

Voices of Europe and Central Asia: New Insights on Shared Prosperity and Jobs

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Team and Acknowledgements

This task was mainly financed by the Umbrella Facility for Gender Equality, a multi-donor trust fund established in 2012 to strengthen awareness, knowledge, and capacity for gender-informed policy making. In addition, it builds on work financed by the Poverty and Social Impact Analysis (PSIA) Trust Fund for FYR Macedonia, as well as various other country-specific tasks from the Education, Poverty and Equity and Social Protection and Labor Global Practices, including a task funded by the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) on ‘Economic Mobility and Labor Markets in ECA’, a regional task on ‘The Political Economy of Redistribution, Transfers and Taxes in ECA’, the ‘Gender in the Western Balkans’ Programmatic Series, a Technical Assistance project on ‘Human Development’ in Kosovo, a ‘Skills and Migration’ project in Central Asia, a ‘Jobs and Skills Development’ task in Central Asia, and a task on ‘Meeting the Employment Challenge in the Western Balkans’.

The work was carried out by a multi-sectoral team from the Poverty and Equity and Social Protection and Labor Global Practices. This report was written by María Eugenia Dávalos (co-task team leader, Senior Economist, Poverty and Equity Global Practice), Giorgia Demarchi (Social Scientist, Poverty and Equity Global Practice), Barbara Kits (Consultant), Isil Oral (Consultant), and Indhira Santos (co-task team leader, Senior Economist, Social Protection and Labor Global Practice). The team also includes Patti Petesch (Consultant) who led the design of the data collection instruments as well as their implementation, and who co-authored a background paper for this report (Petesch and Demarchi, 2015). The team is grateful for support from Dariga Chukmaitova (Consultant) and Angelica Thumala (Consultant), instrumental in the implementation of the data collection instrument in Central Asia and in the coding of the qualitative data, respectively.

This report draws on primary qualitative research conducted in nine Europe and Central Asia (ECA) countries. We are thankful to the authors of the country-specific reports and local partners who prepared and/or contributed to each of the country reports: PRISM (Bosnia and Herzegