates of labour productivity, and low agricultural incomes;

➤ Kyrgyzstan and Tajikistan have high labour force participation and employment rates, but also some of the largest shares of working poor, migratory, and vulnerable employment in the region—highlighting concerns about the quality and quantity of employment opportunities.

Second, the unemployment rate is usually seen as a measure of the lack of employment opportunities: the proportion of people who do not have a job but are “actively” looking for one. This definition is problematic, particularly in those countries with low labour force participation rates. As one analyst puts it: “most ‘potentially’ unemployed persons either do not ‘actively’ search for employment, falling in the category of ‘discouraged workers’, or seek out a living in the overcrowded informal economy, in a state often described as ‘disguised unemployment’” (Ghai, 2003). Variations in the criteria used for determining eligibility for (and the duration

⁸ Taken from the International Labour Organization’s standard labour market definitions.

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of) unemployment insurance may also affect incentives for registering as unemployed or engaging in job search activities. In some countries of the region, less than one percent of the unemployed receive benefits (ILO, 2014/15). Seen in this light, use of the unemployment rate as an indicator for capturing those affected by lack of employment opportunities is problematic.

Finally, assessments of labour market performance in the region are sometimes confused by data quality questions for those indicators that are reported. Differences in reported unemployment rates sometimes reflect differing methodologies used to collect the underlying data (e.g., labour force surveys versus registration data reported by employment offices, or hirings and dismissals reported by employers). The region's large circular and irregular migration flows tend to depress reported labour force participation rates in countries of origin, as migrants working abroad may be included in domestic populations (as per national census data) but not counted by labour force surveys as labour force participants or among the employed. While not unique to the region, these lacunae further complicate the interpretation of labour market data in the region.

Measures to improve labour market statistics are crucial for more effective policy making. So are increases in the regularity of published data on employment and migration flows, which allow

disaggregation by socio-economic (gender, age, rural/urban location, conflict impact) vulnerability criteria. Innovative ways of combining quantitative and qualitative data collection and analysis are also needed, to better understand inequalities among those who are employed, and the barriers facing those not participating in the labour market.

Employment quality and the disadvantaged within the labour force

While the ILO sets out ten different dimensions through which employment can be judged as "decent", (ILO, 2012) these revolve around: (1) productive work delivering a fair income; (2) workplace safety; and (3) access to social protection for workers and their families. Non-decent work falls short in some or all of these categories (see Box 5).

While informality is by its nature difficult to quantify, many indicators suggest that large numbers of the workers in the region are engaged in some form of informal employment. Informal work can be detrimental to human development in multiple ways. Workers in the informal sector are usually not fully protected by law and may therefore find themselves in

Box 5—Assessing the quality of employment

Precarious employment does not carry the protection rights associated with decent permanent positions, while being in practice equivalent to such work.

Informal employment falls into two main categories: work in informal (unregistered) enterprises; and paid work in the formal sector (registered enterprises) but under informal conditions (cash-in-hand, without core benefits, workers' rights, or a written contract). While the former is more common in rural areas (where agricultural work is prominent), the latter is more often found in urban areas.

Vulnerable employment is defined by the ILO as the sum of contributing (non-paid) family workers and own-account (self-employed) workers. These groups are less likely to work formally and therefore often lack decent working conditions and protection or adequate pay.

Disguised unemployment refers to engagement in certain types of (low-skilled, seasonal) work that serves as a coping strategy when decent employment and adequate unemployment support are unavailable. Low productivity self-sufficient agricultural work and informal trade are sectors in which disguised unemployment is commonly found in the region.

These categories are not mutually exclusive. A given worker can, for example, labour under conditions of both informality and vulnerability.

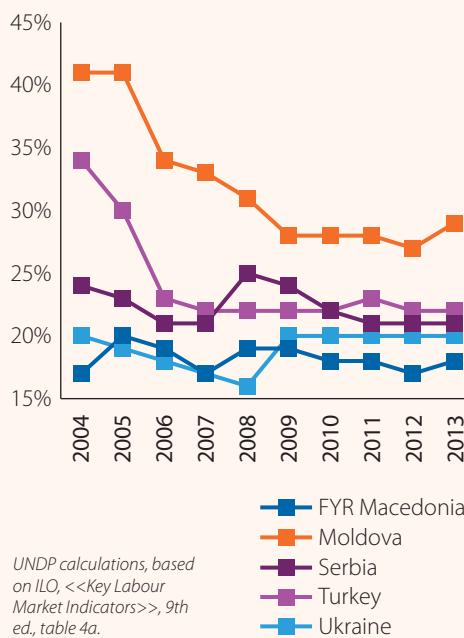
Figure 23—Share of agricultural employment in total employment (2014, or most recent year)

Source: ILO, <<Key Labour Market Indicators>>, 9th ed., table 4a.

situations of legal uncertainty and vulnerability. They are also unlikely to be covered by contributory social protection systems, and may therefore be unable to access old-age pensions, unemployment benefits or healthcare. As a result, in many countries informal workers are more vulnerable to poverty.

On the other hand, informal work can in some circumstances produce better earnings than formal labour market engagement. Examples of this range from young information technology workers who may be able to source work on the internet, to labour migrants whose legal status in destination countries does not allow for remunerative formal employment. Likewise, formal sector employment is not always “decent”, and can also be associated with low wages and elevated poverty risks. For example, while public sector workers in Kazakhstan may enjoy regular contracts and access to social protection, 2009 household budget survey data indicated that up to 50 percent of the poor in some regions of the country lived in households that were headed by a public sector employee (Asian Development Bank/UNDP (2012), p. 19). More broadly, the most recent ILO data indicate that, in much of the region, significant numbers of those who fall below international poverty thresholds live in households in which at least one member is gainfully employed.

Informal employment in the region seems particularly widespread in agriculture, which in many countries accounts for more than a third

Figure 24—Trends in shares of agricultural employment in total employment (2004-2013)

of total employment (Figure 23). In Ukraine, for example, two-thirds of informal employment was estimated to occur in agriculture (International Labour Organization, 2013). Such employment often consists of seasonal, low-productivity self-employment on small plots. Incomes from such work are highly unstable, due to

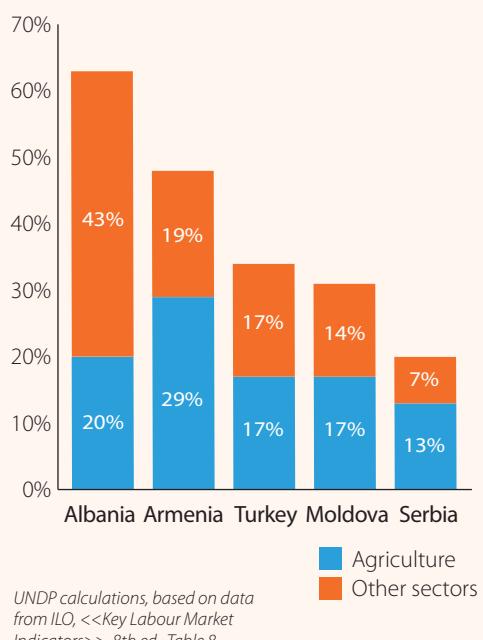
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Those who are in precarious, informal, low wage, low productivity jobs can suffer from the same risks of poverty and exclusion as those who are without jobs.

poor harvests or fluctuating farm gate prices. Employment in agriculture therefore often meets the criteria for non-decent work: providing low and unstable incomes, and insufficient social protection coverage. Moreover, after reporting multi-year declines in the shares of agricultural employment in total employment, these shares in a number of countries since 2008-2009 have stabilized or even increased (Figure 24). This underscores the extent to which small-scale agriculture continues to serve as a “safety valve” for vulnerable workers who are without more decent employment opportunities.

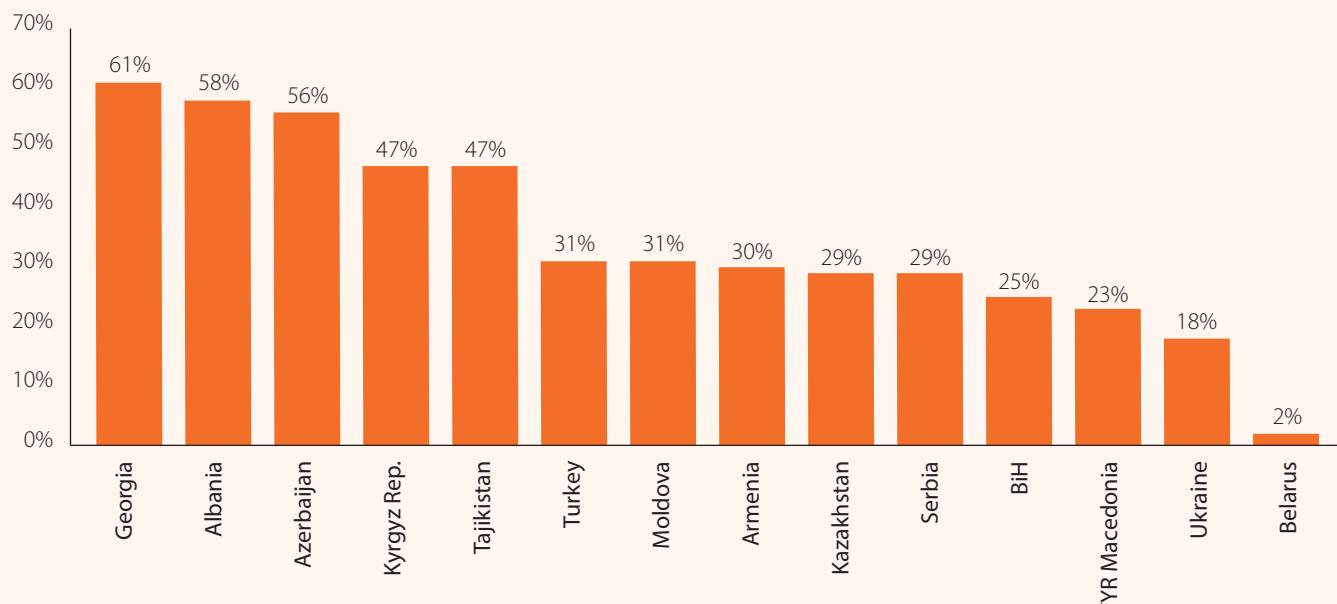
Agriculture is not the only sector in which significant numbers of workers labour under conditions of informality. The data in Figure 25 suggest that industry and services also account for significant shares of informal employment in a number of countries in the region. Likewise, other types of work may be non-decent, or “vulnerable”, which is defined by the ILO as the “employed people engaged as unpaid family workers and own-account workers”. The data in Figure 26 indicate that the scale of vulnerable employment in the region may exceed that of informal employment. They also suggest that, while workers in the Western Balkans may face

Figure 25—Shares of informal employment in total employment (2013)



greater difficulties in finding a job than in other parts of the region, they are also more likely to work in decent jobs when they are employed.

Figure 26—Shares of vulnerable employment in total employment (2013, or most recent year)



Source: ILO, <<Key Labour Market Indicators>>, 2015.

Public opinion surveys that gather information on individual perceptions of employment status may also provide insights into the quality and precariousness of employment. For example, Caucasus Barometer data for 2013 indicate that fewer people report having a job than what would be suggested by the employment rates generated from national labour force survey data. In Armenia, these figures were 44 percent (Caucasus Barometer) compared to 53 percent (labour force survey); in Azerbaijan they were 41 percent (Caucasus Barometer) compared to 63 percent (labour force survey); in Georgia they were 40 percent (Caucasus Barometer) compared to 56 percent (labour force survey). These disparities strengthen the view that informal engagement in agriculture is often perceived as more of a coping mechanism than a form of employment.

A similar survey in the West Balkans found some (albeit smaller) disparities between official and self-reported employment rates (Regional Cooperation Council, 2015). Many respondents also reported high levels of uncertainty regarding their future employment. About a quarter of the surveyed (50 percent in Albania) were unsure about being able to keep their job for the next 12 months, and with the time horizon increased

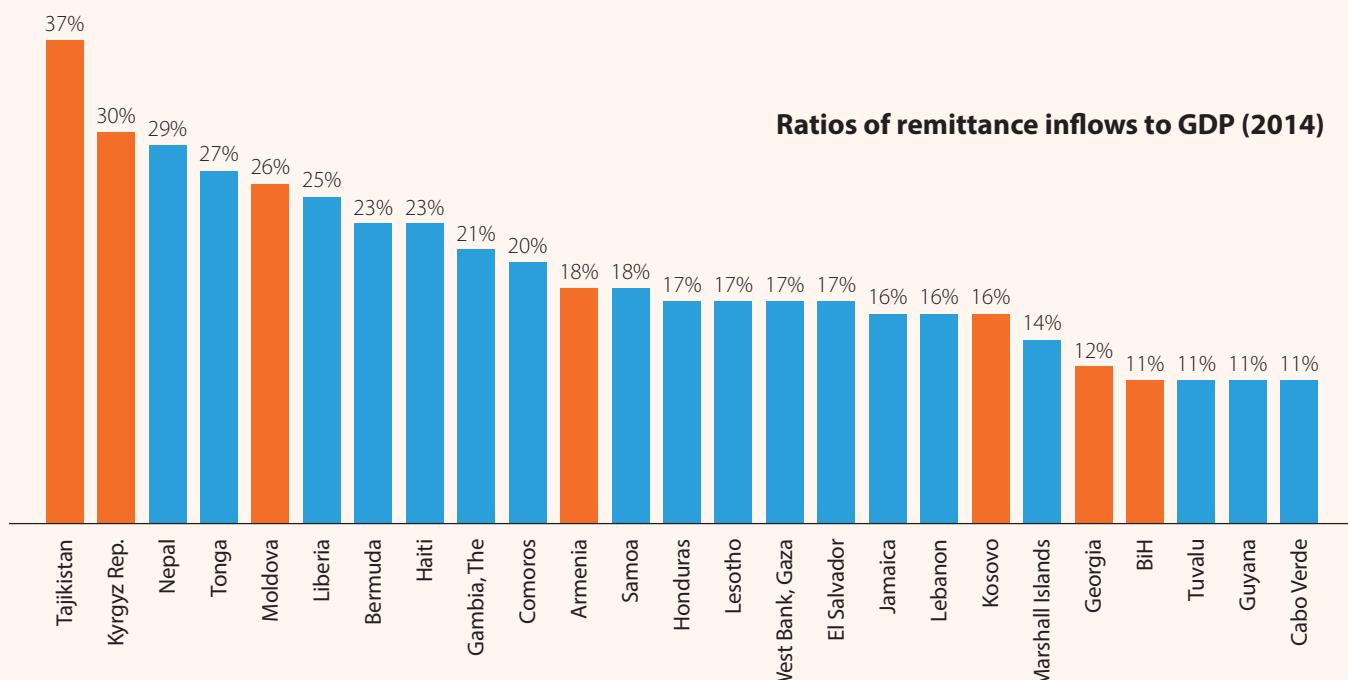
to two years, the share of those who were not certain about having a job in rose to 60-70 percent.

This suggests that the categories of employment, informal employment, unemployment, discouraged worker status, and inactivity should be viewed as points on a continuum rather than as discrete categories. Significant movement between these categories may exist, and the boundaries between them may be very fluid. Still, there can be little doubt that a large share of the workforce in the region are engaged in informal, precarious, and vulnerable employment.

Labour migrants

Labour migration, and the remittance flows generated thereby, are common responses to unequal access to employment opportunities. This is particularly the case in the region, which World Bank data indicate contains three (Tajikistan, Kyrgyz Republic, and Moldova) of the top five and seven (Armenia, Kosovo, Georgia, BiH) of the top 25 remittance receiving economies in the world (measured in terms of the ratio of remittance inflows to GDP—see Figure 27). Albania, Montenegro, and Uzbekistan are typically in the top 35 as well). Migration varies in character (regular, irregular), nature (seasonal,

Figure 27—The world's 25 largest remittance-receiving economies



Source: World Bank Migration and Remittances database.

Box 6—Labour migration and remittances in Tajikistan⁹

Labour migration is an important feature of Tajikistan's labour market, with about one in four families having at least one member working abroad. Perhaps the most important push factor is the lack of labour market opportunities. Tajikistan has the highest share of working poor in the region, as well as the lowest labour force productivity rates, largely due to the high share of employment in small-scale agriculture, most of which is informal. Labour migration from Tajikistan has become an alternative to informal employment at home—particularly in the agricultural sector (Abdulloev et al., 2011a).

The vast majority of the country's migrants reside in Russia, meaning that the labour market and economy are closely linked to those of the Russian Federation. Until 2015, remittances accounted for circa 50 percent of GDP, some research found that they made up more than half of the income received by about two-thirds of Tajikistani households (International Labour Organization, 2010). They are therefore the second most important source of income (after wages) across the society (World Bank, 2015b).

- This situation creates a number of vulnerabilities. For one thing, labour migration to Russia since 2014 has been under threat, due to the deteriorating trends in the Russian economy, and to legal changes that have imposed stricter controls on economic migrants. Sharp declines in remittances were therefore observed in 2015. As a result, employment for migrants is becoming increasingly precarious. Moreover, given their importance to receiving families, remittances can create inequalities between households with and without access to them (Peterski et al., 2013).

circular, permanent), and vis-à-vis state borders (internal versus external migration).

Migration and remittance flows are particularly important in Central Asia: as of mid-2015 citizens from Kyrgyzstan, Tajikistan, and Uzbekistan accounted for around one third of the foreigners registered with Russia's Federal Migration Service (despite the absence of common borders) and for nearly three quarters of registered foreigners in Kazakhstan (UNDP, 2015c). Whereas the Russian Federation is the primary destination for migrant workers from the Caucasus and Central Asia, EU countries are the primary destination for migrants from the Western Balkans—more than 100,000 temporary residence permits are issued annually in EU countries for citizens from the Western Balkans. Migration flows from Ukraine and Moldova are more evenly split.

These migration and remittance flows can clearly help to reduce poverty. In Kyrgyzstan, for example, household budget survey data indicate that remittances yearly reduce the numbers of people living below the national poverty line by 250,000–300,000. In Moldova, a recent study found that remittances are far more important for poverty reduction than social protection transfers

(Moldova, Ministry of Economy, 2015): remittances reduce the national poverty rate by some 15 percent while social protection by only about one percentage point. The 2014 Kosovo Human Development Report finds that labour migration is absorbing a third to one half of Kosovo's new labour market entrants every year. Migrants report that spending time abroad improves their prospects for finding decent employment upon returning home (UNDP, 2014a).

However, these flows also have their drawbacks. In addition to their pro-cyclical character, threats posed to household and social cohesion, and challenges to social protection systems (see Box 6), the irregular character of many of these flows often leaves migrant workers with no alternative to engaging in precarious forms of employment, without social protection. Moreover, as is noted in the Moldovan case (Figure 3), while remittances may reduce poverty, they may also increase poverty.

⁹ Based on UNDP (2015a).

Groups at particular risk of labour market exclusion

Crafting a true picture of labour market inequalities requires a focus on who is most at risk of labour market exclusion. Labour market gender differences are significant throughout the region—particularly in Central Asia, but also in Turkey and the West Balkans (Figure 28). Gender-based labour-market inequalities often reflect sectoral employment segregation, and the overrepresentation of women in unpaid care work. (These inequalities are addressed in more detail in the next chapter.)

Young people in the region are often faced with particularly difficult labour market challenges.

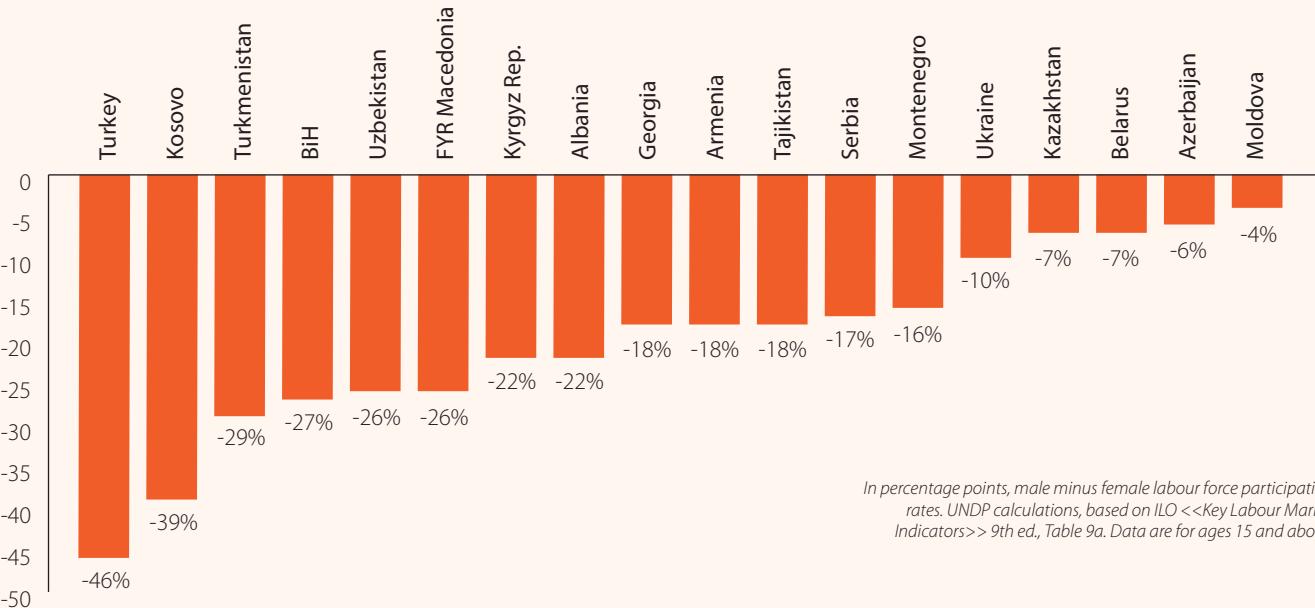
Only one third of the region's youth is employed (Figure 29); a recent International Labour Organization study finds that youth unemployment is expected to increase in the next five years (International Labour Organization, 2015). The highest rates of youth unemployment are reported in the Western Balkans (Figure 30), with rates at or above 50 percent in Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, and Serbia during the past decade (Elder *et al.*, 2013; Mojsovská *et al.*, 2014). These are some of the highest youth unemployment rates reported globally. Youth unemployment rates tend to be particularly

high among the less-educated: in Ukraine, for example, close to 70 percent of youth with only primary education are unemployed (Elder *et al.*, 2015a). Migration has become a common coping strategy for youth across the region.

Youth employment data may be misleading in that young people may improve their job market prospects by remaining in school longer, rather than actively seeking employment. However, in much of the region, between a quarter and a third of youth populations are “not in employment, education, or training” (NEET). Fortunately, many countries are reporting declines in youth NEET rates—in the former Yugoslav Republic of Macedonia and Turkey, for example, these rates have dropped by some 20 percentage points during the last decade. Still, as the data in Figure 31 show, more progress could be made. Young women are more likely to be out-of-work and out-of-school than young men. This difference is particularly pronounced in Central Asia, where the NEET average is 37 percent for women compared to 19 percent for men (Mauro *et al.* 2015). A similar pattern is apparent in Turkey, where female NEET rates are reported at 35 percent (as opposed to 15 percent for men).

While the region's youth unemployment and NEET rates are worrisome, the quality of employment of those who are working may be of equal concern. Available data suggest that youth

Figure 28—Labour force participation rate gender gaps (2004–2014, annual averages)



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are more likely to work informally, without written employment contracts, or as contributing workers in family businesses—often without social protection or regular remuneration. In Armenia and the former Yugoslav Republic of Macedonia, this form of employment has been assessed at 17 percent and 22 percent of total youth employment, respectively (Elder and Abdulloev, 2015). In the Kyrgyz Republic, one study found that more than a third of young people in rural areas were working on family farms (or in family businesses) six years after leaving education (European Training Foundation, 2013).

Roma. The position of Roma—one of the region's largest ethnic minorities—is an illustrative example of a group facing elevated risks of labour market exclusion, and from there exclusion more broadly. Survey data¹⁰ indicate that **Roma unemployment rates in 2011 in a number of Southeast European countries/territories reached 50 percent**—well above not only national/territorial unemployment rates, but also the rates reported for non-Roma communities located in close proximity to Roma neighbourhoods or settlements (Figure 32). These survey data also show unemployment rates for Roma youth to be well above national/territorial

¹⁰ The UNDP/WB/EC Regional Roma Survey (2011) compared socio-economic position of Roma communities with non-Roma communities living in close proximity in Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, and Serbia (as well as in new EU Member States).

averages, as well as for non-Roma living in close proximity. In the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, and Serbia, Roma youth unemployment rates equalled or exceeded two thirds of the youth population (Figure 33). Unequal employment outcomes are also apparent in the wages earned by those Roma who do manage to find jobs. Roma wages in 2011 were found to be 45–80 percent of the wages earned by non-Roma. Roma women's wages were found to amount to only 45 percent of those earned by non-Roma men, and 54 percent of the wages earned by non-Roma women.

These data also suggest that discrimination contributes to Roma labour-market exclusion. As Figure 34 shows, differences in joblessness rates (i.e., shares of working age populations who are either unemployed or not participating in the labour force) between Roma and non-Roma living in close proximity to Roma settlements are minimal for persons with no formal education. However, while joblessness rates decline as education levels rise for both Roma and non-Roma, these declines are much steeper for non-Roma. Since neither education levels nor location can explain these differences, employer reticence to hire “the other” may offer a partial explanation.

Figure 29—Youth employment rates (2004-2014)

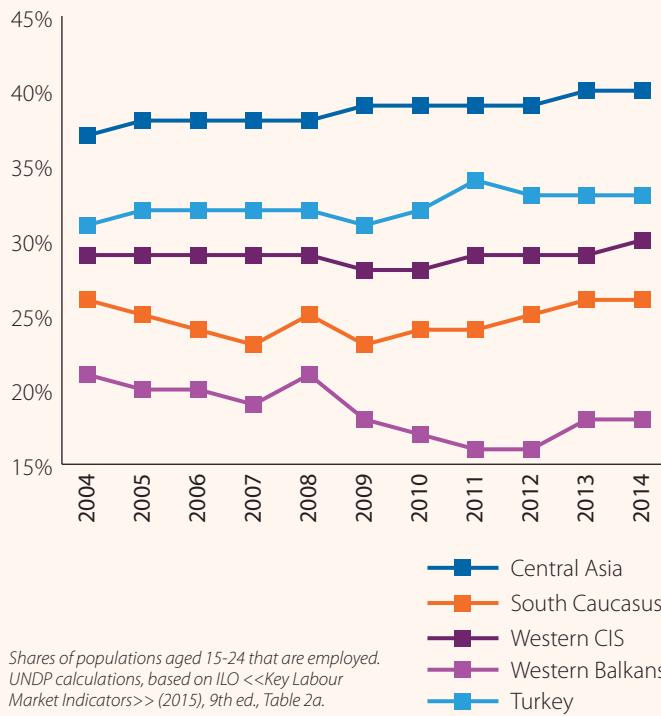


Figure 30—Youth unemployment rates (2004-2014)

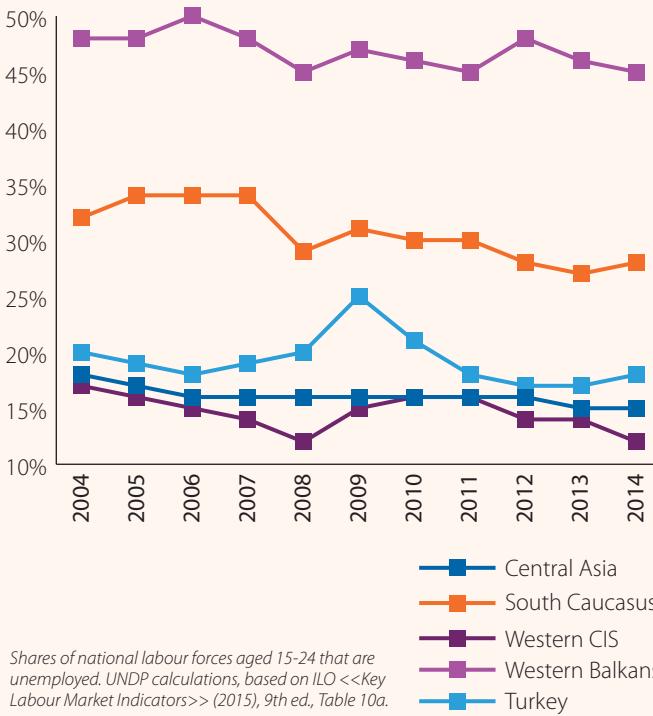
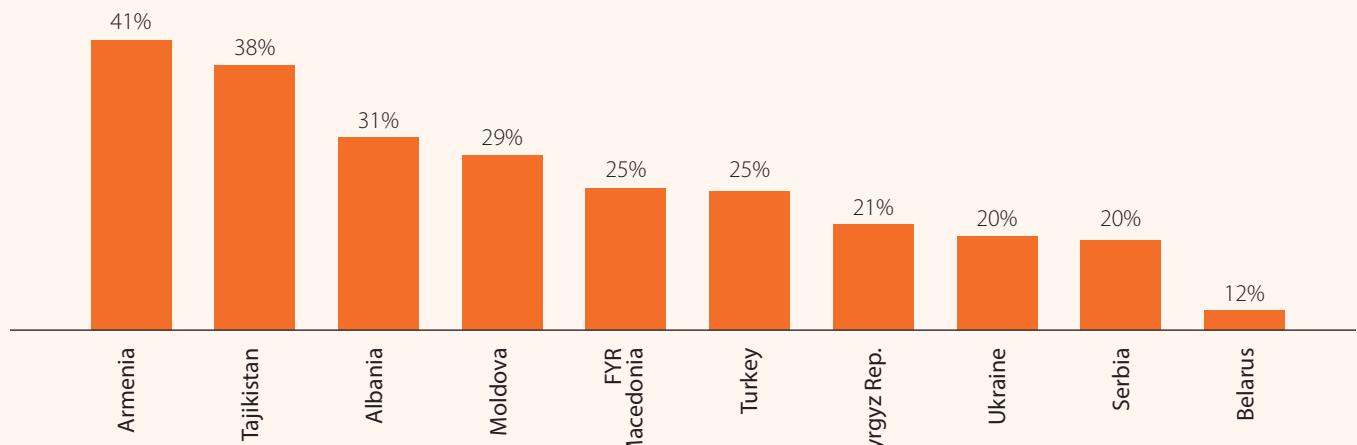


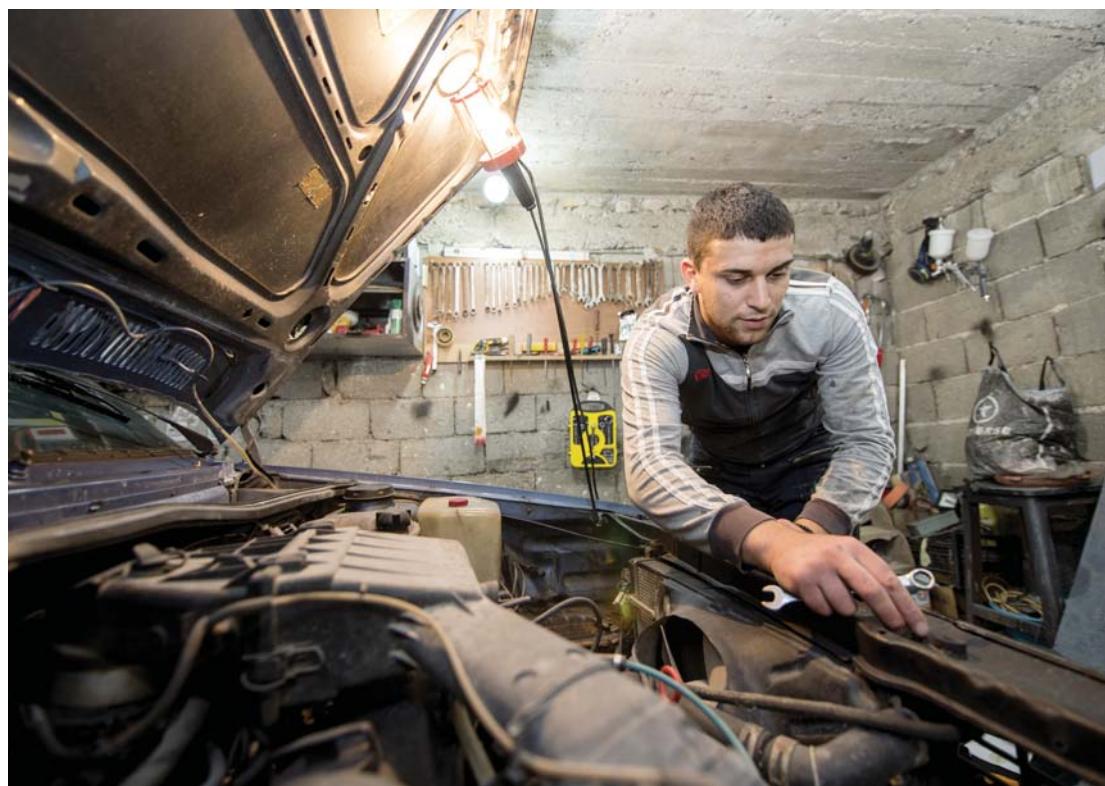
Figure 31—Shares of youth populations not in employment, education, or training (NEET—2014, or most recent year)



Source: ILO <<Key Labour Market Indicators>> (2015), 9th ed., Table 10c.

These survey data also indicate that Roma engagement in the informal economy is five times more likely than it is for proximate non-Roma communities. In Albania, 87 percent of working Roma men, and 79 percent of Roma women, were reported to be working

informally in 2011. The intensity of informal employment was particularly strong in Bosnia and Herzegovina, as well as in Montenegro. As formal-sector employment is a precondition for eligibility for many forms of social protection, Roma households' extensive informal sector



Kosovo: Unemployment rates are often reported in excess of 30 percent. Vocational skills and support for starting micro-businesses have proven to be vital. Photo: Arben Llapashtica / UNDP

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engagement may also imply their exclusion from social protection and social services. More than one half of Roma respondents participating in the 2011 survey reported difficulties in being able to afford the purchase of medicines, compared to one in four non-Roma survey respondents (Ivanov and Kagan, 2014). This is despite significant progress in reducing gaps in educational performance between Roma and non-Roma survey respondents during 2005–2011.

People with disabilities. The World Health Organization's 2011 *World Report on Disability* found that up to 15 percent of world's population lives with some disability, of whom 2.2 percent have significant difficulties in daily functioning. In this region, issues of unequal labour market opportunities for persons with disabilities are explicitly addressed in legislation and policies.¹¹ However, the lack of reliable basic data on the number of persons with disabilities in many countries¹² means that it is often impossible to assess and monitor the actual impact of these measures on labour market inclusion. Recent reports from Serbia, Armenia, and Tajikistan illustrate the labour market

¹¹ All the countries in the region have either signed or ratified the UN Convention on the Rights of Persons with Disabilities (except for Tajikistan).

¹² Based on officially data on numbers of persons with disabilities, estimated prevalence of disability in the region in total population ranges from under 2% in Tajikistan to nearly 11% in Montenegro, while in most countries it is between 3-5% (UNDP, 2013).

exclusion challenges faced by many people with disabilities:

- According to data from the 2011 population census, there are some 572,000 persons with disabilities in Serbia, representing 8 percent of the total population. Thanks to 2009 legislation that opened up many forms of employment for persons with disabilities, some 10,000 of these individuals reported becoming employed. However, only some 20,770 of these (6,880 of whom were women) were registered as unemployed in 2011—thereby gaining access employment support. Given the low numbers of people with disabilities who actually register as unemployed, the budget of the national employment services allocated to support labour market opportunities of this particular group is also very low, amounting to some 0.06 percent of GDP in 2013;
- Armenia has some 186,000 registered persons with disabilities (more than 6 percent of the total population). While a 2014 study found that the share of working-aged employed

Figure 32—Roma unemployment rates (2011)

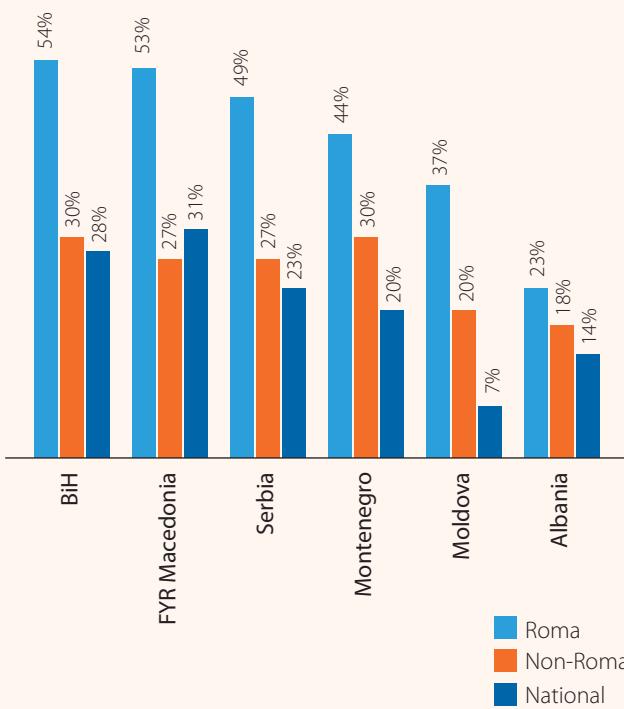
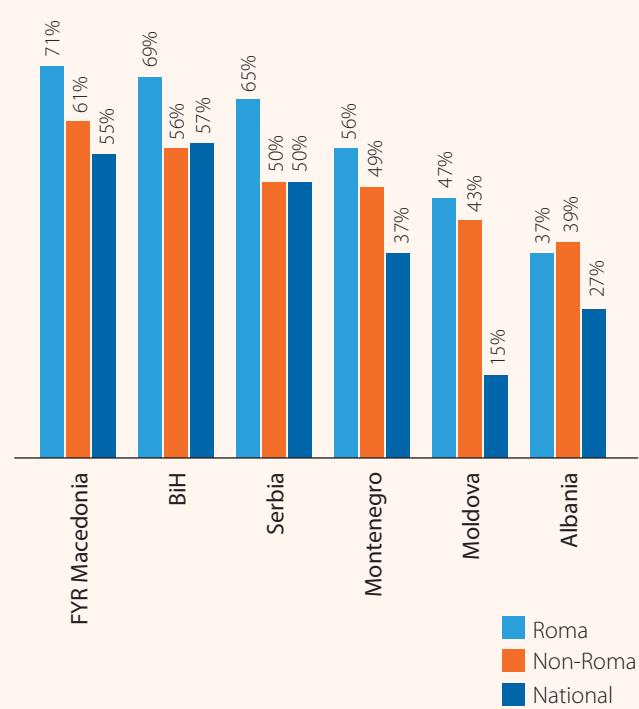


Figure 33—Roma youth unemployment rates (2011)



Sources: UNDP/World Bank/European Commission Regional Roma Survey (2011); and ILO, <<Key Labour Market Indicators>>, 9th ed. Note: "Non-Roma" data are collected from non-Roma communities located in close proximity to Roma settlements or neighbourhoods.

persons with disabilities was 21 percent, only 9 percent of these were found to be working (outside of agriculture) (Nesporova *et al.*, 2014). This study also found that the attitudes of employers and co-workers, and insufficient knowledge of the rights and abilities of persons with disabilities, present major barriers to labour market inclusion. For persons with disabilities these barriers, coupled with the absence of suitable jobs, favouritism, age and ill health are major de-motivating factors when looking for jobs. As elsewhere, the share of unemployed women with disabilities is higher than the share of men;

- In Tajikistan, some 147,000 persons with disabilities (almost 2 percent of the population) are currently registered, including almost 25,000 children. However, these registration figures are believed to underestimate the total number of persons with disabilities in Tajikistan, as not all adults register for disability pensions and some children with disabilities are hidden by their parents (UNDP, 2015)¹³. Tajikistan's Labour Market Development Strategy 2011-2020 describes a quota system used to provide additional guarantees to citizens who are in need of social protection and who experience difficulties in finding work. This quota system allows persons with disabilities to retain their disability pension while receiving a salary for a 6-hour work day in the public sector, which is considered full employment. This may be considered unequal (privileged) treatment in relation to other, able bodied workers, who cannot work and receive pensions. However, the presumption behind this ruling is that workers with disabilities have additional medical needs which the salary alone cannot cover, or that they may need the additional support services (be it at home or at work). However, in practice the real obstacle to accessing support is the fact that local support services are underdeveloped; so even if one has resources to pay for them, they are just not available.

Attempts to improve legal and policy frameworks, as well as to change entrenched attitudes vis-à-vis the employment of people with disabilities, are hampered by deep-rooted legacies of previous approaches applied in the region, which were based on the assumption that disability needs to be treated or "fixed". Such "treatment" usually means long-term (in some cases lifelong) accommodation/confinement

to residential institutions under professional supervision. However, it is often the interaction between various barriers (legal, social and infrastructure) and the person's long term impairments (physical, mental, intellectual or sensory) which are the cause of disability,¹⁴ rather than the individual's physical characteristics *per se*. Rehabilitation, good care, and support services should help prepare people living with disabilities for the labour market, not reduce their opportunities.

Many countries are attempting to remove barriers to labour market inclusion

using such tools as "sheltered workshops", social enterprises, wage subsidies, quota systems, supported employment, and workplace accommodation. While "sheltered workshops" can in theory serve as a transition towards open labour markets, in reality this rarely happens. Too often their primary goal is the "placement" of persons with disabilities in an environment which offers work-related activities, while production is considered as secondary goal. Interactions with non-disabled persons and the open labour markets are at best limited. These structures can therefore perpetuate (rather than reduce) labour market exclusion for persons with disabilities.

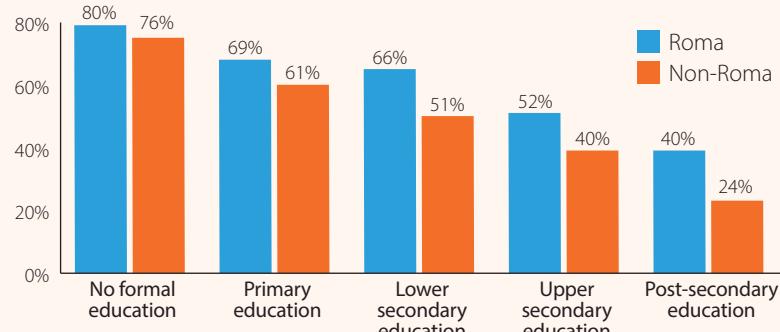
Many countries in the region have quota systems for employing persons with disabilities in the public or private sectors (in some cases, both). In many cases countries have introduced penalties

While jobs are a means to income, human dignity, agency and security, unpaid work, care work, voluntary or creative work also matter.

13 Analysis of legal, functional and economic implications of Tajikistan ratifying UNCRPD, UNDP 2015.

14 UN Convention on the Rights of Persons with Disabilities.

Figure 34—Roma and non-Roma joblessness rates in Western Balkans, by level of education (2011)



Source: UNDP/World Bank/European Commission Regional Roma Survey (2011).

Note: "Non-Roma" data are collected from non-Roma communities located in close proximity to Roma settlements or neighbourhoods.

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for those employers who do not fulfil the quota system. The funds collected through penalties are to finance the employment of persons with disabilities, by funding wage subsidies, investments in workplace adaptation, and the like. In practice, monitoring mechanisms for penalty payments are rarely in place, so that funds remain limited.

For many persons with disabilities (as well as Roma and members of other vulnerable groups), barriers to labour market inclusion begin with education systems. Notions that persons with certain types of disabilities are able to perform only some types of jobs (i.e., blind persons should be massage therapists) are still common in the region. Such attitudinal and environmental barriers limit educational (and subsequently labour market) opportunities. People who manage to overcome these barriers can then face additional challenges in social protection systems. Persons with disabilities obviously need social protection, *inter alia* to equalise opportunities for labour market participation. However, in order to access these rights, persons with disabilities may need to provide evidence of elevated degrees of disability and dependency—which can in turn weaken their labour market position. While social and health systems emphasise dependency and inability, labour markets expect independence

and “ability”. Persons with disabilities looking for jobs often struggle to overcome the conflicting logics of the two systems. Social enterprises (companies or NGOs that seek to realize social objectives while ensuring financial sustainability) that offer both support services and productive employment are gaining traction as platforms for overcoming these barriers. Social enterprises that hire (or are managed by) persons with disabilities can also influence wider social change.

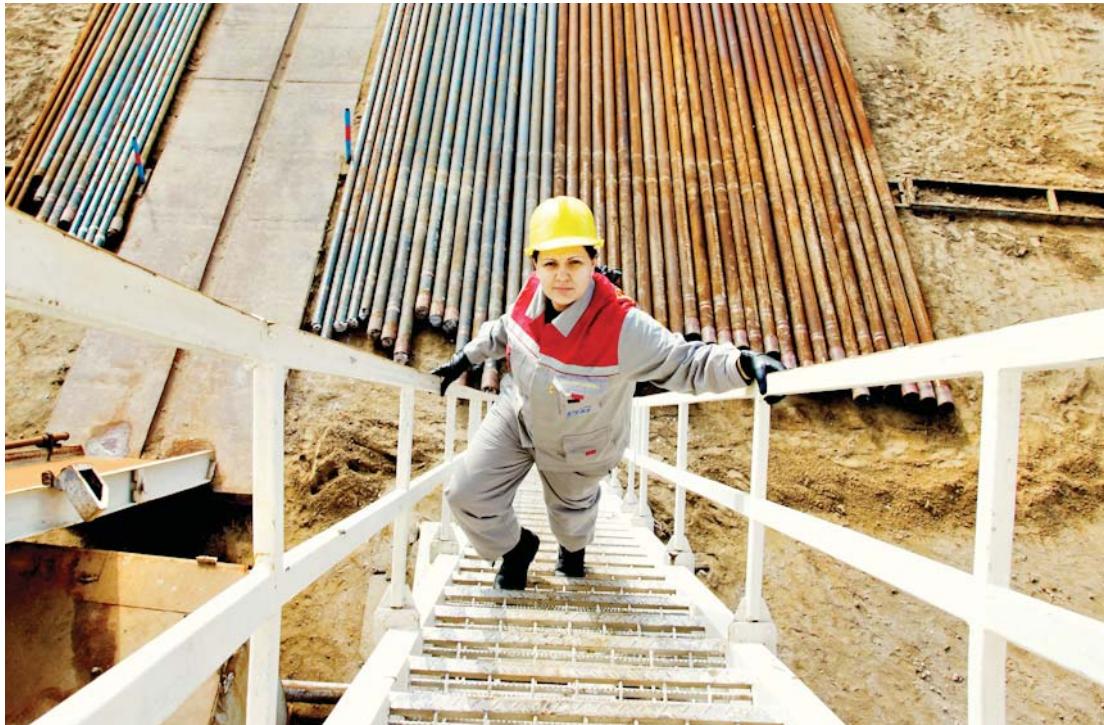
Social protection and labour market inclusion

Inequalities in employment opportunities, and their associated social exclusion risks, have important implications for social protection systems. The emergence of extensive informal employment has put considerable financial strains on social protection systems in the region, which were designed to work in near-full employment conditions. These strains have led to social policy reforms that have focused on reducing the size and coverage of social assistance benefits—despite the paucity of decent jobs. As a result, social protection systems in much of the region are unable to meet the needs of those most at risk of labour market or social exclusion.

Box 7—Social protection and the Sustainable Development Goals

The Sustainable Development Goals acknowledge the complex policy linkages that have to be addressed in devising a well-functioning social protection system.

- SDG1 (“end poverty in all its forms everywhere”) with target 1.3. is explicit about implementing nationally appropriate social protection systems and measures for all, including floors, leading to substantial coverage of the poor and the vulnerable.
- SDG3 (“good health and well-being”) with target 3.8 calls for universal health coverage, including financial risk protection, access to quality essential health services, medicines and vaccines for all.
- SDG5 (“gender equality”) with target 5.4 calls for the recognition and value of unpaid care and domestic work through the provision of public services, infrastructure, and social protection policies.
- SDG8 (“decent work and economic growth”) calls for full and productive employment for all (target 8.5) with protection of labour rights and a safe working environment for all.
- SDG10 (“reduce inequalities within and between countries”) calls for sustained income growth of the poorest (target 10.1), empowerment and promotion of social, economic and political inclusion of all (target 10.2), and the adoption of fiscal, wage, and social protection policies to progressively achieve greater equality (target 10.4).
- SDG16 (“peace, justice, and strong institutions”) calls for the development of effective, accountable and transparent institutions at all levels (target 16.6), to ensure responsive, inclusive, participatory and representative decision making.



Uzbekistan: Women can be oil and gas drilling engineers. In Europe and the CIS, women are under-represented in careers such as engineering, manufacturing, and construction. Photo: Anastasiya Kasyanova / UNDP

Social protection can be understood in different ways. Here reference is to:

- social insurance pensions, sick leave, disability pension, and often also maternity leave, unemployment benefits and healthcare—based on contributory schemes;
- social assistance based on tax-financed support to the poor or vulnerable;
- locally and nationally provided social support services to households (e.g., care for the elderly living alone, or for families with members who have disabilities etc.); and
- active labour market measures aimed at helping the unemployed find a job.

The roles which social protection can play through each of these four components, or combinations therein, can be multiple. First, there is the preventive role, whereby citizens (through social insurance schemes designed to enable “consumption smoothing”) are protected from risk (e.g., the risk of impoverishment in old age). Second, the protective or provisional role protects citizens from the impact of external shocks, and from the risk of slipping into extreme poverty and exclusion, through the availability of basic social

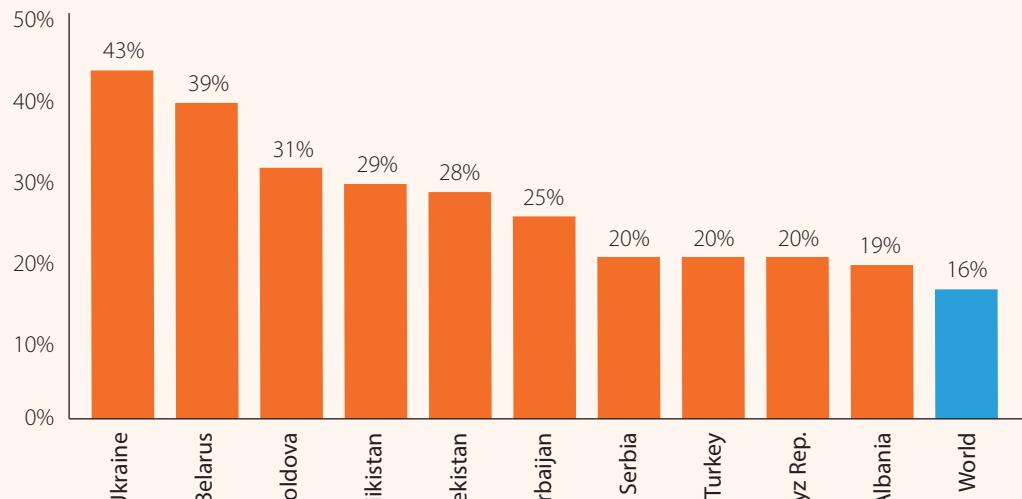
(minimum income) transfers and services. The preventive and provisional functions can help social protection to increase socio-economic resilience. Thirdly, social protection can play a promotional role, in terms of enhancing access to livelihoods and incomes. This usually occurs through promoting access to paid employment (e.g., through active labour market policies), in order to increase individual capabilities. Finally, social protection can play a transformational role: empowering the poor and excluded by addressing the social (attitudinal), legal, and institutional drivers of exclusion.

If well designed, social protection measures can perform all of the roles outlined above. They can promote the labour market and social inclusion of groups and individuals at risk, and can act not only as systems of provision for those in immediate need, but also as preventive systems which build resilience and promote inclusion (Babajanian *et al.*, 2012).

Social protection in the region

In all countries of the region except Turkey, broad social protection systems featuring both

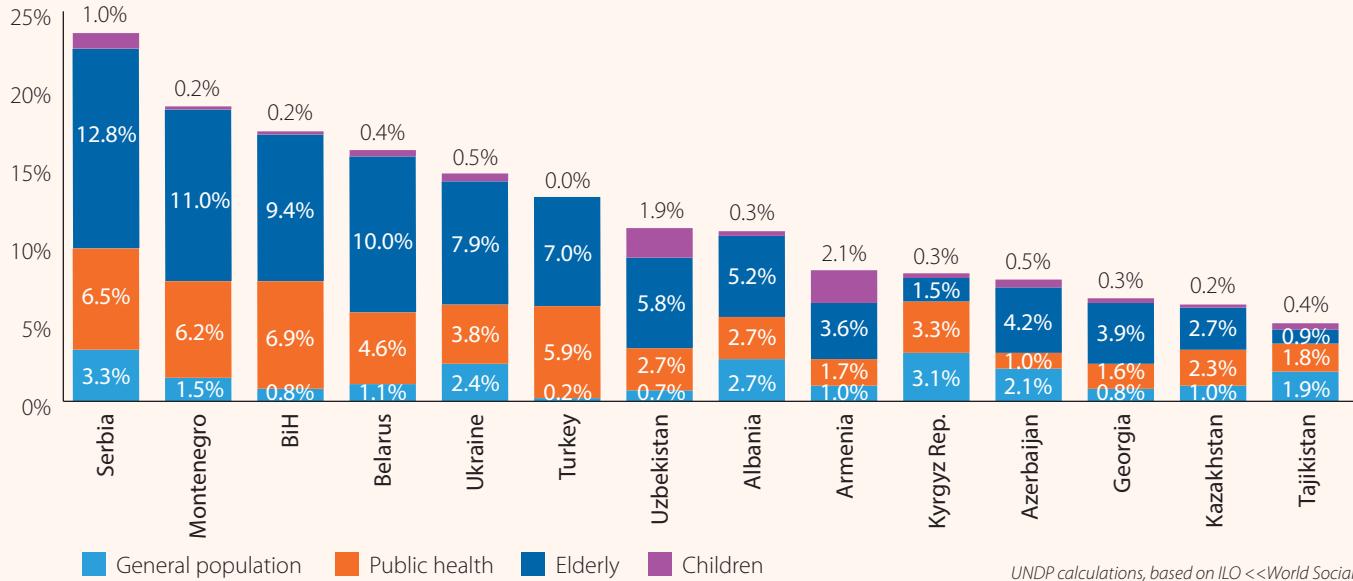
Inequalities, employment, and social protection

Figure 35—Enterprise taxes on labour costs, relative to profits (2015)

Source: World Bank Doing Business (2016).

contributory social insurance components and non-contributory components were in place for some time prior to the 1990s. Combined with generally tight labour market conditions, subsidies for basic goods and services, and extensive public investments in the provision of health, education, and other social and communal services (some of which were accessed at the

workplace), provided households with high degrees of economic security. Access to many of these services was codified as legal/constitutional "rights" to "free" health, education, and the like. However, because of their bureaucratic nature, these systems were often less effective in resolving many problems of social exclusion, most of which required local solutions, or could not

Figure 36—Levels and composition/beneficiaries of social protection spending in the region (shares of GDP, select countries, most recent available year)

UNDP calculations, based on ILO <>World Social Protection Report 2014/2015>>.

be addressed by regional development or public works programmes.

The economic transitions of the 1990s presented huge challenges for these social protection systems.

protection systems. The emergence of extensive labour-market informality and large irregular migration flows, often combined with demographic trends that have increased the numbers of pensioners relative to the workforce, have threatened the financial sustainability of contributory pension schemes and left growing numbers of workers uncovered (in part or in full) by social insurance systems. Governments have responded by increasing social security and other taxes on labour—which in turn have driven more workers into the informal sector. As a result, workers labouring in the formal sector in the region now face some of the largest tax burdens in the world (Figure 35).

Social assistance programmes have been expanded, in order to offset reductions in labour market security and in subsidies for basic goods and services. However, fiscal considerations, concerns about weakening incentives for labour force participation, and technical difficulties in setting appropriate eligibility criteria (in order to minimize inclusion and exclusion errors) have limited the scope and effectiveness of these programmes. Moreover, some countries have

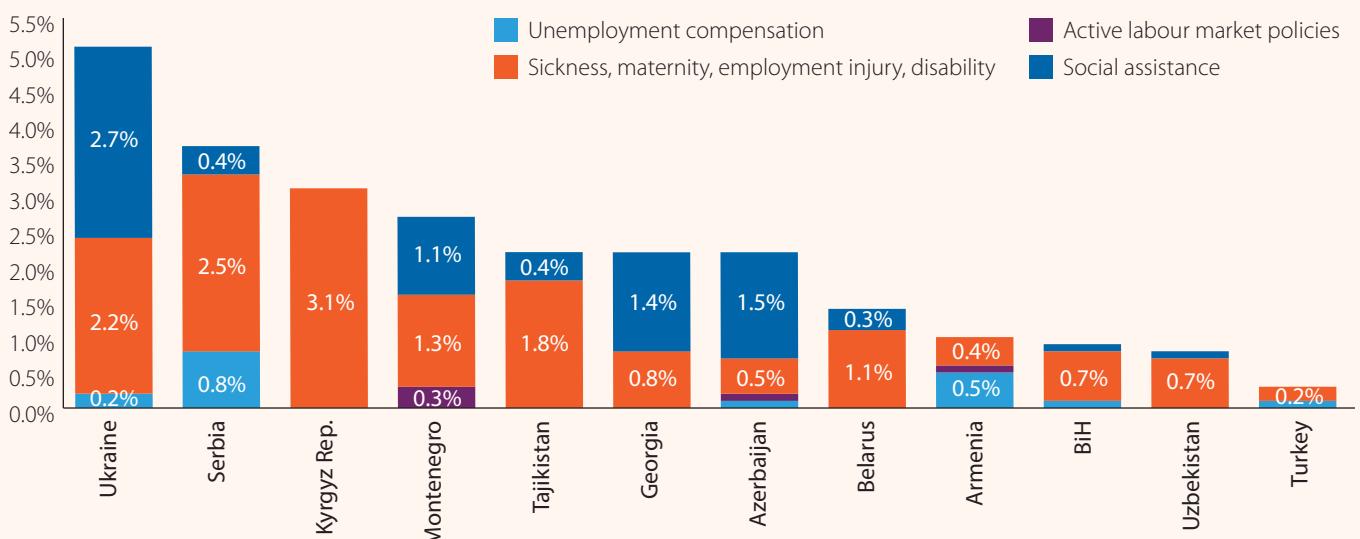
emphasized the provision of social assistance to “deserving” social groups (e.g., war veterans in the Western Balkans), whose members may not necessarily be the poorest or most vulnerable.

After 25 years of transition, social protection systems in the region show significant variation in terms of shares of GDP devoted to social protection, as well as policy heterogeneity. Relatively large shares of pensions benefits (for the elderly), and public health expenditures, are common to most of the region (Figure 36). They are particularly large in Western Balkan and Western CIS countries with aging, shrinking populations.

Data on levels and composition of social protection expenditures for the general population (generally for persons of working age—see Figure 37) show a significant emphasis on disability and work-related benefits, as well as maternity and sickness benefits. By contrast, it is only in Serbia and Armenia that expenditures on unemployment insurance and active labour market policies (primarily the former) exceed 0.5 percent of GDP. This further highlights the imbalances in policies vis-à-vis the region’s labour

Helping economic growth to translate into decent job opportunities requires holistic, whole-of-government approaches.

Figure 37—Levels and composition of social protection spending for the general population in the region (shares of GDP, select countries, most recent year available)



Inequalities, employment, and social protection

¹⁵ According to the ILO's World Social Protection Report 2014/2015, almost all social protection systems in the region cover all major areas of social policy with some kind of programme, thus deserving a rating of 'comprehensive scope of legal coverage'. The notable exceptions are Georgia (semi-comprehensive scope) where no unemployment benefit programme is present, and Tajikistan (limited scope of legal coverage) where protection in case of employment injury and family allowances is absent.

markets, which are subject to high taxes but receive modest budgetary investment in return. Efforts to reduce these imbalances, by promoting labour market engagement while ensuring that those who need help have access to social protection, are key to promoting labour market inclusion in the region.

Gaps arising from inadequate spending or inaccurate targeting of social benefits are often significant. On the one hand, World Bank data indicate that social insurance and social assistance programmes reduce both poverty rates and income inequality (as measured by Gini coefficients) across the region (Figures 38, 39). Social insurance programmes (primarily old-age pensions) have the greater impact across the region (with the apparent exception of Azerbaijan), reflecting relatively large benefits and numbers of beneficiaries.

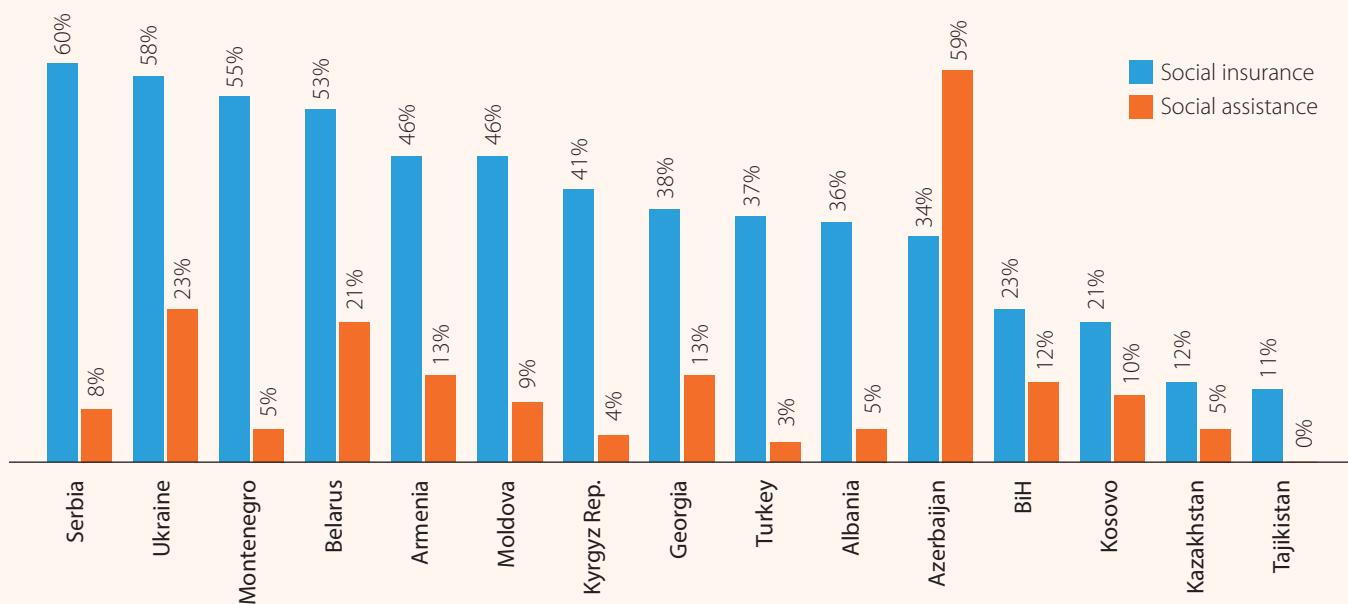
On the other hand, World Bank data indicate that Azerbaijan, Belarus, Georgia, Turkey, and Ukraine are the only countries in the region in which more than half of the households in the poorest quintile receive social assistance payments (Figure 40). While these coverage gaps are partly offset by the impact of pensions and other contributory benefits, they call attention to continuing

questions about the targeting accuracy for the region's social protection systems. Kazakhstan, the Kyrgyz Republic, and Tajikistan seem to compare particularly unfavourably, when the sum total of budget spending, targeting accuracy, and impact (in terms of reducing poverty and inequality) is considered. By contrast, Azerbaijan, Belarus, Montenegro, Serbia, and Ukraine seem to compare favourably with most of the rest of the region, overall.

While social protection systems across the region have generally retained their coverage and scope on paper,¹⁵ large gaps in coverage and adequacy have emerged in practice. Gaps in labour market access are in this way extended and amplified as social exclusion. Limitations on state abilities to deliver on social protection obligations often generate such coping mechanisms as migration and precarious employment, as well as family support. This "informalized" social protection can lead to large out-of-pocket spending for required services, further increasing the risk of social exclusion (Drahokoupil *et al.*, 2009).

Social services represent another important component of social protection systems, which have a pivotal role to play in promoting equal access to the labour market, especially for

Figure 38—The impact of social protection on poverty in the region (percentage reductions in reported poverty rates, select economies, most recent year available)



Note: Social insurance and assistance denote contributory and non-contributory social benefit systems, respectively.

Source: World Bank ASPIRE database.

vulnerable groups. In fact, the barriers faced by disadvantaged workers such as Roma and persons with disabilities, clearly point to a need for three-tier approaches which: (i) align legal and policy frameworks across different sectors (education, health, social protection and employment); (ii) empower the poor and address social structures that perpetuate poverty and social exclusion (such as affirmative action; anti-discrimination campaigns etc.); and (iii) include complementary services enabling access to labour markets (physical accessibility, social enterprises, social mentorship, child and care for elderly and persons with disabilities). These services need to be well designed and funded to ensure continuity and quality standards.

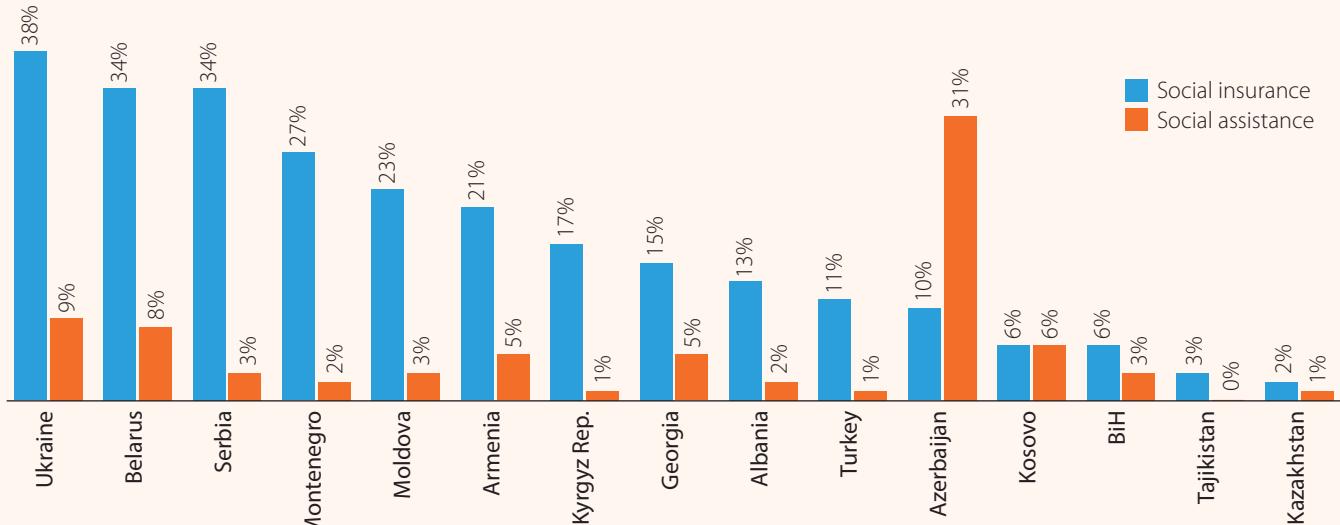
In general, social services are crucial if social protection systems are to take on promotional and transformative roles. Their main outcome is to contribute to social inclusion, understood as a set of interventions and processes ensuring that those living in poverty or at risk of poverty and exclusion gain access to opportunities and resources necessary to participate fully in economic, social, and cultural life and to enjoy a standard of living that is considered normal in the society in which they live. While income support programmes can boost purchasing

capacity (if the amounts are not too low), they do not address the root causes of exclusion. They address the consequences of social exclusion; additional, complementary policies and programming are needed to address the drivers of exclusion (Babajanian *et al.*, 2012). Addressing multidimensional barriers to labour market inclusion therefore requires integrated labour market and social protection approaches with strong links to education and economic policies.

Social protection and labour market policies—Getting the links right

When combined with labour market policies, social protection can: (i) promote decent employment (with social insurance coverage); (ii) provide support to those who find themselves without employment through income subsidies and employment services; and (iii) promote the inclusion of those who face multiple barriers in accessing employment, including discrimination and prejudice. When social protection systems are ineffective, the loss or lack of employment can create vicious cycles of exclusion. These in turn can be aggravated by the lack of reforms in,

Figure 39—The impact of social protection on income inequality in the region (percentage reductions in Gini coefficients, select economies, most recent year available)



Note: Social insurance and assistance denote contributory and non-contributory social benefit systems, respectively. / Source: World Bank ASPIRE database.

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and inadequate coordination between, public employment services and social protection agencies—with the latter focusing on mediation, while the former focuses on the administration of benefits. Responsibilities for vocational education, labour market, and social protection policies are often fragmented across different bureaucracies, with inadequate inter-departmental coordination. These problems can be further magnified by the fact that labour market data and indicators are not always “fit for purpose”, as explained above.

Extensive labour market informality in the region excludes significant numbers of workers from social protection systems and threatens their financial sustainability. Many governments have responded to these challenges by (further) raising already high social security taxes (Figure 30); this tax wedge can be even larger for low-wage and part-time workers. However, these high taxes, combined with low average earnings, play a major role in driving employment, and economic activity, into the informal sector. Efforts to break this vicious cycle must therefore focus on reducing this tax burden on labour.

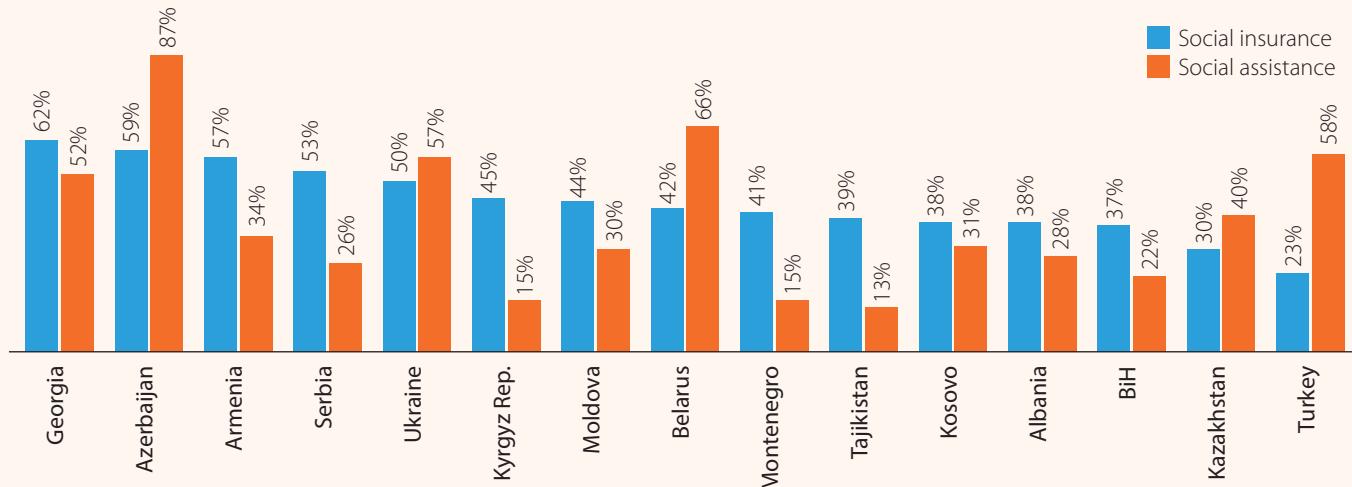
This vicious cycle suggests that concerns about social assistance weakening incentives for labour force participation may be exaggerated. Instead, it is the anticipated loss of unemployment (or other) benefits, combined with the high taxation

of labour in the formal sector, that reduces incentives for workers to abandon informal labour. A number of studies from the region bear this out. In Armenia, for example, the receipt of social assistance seems not to have an impact on formal labour force participation (World Bank, 2011b).

When aligned with well-designed active labour market policies, social protection systems can further strengthen incentives for formal labour force participation and reduce risks of social exclusion (Kuddo, 2009; Lehmann and Muravyev, 2011). Other social services that can promote labour market inclusion include the care of children, the elderly, and others in need of such assistance. Unfortunately, public provision of childcare is not available in countries like Azerbaijan, Kazakhstan, and Turkey (World Bank, 2012). Support for part-time formal employment can also promote labour market inclusion, particularly for women and youth whose other obligations do not allow for full-time labour force participation. This means adjusting the tax burden or social contributions to hours worked, and allowing for a flexible range of part-time contracts.

National discussions of the possible introduction of social protection floors in the region can help identify the best ways of aligning labour market and social protection policies—such as via the

Figure 40—Shares of households in the lowest income quintiles receiving social benefits (select economies, most recent year available)



Note: Social insurance and assistance denote contributory and non-contributory social benefit systems, respectively. / Source: World Bank ASPIRE database

Box 8—Social assistance reform in Georgia

Although it does not devote a particularly large share of GDP to social protection, Georgia seems to have achieved relatively good results in using social protection policies to reduce poverty and inequality. In response to financial and administrative capacity shortfalls, Georgia opted for a radical simplification of its social protection schemes, abolishing virtually all benefits other than an unconditional old-age pension and categorical pensions. Georgia does not provide any unemployment benefits, which arguably contributes to the country's low reported unemployment rates and high prevalence of disguised unemployment in the form of extensive employment in low-productivity subsistence agriculture. (All working-rural age individuals owning a plot of land are considered employed in Georgia, regardless of their income or activity.) Although agriculture accounts for around half of all employment, it only contributes around 10 percent to Georgia's GDP (Rutkowski, 2013).

The Targeted Social Assistance (TSA) programme, which was introduced in 2006, plays an important role in this scheme. Designed to offer a minimum subsistence floor, the TSA uses a proxy means testing approach to determine the level of support a family needs. The TSA's targeting seems to be very good: one year after its introduction, poverty levels dropped by 2.4 percentage points and extreme poverty by 2 percentage points. Since then, expenditures on benefit provision have risen, so that by 2011, 63 percent of the benefits accrued to the poorest quintile (with coverage of 38 percent of households in this quintile). Still, the TSA today only accounts for 10 percent of all social protection spending, or 0.7 percent of GDP (World Bank, 2015c). The benefits remain insufficient, as the transfer usually does not even cover the government-defined subsistence minimum. It is also not clear whether the impact of the benefit is high enough to justify the administrative costs involved in delivering a proxy means tested benefit.

Such unconditional cash transfers are often criticized for weakening incentives for job search. A recent study (World Bank, 2015c) compared similar households just above and below the margin for receipt of the benefit (recipients and non-recipients), and concluded that the TSA can strengthen disincentives for labour market engagement. This seems to occur principally among rural women with children, who prefer to care for their children instead of working in subsistence agriculture ("disguised unemployment"), or who do not work because of the lack of affordable child care services.

Although the TSA may offer necessary income for some potential beneficiaries, others are unable to access it or nevertheless continue working in unproductive jobs after becoming TSA beneficiaries. While the TSA can help reduce poverty and social exclusion, it cannot by itself fundamentally improve the situation on Georgia's labour market. This underscores the importance of aligning social assistance with active labour market programmes—which have been almost non-existent in Georgia since 2007.

expanded use of integrated "cash and care" service packages (Box 9). The UN Social Protection Floor Initiative (SPF-I) can support efforts to provide or strengthen basic social security guarantees which ensure universal access to essential health services and income security. Social protection floors emphasize the importance of minimum guaranteed basic incomes (from work or through transfers) and sufficient and adequate access to quality health, education, and social services. Social services are of particular importance for those with no work history, the long term

unemployed, persons with disabilities, and women (i.e., for child care). Adapting this global initiative to the regional context suggests a particular need to integrate:

- A minimum guaranteed income through work or income support;
- A universal basic income for children;
- A basic income ("social pension") for all retired persons over a certain age;

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- The provision of good quality and accessible education, health, and community-based social services including family (child and persons with disabilities) focused social work support; and
- Support to increase livelihoods and access labour markets (in cooperation with labour market institutions and public employment services).

The presence of well developed social worker institutions and the use of individual case management methods are key preconditions for social service organisation and delivery, in order to ensure alignment with labour market institutions and programmes. A certain degree of institutional flexibility—particularly in local contexts—is also needed. The high levels of unemployment (long-term and otherwise) among young people, Roma and other ethnic minorities, persons with disabilities, and older persons underscore the importance of developing personalized routes back to employment. Reducing the numbers of the long-term unemployed requires special initiatives, to update the skills of adult workers and create opportunities for young people not in employment, education.

Of course, many of these measures have fiscal implications. However, losses in budget revenues resulting from lower taxes on labour can be offset by higher taxes on other activities, as well as reductions in fiscal spending that primarily benefit upper-income households, as follows (Ortiz *et al.*, 2015):

Raising non-labour taxes. Rather than taxing employment—a social good—economic efficiency argues for raising taxes on “social bads”. The 2016 publication of the “Panama papers” that highlighted the policy issues posed by illicit financial flows—as well as the possible revenues that could accrue to state budgets if more of these funds could be taxed. The Global Financial Integrity Project’s *Illicit Financial Flows from Developing Countries: 2004-2013* report finds that the countries in the region on average lose some \$65 billion annually in misinvoiced trade flows. If 10 percent of the value of these flows could be captured as budget revenues, this would generate an additional \$6.5 billion in fiscal space. For eight countries in the region, this would amount to at least an additional one percent of GDP in budget revenues (Figure 41). In addition, higher taxes on environmentally damaging practices can achieve a double goal of raising state revenue

Box 9—“Cash and care packages”¹⁶

Integrated packages of cash transfers and care services can help align and improve the effectiveness of labour and social policies, to better address the needs of those most at risk of poverty and social exclusion.

Integrating “cash and care” requires:

- simplifying beneficiary assessment procedures and eligibility criteria; and
- designating case managers who are responsible for arranging, coordinating, and monitoring the cash and care service packages that can be tailored to the needs of vulnerable individuals and families.

Working with beneficiaries, case managers:

- elaborate plans to promote social reintegration, by helping to ensure appropriate access to services and entitlements;
- advocate on behalf of their clients; and
- ensure that gaps in services are noted at higher levels of local, regional and national social planning.

The required social and employment services may be provided by both commercial and not-for-profit organizations.

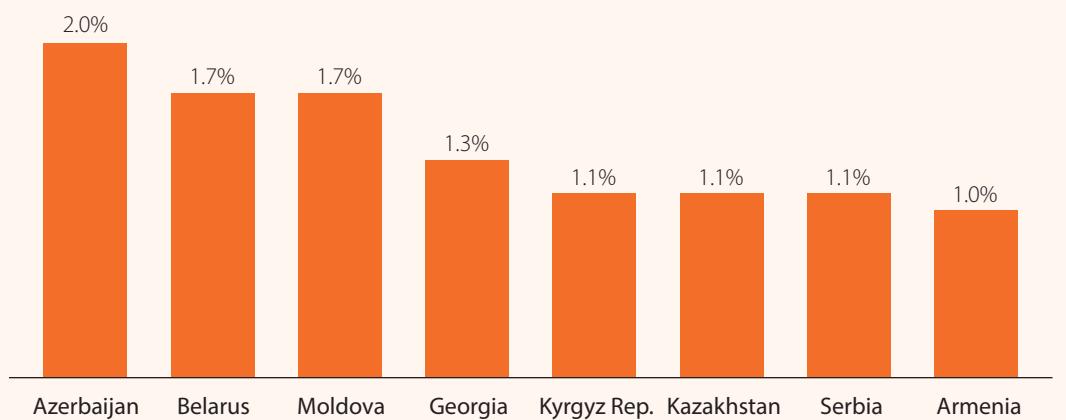
¹⁶ Adapted from World Bank and UNDP (2010).

as well as helping the transition towards more environmentally sustainable economies.

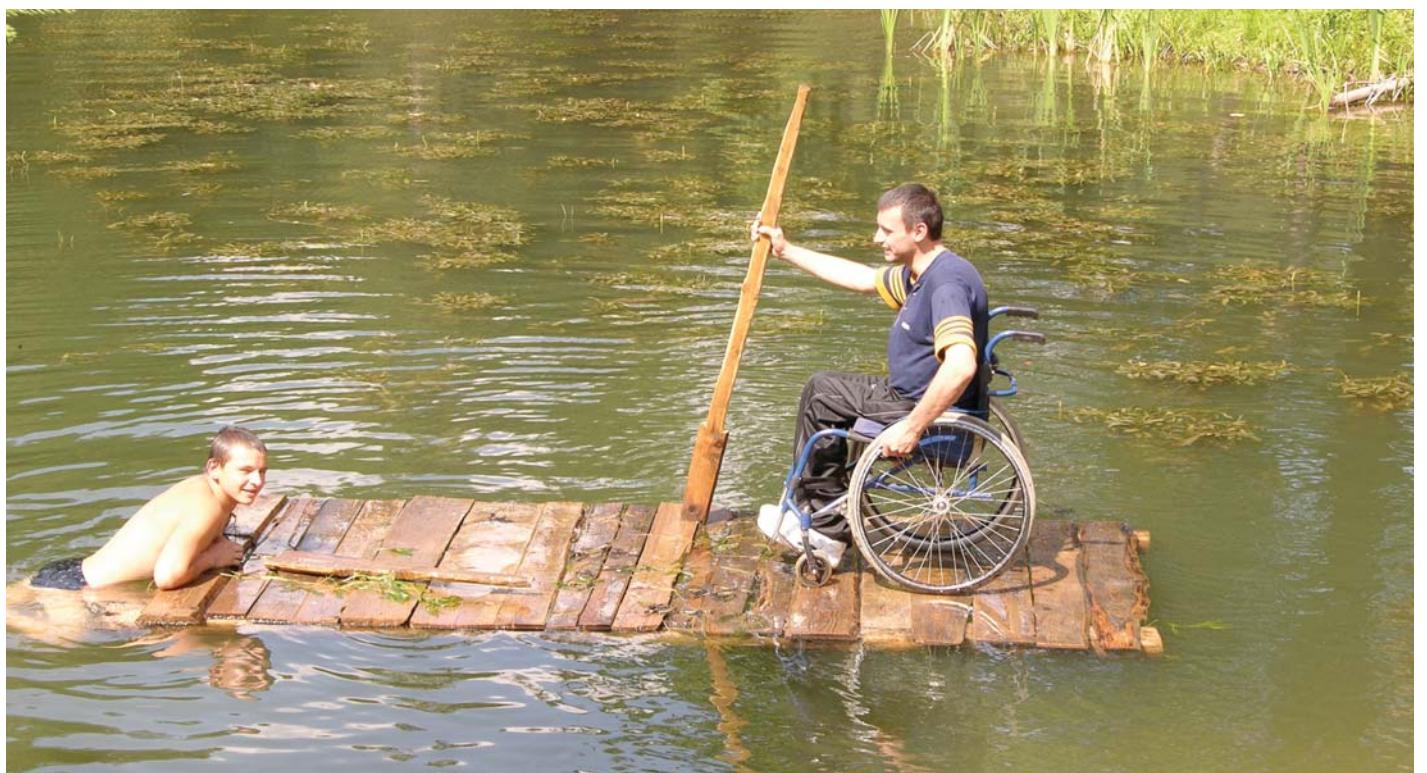
Expenditure reallocations. Governments may reallocate public expenditures from fossil fuel subsidies and other environmentally inefficient activities. They can reduce the scale of poorly

targeted transfer payments that accrue primarily to upper-income households. And they can work to ensure that social enterprises servicing the needs of vulnerable communities, and companies with socio-environmentally sustainable business practices, find their place in state procurement processes.

Figure 41—Estimated budget revenues from a 10 percent tax on misinvoiced trade flows (shares of GDP)



UNDP calculations, based on 2004–2013 Global Financial Integrity, IMF-WEO data (annual averages).



Civil society organizations in Ukraine have been working to make sure people with disabilities can exercise their rights to education, transport, infrastructure and other services.
Photo: Oleksandr Voloshynsky / UNDP

Conclusions and recommendations

Significant numbers of workers in the region are at risk of labour market exclusion, which can easily translate into risks of social exclusion more broadly. The problem is not just lack of jobs—it is a lack of decent jobs. Since wages are the main source of income for poor and vulnerable households, shifting patterns of economic growth so that the benefits accrue most robustly to low-income households requires, first and foremost, the accelerated creation of well-paying income- and employment-generation opportunities. Effective, sustainable solutions to these challenges require integrated approaches, particularly a terms of better aligning employment policies and active labour market measures with policies on social protection, social inclusion, improving the quality of education, skills development, and regional development. Moreover, if the broader human development benefits of employment (rather than narrow, market based valuations of “jobs”) were fully reflected in policy making, the decision metrics might change markedly. Unemployment has many costs, only some of which are usually valued.

Efforts to promote decent jobs and strengthen social protection in the region must therefore focus on several interlinked aspects, rather than fragmented approaches to reform. Such efforts should seek to:

Raise the profile of employment policies within overall policy frameworks. While “getting the overall growth framework right”, and improvements in business and commercial environments are necessary conditions for employment growth, they are not sufficient conditions. Whole-of-government approaches to employment, in which responsibilities for implementing national employment strategies are clearly assigned to all relevant government bodies, are needed as well.

Place greater emphasis on the design and implementation of national employment strategies. This involves:

- allocating clear political responsibility;

- establishing clear objectives and quantifiable targets with adequate budgetary allocations;
- effective coordination mechanisms between ministries and agencies on national level and between national and local levels;
- mobilizing social partners, private sector and NGOs; and
- developing better data capturing different forms of employment disaggregated by a number of criteria (age, gender, disability, geographical location etc.).

Addressing drivers of informality, through:

- **Boosting the institutional capacity of labour market regulatory bodies**, in order to better enforce legal protections for workers’ rights in the formal sector. In too many cases, inspections that identify violations of commercial, labour, migration, or social protection legislation are dealt with through informal payments—which are seen as necessary to provide a living wage for the civil servants working in these inspectorates. Civil service and public administration reforms are needed to raise public-sector salaries and reduce other drivers of corruption and malfeasance that distort labour market regulation.
- **Reconsidering taxes and regulations that cannot be credibly collected or enforced** by state agencies, and which drive employment into the informal sector. Regulations and taxes that place inordinate burdens on small and medium-sized enterprises, or migrants and other vulnerable workers, need to be reconsidered or abolished.

Making formal employment more attractive for both employers and workers, by **reducing social-security and other taxes on labour**. These revenue losses can be offset by:

- higher taxes on carbon-intensive and other environmentally unsustainable activities;

- reductions in tax breaks or budget subsidies that accrue primarily to wealthy households; and
- more aggressive measures to reduce the diversion of budget revenues to tax havens.

Investments in institutional capacity in public employment services, national labour policy coordination structures, and platforms for dialogue and employment partnerships between the private sector, government, and civil society partners (including trade unions). Public employment services in particular have important roles to play in addressing labour market exclusion. They require stronger regional- and local-level presence, greater capacity to coordinate and partner with other institutions in addressing employment and inclusion—in the state (e.g., social service offices, vocational training centres), private sector (employers) and in civil society (e.g., NGOs representing vulnerable groups).

Increased investment in active labour market policies, vocational education, and other measures to boost worker productivity and promote inclusion.

Introduction of social protection floors, as endorsed by the UN system, via the establishment (and, where possible, extension) of:

- minimum guaranteed income through work or income support;
- universal basic incomes for children;
- basic income (“social pension”) for all retired persons over a certain age;
- the provision of good quality and accessible education, health, and community-based social services including family (child and persons with disabilities) focused social work support; and
- Support to increase livelihoods and access labour markets (in cooperation with labour market institutions and public employment services).

Addressing labour-market discrimination, particularly as concerns ethnic minorities (e.g., Roma) but also women and persons with disabilities. Public awareness campaigns can be a good starting point; however, targeted approaches are needed to increase awareness of direct and indirect discrimination. Indirect discrimination is particularly difficult to curb and requires longer term education, capacity development and advocacy efforts. In some cases, legal measures to tackle discrimination may be needed. These issues can acquire even greater significance in post-conflict situations (Stewart, 2015).

Fine tuning policies to local contexts. Labour market and social policies need to be adapted flexibly to address the particular challenges of certain geographical areas (urban, rural, war-affected, traditional industrial areas, border communities, etc.). Local development actors need to enhance their role in providing better opportunities beyond just the capital cities, through testing model interventions and scaling up those that work. Area-based approaches are particularly conducive for such interventions, and have been successfully deployed to achieve integrated approaches to addressing employment and social inclusion challenges (for example, through territorial employment pacts, local social inclusion planning, and targeted support to disadvantaged groups). There has been less success in ensuring that these experiences are fed back into national level policies. One positive example is the case of the former Yugoslav Republic of Macedonia, where programming targeting support for Roma (initially piloted by UNDP) was officially recognized by the Government and included in its national employment policies in 2016.



Photo: Freya Morales / UNDP

A blue truck is parked on a dirt road in a rugged, mountainous landscape. The mountains in the background are rocky and have sparse vegetation. The truck is facing towards the left of the frame.

Chapter 3

Gender inequalities
in work and employment

Key messages

- **Economic growth and women's empowerment are closely linked.**
However, while greater gender equality contributes to economic growth, economic growth may not necessarily lead to gender equality. For economic development to liberate women's full human development potential, social protection systems that meet the needs of both women and men have to be put in place.
- **While the region compares favourably with many other parts of the developing world in terms of gender equality, it also lags behind global best practices in many areas.**
Moreover, pre-1990s levels of gender equality that had been attained in many countries have come under growing threat.
- **Gender-based inequalities are today among the most serious forms of inequalities in the region,** and are a significant threat to its development prospects. Gender-based inequalities tend to intersect with, and magnify the impact of, other forms and dimensions of inequalities, based on class, race, age, ethnicity, disability, occupation, and income. Unequal labour market outcomes in particular can have major implications for broader gender inequalities. Women's unequal access to social capital or their inferior position in the networks that constitute social capital (which are more marked in some countries in the region than in others) are both causes and manifestations of inequality.
- **Key policy and programming directions** to address these challenges include:
 - ❖ **Removing legal and regulatory barriers to women's economic empowerment.** Although substantial progress has been made, pervasive gender-based industrial and sectoral restrictions continue to prevent women from engaging in employment and entrepreneurship.
 - ❖ **Increasing budgetary support for policies to address women's care and domestic responsibilities,** in order to reduce women's labour market exclusion. Programmes providing access to affordable and reliable child care, child subsidies and public childcare provisioning can help improve women's labour market outcomes and earnings in the region.
 - ❖ **Strengthening national capacities for the collection and analysis of sex-disaggregated data for gender analysis,** for better social policy and programming. National statistical agencies must improve data collection to allow full mainstreaming of gender in macroeconomic studies. In particular, more context-specific knowledge on the use of time by men and women is needed to fully assess gender inequalities.

- ❖ **Strengthening impact evaluations of proposed policies,** along gender (as well as other social and environmental) dimensions. Impact evaluations are key to improving evidence-based frameworks for gender equality.
- ❖ **Increase investments in agriculture and rural development.** Gender inequalities in the region tend to be sharpest in rural areas—where many women are engaged in unpaid farm work. Improving the productivity of agricultural labour is key to reducing gender gaps in rural areas.
- ❖ **Use the job creation potential of the green economy to reduce industrial segregation.** Many countries in the region are in a strong position to use the job creation potential of the green economy to reduce industrial and sectoral segregation by gender (OECD, 2011). However, corresponding investments in education will be needed to realize this potential.
- ❖ **Support efforts to ensure that an equitable proportion of women are elected and/or appointed to government (and corporate) leadership positions throughout the region.** Ensuring that women participate proportionately in political processes and in leadership positions is essential to addressing gender disparities in the region. In addition, efforts should be made to invite the participation of women in elected and/or appointed positions who reflect the demographic composition of the constituencies they serve.
- ❖ **Challenge gender stereotypes.** Campaigns against sexist stereotypes that show positive, successful role models for women and men can both increase confidence in women's capabilities and weaken the gender biases that underpin educational and sectoral segregation.

Overview

A country's economic growth and gender equality are closely intertwined. However, while greater gender equality contributes to economic growth, economic growth may not necessarily lead to gender equality. Therefore, active measures to address gender imbalances should be of central concern to policy dialogue aimed at inclusive growth and poverty and inequality reduction. This is particularly because gender inequalities overlap with, and often magnify, the deleterious effects of other forms of inequalities based on age, ethnicity, race, disability, occupation and income.

This chapter focuses on the gender inequalities in work and employment in the region, with a particular focus on men and women's labour market participation and remuneration, and the factors that influence them. The notion of work goes beyond that of men's and women's work, labour market participation and remuneration to encompass care work, voluntary work and creative work, which can enhance individual and societal wellbeing (UNDP, 2015d). The chapter examines factors that influence human capabilities and choices and gender equality in the world of work. These include education, health, household responsibilities, political participation, legal frameworks and social norms and traditions. It also evaluates the gender patterns apparent in coping strategies, such as migration.

All countries in the region have experienced significant political, economic and social changes over the past 25 years, many of which have been driven by transitions from socialist to market

economies. Additionally, armed conflicts have left lasting social, political and economic impacts. These changes altered and, in some cases, worsened the gender balance in a region where relative equality between men and women was a legacy of the socialist past. During this period, Turkey also experienced dramatic political and economic shifts, reducing its dependence on agriculture and diversifying its economy. However, it did not share the relative gender equalities that characterized the other countries at the outset of transition. In spite of economic growth and important social changes in Turkey, significant gender inequalities remain a formidable challenge.

Hence, despite differences in history and context, gender inequalities in the region are a serious and growing concern in economic, social and political spheres. Although the region as a whole compares favourably with other developing regions in terms of the UNDP Gender Development Index, women today face large inequalities vis-à-vis men, particularly in income and access to the labour market. Women's labour force participation rates remain below those of men, much more so than in developed countries. Women's employment also tends to be less secure, and they are underrepresented both as employers and as salaried employees. In countries with high rates of self-employment, more women than men are unpaid contributing family workers. Throughout the region, women still earn significantly less than their male counterparts. In addition to workplace challenges of discrimination, pay gaps, glass ceilings and glass walls, women in the region also carry a

large share of unpaid care work in the family and household, which often limits their opportunities in the work force.

As entrepreneurs, women face greater barriers in accessing finance, credit and new technologies, and tend to have weaker networks. In agriculture, women are less likely to be landowners than men. They typically own smaller plots of land and are more likely to engage in subsistence agriculture.

In most countries of the region, legislation imposes industrial segregation in employment. And while many international legal frameworks have been adopted, they are not always implemented. Many countries lack the legal and policy measures needed to prohibit discrimination and protect women's human rights (Dokmanovich, 2008). The persistence

(or resurgence) of gender biases and traditional attitudes towards gender roles further endanger women's rights in private and public spheres.

This chapter shows that gender disparities limit the prospects for inclusive growth in the region. It argues that reducing gender inequalities should be a priority for all countries in the region to boost human development and implement the global 2030 agenda and the Sustainable Development Goals. The SDGs recognize gender equality as intrinsic to sustainable development, and have at least 24 explicit gender targets and indicators. Furthermore, many SDGs address one or more aspects of the work that people do, and together they can reinforce the positive and reduce the negative links between work and human development.

Box 10—“Gender equality”

“Refers to the equal rights, responsibilities and opportunities of women and men and girls and boys. Equality does not mean that women and men will become the same but that women's and men's rights, responsibilities and opportunities will not depend on whether they are born male or female. Gender equality implies that the interests, needs and priorities of both women and men are taken into consideration—recognizing the diversity of different groups of women and men. Gender equality is not a ‘women's issue’ but should concern and fully engage men as well as women. Equality between women and men is seen both as a human rights issue and as a precondition for, and indicator of, sustainable people-centred development.”

UNDP Gender Equality Strategy 2014-2017

Gender inequalities in work and employment

Gender equality and sustainable development

Gender refers to the socially constructed roles, behaviour, activities, and attributes that a given society considers appropriate for men and women, determined by culture. UNDP's definition of gender equality is grounded in international human rights, norms, and standards (Box 10—UNDP, 2014b). The methodological framework of this chapter is built on three converging tendencies in development thought, gender studies, and feminist economics:

- **The human development paradigm**, which measures development with indicators broader than income, and which emphasizes the importance of expanding human choices in all aspects of life, including work. Work inequalities persist worldwide, between the paid and unpaid, the skilled and unskilled, capital and labour, migrants and citizens, and between men and women. The gendered distribution of roles and responsibilities in families and communities results in unequal opportunities and rewards from work among men and women, perpetuating gender inequalities.
- **The new institutional economics**, which uses quantitative data and econometric methods to study non-monetary and non-

market issues of classical institutionalism, neglected for decades by economists. New institutional economics emphasizes that market economies are embedded in overlapping legal, political, and social institutional frameworks. The gender dimensions of these linkages can be particularly important in explaining how the institutional dimensions of economic trends affect men and women differently.

- **Feminist economics**, which incorporates the role of women and gender relations into the conceptual frameworks used to analyse an economy. Through gender mainstreaming, for example, feminist economics argues that the socio-economic differences between the sexes should be made evident; and that policy impact assessment should take into account the possibility of differentiated effects on men and women and on the power relations between them. Ensuring that women's unpaid work is reflected in national economic accounting is an example of gender mainstreaming. Similarly, gender budgeting refers to the analysis of public spending to make sure that policies aimed at other social or economic issues do not conflict with, but instead promote, greater gender equality (Elson, 1996).

¹⁷ UNDP estimates, based on available time-use survey data.

Box 11—Work, gender, and the Sustainable Development Goals

Almost all SDGs address some aspect of the work that people do. In the work domain, women face persistent forms of inequality within the home and outside. In this region, as elsewhere, there are pervasive gender imbalances in the total time men and women spend at work, in the way they share care responsibilities, in paid work and earnings, in their representation in occupations, the levels of seniority and leadership they attain, and in exposure to risks. As workers, women are often disadvantaged in formal, casual, and informal sectors, as well as in the unpaid care economy. It is possible to identify gender dimensions across SDGs and targets on the issues of unpaid work, equal opportunity, the rule of law, and working conditions.

Unpaid work

Across Eastern Europe and Central Asia, women work more than men: available data indicate that they perform almost two and a half times as much unpaid care and domestic work as men.¹⁷ Reducing time spent on unpaid care and domestic work can alleviate women's "double burden", enabling their entry into employment. Partly because of their care burdens, women tend to outnumber men as small-scale farmers and food producers.

By recognizing the social value of unpaid care and domestic work, SDG target 5.4 supports the provision of infrastructure, public services and social protection measures to support unpaid care. Other targets in SDGs 2, 5, 6, and 7 (for example), also serve as entry points for the reduction of gender inequalities in unpaid work:

- 2.3: Double agricultural production and incomes of small-scale food producers.
- 5.4: Recognize and value unpaid care and domestic work.
- 6.1: Ensure universal access to safe and affordable drinking water.
- 7.1: Ensure universal access to affordable, reliable and clean energy services.

Equal opportunity

A number of SDG targets address structural issues that underlie gender inequalities of opportunity—particularly in terms of educational disparities, and equal pay for equal work.

- 4.2: Ensure equal access to higher education for women and men.
- 4.5: Eliminate gender disparities in education.
- 8.5: Achieve full and productive employment, decent work for both women and men, and equal pay for equal work.
- 10.3 Ensure equal opportunity and reduce inequalities of outcome (eliminate discriminatory laws, policies and practices, promote appropriate laws, policies and action).
- 10.2 Empower and promote social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
- 10.4 Adopt policies, especially fiscal, wage and social protection policies, progressively achieve greater equality.
- 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.
- 16.9: By 2030, provide legal identity for all, including birth registration.
- 16.b Promote and enforce non-discriminatory laws and policies for sustainable development.

Rule of law and legal frameworks

SDG16 addresses the rule of law and access to justice, while SDG1 (which calls for ending poverty in all its forms everywhere) seeks better codification of economic rights. Both have targets with important gender dimensions.

- 1.4 Equal rights to economic resources, basic services, ownership and control over land and other forms of property, inheritance, etc.
- 1.b Sound policy frameworks at all levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.
- 16.3 Promote rule of law at national and international levels and ensure equal access to justice for all.

Working conditions

A number of SDG targets address working conditions. These are particularly relevant for women, who are disproportionately exposed to workplace risks in factory work and unskilled labour.

- 5.2: End the sexual exploitation of women and girls.
- 8.5: Ensure equal pay for work of equal value.
- 8.7: End forced labour, human trafficking, modern slavery, child labour.
- 8.8: Protect labour rights, promote safe work conditions (for migrants, women migrants).
- 3.9 and 12.4: reduce deaths from hazardous chemicals and promote environmentally sound waste management.

Although reliable statistics regarding informal employment are difficult to come by, achieving SDG target 5.2, for example, would help end the sexual exploitation of an estimated four million women and girls globally.

Gender inequalities in work and employment

The regional context

In spite of generally high education levels, gender gaps in labour force participation remain wide in the region. In the South Caucasus and Central Asia, women earn up to 50 percent less than men. Rural women face particular inequalities due to poor infrastructure, lack of basic services, and unequal access to land, property, and assets. Violence against women and girls remains

pervasive, despite legal progress. Migration, an important feature of the region, increasingly has a female face. Women employed as domestic labourers (working in many cases without contracts) account for a significant proportion of intra-regional migrants (UNDP, 2013).

The social norms and beliefs that shape perceptions of gender roles can be difficult to measure, but nevertheless have a powerful influence on gender inequalities.

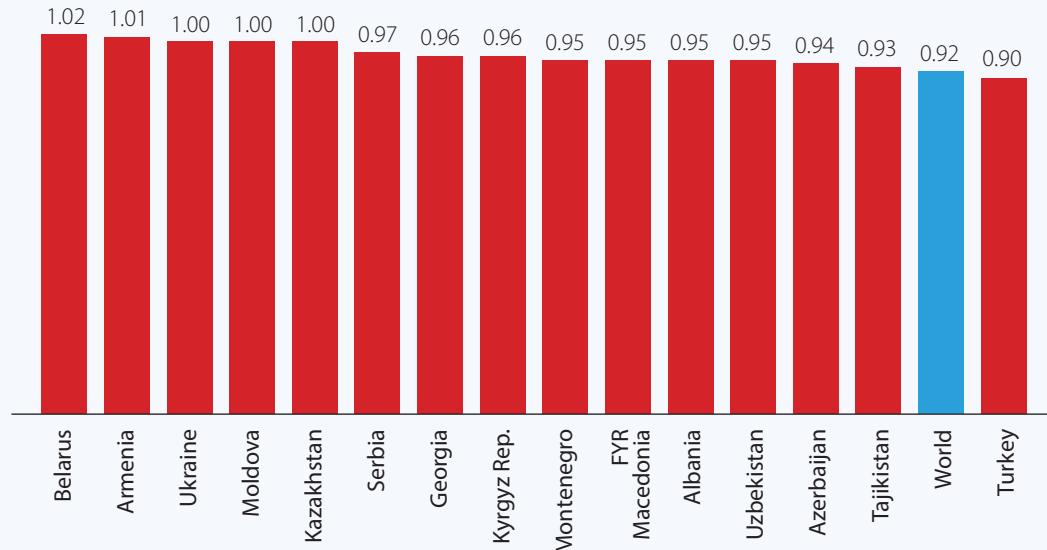
Women's unequal access to social capital or their inferior position in the network that constitutes social capital (more marked in some countries in the region than in others) are both symptoms and causes of gender inequality (Addis *et al.*, 2016).

According to UNDP's Gender Development

Index, which measures gender gaps in human development achievements in health, education, and living standards, the region (with the exception of Turkey) is characterized by **moderate levels of gender inequality** (Figure 42). A similar conclusion emerges from the Gender Inequality Index, which measures reproductive health and gender gaps in empowerment and economic status (Figure 43).

Nevertheless, there are **substantial cross-country variations** and important differences in the relative positions of countries depending on which measure is used. The countries of the South Caucasus score relatively poorly on the Gender Inequality Index, because of their relatively low levels of reproductive health and female political representation. In contrast, the countries of the Western Balkans score much better with the Gender Inequality Index, reflecting better reproductive health outcomes and women's greater political visibility. On the other hand, their relatively weak standing with the Gender Development Index reflects larger gender gaps in human capital. Turkey and the countries of Central Asia perform relatively poorly on both indexes. While the opposite holds for the countries of the Western CIS, the Gender Development Index scores for these countries (and indeed for all CIS countries, except Armenia) are distorted by relatively high male mortality levels.

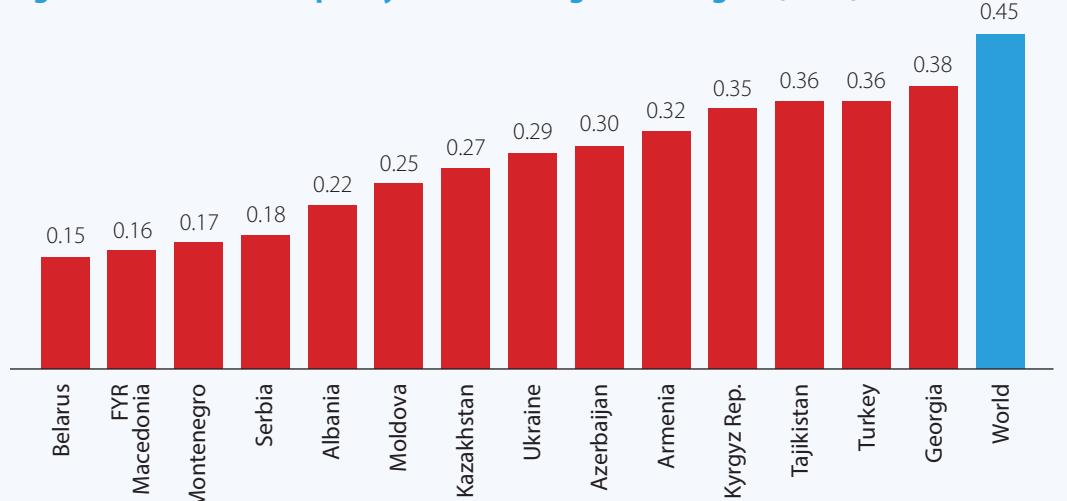
Figure 42—Gender Development Index rankings in the region (2015)



¹⁸ The relatively high GDI scores for CIS countries reflect in part the fact that average life expectancy for men in all these countries (except Armenia) is below the global average. According to these data, life expectancy for women is only below average in Tajikistan, Turkmenistan, and Uzbekistan—with much smaller gaps than for men.

Note: A score of 1.0 implies perfect gender equality. Scores above 1.0 reflect the fact that, in some human development areas (e.g., life expectancy), women outperform men.¹⁸

Source: UNDP Human Development Report Office.

Figure 43—Gender Inequality Index rankings in the region (2015)

Note: Higher scores imply higher levels of gender inequality.

Source: UNDP Human Development Report Office.

Gender disparities and labour markets in the region

Gender disparities in the region begin with labour force participation rates. The World Bank data in Figure 44 show that women in the region are significantly less likely to be working (or actively looking for work) than men. During the 2000–2014 period, these data indicate that labour force participation rates for women in the region were on average only 72 percent of men's. Trends across the region are quite differentiated, with gender-disaggregated sub-regional participation ratios ranging from above 0.8 in the Western CIS countries to below 0.4 in Turkey.¹⁹ While women's labour force participation ratios fell (relative to men's) following the 2008–2009 financial crisis in Central Asia and the Western CIS, they increased in the South Caucasus, Western Balkans, and Turkey. This has been attributed in part to the "female added worker" effect—a coping strategy in which female household members enter the labour force in response to the job loss of another household member (Khitarishvili, 2013).

Similar trends are apparent in gender-disaggregated employment rates (Figure 45): female employment rates in the region were on average 29 percent below men's during 2000–2014. Whereas shares of women working fell (relative to men's) following the 2008–2009

financial crisis in Central Asia and the Western CIS, they increased in the South Caucasus and Western Balkans (as well as in Turkey). As with labour force participation rates, employment rates for women in Turkey remain well below employment rates for men, as well as employment rates for women in the rest of the region.

By contrast, gender-disaggregated unemployment data in the region show a rather different picture (Figure 46). In Central Asia, women's unemployment rates have consistently been some 12–13 percent higher than men's, without much variability. However, this sub-regional average reflects significant national variation, with women's unemployment rates being some 50 percent above men's in Kazakhstan but some 15–20 percent below men's in Tajikistan. In the South Caucasus, women's unemployment rates were some 10–20 percent above men's during 2000–2014. But whereas women's unemployment rates have been significantly above men's unemployment rates in Armenia and Azerbaijan, the opposite has been the case in Georgia. In the Western Balkans, all the Yugoslav successor states have consistently reported higher unemployment rates for women than men—in Serbia, unemployment rates for women have generally exceeded those for men by as much as a third. On the other hand, significant intra-period fluctuations in this ratio are apparent in Albania. And while most Turkish women seem unwilling to participate in the

¹⁹ That is, for every 100 men participating in the labour force in Turkey, there have been less than 40 women participating in the labour force. A 1.0 ratio would mean that women's and men's labour force participation ratios are the same.

Gender inequalities in work and employment

Figure 44—Sub-regional ratios of female to male labour force participation rates (2000-2014)

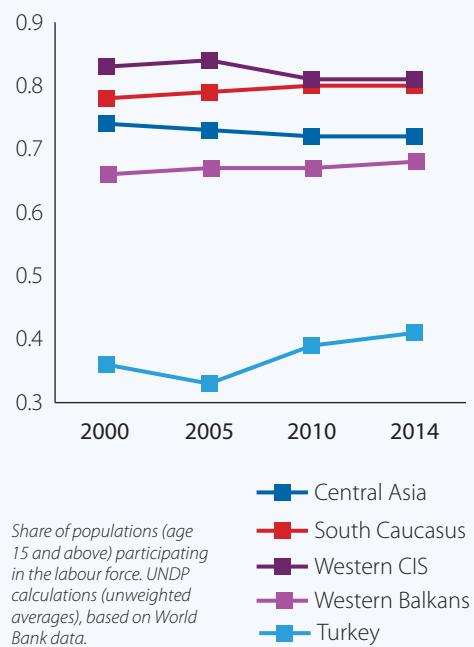
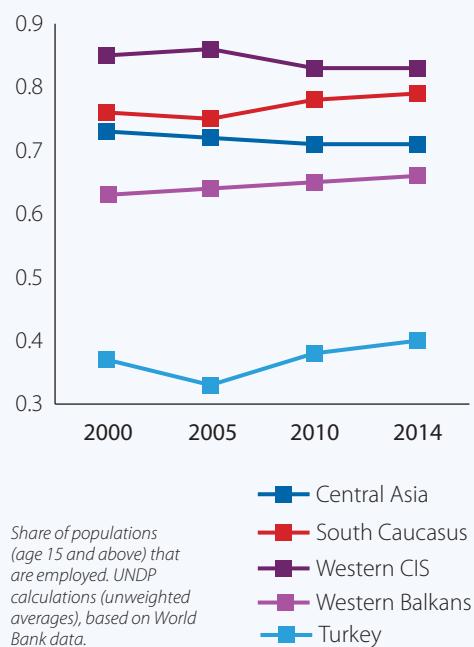


Figure 45—Sub-regional ratios of female to male employment rates (2000-2014)



labour force, those who do participate seem to be facing increasing difficulties in finding work—both in general, and relative to men. In all the Western CIS countries, by contrast, women's unemployment rates have consistently been well below men's.

Labour market inequalities also manifest themselves in gender-based industrial and sectoral segregation. As the data in Figure 47 show, women are much less likely than men to work in industry (where labour productivity, and incomes, are significantly above national averages). It is only in the former Yugoslav Republic of Macedonia that the 28 percent share of women working in industry (in overall female employment) is reasonably close to the share of male employees working in this sector (34 percent). In most of the rest of the region, the gender-disaggregated ratios of industrial employment shares are below 0.5 (i.e., the share of women working in industry is less than half of the share of men working in industry). By contrast, in Turkey, the South Caucasus, and most of Central Asia, the share of female workers engaged in agriculture is above the share of male employment in this sector—often significantly so.

Figure 46—Sub-regional ratios of female to male unemployment rates (2000-2014)

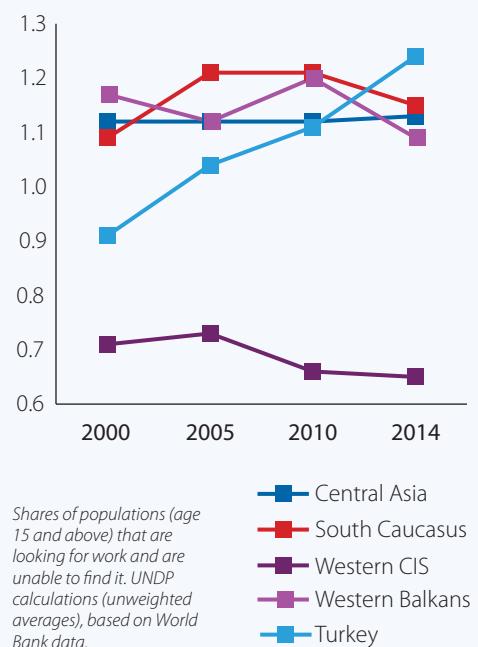
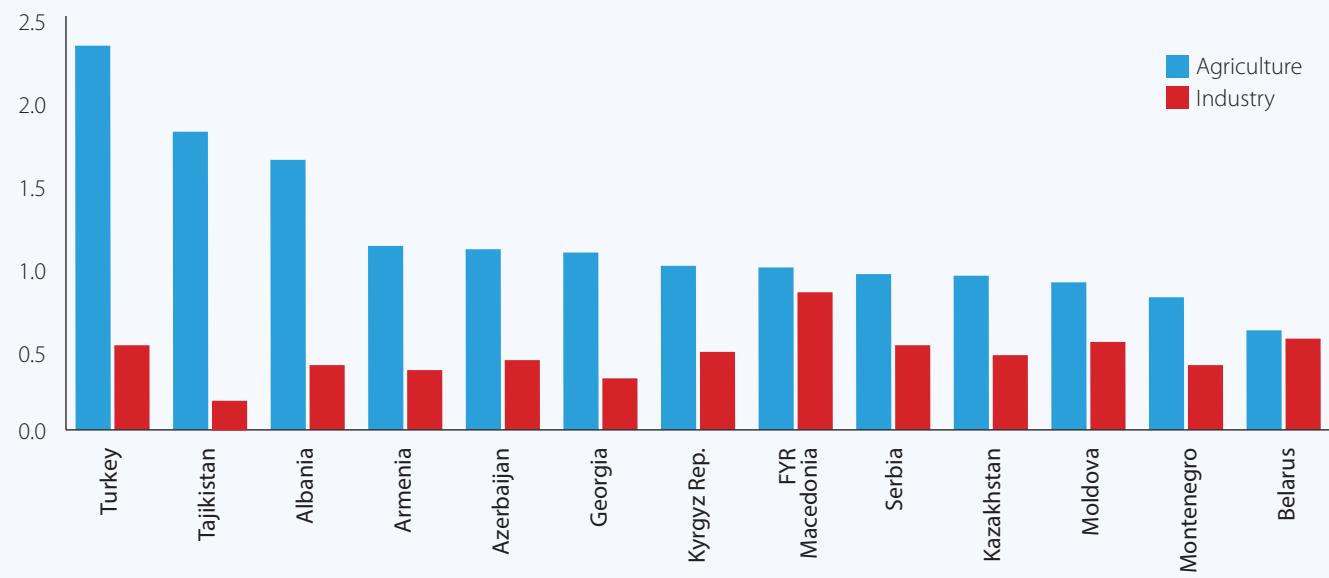


Figure 47—Sectoral ratios of female, male workers (annual averages, calculated for available years)

While these patterns of segregation reflect many factors, legal restrictions of women's rights to formal employment in a number of (chiefly industrial) sectors are an important contributor. A recent World Bank study found that the 11 countries of the South Caucasus, Western CIS, and Central Asia tend to have "the world's most extensive job restrictions on women, keeping women out of many occupations" (World Bank, 2016).²⁰ In Kazakhstan, women are legally excluded from 299 types of employment; in Belarus, this figure was 182. Such restrictions are not only unfair to women workers—they also limit these countries' abilities to fully benefit from the human development potential of their female citizens.

Private sector growth is often seen as helping to generate employment in transition countries. Its ability to play this role varies widely across the region, however, as private sector shares of employment range from 75 percent in Armenia, Azerbaijan, Georgia, and the Kyrgyz Republic to 46 percent in Turkmenistan. However, private sector employment is often dominated by own-account and contributing families—vulnerable forms of employment which are particularly prevalent among women.

Nonetheless, women in the region have played important roles in the growth of the private sector. Female business ownership stands at one-third or more (of total businesses owned)

in many countries of the Western CIS, South Caucasus and Central Asia.²¹ Although the proportion of women in managerial positions is lower, it has been increasing, indicating greater involvement of women in the formal sector of these economies. Firms managed by women also tend to hire more female workers. In Georgia, for instance, 2009 data shows that women were almost 60 percent of full-time workers in firms with female ownership, compared to only 31 percent of workers in companies without female ownership. This suggests that companies owned and managed by women have strong potential to contribute to female employment growth. Yet, female entrepreneurship is more likely to represent necessity rather than opportunity entrepreneurship. Firms managed by women are usually smaller, which contributes to their relatively poor economic performance. Limited access to credit, weaker commercial networks, and greater aversion to risk by women entrepreneurs may explain these outcomes.

While the high self-employment rates and female entrepreneurship in much of the region may be interpreted as indicators of commercial vibrancy, they also reflect the fact that large proportions of the labour force are engaged in agriculture (as explained above). There are also sizeable differences in the types of agricultural employment in which men and women are

²⁰ Only Armenia shows no legal differences between women and men in any of the areas covered in the report.

²¹ World Bank Enterprise Survey. There are some exceptions: in Azerbaijan in 2013 it was only 4.1 percent; in Albania, only 12.5 percent of enterprise owners are women.

Gender inequalities in work and employment

In the South Caucasus and Central Asia, women earn up to 50 percent less than men.

engaged. In Belarus, wage work dominates with a wage employment share of 74 percent for women versus 87 percent for men. In Armenia, Azerbaijan, Georgia, and Moldova, own-account farmers and contributing family workers constitute a large share of agricultural employment and the share is higher for women. Male and female agricultural workers also engage in different agricultural activities: a 2009 Moldovan farm survey showed that 75 percent of women considered vegetable cultivation their primary responsibility, while 66 percent of men focused on higher value-added vineyard cultivation. Perhaps most importantly, prospects for female agricultural entrepreneurship are also limited by women's relatively modest roles as land owners. .

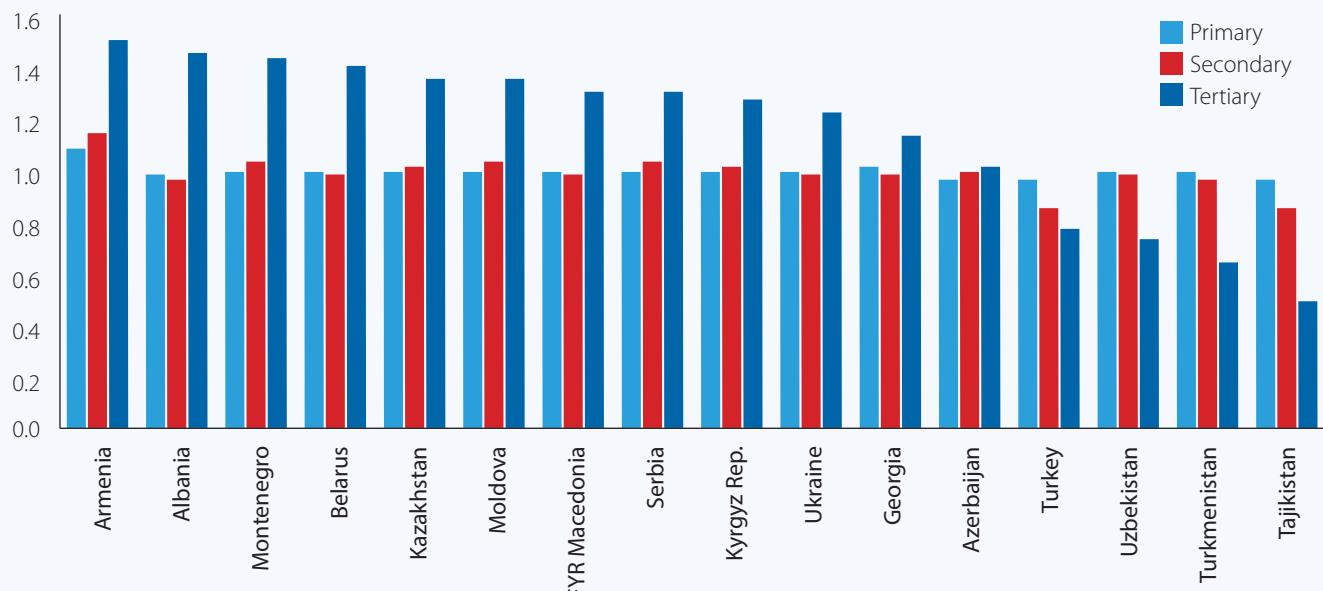
Drivers of gender inequalities

Human capital and education. Gender specialization in education systems is a key cause of this industrial segregation. In all countries of the region, primary school enrolment is universal and enrolment rates are essentially 100 percent for both sexes. However, in Tajikistan and Turkey, female enrolment levels begin to drop below

males' in secondary school—with declines accelerating for post-secondary education (Figure 48). Post-secondary enrolment rates for women also drop sharply (relative to men's) in Uzbekistan and Turkmenistan. By contrast, in most of the rest of the region, women's enrolment in tertiary education is well above men's. In the Western Balkans, for example, women's enrolment rates in post-secondary education institutions are almost one and a half times that of men.

Moreover, these enrolment data mask important differences in terms of gender-specific specialization by subject. In most of the former Soviet republics, more than two thirds of higher education graduates in education, health, and welfare are women. Incomes in these sectors tend to be rather modest; many women receiving training and skills in this area therefore face few alternatives to working in jobs for which they are over-qualified and under-remunerated. By contrast, women are under-represented in tertiary education programmes preparing students for careers in engineering, manufacturing, and construction—sectors with better prospects. (In Azerbaijan, only 20 percent of the students in tertiary education institutions in these areas are women.) Addressing industrial segregation on the labour market may therefore require a better understanding of the factors that contribute to gender asymmetries in tertiary education.

Figure 48—Gender-disaggregated education enrolment ratios in the region (most recent available year)



Ratio of female to male enrolment rates. UNDP calculations (annual averages, for most recent available years) based on World Bank gender data base.

Time use. Gender inequalities in labour force participation and employment are also a reflection of domestic and care responsibilities, for which women are primarily responsible. They can also reinforce unequal labour market outcomes. Often invisible and unrecognized, unpaid care work has immense human development value, given its centrality to individual and social wellbeing. While measuring the magnitude and economic value of unpaid work poses serious methodological challenges, the evidence is clear that alleviating care and other unpaid work constraints can improve education, employment,

and earnings opportunities for women—and through this strengthen human development.

There are large gender gaps in unpaid work time, especially for childcare; time use surveys in developing countries indicate that women are responsible for 75 percent of the time their households spend on unpaid work activities (UNDP, 2015). There are also sizable rural/urban differences in the gap in unpaid work time. Available time use survey data suggest that these patterns are present in the region as well (Table 6). These data indicate that in Armenia in 2008, women spent five times as much time on unpaid

Table 6—Paid and unpaid work time, by gender (hours per day)

Time Use	Men	Women	Female to male ratio
Paid work and study			
Armenia (2004)	5.4	2.1	0.39
Armenia (2008)	5.5	2.4	0.44
Azerbaijan (2008)	4.7	1.7	0.36
Moldova (2011–2012)	3.9	3.1	0.79
Kyrgyz Republic (2005)	6	4	0.67
Kazakhstan (2006)	5	3	0.60
OECD 28	5.5	3.6	0.65
Unpaid work			
Armenia (2004)	1.1	5.8	5.27
Armenia (2008)	1.1	5.2	4.95
Azerbaijan (2008)	2.1	6.1	2.90
Moldova (2011–2012)	3.0	4.6	1.52
Kyrgyz Republic (2005)	2	5	2.5
Kazakhstan (2006)	4	6	1.5
OECD 28	2.3	4.6	2.00
Childcare (main activity)			
Armenia (2004)	0.1	0.7	7.00
Armenia (2008)	0.1	0.7	7.00
Moldova (2011–2012)	0.3	0.7	2.3
Total hours worked			
Armenia (2004)	6.5	7.9	1.22
Armenia (2008)	6.5	7.6	1.17
Azerbaijan (2008)	6.8	7.8	1.15
Moldova (2011–2012)	6.9	7.7	1.11
Kyrgyz Republic (2005)	8	9	1.13
Kazakhstan (2006)	9	9	1
OECD 28	7.8	8.2	1.05

Sources: OECD (2011b); Meurs and Slavchevska (2014); <>Women and Men>> publications for each country.

Gender inequalities in work and employment

²² For the full report, see: [work as men, compared to three times as much in Azerbaijan. In Moldova, on the other hand, the ratio was 1.5 times—lower than the OECD average. In the Western Balkans, in Albania, time spent studying was found to be the same for both sexes, while women spent more time on unpaid work than the OECD average \(Albanian Institute of Statistics survey 2010–2011\). In line with Turkey’s low female labour force participation rates, Turkish women were found to spend only](http://www.levyinstitute.org/publications/the-impact-of-public-investment-in-social-care-services-on-employment-gender-equality-and-poverty-the-turkish-case; or http://www.kaum.itu.edu.tr/en/wp-content/uploads/2015/09/rapor-sorun-eng.pdf. See also Ilkkaracan, 2016, 2013.</p>
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about two hours daily on remunerated activities. Zacharias *et al.* 2014, find that the incidence of time poverty among women in Turkey is nearly twice that of men (37 percent versus 70 percent).

Evidence from the Caucasus, Western CIS, and Central Asian countries also suggests that the gender gap in time use is lower in rural than in urban areas. This does not necessarily mean that men and women more evenly share household responsibilities in rural areas; rural women

Box 12—Investing in social care infrastructure for job creation (Ipek Ilkkaracan, Kijong Kim)²²

Among OECD countries, Turkey has by far the lowest rate of access to early child care and pre-school education (social care) services. Not coincidentally, it also has the OECD’s lowest labour force participation rate for working-age women (15–64), at 34 percent—barely half the OECD average. For most mothers in Turkey, the potential monetary gains from paid work are much lower than the costs of purchasing child care and household services. This results in part from underinvestment in social care services—the government spends just 0.18 percent of GDP on these services, compared to the OECD average of 0.8 percent.

In addition to exacerbating gender inequalities, this underinvestment reduces Turkey’s long-term economic potential by reducing the labour force and childhood development opportunities. What is less well known, however, is that expanding social care services can also produce considerable short-term economic benefits, in terms of employment creation and reductions in gender inequality and poverty.

Raising Turkey’s early child care and preschool enrolment rate to the OECD average through a publicly funded expansion of early childhood care programming would require expenditures of some 20.7 billion Turkish lira (in 2014 prices). These would finance the creation of 3.27 million places in preschool programmes, and would directly and indirectly generate 719,000 social care jobs. This is more than 2.5 times the total number of jobs that would be created by devoting the same amount of budget funds to construction/infrastructure projects (290,000). An estimated 84 percent of the workers hired into these social care jobs would have permanent contracts of unlimited duration (versus 25 percent in construction); 85 percent would have social security coverage (compared to 30 percent in construction).

Most of these social care jobs (73 percent) would go to women, compared to only 6 percent in the case of construction spending. Yet in absolute terms, spending in the social care sector would still create nearly 200,000 jobs for men—72 percent of the total number created for men in the construction scenario. A higher proportion of the construction-generated jobs would go to the unemployed, but in absolute terms more unemployed persons would find jobs in the case of social care expansion. The majority of those receiving jobs would be women previously excluded from the labour market and engaged in domestic work.

In both scenarios, incomes increase the most for households in the bottom 40 percent of Turkey’s income distribution. But when the impact of the expansion of social care services on labour force participation rates is taken into account, investment in social care would have the more durable economic impact. In addition to creating income for those employed in the expanded social care sector, investments in this sector also enable parents (mothers) who would otherwise be occupied with full-time care responsibilities to enter the workforce. A programme targeted at poor mothers of small children could potentially reduce Turkey’s relative poverty rate by 1.14 percentage points, compared to a 0.35 percentage point decrease in the case of construction.

Finally, because investments in social care services produce more and better quality jobs in the formal sector than investment in construction, they are likely to generate higher income and social security tax revenues, thereby reducing the net burden on the state budget. An estimated 75 percent of the initial outlays required to bring Turkey’s social care spending up to OECD levels would ultimately be recovered through higher tax revenues, compared to only 52 percent in the case of construction spending. Investments in decent jobs for women can pay dividends for all concerned.



Unemployment rates for women in the Western Balkans (pictured here, a rural entrepreneur in Kosovo) have generally been higher than for men. Photo: Arben Llapashitica / UNDP

may have to combine child care with other activities, such as tending to the household plot. Nevertheless, evidence from Moldova suggests that parents in rural areas are less likely to focus on child enrichment and educational activities, potentially contributing to regional disparities in children's educational outcomes.

The data in Table 6 underscore the importance of investments in childcare subsidies and public childcare provisioning, *inter alia* to reduce women's labour market exclusion and raise their incomes (Buvinić *et al.*, 2013). There is also evidence that publicly provided pre-school programmes can result in direct employment and the accompanying increase in demand for supporting jobs. Ilkkaracan *et al.* (2015) and Antonopoulos and Kim (2011) found that social care sector expansion can also accelerate the creation of decent jobs and reduce poverty (Box 12). Childcare provisioning can promote not only paid female employment, but also female entrepreneurship as it allows women to expand their businesses and hence address the small size constraint.

Migration. The lack of employment opportunities and military conflicts have led many families to migrate abroad and within countries as a coping strategy. As a result, in some countries as much

as 20 percent of the population has migrated abroad. The multifaceted gender impact of migration ranges from influencing the labour force status of other household members, to changing gender roles and stereotypes within households, to increased risks of trafficking and exploitation, to affecting the educational and developmental outcomes of children in the household.

The gender patterns of migration vary greatly between and within countries. In general, it appears that in Central Asia most labour migrants are men. In other countries, however, migration has become more feminized—and its gender characteristics increasingly vary according to countries of destination and origin. For example, although Moldovan migration is dominated by women, Moldovan migrants to Italy are mostly men. Ukrainian migrants in Italy, on the other hand, are more likely to be women. In Georgia, although men are more likely to migrate than women, migration is female-dominated in some regions. Moreover, the 2008 crisis appears to have resulted in the increased share of female migrants (Danzer, 2014).

In Central Asia, women's unemployment rates have consistently been some 12-13 percent higher than men's.

Gender inequalities in work and employment

One third of all businesses in many countries of the Western CIS, South Caucasus and Central Asia are owned by women.

The gender composition of internal migrants varies by country. In Uzbekistan, for instance, more than two-thirds of internal migrants are men; whereas in Ukraine, women are more likely to move internally than men. Women tend to move for reasons that differ from men's. In Ukraine, for instance, until recently, more women moved to urban centres to study whereas men migrated primarily to seek employment. Women migrants within Uzbekistan are more educated than the national average.

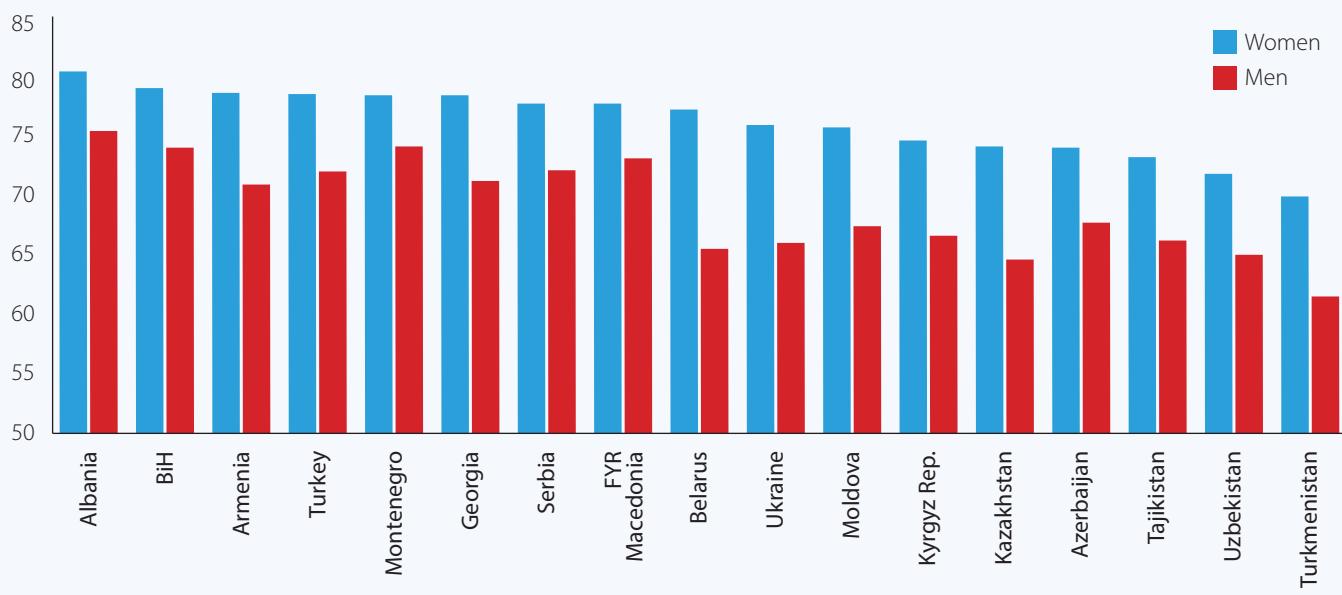
Men tend to migrate for work in traditionally male occupations, such as construction, and their entry into the labour market is often perceived by locals as competition driving down wages and working conditions. Women, on the other hand, tend to migrate to perform domestic and care work in countries where market and public services are underdeveloped. In the process, women migrants face higher risks of exploitation, trafficking, and violence.

The consequences of migration on families in countries of origin are complex. On the one hand, migrant remittances can improve the well-being of families by improving their nutritional intake,

supporting their consumption expenditures, and helping them to run a business. However, migration can also create big gaps in social networks and in care provision structures, when one member of a family moves, affecting the division of household responsibilities and children's welfare. Women members of families tend to bear a greater share of additional domestic and care responsibilities.

Evidence from Armenia suggests that, while wives take on additional responsibilities when men migrate, intra-household power dynamics are not significantly altered, and in some cases gender inequalities are reinforced. In rural Tajikistan, the majority of households with a migrant consist of women and their children. Close to half of these women have lost contact with their husbands or have not received remittances from them in more than five years (International Organization for Migration, 2009). The vulnerability of these single-female-headed households can be further magnified by their lack of access to land and economic resources. Male migration also changes social dynamics. For example, in Tajikistan, large gender imbalances following the civil war of 1990s and male emigration have reduced the average female age at marriage, resulting in many schoolgirls getting married without finishing their secondary education.

Figure 49—Life expectancy at birth (in years) for women, men in the region (2014)



Source: UNDP Human Development Report Office.

Note: Average global life expectancy at birth is 73.7 years for women and 69.5 years for men.

The effectiveness of migration policies in both source and destination countries is reduced when they do not reflect the gender dimensions of migration—particularly in terms of the different ways men and women participate in market and non-market businesses, changes in the ratio of market and home-based labour, and the specific needs of migrant women. Fortunately, women labour migrants are increasingly recognized as critically important resources for their countries of origin; the remittances they send back are a lifeline for their children, their families and local communities. But while migrant women provide financial security through their work, their absence can mean shortages of care givers in source countries, which should be properly addressed by local institutions.

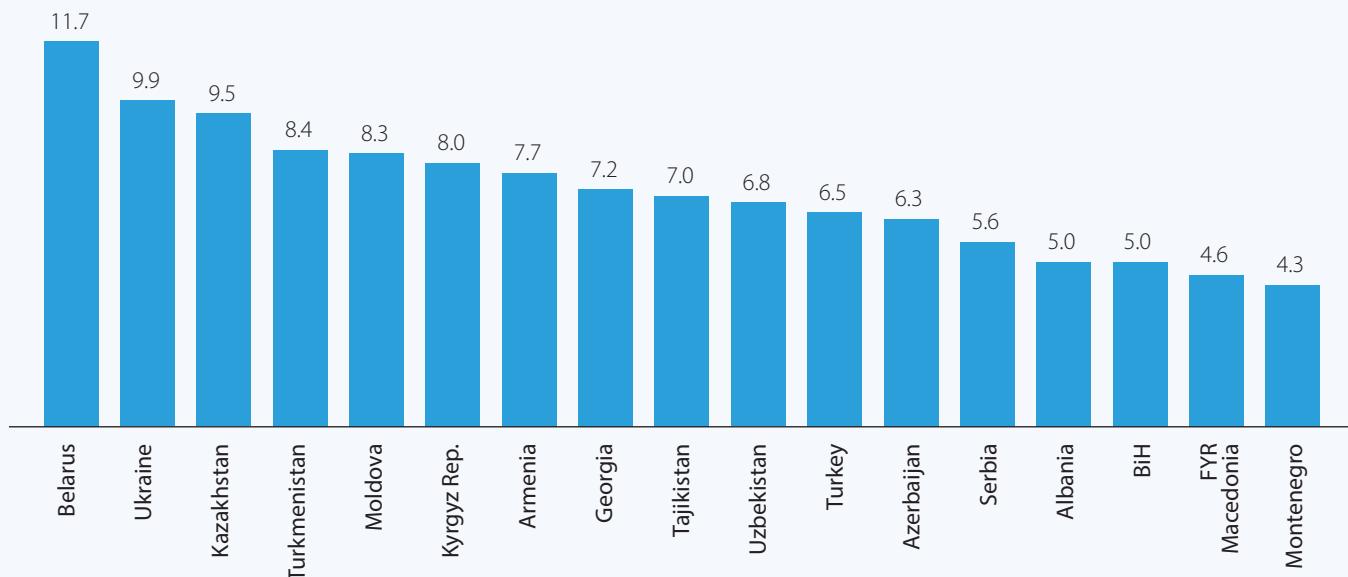
Health, mortality, and fertility. Research suggests that health outcomes worsened in a number of the region's former socialist countries during the transition—at least for men. In the immediate aftermath of the collapse of the Soviet Union, men's health outcomes and life expectancy, in particular, deteriorated more than women's in all countries of the Caucasus, Western CIS and Central Asia (with the exceptions of Azerbaijan and Georgia). In Belarus, men's life expectancy has only recently returned to pre-transition level whereas in Ukraine, it remains below its former level. As a result, male life

expectancy at birth in all CIS countries except Armenia in 2014 was below the global average of 69.5 years (Figure 49). By contrast, life expectancy at birth for women in all CIS countries except Turkmenistan and Uzbekistan was at or above the global average of 73.7 years in 2014. As a result, the "life expectancy gender gap" between men and women in the region (Figure 50) significantly exceeds the global average (4.2 years) in the region—particularly in the CIS countries, and in Georgia.

The worsening men's health outcomes have been attributed to increases in alcohol consumption, which may also account for higher suicide rates. (In Belarus, men are five times more likely than women to commit suicide.) Men are less likely to seek medical help and to pursue prophylactic care; surveys conducted in Kazakhstan and Uzbekistan, for example, showed that only 18 percent of primary care patients were men.

While women's overall health outcomes are generally better, female alcohol consumption as well as substance abuse have also increased. In case of substance abuse, women are less likely to seek treatment. They account for only 2 percent of people being treated for addiction in Georgia and 10 percent in the Kyrgyz Republic. Maternal mortality rates likewise increased immediately after the collapse of the Soviet Union in many

Figure 50—Gaps (in years) between female and male life expectancy in the region (2014)



UNDP calculations, based on data provided by the UNDP Human Development Report Office.

Note: The average global gap in life expectancy at birth between women and men in 2014 was 4.2 years.

Gender inequalities in work and employment

It appears that in Central Asia most labour migrants are men. In other countries, however, migration has become more feminized.

countries of the region due to the deterioration of health services. Fortunately, maternal mortality rates in most of the region have recently fallen, and compare favourably to global averages. On the other hand, despite some stabilization during the last decade, fertility rates in much of the region remain at or below replacement

levels, underscoring the challenges of aging populations and the associated deepening fiscal and care burdens.

This relatively favourable picture of women's (versus men's) health and mortality does not change the fact that it is women who are victims of domestic violence, as well as facing large gender gaps in economic outcomes and opportunities. It does point to the complex nature of the region's gender and development challenges. It also argues against accepting apparently favourable gender-based mortality comparisons in the region at face value, as women's relatively good performance on such indicators may be driven more by men's development setbacks than by their own development accomplishments.

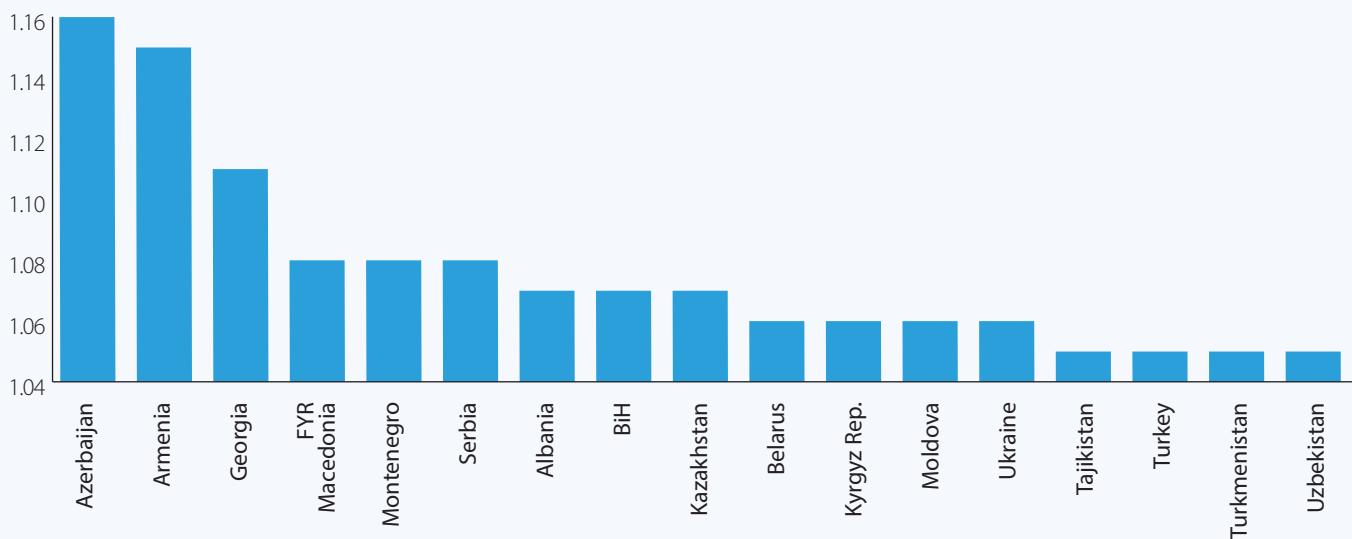
At the other end of the demographic spectrum, the region has witnessed a spike in male (relative

to female) births since the 1990s—particularly in the South Caucasus, but also (to a lesser extent) in the Western Balkans (Figure 51). A strong preference for having sons appears to have led to sex selection, made possible by the availability of ultrasound technology and access to abortion. The gender imbalance at birth follows a pattern similar to that of other countries, in which the ratio of male births increases initially among urban well-off individuals, and is later followed by poor or rural dwellers. While "recovery" from the male mortality associated with the wars of the 1990s may explain some of this, it is noteworthy that these ratios seem higher for Montenegro and Albania (countries which were not especially affected by the wars of the 1990s) than Bosnia and Herzegovina (which was severely affected).

Political participation and empowerment.

Despite policy measures taken to eradicate gender discrimination in the region, women are underrepresented in the political sphere as well as in managerial positions. Identifying and removing the obstacles that stand in the way of women playing more active roles in public life and in decision-making can play important roles in helping them to better shape policies. As the data in Figure 52 show, most of the countries in the region score below the global average (22 percent) for shares of women in parliament (as of 2014).

Figure 51—Male to female birth ratios in the region (2012)



Source: <>Gender Statistics Highlights from the 2012 World Development Report>>, World Bank.

Note: A 1.05 ratio is considered to be demographically "normal".

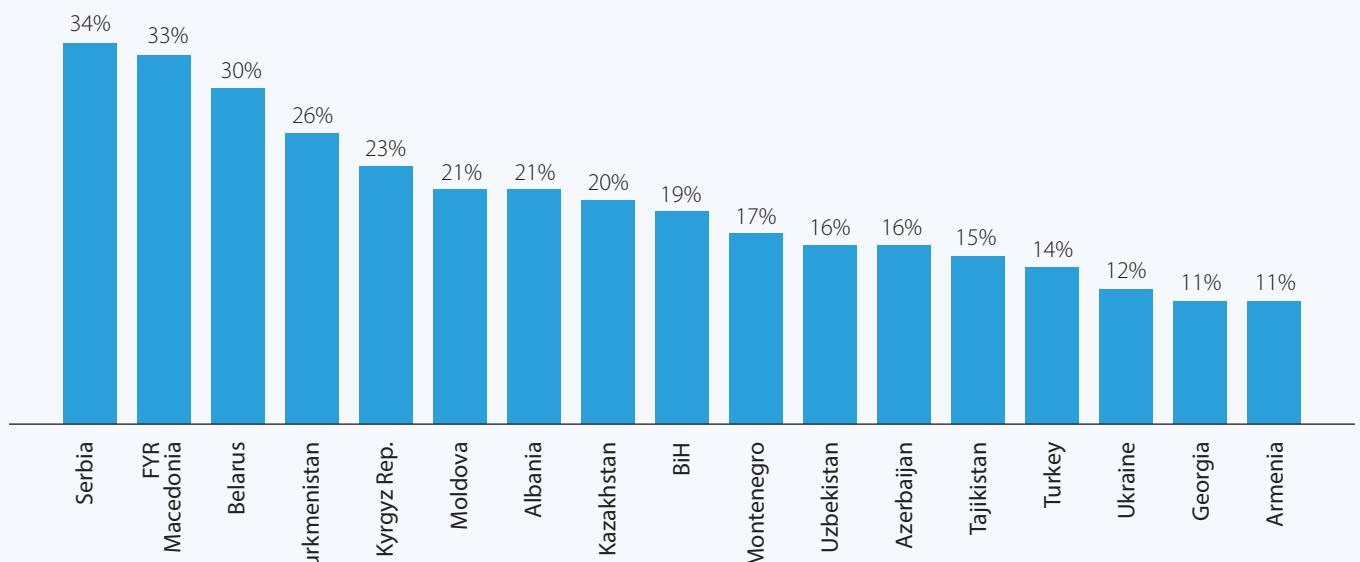


Employment rates for women in Turkey remain well below employment rates for men. Photo: UNDP

While increasing women's participation in politics is crucial for equality in representation and decision-making, gender-responsive policymaking is the domain of both male and female policymakers. Furthermore, neither women nor men constitute a homogeneous group and women who occupy seats in parliament may not represent all segments of the population. In Uzbekistan, for instance, all women members of parliament are either in "talking" or specialized professions whereas in Georgia, 67 percent of female politicians are civil servants.

Identifying the specific causes that keep women from getting elected, and reaching positions of responsibility, decision-making and seniority is crucial to improving the quality of their participation in policymaking (see Box 13). The unequal division of domestic labour may prevent women from devoting enough time to civic participation. Women often have little of the necessary social capital to embark on a political career. Lack of confidence, cultural expectations, a paucity of respected role models, and social pressures to conform to traditional gender roles may also play a role.

Figure 52—Shares of seats in national parliaments held by women (2014)



Source: UNDP Human Development Report Office.

Note: The global average for this share is 22 percent.

Gender inequalities in work and employment

Box 13—Gender equality and women’s political participation in the Kyrgyz Republic

When the Kyrgyz Republic lapsed into chaos and civil conflict in April 2010, the country’s political elite turned to Roza Otunbayeva, former foreign minister and head of the largest opposition party in the Parliament, to stave off disaster. In the next months, Ms. Otunbayeva won a free and fair election to serve as the country’s president, led a national campaign for constitutional reform, and secured a multi-million dollar aid package from Kyrgyzstan’s donors. When she stepped down at the expiration of her term, Ms. Otunbayeva became the first (and thus far only) Central Asian president to have voluntarily left office. She has since devoted her time to public service and civic engagement—including on behalf of gender equality, in the Kyrgyz Republic, and the region.

Ms. Otunbayeva’s experience is a telling reminder of the fact that—in politics, as well as elsewhere—the best man for the job is often a woman. However, despite Ms. Otunbayeva’s political record and presence as a role model, as well as the passage of extensive gender equality legislation in the Kyrgyz Republic, gender-based inequalities in that country remain problematic. During the country’s first 15 years of independence, the number of women parliamentarians fell from few to zero (see below). Thanks to the 2005 introduction of gender quotas for parliamentary representation, women MPs since staged a comeback. However, women at present make up just one fifth of the Kyrgyz Republic’s national parliamentarians—and an even smaller share of legislators at sub-national levels

Kyrgyz Republic national parliament		Sub-national representative bodies	
Election years	Share of female deputies	Election years	Share of female deputies
1995	5%		
2000	7%	1998	14%
2005	0%	2004	16%
2007*	26%	2008	14%
2010*	22%	2012	13%
2015*	20%		

*Gender quota mechanism in place.

A similar picture is present in the Kyrgyz Republic’s executive branch. After rising from one third to nearly one half during 1995–2000, the share of women in Kyrgyzstan’s public administration has since dropped back to about 40 percent. Men today hold nearly three quarters of the country’s senior political appointments, and 90 percent of local government positions.

Many factors (including traditional views on women’s roles in politics) contribute to these outcomes. However, research by UNDP, women’s organizations, and others in the Kyrgyz Republic indicates that restricted access to campaign finance also limits women’s political prospects. Reducing gender barriers limiting access to finance could therefore improve women’s standing in the world of politics, as well as in business and economics.

Conclusions and recommendations

Gender disparities limit prospects for sustainable and inclusive growth in the region. This is particularly apparent in the labour market: women's labour force participation and employment rates remain below men's; female employment also tends to be less secure; and women are underrepresented both as wage earners and employers. In countries with high rates of self-employment, women tend to be overrepresented as contributing family workers. Throughout the region, women still earn significantly less than their male counterparts and as entrepreneurs, they face greater barriers in accessing credit and tend to have weaker commercial networks. In agriculture, women are less likely to be landowners than men. They typically own smaller plots of land and tend to engage in subsistence agricultural production. In most countries of the region, legal restrictions contribute to gender-based segregation in employment. In addition to limiting women's ability to realize their full potential, such patterns reflect the underutilization of the human capacities of half the region's population. Reducing these gender inequalities should be a priority for all countries in the region if they are to accelerate progress towards the implementing the Sustainable Development Goals.

Some countries in the region have made progress in improving the regulatory and legal framework for promoting women's economic advancement. Belarus and Georgia have strengthened parental benefits; Tajikistan has introduced childcare reforms. Still, such efforts should ideally be part of comprehensive evidence-based gender and development strategies that expand human choices and capabilities by aligning supply-side interventions with demand-side measures aimed at creating equitable and gainful employment opportunities. Such strategies should include the following elements:

➤ Removal of legal and regulatory barriers to women's economic empowerment.

Although progress has been made, important gender-based occupational restrictions remain, preventing women from engaging in employment and entrepreneurship. Active policies are recommended to provide opportunities for skills and training and access to finance, and protect workers from exploitative conditions (SDGs 8, 10).

- **Implementation of policies to address women's care and domestic responsibilities to promote decent employment opportunities, increase productivity and earnings.** Reducing women's unpaid care burdens to promote their participation in the labour market and in entrepreneurship has to be an integral part of a strategy to reduce gender inequality. Programmes providing access to affordable and reliable child care, child subsidies and public childcare provisioning, as well as gender-equal parental leave policies, are key to recognizing and redistributing unpaid care burdens within the household and improving women's labour market outcomes and earnings (SDGs 1, 5, 8).
- **Strengthen national capacities to generate and use sex- and age-disaggregated data for gender analysis.** Such data and analyses are needed to design gender-responsive macroeconomic and social policy and programmes. Much more context-specific knowledge on the use of time of men and women is needed to fully assess gender inequalities. Efforts by national statistical agencies to improve data collection, to allow for the full mainstreaming of gender into macroeconomic policies, should receive strong support from governments and donors (SDGs 5, 17).
- **Include strong impact evaluation elements in proposed policies.** These are key to improving evidence-based policy frameworks for gender equality (SDG 17).
- **Improve productivity and working conditions in agriculture and the rural economy.** Large shares of the region's workforce are employed in agriculture, working long and unpredictable hours, in conditions of typically low wages and productivity. Women in rural areas are proportionately more likely to be (unpaid) contributing family workers. Improving agricultural productivity along with wages and working conditions will be a key to changing the gender gaps in employment composition in rural areas (SDG 2).

Gender inequalities in work and employment

- **Use the job creation potential of the green economy to reduce industrial segregation.** Most countries of the region are in a strong position to use the job creation potential of the green economy to strengthen labour markets and to reduce industrial segregation by gender (OECD 2011). Expanding the capacity of the green sector and developing alternative energy sources can spur employment opportunities and strengthen women's voice in sustainable growth approaches. However, corresponding investments in education and nurturing a gender-balanced system of educational attainment will be needed to realise this potential (SDGs 4, 5, 8, 10).
- **Challenge gender stereotypes,** by fostering trust in women's capabilities and building their confidence. Cultural campaigns against sexist stereotypes of women (and men) can help strengthen behavioural patterns that transcend traditional gender roles and produce more equitable distribution of responsibilities and leadership between the sexes in the workplace, at home and in the community. Promoting women to visible positions of seniority and decision-making in public and private spheres, as well as encouraging men to enter traditionally female professions, are key to changing social norms and eliminating socio-economic and political gender biases (SDGs 5, 10).
- **Invest in improving women's access and skills for entrepreneurship.** All countries in the region will benefit from the promotion of women's access to commercial networking opportunities, credit, market information, training in new and digital technologies and other ways to improve women's capacities to start and develop their own businesses (SDGs 1, 8).
- **Support efforts to ensure that equitable proportions of women are elected and/or appointed to government (and corporate) leadership positions throughout the region.** Ensuring that women participate proportionately in political leadership positions is essential to addressing gender disparities. Efforts should also be made to invite the participation of women in elected and/or appointed positions who reflect the demographic composition of the constituencies they serve (SDGs 5, 16).

Gender inequalities in work and employment





Photo: Milos Vujovic / UNDP





Chapter 4

Inequalities and health

Inequalities and health

Key messages

► **Health outcomes in the region reflect social, economic, and environmental determinants of health and health equity**

(SEEDs). Inequities in access to quality, affordable health services are therefore key drivers of broader socio-economic vulnerability. However, aggregate health statistics do not always capture differential levels of vulnerability to certain health conditions, as well as access to healthcare services and ultimately health outcomes. Understanding health inequities requires analysing health outcomes in terms of gender, age, educational attainment, place of residence, socioeconomic status, ethnicity, sexual orientation and marginalized groups, such as migrants, prisoners and others.

► **Preventing non-communicable diseases (NCDs) is crucial to reducing premature mortality and preventing other inequitable health outcomes.**

In much of the region, more than half of all NCD deaths among men are premature, thus contributing substantially to relatively low male life expectancies. In EU countries, the average probability of dying prematurely from NCDs is 15 percent—compared to 25 percent on average in the region (World Health Organization, 2014).

► **The region's high and rising HIV incidence rates can serve as proxy indicators for official and societal willingness to address difficult but important social exclusion challenges.**

They can also be seen as the consequences of discrimination against such at-risk groups as people who inject drugs, prisoners, and sex workers.

► **Efforts to address the challenges posed by the HIV/AIDS epidemic in the region face significant funding constraints,** which could

now sharpen with anticipated reductions in donor funding. These would make the financing of national HIV/AIDS responses increasingly dependent on social security systems—the high tax rates for which are a major cause of the informality that threatens social inclusion, and the financial sustainability of public health systems, across the region. This underscores the importance of improving access to HIV prevention and treatment services.

► **Policy and programmatic measures** to address these challenges should focus on:

❖ **Creating more inclusive legal environments** that emphasize public health over punishment and stigmatization, as well as better access to justice for at-risk social groups;

❖ **Addressing institutionalised stigma and discrimination,** *inter alia* by sensitizing law enforcement and health-service personnel to the needs of people who are living with HIV/AIDS, as well as of those at risk of contracting the infection;

❖ **Civic engagement.** The role of NGOs in outreach and service provision as a complement to (not a substitute for) public services should be further emphasized.

The social, economic, and environmental determinants of health

Social, economic, and environmental development both determine and are reflections of population health and the distribution of health outcomes. While this is widely acknowledged, the effects of social, economic and environmental determinants (SEEDs) of health and health equity are rarely fully addressed in development policy and practice. This means that opportunities to maximize co-benefits for health and development are often missed, hindering progress towards Agenda 2030's "leave no one behind" core tenet (Bell *et al.*, 2014). The scale and ambition represented in the Sustainable Development Goals (SDGs) require integrated approaches, deep interconnections and cross-cutting elements (United Nations,

2012). Enlarging people's choices by expanding their capabilities and opportunities in ways that are socially, economically and environmentally sustainable implies improving the present health and wellbeing today without compromising development prospects in the future. This requires acting across the whole of government and the whole of society to support countries to adopt sustainable development pathways, build and strengthen inclusive and effective democratic governance, and build resilience.

Health inequities—systematic inter-group differences in health that are avoidable and unjust—are at the core of global and national policy dialogues. Judging by global evidence, most health inequities are avoidable, because they can be addressed by interventions that tackle the SEEDs of health using proportional universalist approaches (WHO, 2013). However, aggregate population health statistics can disguise health inequities within countries. They

Box 14—<<Health 2020>>: A European policy framework supporting health and well-being

<<Health 2020>> recognizes that successful governments can achieve real improvements in health if they work across government to fulfil two linked strategic objectives:

- Improving health for all and reducing health inequalities; and
- Improving leadership and participatory governance for health.

The <<Health 2020>> policy is based on four priority areas for policy action:

- Investing in health through a life-course approach and empowering people;
- Tackling Europe's major health challenges of non-communicable and communicable diseases;
- Strengthening people-centred health systems, public health capacity, and emergency preparedness, surveillance and response; and
- Creating resilient communities and supportive environments.

<<Health 2020>> strives to achieve measurable impact on health in the region. Six regional goals have been agreed by member states:

- Reduce premature mortality;
- Increase life expectancy;
- Reduce inequalities in health;
- Enhance the well-being of the population;
- Ensure universal coverage and the right to the highest attainable level of health; and
- Set national goals and targets related to health in member states.



A woman in Montenegro receives medical attention from a team that visits remote locations. Place of residence remains a strong predictor of unequal access to health care. Photo: Milos Vujovic / UND

fail to capture differential levels of exposure to the SEEDs of health, exposure and vulnerability to certain health conditions, as well as access to healthcare services and ultimately health outcomes. While health data in the region are routinely sex-disaggregated so as to enable understanding of gender inequities in health, data disaggregated by other dimensions of inequity are less readily available. Ensuring that no one is left behind requires significantly greater data disaggregation. It also implies that quality, accessible, timely and reliable disaggregated data will be needed to measure progress (ECOSOC, 2016). Likewise, understanding health inequities requires health outcomes to be analysed by dimensions of inequity, including gender, age, educational attainment, place of residence, socioeconomic status, ethnicity, sexual orientation and marginalized groups, such as migrants, prisoners and others.

Agenda 2030 aspires to ensure healthy lives and promote wellbeing for all at all ages and to reduce inequality between and within countries through SDGs 3 and 10 respectively. SDG3 seeks to end the epidemics of AIDS, tuberculosis, malaria, and neglected tropical diseases, and combat hepatitis, water-borne and other communicable diseases; to reduce premature mortality from non-communicable diseases (NCDs) and promote mental health and well-being; to reduce deaths and illness from hazardous chemicals and air,

water and soil pollution and contamination; and to achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, medicines and vaccines for all. SDG10 seeks to promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status; and to adopt fiscal, wage and social protection policies to achieve greater equality.

Yet, Agenda 2030 acknowledges that in order to ensure healthy lives and promote wellbeing for all at all ages, and to reduce inequality between and within countries, health and inequality need to be tackled across actions supporting all goals. While access to healthcare, healthcare infrastructure and healthcare quality can best be tackled by health sector interventions, these proximate determinants are conditioned and modified by broader community, structural and systemic SEEDs, which affect such individual and collective behaviours such as physical inactivity, poor nutrition, risky sexual behaviour, tobacco smoking, excessive alcohol consumption, violence etc.—and eventually on health outcomes.

Positive and adverse influences on human health accumulate over the course of the life cycle. Intergenerational equity—the principle that both current and future generations should

Inequalities and health

Figure 53—Life expectancy and per-capita GDP in the region (2014, or latest available year)

enjoy capabilities to lead lives they value—is fundamental to SEEDs of health and features prominently across the SDGs. Addressing the SEEDs of health and health equity therefore requires approaches that take into account critical life stages, and reflect our responsibilities for following generations. Thus, quality education from childhood through adolescence, as well as life-long learning and development (SDG4) and decent work and economic growth (SDG8) are needed to help create the conditions that enable people to have control over their lives. Sufficient incomes (SDG1), adequate nutrition (SDGs 2, 12), and adequate housing, with clean water and sanitation (SDG6), in built and natural environments that protect from harm and enable healthy living (SDGs 11, 12) (WHO, 2013; UN, 2015a) all play critical roles in ensuring healthy lives.

Exposure to health risks is affected by the interplay of such factors as gender, ethnicity, age, disability, education, income, and area of residence. For example, being poor, with low education, female, living alone and elderly often increases vulnerability. Human rights-based

approaches are central to the SDGs and prioritize improving health and reducing inequities. Progress towards those ambitions needs to be underpinned by transparent, accountable and inclusive governance systems (SDG16). Considering health in all policies is central to both better governance and improved well-being (Kickbusch, 2012); health in all policies means health in all SDGs.

The regional context

Health 2020. *Health 2020*, the European policy framework supporting action for health and well-being across government and society (Box 14), calls for stronger equity and better governance for health. *Health 2020* was adopted by all 53 WHO Europe member states in 2012, including all UNDP programming countries in Eastern Europe (including Turkey) and Central Asia. *Health 2020* acknowledges that good health and wellbeing cannot be achieved by health sector action alone. Sustainable and equitable improvements in health are the product of effective policy across the whole of government and the whole

of society. The implementation of *Health 2020* requires a multisectoral approach to governance for health which facilitates close collaboration between health and development actors, public and private sector organizations, and citizens at all levels of governance. With their shared aspirations to “leave no one behind”, both *Health 2020* and Agenda 2030 can provide momentum and commitment for UNDP to engage broadly on health inequity and development and craft more effective responses to the development issues in the region.

Life expectancy inequities. Health is inequitably distributed between and within the countries of the region. As explained in the previous chapter, average life expectancies at birth (a key outcome indicator for health) differ widely, both by sub-region and by gender. While life expectancies generally increase with economic growth, the relationship between health and per-capita GDP in the region is not straightforward. As seen in Figure 53, Kazakhstan and Turkmenistan have among the highest per-capita GDPs in the region, but their life expectancies are well below some other countries’ that report significantly lower income levels (e.g., Armenia, Georgia). In contrast, Albania and Bosnia and Herzegovina have the highest life expectancies in the region, even though their per-capita GDPs are comparatively low.

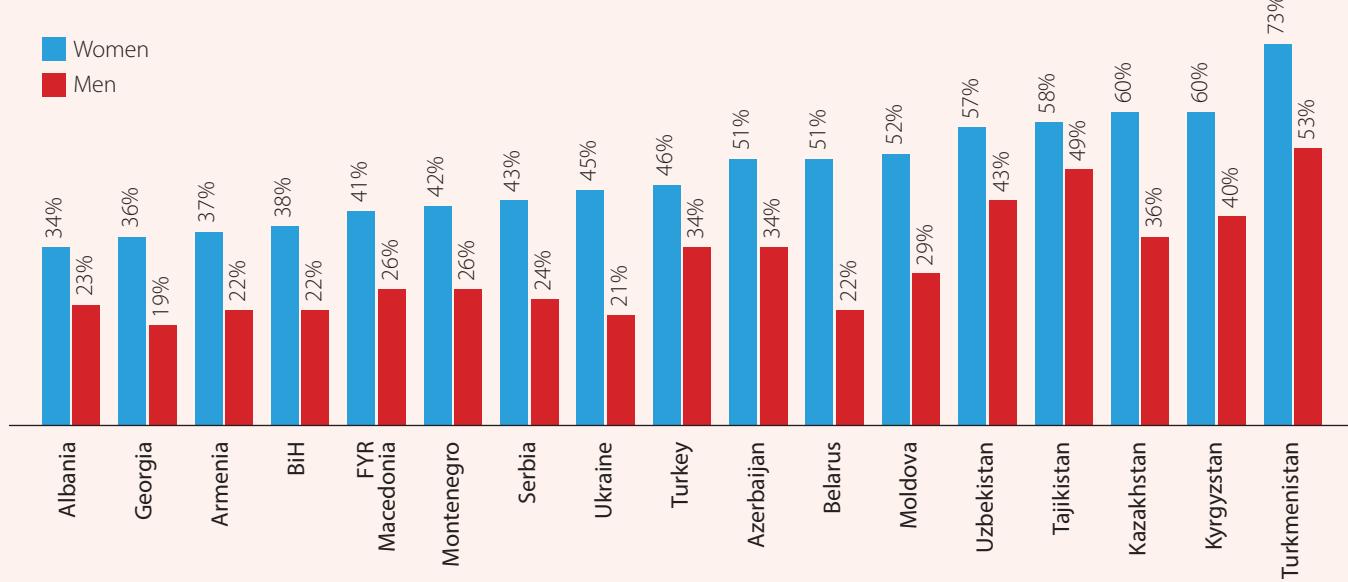
Social and environmental (as well as economic) determinants—including early childhood development, nutrition, educational attainment, the natural and built environment, access to medical care, as well as cultural and social norms—also affect health outcomes.

Non-communicable diseases

(NCDs) such as diabetes, cardiovascular ailments, cancer, chronic respiratory diseases, and mental disorders are the leading causes of morbidity and mortality globally. With an estimated 86 percent of deaths and 77 percent of the disease burden attributable to NCDs, the region is the one most affected by NCDs (Figure 54). In much of the region, more than half of all NCD deaths among men are premature, thus contributing substantially to low life expectancies. The probability of dying between the ages of 30 and 70 from any of the four major NCDs (cardiovascular disease, cancer, diabetes, and chronic respiratory disease) is particularly high in the region. In EU countries, the average probability of dying prematurely from NCDs is 15 percent—compared to 25 percent on average in the region (World Health Organization, 2014).

Exposure to health risks is affected by the interplay of such factors as gender, ethnicity, age, disability.

Figure 54—Premature NCD mortality as a percentage of total NCD mortality (2012)



Source: Global Health Observatory Data Repository.

Note: Premature NCD deaths are those deaths occurring below age 70 due to cardiovascular disease, cancer, diabetes, or chronic respiratory disease.

Inequalities and health

Public spending on HIV/AIDS prevention and treatment in many countries has been insufficient to meet the health needs of the marginalized.

Inequities vis-à-vis the SEEDs of health (including access to health services) and health risks play large roles in these outcomes. Within countries, measures of household wealth, income, education, and occupation can be linked to socioeconomic inequities in health.

Health risks that otherwise seem linked to individual decisions may also reflect these deeper socio-economic drivers. For example, tobacco smoking prevalence tends to decrease with educational attainment, occupational class and household assets (Schaap *et al.*, 2007).

In addition to the level of economic development, differences in age, gender, and socioeconomic status (as well as cultural issues and family background) influence the volume, patterns, and quality of alcohol consumed—and through this alcohol-related health risks. While some studies have found that higher incomes are broadly associated with greater alcohol consumption, for a given level or pattern of drinking, alcohol-attributable health and mortality risks generally decline in more affluent societies (World Health Organization, 2014a). Children, adolescents and elderly people are more vulnerable to alcohol-related harm

than members of other age groups. Even if their overall consumption is lower, socioeconomically disadvantaged groups tend to suffer more from alcohol-related ill health than affluent groups, because of the consumption patterns and the quality of alcohol consumed. Alcohol-related morbidity and mortality is shown to be greater among unemployed people and manual workers, while a range of studies suggest that men, single persons and people with lower education levels are prone to high-risk alcohol consumption (World Health Organization, 2013).

Inequities in access to quality health services are present in much of the region, due to informal payments, gaps in statutory coverage and eligibility criteria, and inadequate geographic coverage (International Labour Organization, 2011). Beyond place of residence and ethnicity, wealth remains a strong predictor of unequal access to health care. In Armenia, Georgia, Moldova, Kazakhstan, the Kyrgyz Republic, and Ukraine, the share of the poorest population quintiles citing lack of money as a reason for not seeking medical care is more than three times higher than among the richest quintiles. On average, approximately 68 percent of the poorest quintile did not visit a doctor when ill for lack of money, whereas among the richest quintile, only 22 percent did not access health services when in need in the six countries (Suhrcke *et al.*,

Figure 55—Shares of external and domestic financing of national HIV responses (2012-2014)

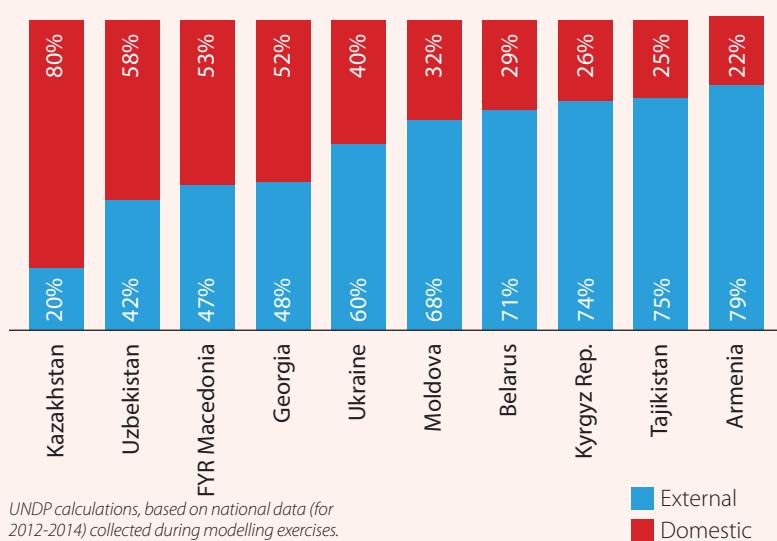
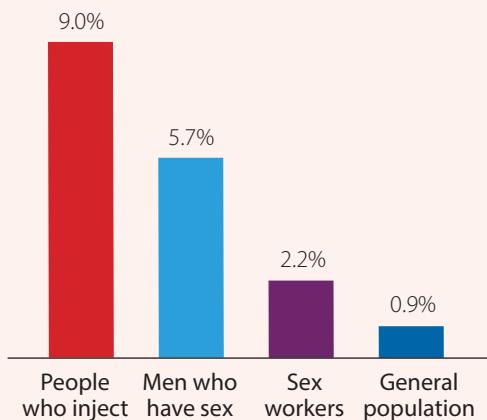


Figure 56—Regional HIV prevalence rates (2014)



Source: UNAIDS (2014).

al., 2007). In Armenia, 93 percent of the poorest quintile did not visit a doctor when ill, compared to just 37 percent of the richest quintile.

Similar inequities persist in access to affordable essential NCD medicines. This may discourage or prevent patients from accessing the long treatment courses associated with NCDs (e.g., chemotherapy) (Chan, 2016).

In addition to the social justice and human rights arguments for addressing health inequities, the region's relatively high NCD mortality rates can have significant socio-economic impacts on households and businesses, in terms of higher health care costs, reduced labour productivity, and losses in household income. Globally, the economic costs of NCDs for low- and middle-income countries were estimated to be approximately \$500 billion in 2010—roughly 4 percent of GDP (World Economic Forum and World Health Organization, 2011). The accumulated global output losses from the four major NCDs and mental health conditions during 2011-2013 were estimated to be nearly \$47 trillion (Bloom *et al.*, 2011).

From a human development perspective, NCDs impose critical constraints on prospects for realizing human capabilities. The burden of premature death and disability is not only felt by those directly affected. Care for the elderly is usually provided by family members—mostly women who have greater responsibility for care giving across the region. The responsibility of care giving effectively constrains female participation in the labour market (Bussolo *et al.*, 2015).

In response to these challenges, the UN Political Declaration on the Prevention and Control of NCDs was issued in 2011 (UN Resolution A/RES/66/2). The WHO-led Global Action Plan for the Prevention and Control of NCDs 2013-2020 then incorporated a set of voluntary global targets, including a 25 percent relative reduction in premature mortality from cardiovascular disease, cancer, diabetes, and chronic respiratory diseases. The WHO global NCD action plan emphasizes the importance of tackling the underlying SEEDs of health and health inequities of NCDs including the strengthening of health systems and a multisectoral, whole-of-government approach. The World Health Organization Regional Committee for Europe developed a parallel regional action plan addressing the SEEDs of NCDs and focusing on inequities (Action Plan EUR/RC61/12).

Box 15—SEEDs of health and inequities vis-à-vis HIV/AIDS

Key SEEDs of health for HIV/AIDS:

- ▶ Access to healthcare (and availability of healthcare services)
- ▶ Discrimination and stigma
- ▶ Exposure to violence and effective policing human rights
- ▶ Transparency and accountability in governance
- ▶ Treatment adherence

Key dimensions of inequity for HIV

- ▶ Gender
- ▶ Life-course stage
- ▶ Marginalised groups
- ▶ Sexual orientation
- ▶ Socio-economic status

Achieving these objectives requires close collaboration between health and development actors, on national, international and multilateral levels. UNDP with its areas of work spanning sustainable development pathways, inclusive democratic governance and resilience building, as well as its resident coordinator function at the country level, is well positioned to support strengthening national capacity, leadership, governance, multisectoral action and partnerships to accelerate country responses for the prevention and control of NCDs.

SEEDs and inequities vis-à-vis HIV/AIDS

As the data in Figure 55 show, external funding for the prevention and treatment of HIV/AIDS (mostly through the Global Fund) is phasing out in many middle-income countries—including most of those in the region (Katz *et al.*, 2014). Transition strategies and action plans for integrating HIV responses into multi-sectoral national budgeting processes for health considering SEEDs of health and health inequities are therefore of critical importance (Đurić, *et al.*, 2014, 2015). Against this

Inequalities and health

background, we used checklists for the “SEEDs of health” (Annex 1) and dimensions of inequity (Annex 2) to map out the key dimensions of inequity and the SEEDs of health relevant to HIV in the region. The results are shown in Box 15.

Public spending on HIV/AIDS prevention and treatment in many countries has been insufficient to meet the health needs of the marginalized groups that are most at risk. In Eastern Europe, Turkey, and Central Asia, HIV affects mainly such higher risk populations—who are often themselves victims of social exclusion—as men who have sex with men, people who inject drugs, sex workers, and prisoners (Figure 56). Perhaps as a reflection of their status of common victims of social exclusion, HIV treatment coverage in the region remains low compared to global treatment coverage estimates—particularly compared to Eastern and Southern Africa (Figures 57, 58). Low HIV treatment coverage is therefore a social determinant for increased exposure to HIV infection risk and for poor health outcomes among people living with HIV.

In Tajikistan, next to heterosexual transmission, injecting drug use is the most common form of HIV transmission. HIV prevalence among people who inject drugs is at reported at 12.9 percent, as opposed to 1.2 percent for men who have sex with men and 3.5 percent for commercial sex

workers (*Factsheet, Tajikistan*). In Ukraine, more than 60 percent of HIV infections in recent years have occurred through sexual transmission. Estimates for HIV prevalence among all key populations remain very high: 19.7 percent for people who inject drugs, 5.9 percent for men who have sex with men, and 7.3 percent for commercial sex workers (*Factsheet, Ukraine*).

In addition, a recent international cohort study found that tuberculosis-related mortality in people living with HIV in Belarus, Georgia, and Ukraine²³ is nearly four times higher than in Western Europe and Latin America, due to the high prevalence of multi-drug resistant tuberculosis, low rates of drug susceptibility testing, and poor access to anti-retroviral therapy (Podlekareva *et al.*, 2016).

Beyond care and support for people living with HIV, effective responses require appropriate policy and programming synergies between health and non-health programming and activities (Schwartlaender *et al.*, 2011). The low coverage and poor treatment adherence of anti-retroviral therapy are affected by such structural SEEDs as degrees of transparency and accountability in governance, exposure to violence and effective policing, lack of protection of human rights, and discrimination and stigma—all of which contribute to high and rising HIV prevalence

²³ The study definition of Eastern Europe included Estonia, Latvia, Lithuania, Poland, Romania and Russia in addition.

Registered and estimated anti-retroviral treatment coverage in the region (2014)

Figure 57—Within the region

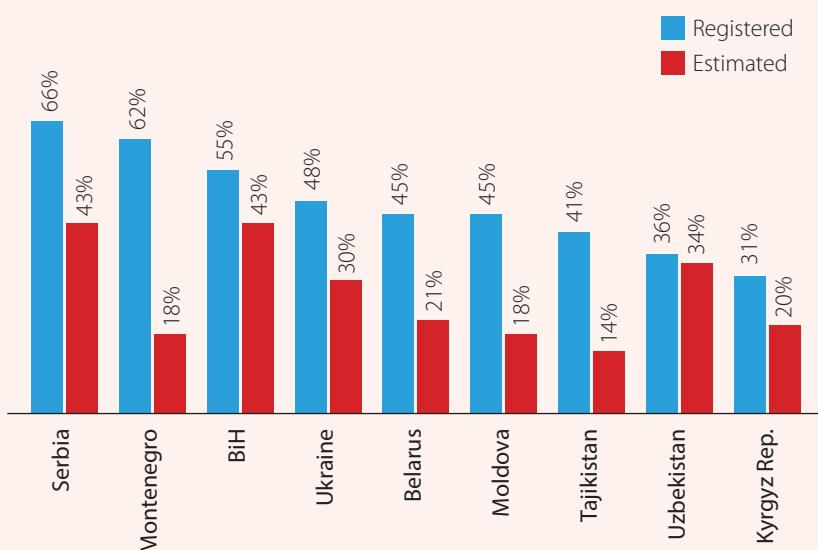
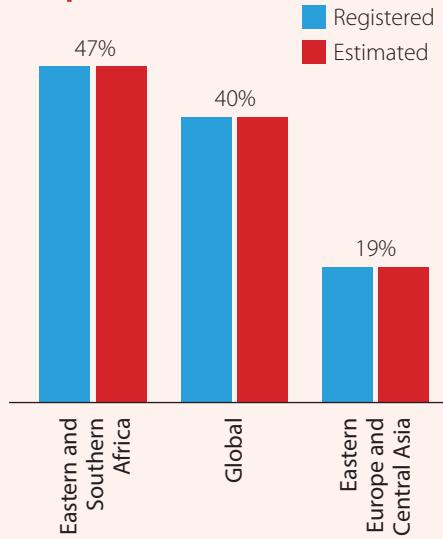


Figure 58—Inter-regional comparison



among key at-risk groups. Interventions to improve access to quality education, reduce poverty, promote gender equality and end gender-based violence can also help address HIV.

The repressive legal frameworks that are present in much of the region are too often obstacles to the effective provision of important services to people who inject drugs (UNODC, 2010). They can exacerbate exposure to violence and infection risks for HIV and other sexually transmitted infections, and jeopardize access to treatment. Government disinterest in needle exchanges and opioid substitution therapy—which can be highly effective in reducing HIV transmission among people who inject drugs—further exacerbates HIV infection risks (Bobrova *et al.*, 2007; Boltaev *et al.*, 2013; Booth *et al.*, 2013; Terlikbayeva *et al.*, 2013). Similarly, the criminalization of sex work across the region exacerbates the HIV infection risk among commercial sex workers. The criminalization of consensual sex between adults of the same sex remains in force in some countries; stigma and discrimination remain high across the region. Such repressive legal frameworks tend to result in clandestine networks of casual sex partners, which can further increase the risk of contracting HIV.

Increased transparency and accountability in governance, laws, legal policies and practices

are therefore needed to address the social exclusion that drives the AIDS epidemic in the region. So is strengthening programmatic and policy synergies in development areas, for more effective investment in combatting HIV (Đurić *et al.*, 2014; 2014a). Promoting gender equality and empowering women and girls, as well as eliminating gender-based violence (SDG5), improving access to education (SDG4), and reducing poverty (SDG1) can also help strengthen HIV responses and address health-related inequalities in the region.

SEEDs and inequities in self-assessed health

While objectively observed health outcomes are generally used to describe the impact of diseases, how health is perceived by individuals also matters (Nikoloski *et al.*, 2010). We therefore drew on the Life in Transition Survey database²⁴ (LiTS, 2010) to analyse the SEEDs of health and inequities in self-assessed health status. The data in Figure 59 suggest wide variance in average self-assessed health across the region. Whilst the proportion of respondents who assess their health as good or very good health for the entire region is approximately 50 percent on average, it is above 70 percent in Montenegro and

²⁴ Covering Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kyrgyzstan, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Slovenia, Tajikistan, and Uzbekistan.

Figure 59—Cross-country differences in (average) self-perceived health (2010)



Source: Life in Transition Survey data (2010).

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Albania, and barely 30 percent in Ukraine and Armenia. In general, respondents in the former Soviet republics (on average) assess their health status less favourably than respondents from the Western Balkans.

Our analysis of the Life in Transition Survey data used checklists of the SEEDs of health (Annex 1) and dimensions of inequity (Annex 2) to identify independent variables as (proxies for) determinants and inequity.²⁵ This was followed by regression analysis, which found that both the SEEDs of health and other macroeconomic variables, and dimensions of inequity—specifically wealth distribution, transparency and accountability in governance, GDP per capita and GDP per capita growth, social support/community networks and water and sanitation, as well as life satisfaction—were significantly correlated with self-assessed health. It also found that socioeconomic status/household wealth, gender, educational attainment, family composition (marital status) and marginalised groups (migration status) are significantly correlated with self-assessed health status.

Corruption in the health sector, ranging from informal out-of-pocket payments made to service providers to large scale corruption in health sector procurement, remains a barrier to more transparent and accountable governance for health across the region. (In Armenia, Azerbaijan,

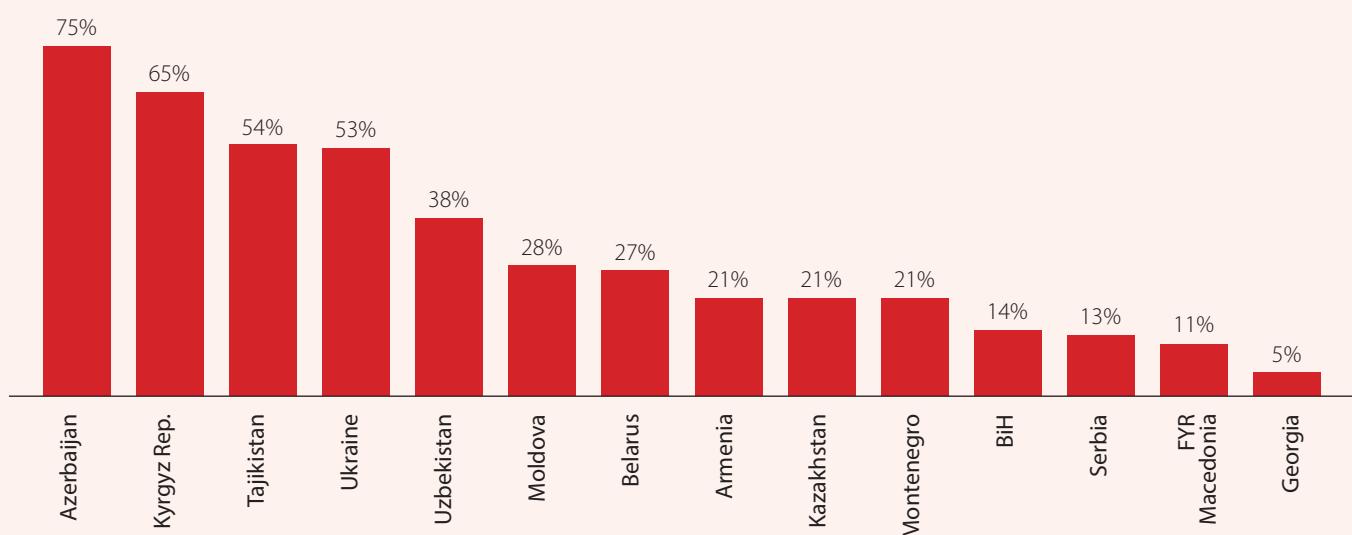
and Serbia, medical and health services scored highest on the perceived level of corruption among 12 major institutions in Transparency International's Global Corruption Barometer (2013)).

According to the Life in Transition Survey data, nearly one third (32 percent) of respondents in the region reported making informal payments in order to access medical treatment. In Azerbaijan, Kyrgyzstan, Tajikistan, and Ukraine, more than half of respondents reported having made unofficial payments or gifts in order to access public health services, whereas in Bosnia and Herzegovina, Georgia, the former Yugoslav Republic of Macedonia, and Serbia, less than 15 percent did so (see Figure 60). With some 70 percent of the population (on average) accessing public healthcare²⁶ in the region, corruption acts as a structural barrier to health equity by limiting access to public healthcare. This disproportionately affects disadvantaged and marginalized population groups unable to afford private services.

Selected dimensions of health inequities

Gender. The SEEDs of health may affect men and women differently, for both biological and social reasons. Gender inequities in health outcomes in the region are particularly striking

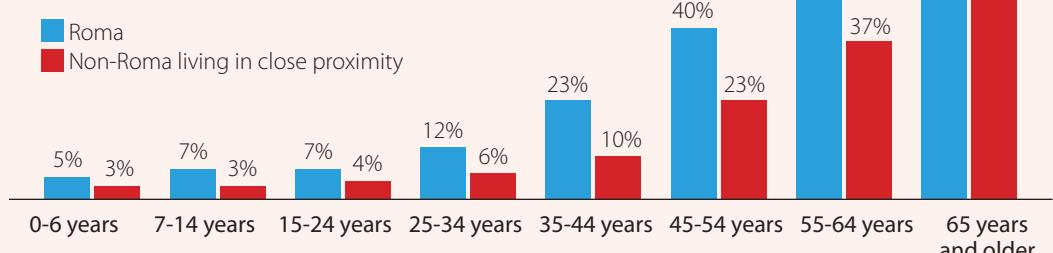
Figure 60—Percentage of respondents who admit to making informal payments when accessing public health services



Source: Life in Transition Survey (2010).

Figure 61—Unequal prevalence rates for long-standing illnesses: Roma and non-Roma in the Western Balkans (2011)

Shares of survey respondents reporting long-standing illnesses



Source: UNDP/World Bank/European Commission Regional Roma Survey (2011).

in terms of the gaps in male versus female life expectancies, as well as the premature male NCD mortality as described above. But while men may suffer disproportionately from premature NCD morbidity and mortality, women do not necessarily have better health. In contrast to men, more women suffer lengthy disabilities—spending on average 10 years in ill health or with restrictions on physical activity. Girls, and adolescent, adult and older women in the region are likely to experience multiple health challenges, including physical health conditions dominating in early life, depressive and anxiety disorders among young adults, and low back pain, ischemic heart disease and cancers among older age groups (World Health Organization, 2015). These gender inequities in health can magnify the impact of other dimensions of inequity based on life course stage, educational attainment, and employment status, as described in the preceding chapter.

The region's middle-aged populations are heading into older age with disproportionately greater burdens of disability than other regions, and these burdens are concentrated among socioeconomically disadvantaged groups (World Bank, 2015d). Premature deaths and disability jeopardize the productivity of workers, decrease the ability of working-age adults to participate in economic activity and limits the working lives of older citizens. They also increase the burdens on family caregivers, most of whom are women (UNFPA, 2010). These factors contribute to unfavourable dependency ratios (defined in terms of disability rather than age World Bank,

2015d) and reduce the effectiveness of efforts to promote gender equality, health and human development across the region.

Marginalization. Discrimination, stigma, and other exclusionary processes that systematically prevent certain groups from accessing the full range of public and private sector services available to them are likewise damaging to health and wellbeing. Such exclusionary processes effectively marginalize certain population groups in the region, affecting *inter alia* the health and human rights of migrants, ethnic minorities (e.g., Roma), and people living with disabilities, HIV, and AIDS.

Across the region, marginalized groups suffer inequities vis-à-vis the SEEDs of health, access to health services, and ultimately health outcomes. For example, people with disabilities face exclusion due to governments' traditional medical, labour-focused approaches to disability law and benefit administration, which isolate people with disabilities from the wider population. Medical personnel in the region often lack expertise in treating the specific health problems faced by people living with disabilities. Negative attitudes of medical personnel toward people living with disabilities worsen the situation, discouraging them from seeking treatment.

Similarly, migrants often face barriers in accessing health care due to issues of legal entitlement;

Corruption in the health sector remains a barrier to more transparent and accountable governance for health across the region.

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language and cultural barriers; limited knowledge and awareness of health systems in destination countries, as well as other factors (O'Donnell *et al.*, 2016). While data on migrant health in the region are limited, WHO research points to higher prevalence of certain infectious diseases and mental health conditions in irregular migrants as opposed to native-born residents, and to poorer birth outcomes among migrant women

than the general population (World Health Organization, 2015a). Refugees and particularly refugee children face more psychological distress than non-refugees (Fazel *et al.* 2012; Reed *et al.* 2012; UNHCR, 2015). While the existing evidence points to significant unmet health needs among migrants in the region, more information is needed for adequate responses (World Health Organization, 2015b). Evidence-based

Box 16—Health and inequalities: UNDP's response

- UNDP supports the resident coordinator function that brings together all UN agencies to improve the UN system's operational efficiency and effectiveness.
- As a member of the global UN Inter-Agency Task Force on NCDs Prevention, Control, and SEEDs, UNDP focuses on strengthening national capacity, leadership, governance, multisectoral action and partnerships to accelerate country responses in preventing and controlling NCDs.
- As a founding co-sponsor of the Joint UN Programme on HIV/AIDS (UNAIDS), UNDP focuses on removing punitive laws, policies, practices, stigma and discrimination, on empowering men who have sex with men, sex workers and transgender people to protect themselves from HIV infection and to fully access antiretroviral therapy, and on meeting the HIV needs of women and girls and stop sexual and gender-based violence (UNAIDS, 2010).
- UNDP strengthens whole-of-government and whole-of-society responses to NCDs (UNDP, 2013a) by making the case for national NCD investments, helping to integrate NCD responses into national policy and programming (WHO and UNDP, 2015), and supporting the implementation of the Framework Convention on Tobacco Control (WHO, 2003).
- In order to make HIV/AIDS treatment more affordable, accessible, and financial sustainable, UNDP provides policy, strategic, and technical support to ensure access to affordable and quality HIV medicines (Abdullaev *et al.*, 2014) helps to identify optimal financial investments (Đurić P., at al. 2014; 2014a); and helps remove legal and political barriers preventing effective financing of NGO-provided HIV services (Hamelmann *et al.*, 2016).
- In collaboration with UNAIDS, UNFPA, UN Women, and civil society groups, UNDP helps protect the human rights of members of vulnerable groups at higher risk of HIV infection, to promote gender equality and eliminate gender-based violence. Collaboration with such partners as the Eurasian Harm Reduction Network, the Eurasian Coalition on Male Health, the Eurasian Women's Network on AIDS, the Regional HIV Legal Network (UNDP, 2014d), and the Sex Workers' Rights and Advocacy Network are of critical importance here (SWAN).
- UNDP provides technical assistance to help link health initiatives to waste management, carbon emissions, green procurement, and other environmental issues. UNDP has developed a Healthcare Waste Management Toolkit Package for Global Fund Practitioners and Policy Makers (UNDP, 2015b). It supports the work of the European Ministerial and Health Task Force, whose members have a cumulative procurement volume of about \$5 billion annually. The Green Procurement Health Index initiative helps improve the transparency, accountability, and environmental sustainability dimensions of procurement in the health sector (*inter alia* in Ukraine).
- UNDP provides technical assistance to national institutions that serve as principal recipients of Global Fund grants is crucial to ensure equitable access to medicines.

public health measures to mitigate the health implications of migration could save a significant number of lives and reduce suffering and ill health in the region (Jakab, 2015).

Ethnicity—the Roma. Roma communities are typically among the region's poorest, with inadequate housing and living conditions, low levels of formal employment, and limited access to quality education and healthcare services. Across the region, Roma experience unfair and avoidable inequities vis-à-vis the SEEDs of health, access to healthcare and ultimately health outcomes. For example, Roma children in the former Yugoslav Republic of Macedonia, Montenegro, and Serbia have been found to have stunting rates in excess of 17 percent, whereas overall stunting rates among children varies between 5 percent and 8 percent in the three countries (World Health Organization, 2013). Health inequities across the life cycle between Roma and non-Roma communities living in close proximity are also apparent (Figure 61) (Mihailov, 2011). Survey data point to much higher prevalence of tobacco smoking among Roma (53 percent) than among non-Roma (33 percent), albeit with variation across the region. Among both Roma and non-Roma communities, long-standing illness was more frequent among women than men. Health difficulties seem correlated with level of educational attainment: only 15 percent of the Roma with secondary level education (to age 14) reported chronic disorders compared to 32 percent of Roma without any formal education. These patterns show how dimensions of inequity can interact with and magnify each other, so that inequities need to be analysed as matrixes of multiple dimensions, rather than in isolation.

Only 74 percent of the Roma surveyed in the region reported having medical insurance, compared to 90 percent of non-Roma living in close proximity. There were wide differences between countries, for example in Albania 32 percent of Roma and 54 percent of non-Roma living in close proximity to Roma reported having medical insurance, while in Serbia 93 percent of both Roma and non-Roma reported having medical insurance. This has adverse repercussions on access to healthcare for Roma communities, and for the greater health equity called for under Agenda 2030.

Measuring and monitoring the impact of health inequities.

Measuring and monitoring

inequities affecting the SEEDs of health and their impact—disaggregated by vulnerability criteria—is essential to promoting health equity and human development. However, analyses of inequities and programming to respond to them are often hindered by the paucity of quantitative data. Despite this, policy makers across the region are focusing increasingly on inequities, exclusion, and vulnerability, rather than on extreme income poverty only. This growing interest is accompanied by the high priority accorded to inequities in *Health 2020* and SDGs.

The *Health 2020* monitoring framework builds on existing reporting mechanisms, including to the WHO Health for All and joint data collection with Eurostat and the OECD.²⁷ The *Health 2020* targets and indicators are harmonized with the WHO Global Action Plan for the Prevention and Control of NCDs 2013–2020, and use ICD-10 classifications to measure mortality and morbidity (WHO, 2014b). Where national contexts allow, data are disaggregated by age, sex, ethnicity, socio-economic, vulnerable and subnational groups. Nonetheless, existing data collection mechanisms should be expanded, *inter alia* to systematically capture and analyse qualitative data that are not yet routinely collected.²⁸

The SDG targets and indicators recognize the value of using data to build consensus, support integrated decision making, provide cross-sectoral leadership, and reinforce multi-sectoral planning and programming. In their aspirations to reduce health inequities, the *Health 2020* and SDG agendas can be used to harmonize and improve monitoring and reporting on SEEDs for health at national and regional levels. The SDG monitoring framework, which requires regular reporting of high-quality, timely, and reliable disaggregated data from all countries, can play a particularly important role in this respect.

²⁷ See WHO, European health for all database (<http://data.euro.who.int/hfadb/>); Eurostat database (http://ec.europa.eu/eurostat/data/database?p_p_id=NavTreeportletprod_WAR_NavTreeportletprod_INSTANCE_nPqeVbPXRmWQ&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_count=1); and OECD Health statistics (<http://www.oecd-ilibrary.org/social-issues-migration-health/data/oecd-health-statistics-health-data-en>).

²⁸ *Ibid.*

Conclusions and recommendations

It is perhaps in the area of health that we see the region's development accomplishments, in terms of social inclusion, at greatest risk. This is apparent in the deterioration in male life expectancy (driven in part by premature NCD mortality), significant gaps in access to quality medical care for ethnic minorities like Roma, in the region's relatively high HIV/AIDS prevalence rates (which can themselves be seen as indications of social exclusion), as well as in the growing threats to the financial sustainability of the region's health

systems posed by demographics and informality. Renewed national commitments to whole-of-government approaches to public health, non-discrimination, social inclusion, and tolerance—within the framework of the SDGs and *Europe 2020* agendas—are needed to address these risks, and strengthen prospects for people-centred development in the region.

Annexes

Annex 1 SEEDs of Health Checklist

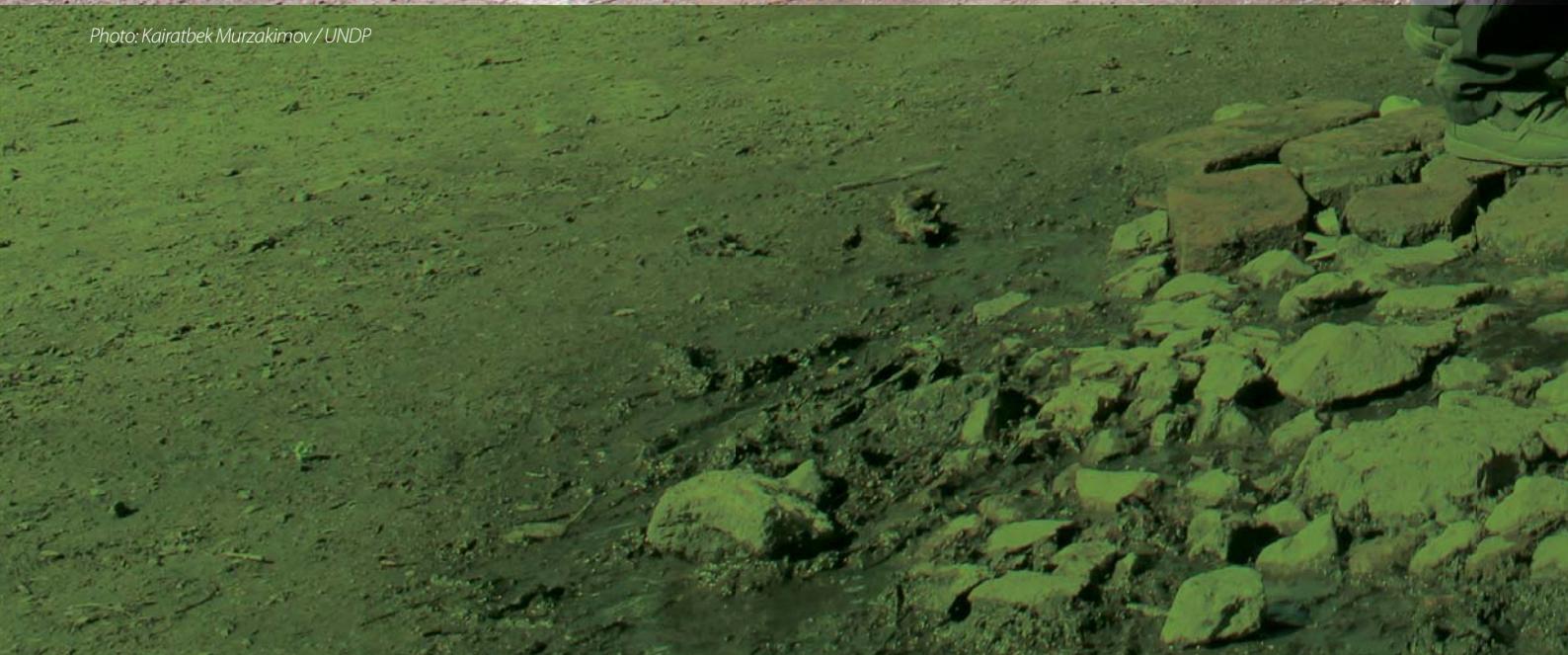
Social	Environmental	Economic
Access to education	Access to green spaces	Affordable housing
Access to healthcare	Biodiversity	Business development services
Access to leisure services	Emergency management (e.g. flood defenses)	Economic accountability in governance
Alcohol use (Excessive alcohol consumption)	Energy efficiency	Economic investments in community development
Child protection	Exposure to hazardous substances (chemical, physical, radiation, pollution, pathogens, other)	Fiscal measures (e.g. tobacco and alcohol taxation)
Community networks/social support, social cohesion, social isolation (Community/cultural participation)	Food hygiene	Fiscal measures for wealth distribution / poverty reduction (social transfers)
Conflict (armed)	Food security/agriculture	Food security
Control over individual family planning	Greenhouse gas emissions	Fuel poverty
Discrimination/Stigma	Housing quality	Income level/poverty/income protection at the household level
Drug use	Indoor and outdoor air quality	Job creation
Early childhood development (incl. Access to childcare, childhood education and child poverty)	Industrial and public building quality	Job security (temporary/no contract) and psychosocial working conditions
Effective policing	Information technology connectivity	Lifelong learning (skills development)
Exposure to violence	Land use	Offender rehabilitation
Healthcare infrastructure	Natural climate (droughts)	Social protection policy (including income protection)
Healthcare quality	Noise pollution	Trade
Human rights	Post conflict reconstructions	Workplace safety
Level of crime, perception of safety	Public amenities (incl. Sports facilities, community centers)	
Maternal health and wellbeing	Rural conservation	
Participatory processes (in decision making e.g. local planning decisions)	Soil pollution	
Physical inactivity	Transportation and mobility infrastructure	
Post conflict resolutions	Urban planning	
Risky sexual behaviour	Waste management	
Social policy and Access to social services	Water and sanitation	
Tobacco smoking	Water security	
Transparency and accountability in governance		
Treatment Adherence		

Annex 2 Dimensions of Inequity Checklist

Disability	Disabled Non-disabled
Educational attainment	Primary or no education Secondary education Tertiary education
Employment conditions and occupational category	Unemployed Employed Informal sector worker
Ethnicity	Ethnic majority Ethnic minority
Family status	Single Married Married with children Separated/Divorced/Widowed
Gender	Male Female Transgender
Lifecourse stage (age)	Prenatal Pre-school School Transition between education and employment Family building Employment Retirement
Marginalised groups	Homeless Prisoners Sex workers Vulnerable migrants/IDPs/refugees Labour migrants
Place of residence	Rural Urban
Religion	Religious majority Religious minority
Sexual orientation	Heterosexual Homosexual/bisexual
Wealth	Poorest quintile Second quintile Middle quintile Fourth quintile Richest quintile



Photo: Kairatbek Murzakimov / UNDP





Chapter 5

Natural capital, inequalities,
and sustainable
human development

Natural capital, inequalities, and sustainable human development

Key messages

- **The measurement of natural capital and environmental sustainability, and their links to inequality and human development, are complex and multi-faceted.** Some data and indicators suggest that many countries in the region are well endowed with natural capital, and that this capital is being used in a relatively sustainable manner. However, a closer look at household food and energy insecurity indicators — particularly in the lower-middle income countries of the Caspian Basin—suggest that water and land use patterns are imposing serious burdens on low-income households. In addition to being the site of the region's (and one of the world's) largest man-made ecological disasters (the Aral Sea tragedy), many of these countries are developing thanks to the extraction and processing of non-renewable fossil fuels, minerals, and non-ferrous metals.
- **Agenda 2030 provides policy options for “leaving no-one behind”, and if accelerating progress on human development is to be achieved it will need to be done with sustainability and social justice in mind.** While the SDGs create a stronger policy framework for promoting multi-dimensional approaches to poverty eradication and human development there are also a number of conflicting targets. The use of better data and new indicators to measure natural capital and the links between inter- and intra-generational equity is critically important.

Inequality, natural capital, and human development

Global and regional discussions of inequalities have largely overlooked linkages to access to/ use of natural capital. According to the United Nations Environmental Programme, natural capital includes “land, minerals and fossil fuels, solar energy, water, living organisms, and the services provided by the interactions of all these elements in ecological systems”. The degree to which these “assets” are seen as “capital” (and, respectively, the degree to which maintaining the “capital stock” is seen as a priority) is often closely related to the positioning of “sustainability” and “sustainable development” narratives. Natural capital is treated here as a public good, which societies have the right and responsibility to use sustainably in meeting their development challenges.

The region is relatively well endowed in natural capital, with ratios of natural capital to GDP above global averages.

Agenda 2030 and its associated Sustainable Development Goals (SDGs) seek to ensure both that progress today does not occur at the expense of future generations—and that no one is left behind today. As UNDP’s 2011 Human Development Report (*Sustainability and Equity: A Better Future for All*) pointed out, “It would be a gross violation of the universalist principle if we were to be obsessed about inter-generational equity without at the same time seizing the problem of intra-generational equity” (UNDP (2011a), page 1). In practice, however, defining the equity dimensions of inadequate access to natural resources, or of the differential impact of environmental unsustainability on vulnerable groups, is often a challenge. Issues of measurement and quantification are often particularly contentious. Since the methodological framework for measuring these variables remains in its infancy (the national accounting of natural capital was only agreed by the UN Statistical Commission in 2012²⁹), such contentiousness is not a surprise.

Numerous studies have shown that links between inequality and sustainability operate in both ways. The burdens of unsustainable natural resource often distributed unequally within societies; and inequalities can in turn exacerbate unsustainable resource use. This highlights the potential for vicious cycles between inequality and unsustainable resource use, which can have

serious human development implications. On the other hand, virtuous circles are possible: Vollrath (2007) found that a reduction in Gini coefficients for land ownership by one standard deviation corresponds to an increase in land productivity of 8.5 percent, holding constant such variables as aggregate input use, land quality, human capital, and institutional quality.

Islam (2015) proposed four overlapping and interlinked channels of influence through which inequality may exert its negative influence on environmental outcomes. These include:

- Household behaviour—subsuming the individual choices made at the household level which may vary based on household level of income, access to resources, gender, etc.;
- Community behaviour—collective or communal efforts based on norms and rules being applied at the local level;
- National behaviour—the policies and processes that guide national aspirations on environmental outcomes (e.g., taxes and subsidies which influence rent-seeking behaviour); and
- International behaviour—increasingly the role of public goods in being able to export/ import environmental goods/bads.

UNDP (2011) found that developing countries are typically most effected by the consequences of environmental unsustainability, and that their capacities to adapt and/or mitigate these consequences are often weaker than in developed countries. Global inequalities may therefore be exacerbated: the 2011 Human Development Report found that heightened environmental risks could reverse convergence in human development indexes between developed and developing countries after 2050.

Boyce (1994) and Boyce *et al.* (2007) elaborate on how inequality influences sustainability through the channel of decision- and policy-making at national scales. Accordingly, socio-economic inequalities would be reflected in policy processes, which would have implications in terms of environmental sustainability. Since the rich benefit more from increased consumption and production and are more likely to insulate themselves from the consequences of environmental degradation, they have

²⁹ The System of Environmental-Economic Accounting contains internationally agreed standard concepts, definitions, classifications, accounting rules and tables for producing internationally comparable statistics on the environment and its relationship with the economy. See <http://unstats.un.org/unsd/envaccounting/sea.asp>



In Georgia, wells give farmers better irrigation. Reliable supplies of water can limit individuals' opportunities to realize their full potential as human beings. Photo: David Khizanishvili / UNDP

incentives to support policies that further increase consumption and production—even at the expense of environmental quality. As a result, aggregate levels of resource consumption and pollution may be higher than would be the case in a more equal society. Such argumentation challenges the “environmental Kuznets curve” logic, according to which more wealthy societies, and the wealthier members of any given society, may place greater value on environmental quality than less wealthy counterparts (Yandle *et al.*, 2004; Stern, 2004).

Wilkinson *et al.* (2010) identify three mechanisms through which inequality may contribute to unsustainability. Firstly, inequality may promote materialistic values and increase consumerism, thus leading to a heavier burden on the environment. Secondly, more equal societies tend to be more cohesive and have higher levels of mutual trust, which create better grounds for acting in the common good, such as for environmental quality. Furthermore, equality may be crucial for political action to tackle environmental unsustainability. In a related way, since sustainability requires societies that are more adaptive, and capable of technological innovation and creative solutions and higher

equality is often correlated with high levels of human capital, more equal societies might be better equipped to move towards sustainability.

Neumayer (2011) argues that increases in income inequality may reduce social capital, as more inequality threatens the “social fabric” when the very poor feel disenfranchised and envious of the very rich. Such increases in inequality may be particularly challenging for societies experiencing fundamental social transformations from deeply egalitarian and collectivist tradition to more market-based, individualist societies. The longer the socialist period, the further the values and behavioural pendulum may swing from one (collectivist, egalitarian) extreme to another (individualist, “capitalist”).

Natural capital and resource abundance may correlate with higher levels of corruption, rent-seeking, lax enforcement of property rights, and “bad” institutions in general (Paprykis and Gerlagh, 2004; Gylfason and Zoega, 2006), which in turn may adversely affect economic growth. Natural resource rents (especially when coupled with ill-defined property rights, missing/imperfect markets, inadequate legal enforcement, and the like) may create opportunities for rent-seeking

Natural capital, inequalities, and sustainable human development

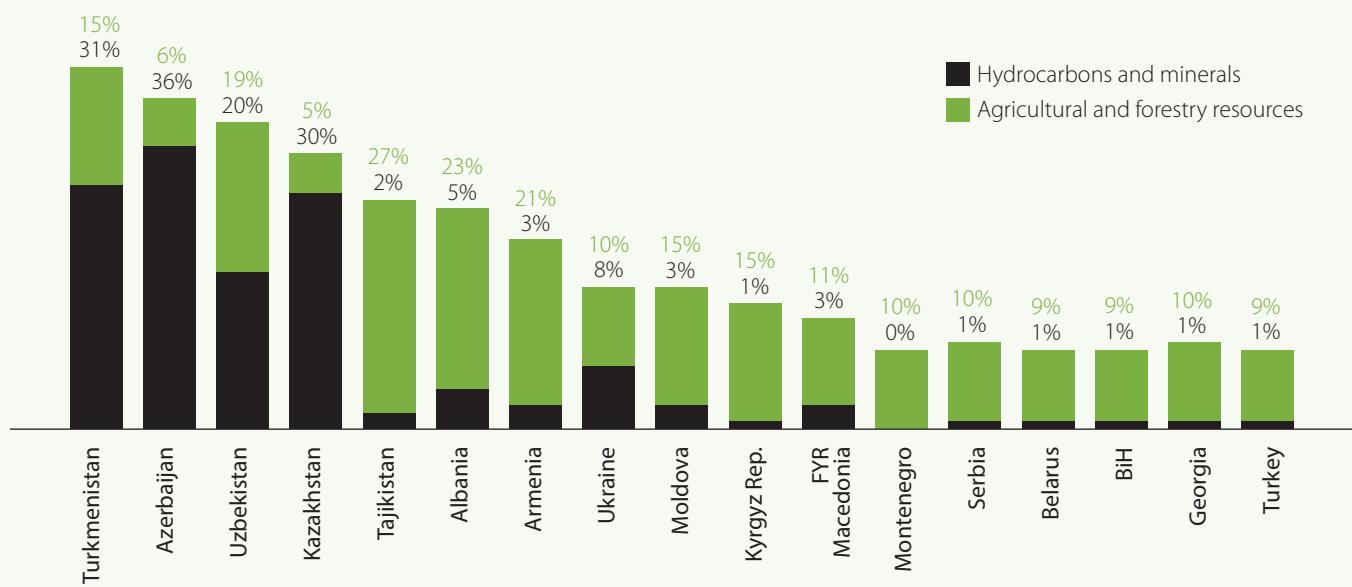
behaviour that crowd out more socially beneficial activities. In addition, higher levels of natural capital may reduce incentives to create wealth through good policies and institutions, since wealth can be extracted relatively easily from natural resources (Gylfason and Zoega, 2002a; 2002b). These authors also find that unequal distributions of income or land (as measured by Gini coefficients) or education (measured by gender differences in secondary-school enrolment) are directly related to the share of natural resources in national income when the ownership of natural resources is more unequal than the distribution of other forms of wealth.

Paprykakis *et al.* (2009) find that resource-rich countries tend to experience higher levels of gender inequality (measured by the relative average years of schooling between females and males) than other countries. They also find that while gender inequality in education acts as a channel for resource dependent growth, institutions play a significantly larger role in promoting economic growth in resource-rich countries. Oniyangi (2013) also focuses on the relationship between natural resource endowments and gender inequality, and shows that both point (oil, minerals) and diffuse

(agriculture) resource-intensive economies tend to suffer from higher levels of gender inequality. Moreover, higher point source intensity and strong legal institutions increase gender inequality, whereas the presence of weak legal institutions and high point source resources reduce gender inequality.

Within this context, public policy emerges as an important dimension. Many governance indicators show positive correlations between regulatory and environmental quality. Sound fiscal and monetary policies in order to insulate the domestic economy from the volatility of natural capital revenues, promoting economic diversification to prevent the crowding out of non-resource sectors, improving transparency, accountability, and public involvement in the decision-making process to offset possibilities for corruption and rent-seeking, and equity in the distribution of benefits and in decision-making—all this has been highlighted as potential policies to transform natural capital into sound economic and human development (Jones, Luong, and Weinthal, 2006; Sugiri, 2009).

Figure 62—Ratios of natural capital to GDP in the region (2013)

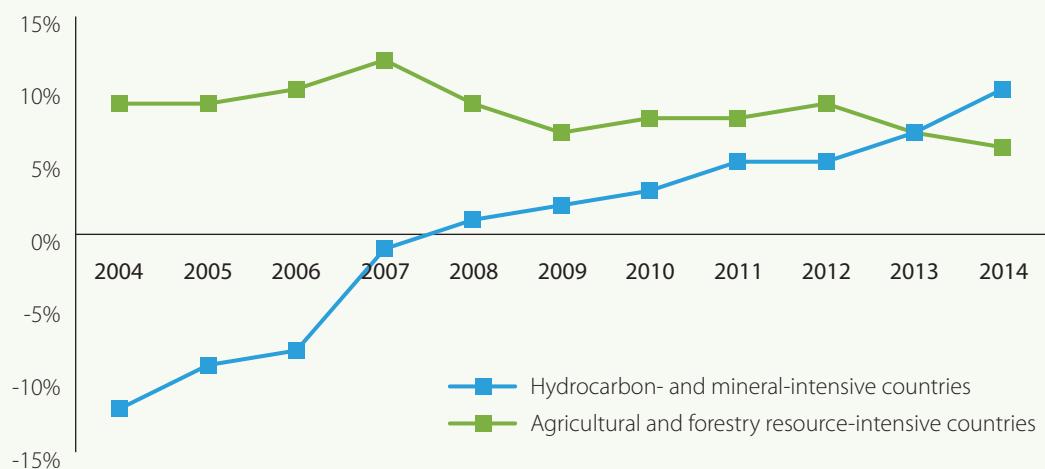


UNDP calculations, based on World Bank data.

Note: • Natural capital is defined as the sum of oil, natural gas, coal, mineral, and forest rents, in addition to natural capital from land, which is estimated from added value of agriculture (share of GDP). The energy and mineral rents are estimated according to the methodology described in <<The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium>> (World Bank, 2011).

• Global averages of the ratios of hydrocarbons and minerals to GDP, and of agricultural and forestry resources to GDP, are estimated at 5 percent and 3 percent, respectively.

Figure 63—Ratios of adjusted net savings to gross national income in the region (2004-2014)



UNDP calculations, based on World Bank data.

Note: Hydro-carbon and mineral-intensive countries shown here are Azerbaijan and Kazakhstan. Agricultural and forestry resource-intensive countries shown here are Albania, Armenia, Belarus, Georgia, the Kyrgyz Republic, Moldova, the former Yugoslav Republic of Macedonia, Tajikistan, Turkey, and Ukraine.

The regional context

What can be said about natural capital in Eastern Europe, Turkey, and Central Asia? Estimates of natural capital endowments for the countries of the region are presented below (Figure 62), on the basis of World Bank estimates of resource rents accruing in the energy, mineral, agricultural, and forestry sectors. These data indicate that the region is relatively well endowed in natural capital; as of 2013, all the countries reported ratios of natural capital to GDP that were above global averages. For most countries, this reflects relatively large endowments of forest and agricultural resources vis-à-vis GDP. In the case of major hydrocarbon (e.g., Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan) or mineral (e.g., Kazakhstan, Ukraine) producers, these ratios are further increased by significant endowments of energy (hydrocarbons) and mineral wealth.

If assessed values of hydrocarbon, mineral, and agricultural and forestry resources provide a rough measure of the stock of natural capital, then the adjusted net savings³⁰ indicator provides a flow measure, showing whether natural (and human) capital is on balance being depleted or restored. The World Bank data shown in Figure 62 indicate that, on the whole, countries in the region with relatively large endowments of agricultural and forestry resources (as in Figure

63) generally reported positive adjusted net savings during the past decade. And whereas countries with relatively large endowments of hydrocarbons and mineral resources (i.e., Azerbaijan and Kazakhstan) in 2004 were reporting negative adjusted net savings, by 2014 these had turned positive.

However, such calculations may well provide an excessively rosy picture of the region's natural capital stocks and flows, for (at least) five related reasons. First, this approach mixes valuations of stocks (e.g., resource deposits) and flows (value added produced by agriculture). The inclusion of agricultural value added may exaggerate estimates of natural capital for lower middle-income countries (like Tajikistan) whose agricultural sectors are large relative to GDP, compared to upper middle-income (like Belarus, Montenegro) where agriculture makes a relatively small contribution to GDP.

Second, this approach may provide an excessively optimistic picture of natural capital quality. For example, the shares of national populations reported by UNDP's Human Development Report Office (on the basis of data provided by the Food and Agriculture Organization) as

Better measures—
of inequalities,
of environmental
sustainability, and of the
links between them—
are needed.

³⁰ Adjusted net savings = net national savings + education expenditure - energy depletion - mineral depletion - net forest depletion - carbon dioxide, particulate emissions damage.

Natural capital, inequalities, and sustainable human development

Accelerating progress on human development will need to be done with sustainability and social justice in mind.

living on “degraded land” are at or above global averages for six Caspian Basin countries (Figure 64). This is despite the fact that, for five of these countries (Armenia, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), agricultural and forestry resources are estimated to comprise 15-30 percent natural capital. This suggests that the “productivity” of agricultural and forestry resources in these countries may be less than elsewhere.

Third, this approach dramatically underestimates the economic value of ecosystem services, many of which are notoriously difficult to assess via markets. Fourth (and related), there is significant evidence of unsustainable water use in the Aral Sea basin (Box 17), which is apparent also in high fresh-water withdrawal rates for a number of Central Asian/Caspian basin countries (Figure 65). While these rates have declined for a number of these countries in recent years, they continue to reflect the critical importance of water for irrigated agriculture (across the Caspian Basin), as well as for hydropower generation (especially in Tajikistan and the Kyrgyz Republic, but also in Georgia)—and these countries’ associated vulnerability to hydrological/climate risks.

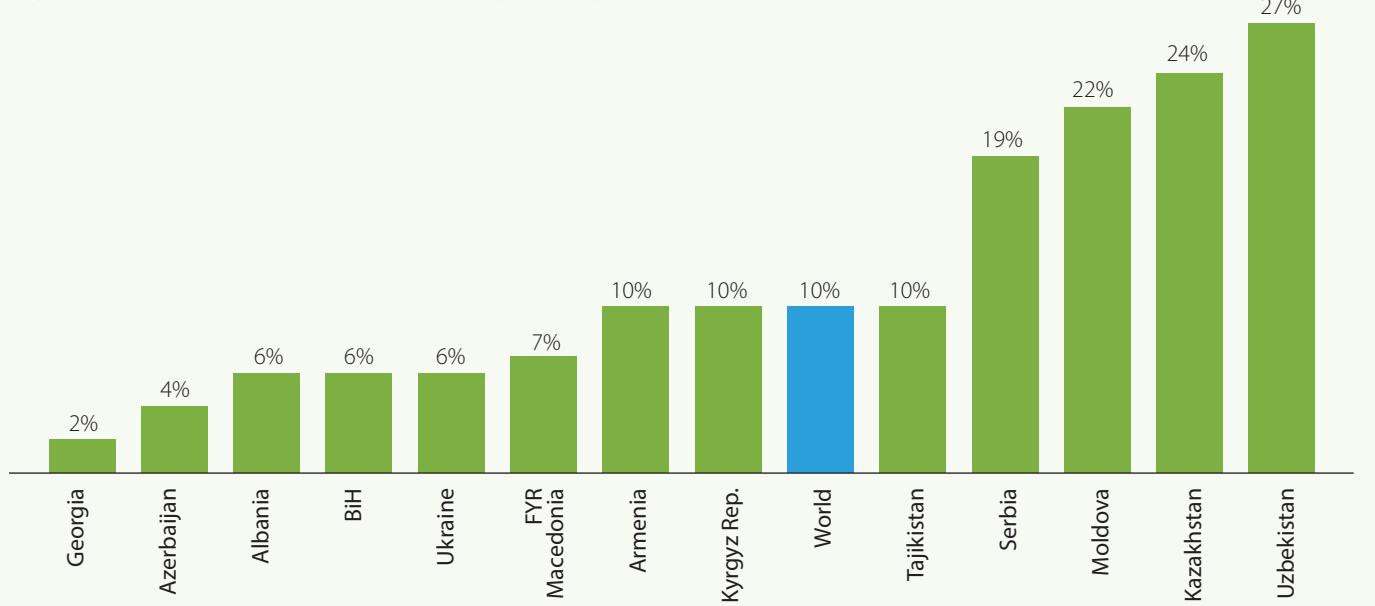
³¹ For more on this, see UNDP, 2016a.

Last but not least, like so much else in the natural

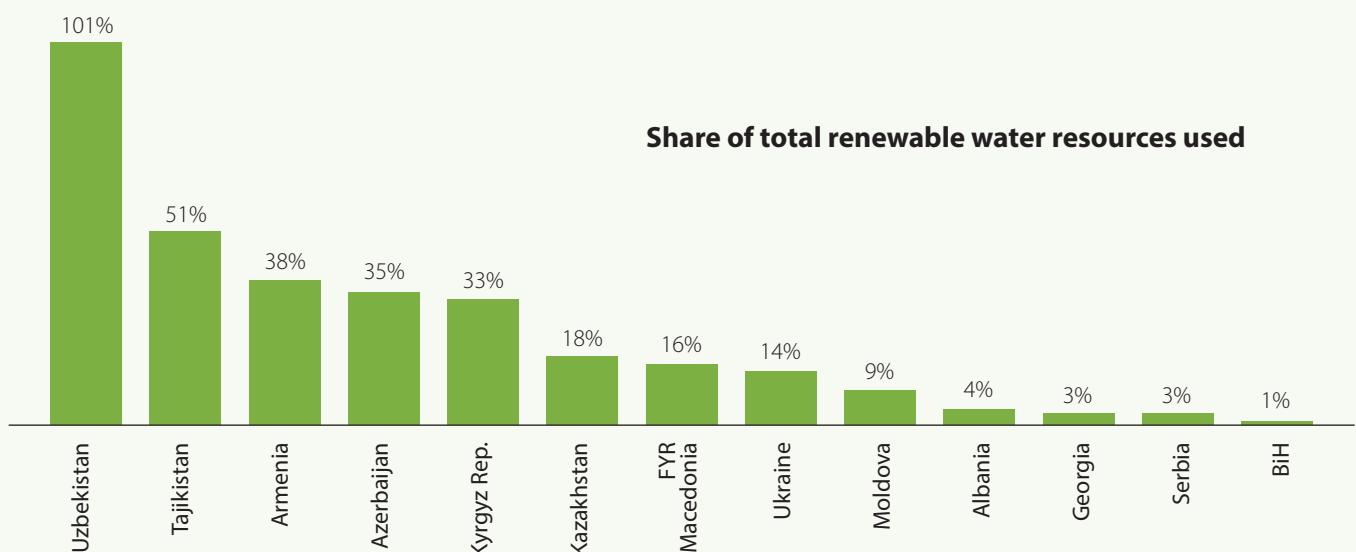
environment, natural capital often does not recognize national borders. Governments’ abilities to mobilize natural capital to support national economic development often hinges critically on resource management decisions made in other countries. In addition to the region’s extensive cross-border river basin management challenges (which affect at least portions of the Amu-Darya/Syr-Darya, Balkash-Alakol, Danube, and Kura-Aras basins), these issues pose growing climate change adaptation concerns, with important implications for disaster risk reduction,³¹ as well as for household food and energy security in a number of the region’s less wealthy countries.

Development results from the Aral Sea basin show further clear indications that pressures on natural capital—particularly in terms of the “energy/water nexus”—and inequalities (both spatial and socio-economic) can go together. The desiccation of the Aral Sea (Box 17) has resulted in hardships that have been born disproportionately by vulnerable households and communities that had been living in close proximity to the (vanishing) Aral Sea coastline. UNDP’s 2011 poverty and social impact assessment of energy and communal services policies in Tajikistan and the Kyrgyz Republic showed how low-income households and residents of isolated mountainous communities are most likely to suffer electricity cut-offs and other disruptions in household energy security during the difficult

Figure 64—Shares of population living on degraded land (2010)



Source: UNDP Human Development Report Office.

Figure 65—Fresh water withdrawals in the region (most recent year available)

Source: UNDP Human Development Report Office.

Box 17—The Aral Sea: Unsustainable natural resource use and inequalities in Karakalpakstan

Until the 1960s, the Aral Sea was the world's fourth largest inland sea. The Soviet government decided in that decade to divert significant amounts of water from its feeder rivers (the Amu-Darya and Syr-Darya), primarily for irrigation purposes (chiefly for cotton) as well as to supply Central Asia's rapidly growing population with water for other uses. Water levels in the Aral Sea then underwent three decades of precipitous declines, while salinity levels rose ten-fold. By the start of the new millennium, some three quarters of its water, and virtually all commercially relevant biodiversity, had disappeared.

The collapse of marine ecosystems, the loss of some six million hectares of arable land, and the disappearance of some 40 percent of the region's vegetation (due to increased soil salinity, dust storms, and desertification) resulted in massive livelihood losses for (what had been) adjacent communities. These hardships were particularly pronounced for the residents of the Autonomous Republic of Karakalpakstan (within Uzbekistan). However, the ecological effects of the Aral Sea tragedy were not confined to local communities. Dust mixed with salt and pesticide residues has been found as far as 500 kilometres from the sea bed. The drier, hotter summer climate that has resulted (water from the Aral Sea no longer moderates the region's fierce summers) is believed to contribute to the accelerated melting of Central Asia's glaciers—which play a critical role in the region's water balance.

With the support of the United Nations Trust Fund for Human Security, the Government of Uzbekistan and five UN Agencies (UNESCO, UNFPA, WHO, UNV, and UNDP) implemented the \$4.2 million joint UN Programme on "Sustaining Livelihoods Affected by the Aral Sea Disaster" during

2012–2016. The Karakalpakstan government's capacity for data collection, management, and analysis was strengthened through trainings and support in developing social, economic, health and environmental indicators. The database of regional environmental and socio-economic indicators developed by the programme provided a methodology for continuous collection, analysis and use of data in policy and programme development and monitoring.

The implementation of this programme highlighted the numerous linkages between the management of natural capital and inequalities. It showed that they occur through various transmission channels and usually they work in both directions. Environmental degradation such as declining water levels and increased salinity contributed to multiple inequalities of Karakalpakstan residents. It eliminated a vibrant fishing industry and severely limited households' ability to engage in traditional subsistence farming and guarantee basic food security for their families. Low incomes, malnutrition, exposure to dust storms, shortages and deteriorating quality of drinking water due to mineralization and limited access to improved water sources negatively affected health conditions in local communities.

It also showed the ineffectiveness of narrow, sectoral responses to the challenges arising from the unsustainable use of natural capital. Multisectoral solutions which cross ministerial lines are needed to reflect the needs and aspirations of individuals and communities affected by the Aral Sea disaster. Examples of root causes of inequalities that were addressed by the Programme included limited access to piped water, limited knowledge about sustainable agricultural practices, lack of tradition and skills in collective planning at the local level, and underdeveloped volunteerism.

Finally, the Programme demonstrated the benefits of community engagement, where the affected individuals and communities identify their priorities and work together to address them. Open consultations and engagement of diverse partners support consensus building and prioritization of activities. The Programme involved a number of partners such as local authorities, healthcare providers, NGOs (Association of Persons with Disabilities, Chamber of Commerce, the Institute of Health) and others. This proved particularly beneficial in developing social infrastructure projects and setting local development priorities. In addition to building a sense of ownership and strengthening capacities of local partners, community engagement mobilized local resources (e.g., volunteers raised awareness about respiratory diseases). In addition, community involvement in planning and managing their own development reduces infrastructure costs and helps communities to take more responsibility in operating and maintaining the infrastructure once it is constructed.

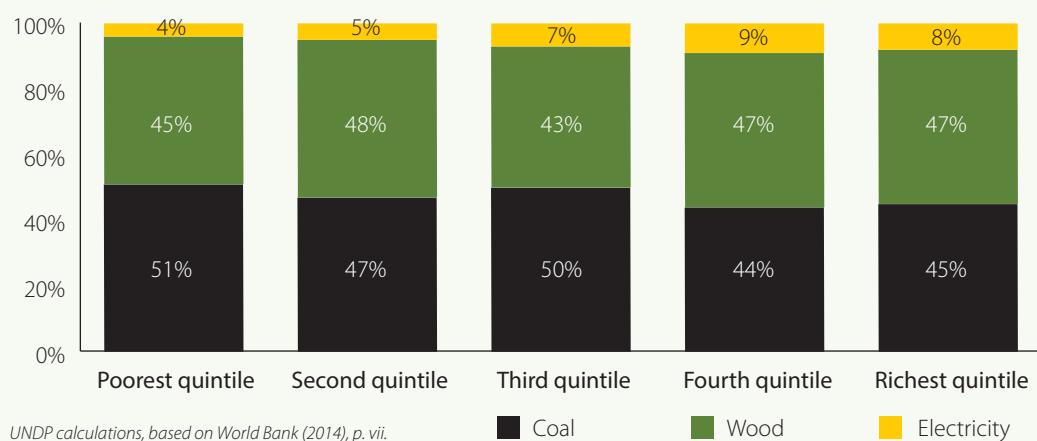


Lake Prespa, in Macedonia, has suffered from pollution caused by unsustainable farming practices, together with erosion and the presence of untreated waste and wastewaters. Photo: Ljubo Stefanov / UNDP

winter months. They are also more likely to have to resort to inefficient, expensive electric heating, or pollution-intensive coal or biomass, rather than gas or central heating (Figure 66) (UNDP, 2011a). Monitoring by the World Food Programme indicates that significant numbers of low-income households in these countries continue

to face high levels of food insecurity (World Food Programme, 2014, 2016)—linked in part to unsustainable water and land management practices (see Box 18).

Figure 66—Heat sources in rural Tajikistan, by household income quintiles (2013)



Box 18—Land degradation in Tajikistan

Agriculture is a key economic sector in Tajikistan, representing 27 percent of GDP (2013), 94 percent of the total natural capital wealth, and employing up to 60 percent of the population. 2010 data indicate that 43 percent of the rural population was living on \$2.15/day and undernourishment rates were 30 percent.

Only around 7 percent of the territory of Tajikistan is suitable for cultivation. Close to 97 percent of all agricultural land suffers from some erosion, and 21 percent of arable land is severely degraded. This is mainly due to unsustainable agricultural practices on steep slopes and marginal land, inefficient and poor irrigation system, overgrazing and deforestation. Land provides a number of benefits and ecosystem services, beyond those captured by the market. Degraded land causes not only environmental damage but also social and economic losses due to on and off site impacts. Total annual on-site costs were estimated at 8 percent of GDP (2010). Additional expenditures of \$7.8 million were planned for improvement of degraded land between 2010–2014. The value of this foregone production could have increased annual household incomes by \$583.

Source: UNDP (2011d).

Conclusions and recommendations

Reducing inequalities is often easier said than done. Voluntary reviews may encourage global good citizenship under the universality principle. However, there are no global governance frameworks to supervise the inequality dimensions of Agenda 2030—particularly when

it comes to their links with natural capital and environmental sustainability. The data that are available suggest that the depletion of natural capital, and environmental sustainability concerns more broadly, are relatively pronounced in the Caspian basin—especially among its lower

Box 19—Towards better measures of sustainable human development: EMPI and SHDI

Many of the indicators used to measure natural capital in the region share a commonality with the indicators (e.g., Gini coefficients) commonly used to measure income inequality: both present a fairly rosy picture of the region—and both suffer from significant methodological shortcomings. This gap could be filled by endowing two commonly used human development indicators—the multidimensional poverty index (MPI), and UNDP's inequality-adjusted Human Development Index (IHDI)—with robust environmental sustainability components.

From MPI to EMPI. Multi-dimensional poverty indicators provide quantitative measures of poverty that may integrate, and show linkages between, income- and non-income dimensions of poverty. In 2010, the Oxford Policy and Human Development Institute and UNDP introduced an MPI into the global Human Development Report. This MPI captures intersecting inequalities in three areas of human development—health, education and living standards. However, while this MPI in principle captures the social and economic dimensions of sustainable development, it misses the environmental sustainability component. An EMPI that can be used to quantitatively measure progress in terms of inequalities and environmental sustainability can be constructed by:

- Adding an environmental sustainability component to the MPI (which could itself be a composite measure of water use, greenhouse gas emissions, land degradation, and other well accepted ecological indicators); and
- Adjusting the MPI components to reflect variance from, as well as the levels of, national averages.

From IHDI to SHDI. UNDP's 2010 Human Development Report also introduced the inequality-adjusted Human Development Index (IHDI). By reducing national HDI scores by the extent of the variance along the HDI's living standards, health, and education components, the IHDI shows how much development a given country loses because of inequalities in these three areas. The IHDI could be made a measure of environmental sustainability, as well as inequalities, by adding an environmental component—the logic of which could be analogous to that of adding an environmental component to the MPI (as described above).

In contrast to the EMPI (which remains on the drawing board),³² the SHDI has already been applied in a number of national contexts. It was presented by the Government of Armenia at a side event at the "Rio+20" Sustainable Development conference in June 2012; results were subsequently published by the Armenian Statistical Office's <>Environment and Natural Resources in the Republic of Armenia for 2011>> yearbook. The concept was presented as a UN Economic Commission for Europe working paper (Ivanov and Peleah (2013), and discussed at a meeting of the Conference of European Statisticians in 2013. Montenegro's 2014 National Human Development Report (UNDP, 2014f) also featured estimates of "SHDI cousins" (the "extended HDI" and "affordable HDI") for a number of countries in the region.

³²A fuller explication of the EMPI can be found in Peleah and Bouma (2016).

middle-income countries. Development models in these countries are based on extensive stocks of natural resources, and (often) inefficient economic processes for their exploitation.

As action under Agenda 2030 now moves towards implementation of the SDGs, much of the discussion will rightly focus on how the SDGs can help developing countries to move forward. The SDGs seek to provide an integrated agenda that aligns the three dimensions (economic, social and environmental) of sustainable development. The challenge now is to find ways of carrying that integrated approach through to the implementation stage at all levels.

To start with, it is clear that better measures—of inequalities, of environmental sustainability, and of the links between them—are needed. Fortunately, new indicators are appearing that offer hope in this respect (see Box 19). Moreover, a number of sustainable development goals and targets are quite applicable to the sustainability of natural capital (see Table 7). Using these relationships can result in more

sophisticated policy design and larger impact on the ground. This suggests that investments (time, resources, leadership) in integrating stronger, more advanced interlinkages (which are more challenging, based on their complexity) into policies and programming can produce greater gains through stronger policy coherence and co-benefits.

While the SDGs create a stronger policy framework for promoting multi-dimensional development approaches, they are not without their internal conflicts. For example, SDG target 8.1 (promoting annual GDP growth of 7 percent for least developed countries) and SDG 12 (on sustainable production and consumption) are clearly linked, and could easily be managed inconsistently. If Agenda 2030 is indeed to “leave no one behind”—both today and in the future—accelerating progress on human development will need to be done with sustainability and social justice in mind.

Table 7—SDGs, targets, and prospective indicators linking human development and environmental sustainability

Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Proposed indicator 1.4.1: Proportion of the population living in households with access to basic services.
Target 1.b: Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions.	Proposed indicator 1.b.1: Number of national action plans related to multilateral environmental agreements that support accelerated investment in actions that eradicate poverty and sustainably use natural resources.
Target 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	
Goal 6. Ensure availability and sustainable management of water and sanitation for all.	
Target 8.4: Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.	Proposed indicator 8.4.1: Resource productivity.
Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources.	Proposed indicator 12.2.1: Material footprint and material footprint per capita.
Target 12.c: Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.	Proposed indicator 12.c.1: Amount of fossil-fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels.
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	

Natural capital, inequalities, and sustainable human development





Photo: Vladimer Vaishvili / UNDP





Chapter 6

Inequalities and inclusive governance

Inequalities and inclusive governance

Key messages

- **Survey data point to extensive public concerns about the quality of governance** in the region, particularly concerning perceptions of corruption and unequal status before the law. These perceptions of inequalities before the law are not necessarily reflected in the official data on the distribution of income or wealth. Renewed commitments to reducing corruption and strengthening the rule of law are needed to:
 - ❖ decrease the informality that deprives many workers of labour rights and access to social protection;
 - ❖ boost government budget revenues, in order to make social protection systems more sustainable;
 - ❖ provide vulnerable groups (including those who may otherwise be subject to ethnic, gender, or other forms of discrimination) with access to justice; and
 - ❖ level commercial playing fields, to boost business prospects for small entrepreneurs.
- **Despite “pockets of progress”, the rule of law in the region is weak**, reducing prospects for more inclusive growth. Closer alignment of national legal frameworks with international standards and commitments, and more effective implementation of those standards, can boost the rule of law throughout the region.
- **Perceived levels of corruption remain high in the region.** Efforts to increase transparency and reduce even the appearance of corruption could reduce tax avoidance and informality, and improve the quality of public services. Renewed commitments to public administration and civil service reform, as well as the expanded use of innovative e-governance and social media, can go a long way towards making governments more responsive to the needs of vulnerable groups.
- **Discrimination remains an important issue in the region, reflected in part in the under-representation of disadvantaged groups in decision-making.** Most countries have introduced legal bans on discrimination against ethnic minorities, women, and people with disabilities, and guaranteeing access for these disadvantaged groups to government services and facilities. However, the implementation of these measures too often founders on unequal access to justice, inadequate capacity of duty-bearing institutions, and discrimination-induced gaps in education and labour-market status. Positive discrimination and other temporary measures may in some instances be needed to address these challenges.
- **Linkages between conflict and inequalities should not be overlooked** in this region that has seen significant armed conflicts in the past two decades. Discrimination, unequal access to public services, and other inequalities of opportunities can create or exacerbate inter-group tensions, potentially leading to outbreaks of violence. But instead of improving the lot of disadvantaged populations, conflict more often creates further inequalities and disparities—heightening feelings of enmity and deprivation, and making future conflicts more likely. Targeted measures for the social inclusion of youth and other groups subject to potential political radicalization can pay important dividends.
- **Renewed commitment to civic engagement in the region is needed, to provide vulnerable groups with the support they need to access justice and public services from duty bearers.** By helping to reduce corruption, promote business development, and empower vulnerable groups, civil society can boost local economic development and allow central governments to focus on issues that are national in scope.

Introduction

Governance can be understood as the traditions and institutions by which authority is exercised. These include the processes by which governments are selected, monitored and changed; governments' capacities to formulate and implement policies; and the ways in which citizen trust and confidence in the state (or lack thereof) are articulated. Formal and informal governance institutions, rules, and processes, which mediate the use of power, force, and resources, are critical to addressing exclusion challenges. UNDP (2011) found that institutions can be key drivers of inequality and exclusion. Governance concerns in the region have since continued: honest and responsive government have been voted among the top four priorities for the global development agenda by nearly 100,000 respondents from the region in the United Nations My World survey.

An extensive global literature on governance/inequality relationships has emerged, particularly in recent years. However, while there seems to be general agreement that high levels and inequality and poor governance often go together, questions about the specific governance reforms needed to reduce inequalities are often more contentious. Whereas Timmons (2010) finds no systematic relationship between economic inequality and democracy, Hanson (2013) argues that national economic inequalities reflect underlying horizontal and vertical pressures that rulers navigate in order to remain in power. Fox and Sandler (2003) find no significant

difference in degrees of discrimination against non-religious minorities across the different types of government, while semi-democracies were found to have the lowest discrimination levels for religious minorities (followed by democracies). Beer (2009) finds that democracy makes a significant contribution to increasing gender equality, based on the length of time that democracy had been in place and women have been participating in it. Acemoglu, Johnson, and Robinson (2004) find that, when political power is unevenly distributed, those with power will use it to influence economic institutions to their own (economic) benefit. Elites' growing influence can lead to lower growth rates in the economy as a whole. Glaeser, Scheinkman, and Shleifer (2003) suggest that judicial corruption can undermine property rights—thereby reducing investment and growth (for those who are not privileged vested interests)—and thereby exacerbate socio-economic inequalities.

Baldwin and Huber (2010) find that inter-group inequality is a much more important predictor of public goods provision than ethno-linguistic fractionalization or cultural fractionalization. Kyriacou (2012) similarly finds that "accounting for regional disparities reduces the estimated impact of segregation and trust on the quality of government and reduces the statistical robustness of ethnic segregation." Likewise, Alesina *et al.* (2012) find negative correlations between ethnic inequality and World Bank anti-corruption and rule of law indicators, and suggest

that the impact of ethnic inequality on economic development is likely to run through its effect on institutional quality. Kyriacou (2012) likewise finds that "policies designed to facilitate the access of underprivileged ethnic groups to economic and social opportunities can, through their salutary impact on institutional quality, also promote economic development." Kuhn and Weidmann (2013) find positive associations between the extent to which a given group feels victimized by economic inequality on the one hand and the likelihood that it will protest on the other. These results underscore how, when democratic institutions are closed to dissent for the victims of inequalities, they may seek more violent forms of protest, or engage in criminal or other informal types of economic activities (for employment- or income-generation purposes) (UNDP, 2013b).

Inequalities in social service provision have also been suggested as a significant driver of conflict. A survey cited by the World Bank (2011a) suggests a causal relationship between insufficient services, inequality, and violence. Citizens in the six countries surveyed named poverty/poor education and justice/inequality/ corruption as the primary drivers of conflict. Unfortunately, conflict rarely results in an improvement for disadvantaged populations. Using data from 128 countries during 1960-2004, Bircan *et al.* (2010) found that inequality increases "during war and especially in the early period of post-war reconstruction". They also find that this inequality on average peaks five years after the end of the

conflict, before declining towards pre-war levels.

Social openness and government policies vis-à-vis civil society may also be linked to conflict and inequalities. Restrictions on civic engagement may convince minorities or other disadvantaged groups that their voices will not be heard in state political institutions. Their response (conflict, corruption, labour migration) may be problematic, both for them and for their societies. In response, more priority may need to be placed on forming civil society organizations that cut across ethnicities and other divisions in society. Varshney (2001) found that what matters for ethnic violence "is not whether ethnic life or social capital exists but whether social and civic ties cut across ethnic groups. Stated differently, trust based on inter-ethnic, not intra-ethnic, networks is critical." This conclusion, if correct, suggests that civil society organizations that want to make a positive impact may need to apply more nuanced approaches to issues of conflict, ethnicity, and inequality. Providing a strong voice for underrepresented ethnic groups while remaining inclusive and open to the general population can be a particular challenge.

Governance, inequalities, and the global development agenda

The inclusion of Sustainable Development Goal 16 (“peace, justice, and strong institutions”) in Agenda 2030 is a reflection of growing demands for global efforts to address inequalities (real and perceived) before the law (UN, 2015).

While not explicitly entitled a governance goal,

SDG16 concerns the institutions, rules, and norms through which policies are developed and implemented, disputes resolved, and accountability for the use of power and resources enforced. More broadly, Agenda 2030 and SDG16 recognize that participation in decision-making, access to justice, and respect for human rights (including the right to development) are critical to making progress. Effective and accountable institutions lie at the heart of enlarging people’s choices and capabilities, and the foundation for

government policies that promote sustainable development (Kaufmann, 2004).

SDG16 also aims to significantly reduce all forms of violence, and promote lasting solutions to conflict and insecurity. This reflects the recognition that sustainable development and good governance cannot be meaningfully pursued in the absence of peace and security. Agenda 2030 therefore stresses the need to prevent or resolve conflicts, and to support post-conflict countries, *inter alia* by ensuring that women have a role in peace- and state-building (UN Summit, 2015).

Ten of SDG16’s 12 targets focus on inclusive and peaceful societies; the additional two focus on the means of implementation. Twenty-one global indicators to monitor progress towards meeting these targets have been proposed; where relevant and possible, these should be disaggregated by income, sex, age, race, ethnicity, disability, geographic location, and other vulnerability characteristics, in accordance with fundamental principles of official statistics (GA resolution 68/261). However, many of the issues that are addressed by Goal 16 (e.g., state transparency and accountability) have not been formally measured by official state statistics. The indicators and survey procedures needed for this monitoring will have to be constructed.

SDG16 targets that are particularly relevant for analysing inequalities and governance trends in the region include:

Box 20—SDG16 and the Illustrative Governance Pilots

UNDP since 2014 has been working with Albania and four other UN Member States on implementing SDG16 (“peace, justice, and strong institutions”) targets and indicators. Support for these countries has focused on the following process:

- Sectoral strategies, and relevant national, regional, and international data sets, have been compiled, compared and analysed.
- A short list of some 20 potential governance targets and indicators have been identified for each country.
- These targets and indicators have been adapted to better reflect national circumstances.
- This adaptation has been validated through public consultations confirming the availability and quality of the necessary data.

Based on this process, a baseline assessment of the state of governance in Albania has been established. This supports the monitoring of the good governance performance measures in the country’s 2014–2020 national development strategy.

Source: UNDP (2016), <<Final Report on Illustrative Work to Pilot Governance in the Context of the SDGs>>.

- 16.3: Promote the rule of law at the national and international levels, and ensure equal access to justice for all;
- 16.5: Substantially reduce corruption and bribery in all its forms;
- 16.6: Develop effective, accountable and transparent institutions at all levels; and
- 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels

This chapter uses internationally comparable World Bank data (taken from public opinion surveys and expert assessments) to assess the extent to which countries in the region face gaps in reaching these SDG16 targets. It emphasizes the links between governance and horizontal inequalities (within societies), in the belief that people's abilities to live long, healthy, productive lives are closely linked to their governments' abilities to provide their citizens with the services embodied in these indicators.

Regional context

Most of the region has undergone profound governance transformations since 1990.

The dissolution of the socialist federations of the Soviet Union and Yugoslavia led to the appearance of some 20 new states, many of which had no recent history

of independent statehood. This necessarily placed institutional capacity issues at the top of national development agendas. But even for those countries whose statehood predates 1991 (e.g., Albania, Turkey), institutional capacity for the governance needed for states to meet their obligations vis-à-vis their citizens has been a major concern during the past three decades.

Capacity development and state-building challenges have often been linked to the region's ethnic diversity, and to its post-conflict character. Many countries in the region have large ethnic minority groups, some of whom—like the Roma of Southeast Europe—face discrimination on a daily basis. The region also faces potential or actual armed conflicts in a number of countries, which generally reflect difficult combinations of ethnic tensions, inadequate governance, contentious distributions of state resources, and corruption. These conflicts have sometimes taken the form of separatist movements (often along ethnic lines) that have attempted to break away from one of the Soviet or Yugoslav successor states. Many of these conflicts have ended in stalemates or without peace treaties—resulting in “frozen conflicts” or areas of “disputed sovereignty”. These conflicts have resulted in hundreds of thousands of deaths, injuries, refugees and internally displaced

Capacity development and state-building challenges have often been linked to the region's ethnic diversity and post-conflict character.



Moldova: An unconventional awareness campaign promotes conscious voting in communities with the largest Roma populations.
Photo: Dorin Goian / UNDP

Inequalities and inclusive governance

persons (IDPs), while many thousands of persons are still missing. Inequalities and restricted human development opportunities can also be found for such vulnerable groups such as women, ethnic minorities, persons with disabilities or living with HIV/AIDS, and the lesbian, gay, bi-sexual, transgender communities. Discrimination in public life, and ethnic, gender-based, and homophobic violence continue to limit development possibilities for members of these groups.

Governments in the region have taken major strides in developing the institutional capacity needed for duty-bearers to discharge their responsibilities vis-à-vis rights-holders. However, in some cases, legacies of pre-1990 governance patterns have interacted with the tensions associated with political and economic reforms to exacerbate popular concerns about exclusion and alienation from state structures. Popular perceptions of inequalities between the rulers and the ruled, and between the "haves" and "have nots", are common results (Chayes, 2016).

These perceptions are apparent in the public opinion data and expert assessments contained in the World Bank's Worldwide Governance Indicators.³³ This database contains time series data that rank more than 200 countries and territories according to such critical governance

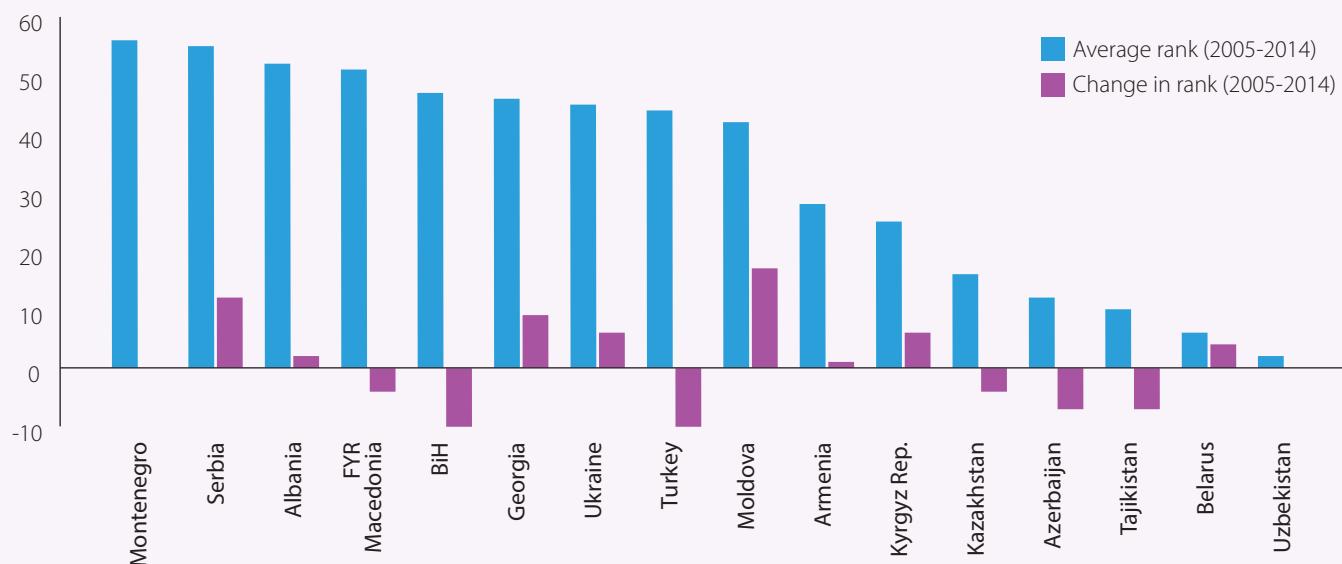
³³ These indicators are imperfect and present challenges—particularly in terms of international comparisons. On the other hand, the data on which they are based have been sourced from a single database that has been constructed and is updated according to comparable methodological standards, both over time and across countries. In any case, the global monitoring of SDG16 seems likely to be based on these indicators (or their cousins).

indicators as "voice and accountability" (Figure 67), "rule of law" (Figure 68) and "control of corruption" (Figure 69). The data recorded for these indicators during the past decade suggest that, despite important progress made (which is particularly apparent in Albania, Belarus, Georgia, Kosovo, Moldova, and Serbia), the region does not fare particularly well by international standards in terms of the governance/inequality nexus. About half of the region scores in the middle third of the Worldwide Governance Indicator rankings, with the other half in the bottom third.

These data also suggest that many countries in the region may face particular challenges in terms of SDG target 16.3 ("promote the rule of law at the national and international levels, and ensure equal access to justice for all"), target 16.5 ("substantially reduce corruption and bribery in all its forms"), target 16.6 ("develop effective, accountable and transparent institutions at all levels"), and 16.7 ("ensure responsive, inclusive, participatory and representative decision-making at all levels").

A similar pattern is apparent in the public opinion data captured by Transparency International's Global Corruption Barometer (Figure 70), according to which a majority of survey respondents believe that the "government is largely or entirely run by a few big entities acting

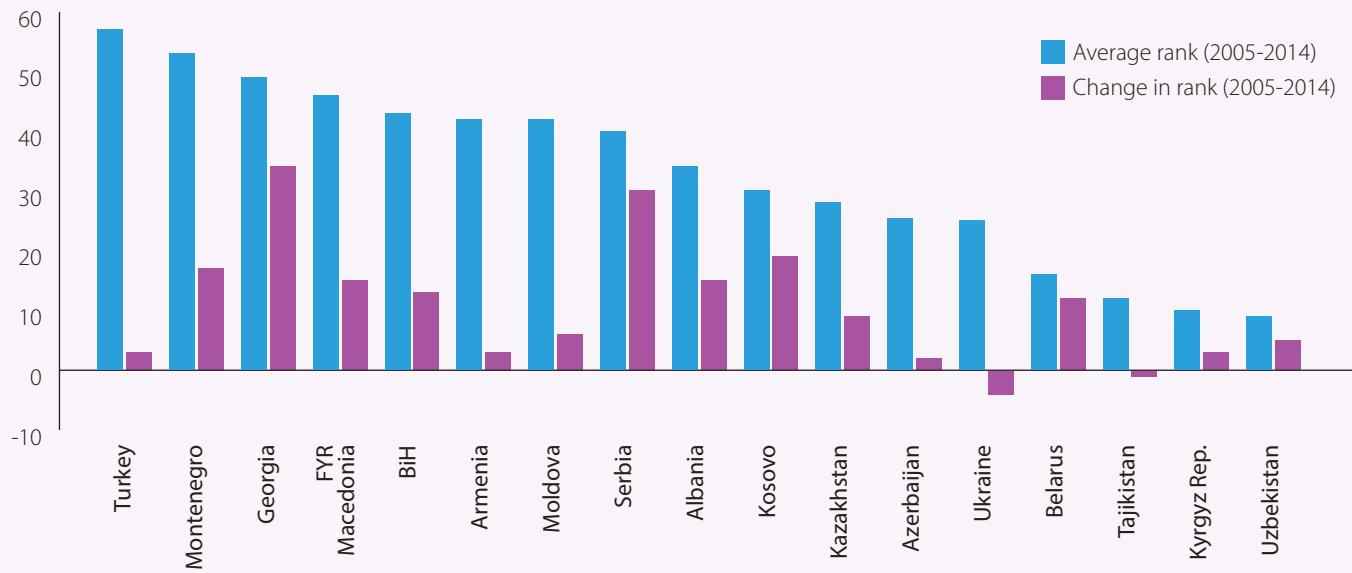
Figure 67—Governance trends in "voice and accountability" in the region



UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Voice and accountability "reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media".

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

Figure 68—Governance trends in “rule of law” in the region

UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Rule of law “reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence”.

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

Figure 69—Governance trends in “control of corruption” in the region

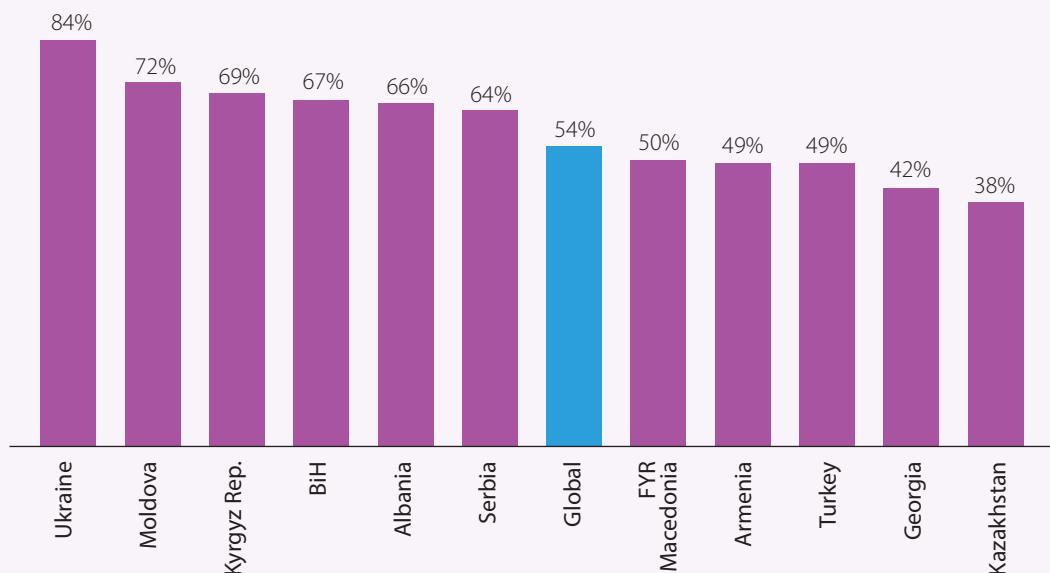
UNDP calculations—annual averages, taken from World Bank Worldwide Governance Indicators data.

Note: * Control of corruption “reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests”.

** The higher the ranking, the more favourable the assessment. 100 is the highest score, 0 is the lowest.

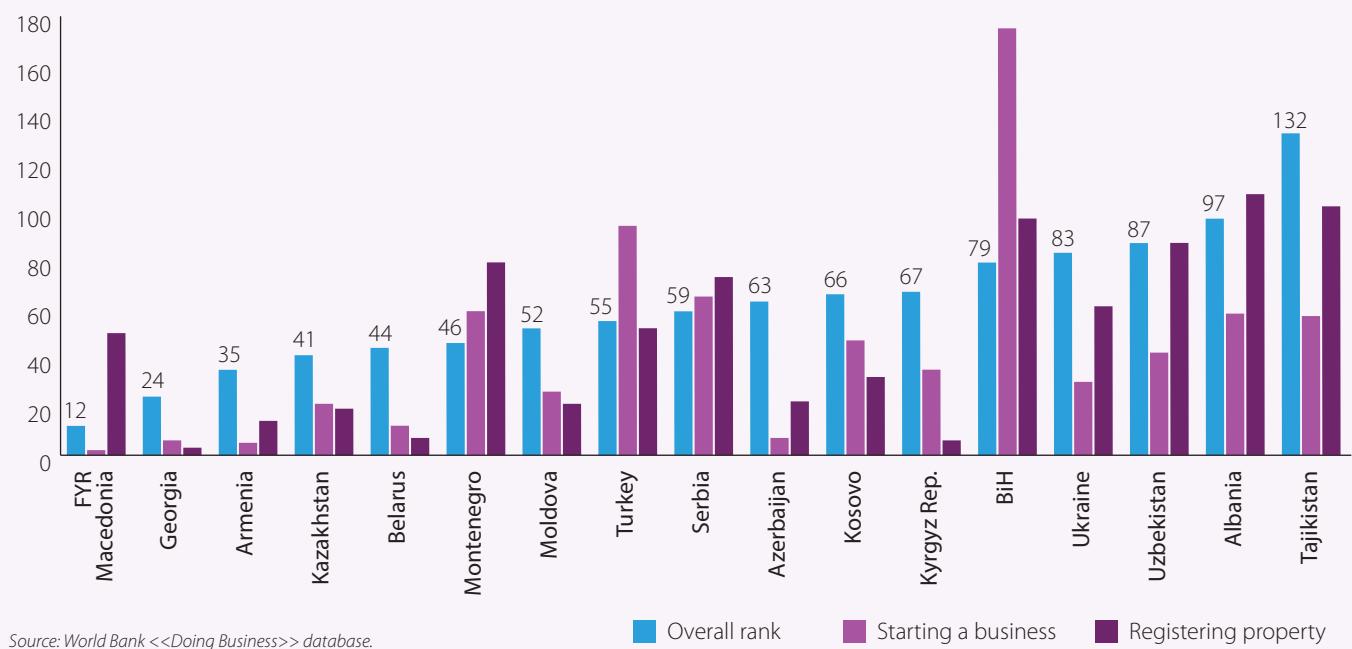
Inequalities and inclusive governance

Figure 70—Share of survey respondents who believe their “government is largely or entirely run by a few big entities acting in their own best interests” (2013)



Source: Transparency International <<Global Corruption Barometer, 2013>>.

Figure 71—Rankings in the World Bank’s Doing Business (2016) survey: Areas of progress



Source: World Bank <<Doing Business>> database.
The lower the number, the better the ranking.

in their own best interests" in seven of the twelve countries/territories from the region covered.

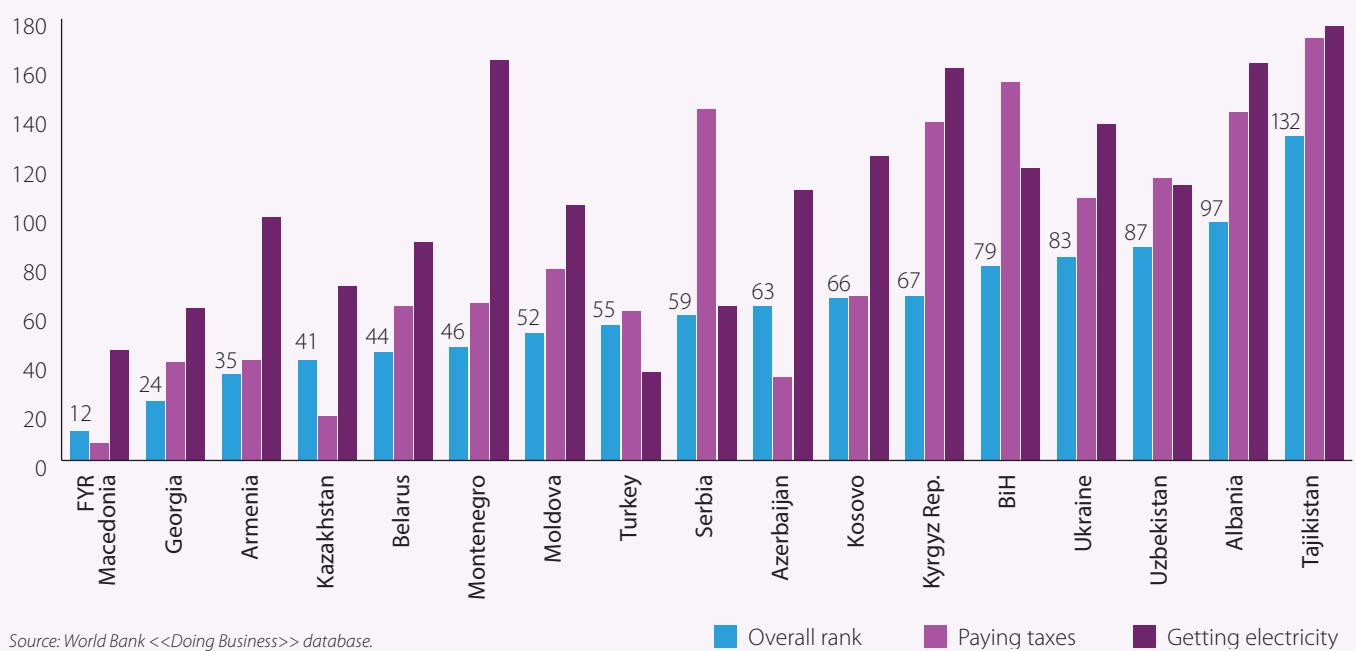
The survey data and expert assessment information contained in the World Bank's Doing Business data base offer further insights into the governance/inequality nexus in the region. For a number of years, many of the region's economies have reported significant improvements in their "Doing Business" rankings. All but two countries/territories in the region now find themselves in the top half of the global "Doing Business" rankings; the former Yugoslav Republic of Macedonia, Georgia, Armenia, Kazakhstan, Belarus, and Montenegro are in the top 25 percent.

However, as the data in Figure 71 show, much of this improvement has been due to the liberalization of such simple business procedures as formally starting a company or registering property ownership. Reforms in these areas are certainly important—particularly for the self-employed, and for the owners and workers in small and micro-enterprises.

By contrast, the data in Figure 72 indicate that paying taxes and access to electricity continue to be significant barriers to doing business in this region. These are likely to be particularly

difficult for small companies which—in contrast to larger firms—typically do not have legal departments to defend their interests vis-à-vis the tax authorities or communal service providers. These data suggest that governance reforms to improve business climates in the region—particularly for small and micro-enterprises (whose owners and workers are likely to be at the bottom of the socio-economic pyramid)—should focus less on deregulation and more on deepening the institutional capacity of electricity service providers, the tax authorities, and other such regulatory bodies—in order to level the commercial playing field for small companies.

Figure 72—Rankings in the World Bank's Doing Business (2016) survey: Key barriers



Source: World Bank <<Doing Business>> database.
The lower the number, the better the ranking.

Conclusions and recommendations

Protecting civil and political rights, and education to increase awareness about these rights, can help to reduce corruption.

This analysis highlights the importance of policy and programming recommendations set forth below, to address the governance/inequalities nexus, and to support the implementation of SDG16, in the region. Their implementation can help secure the gains made to date in human development, and to better manage risks and threats to their sustainability. A key challenge lies in the fact that data needed for many SDG16 targets and indicators are today either not available or are not disaggregated by income, gender, age, ethnicity, race, religion, migration status, disability, geographic location,³⁴ or other vulnerability characteristics relevant in national contexts. These data lacunae can blur the linkages between inequalities, governance, and development, and deprive policy makers of appropriate responses when national aggregates or averages obscure the real situation of the worst off. The broader development of comprehensive national monitoring and evaluation systems for generating sound evidence for policy formulation, managing national systems, and ensuring accountability

is therefore essential. It is important for both the international community and national governments to support capacity development in data collection, analysis and reporting at the country level.

Particular recommendations in this respect include the following:

Strengthen the rule of law through the use of human rights-based approaches and policies.

Weaknesses in the rule of law in the region reduce trust in governance institutions and complicate the task of addressing inequalities. Policies and programming to protect civil and political rights, and education to increase awareness about these rights, can help to reduce corruption and promote the constructive use of freedoms of assembly, association, and expression (see Box 21). These efforts are likely to be significantly more effective if focused on disadvantaged groups in each country, as they typically provide the greatest scope for improvement. The further alignment of national legal frameworks with international standards and their effective implementation can play an important role in this respect.

Box 21—Reducing discrimination and inequalities in Serbia

Although protection from discrimination is enshrined in Serbia's constitution, the conflicts in the Balkans during the 1990s increased discrimination, in particular against ethnic minorities. UNDP's 2005 Strength of Diversity national human development report showed increases in ethnic distance in Serbia.

UNDP supported the adoption of 2009 legislation that introduced new measures for countering discrimination. These included reversing the burden of proof in processing discrimination cases, and the formation of the Commissioner for the Protection of Equality (CPE) as a specialized, independent body. UNDP supported the Commission's establishment and operations, and helped the CPE to be the first independent body in Serbia to be financed by regular budgetary resources. The Commission is responsible for raising public awareness, promoting equality and non-discrimination, and providing support and protection for the victims of discrimination.

Thanks in part to these initiatives, discrimination seems to be decreasing in Serbia. In the 2011 census recorded an unprecedented 40% increase in the numbers of Serbian citizens who declared their ethnicity to be Roma (compared to the previous census in 2002)—suggesting that Roma are more secure in expressing their ethnic identity. Public opinion polls show a significant decrease (from 22% in 2009 to 16% in 2012) in the numbers of people experiencing discrimination. Likewise, a 2014 UNDP survey found that ethnic distance towards Albanians and Roma decreased by about 8 percentage points. Serbia now seems to be becoming to a less ethno-centric, more equal, and more tolerant society.

³⁴ In accordance with the Fundamental Principles of Official Statistics, General Assembly resolution 68/261

Box 22—Addressing gender and corruption issues in Albania

Women in Albania often have primary responsibilities for interacting with social service providers on behalf of their household. As such, they are more likely to be confronted with and affected by corruption in their daily lives. But women often seem less willing to report incidents of corruption, and often struggle to have their voice heard in the design and implementation of anti-corruption measures. As a result, specific corruption challenges faced by women are often not addressed.

The United Nations Convention against Corruption recognizes that, in order to effectively prevent and combat corruption, States must take an inclusive approach and involve all relevant stakeholders, including women, in their anti-corruption efforts. In this context the UN Office of Drugs and Crime, in cooperation with UNWOMEN and the Republic of Albania, produced ten key recommendations for addressing the impact of corruption on women. These call for the Government and women's groups to work together to "promote the reporting of acts of corruption, for example through the virtual on-line platform that is being developed by the Government and by raising awareness of the existence of other means, such as toll-free numbers and in-person reporting."

The recognition that women are reluctant to come forward to report corruption influenced the draft Albanian Whistleblower Act 2014, to include greater protection of whistleblowers. Women's organizations were actively engaged in screening the draft legislation, discussing how it addressed the priorities and concerns of women's groups and making specific recommendations.

Source: UNODC October 2015

Improve business environments and public service delivery, by increasing transparency and access. Weakness in business and investment environments, particularly for micro- and small enterprises (including those owned by women) both slow economic growth and limit its inclusive potential. Streamlining the compliance and administrative burdens associated with running a business can encourage inclusive business development. A greater emphasis on tax justice and combating tax havens could expand fiscal space and make possible reductions in tax burdens that drive otherwise legitimate commercial activities and employment into the informal sector. Better quality public service delivery can help increase trust in government, *inter alia* by reducing corruption and incentives for tax avoidance. Better access to quality services for health, education, and access to justice can particularly benefit women and other vulnerable groups (see Box 22)—thereby reducing inequalities while also improving institutional capabilities, business climates, and strengthening participation in government decision-making.

Focus on norms, processes, and new technologies to prevent corruption. Corruption damages trust in societies, both at the highest levels where the corruption of government elites undermines good policy and service provision, and at lower levels where informal payments can prevent access to public services for the most disadvantaged members of societies. Anticorruption efforts in much of the region have focused on finding and prosecuting past corruption, rather than on corruption prevention, with many anticorruption agencies being set up as primarily police and prosecutorial units. Processes and procedures in local and central administrations throughout the region are not clearly defined or streamlined. Coordination between and across state institutions, and misalignments between the numbers of staff, their capacities, and the tasks at hand, can further increase opportunities for corruption and abuse. Local and central governments need better capacities to prioritize, establish coordination mechanisms, and to develop clear job descriptions and processes, in order to improve the quality and delivery of services. In addition, governments and societies can use

Streamlining the administrative burdens associated with running a business can encourage inclusive business development.

technology, data, and innovative policies to make corruption more difficult without running afoul of political self-preservation instincts. For example, e-governance and social media platforms that make government tenders more transparent can make procurement fraud more difficult. Electronic payments of salaries can help prevent managers and executives garnishing wages paid in cash. Rigorous asset declaration processes for politicians and high-ranking public officials can help to discourage corruption amongst political elites.

Work to mitigate conflict risks linked to discrimination and

inequality. Conflict, inequalities, and governance are closely linked in the region. Outbreaks of violence and conflict may arise from the frustration engendered by senses of relative deprivation, driven by the unequal distribution

of services and discrimination. Rather than improving the situation of disadvantaged populations, conflicts often deepen vulnerabilities and feelings of relative deprivation, thereby generating vicious cycles of inequality and conflict. Human rights-based approaches and policies can help to overcome such cycles by allowing greater participation in political, social, and economic life. Proactive steps to increase government services and to provide opportunities for inclusion are particularly important for those who suffer from intersecting forms of discrimination, such as minority women. While many countries in the region have introduced legislation and regulations banning discrimination against ethnic minorities, women, and people with disabilities, these frameworks are not always fully enforced, especially at the local level. Local level service provision therefore often needs to be strengthened through proper training in non-discrimination and in capacity building to allow full provision of services in an equal manner to all parts of a society. The aim



Serbia: small arms are being destroyed in an effort to bolster safety and security in the country. Photo: UNDP

should be to further strengthen institutions by making decision-making processes more inclusive and representative of *society as a whole*. This can be achieved through measures that ensure that political opportunities are available for all, such as by ensuring substantive representation (rather than just numerical representation) as well as through promoting the use of *temporary special measures*, including different forms of quotas.

Support the engagement of civil society organizations as active participants in decision-making, conflict resolution, and social inclusion activities. Civil society can play a key role in improving social cohesiveness and giving voice to the social justice concerns of the excluded and the vulnerable. By contrast, the absence of healthy civic engagement contributes to political disenfranchisement, corruption, weak democratic institutions, inter-ethnic or identity-based social tensions, and a general lack of awareness of issues facing disadvantaged groups. Civic engagement can help to raise awareness about

key social justice issues, and to hold government to account for their resolution, or at least effective management. Civil society organizations themselves need to be inclusive in nature. CSOs that simply consolidate existing social fault lines are unlikely help improve political dialogue or generate inclusive policies. CSOs that for example unite women across ethnic lines, or that protect the interests of entrepreneurs regardless of their gender or class, can help to bring attention to their specific issues as well as create bonds across societal divides.



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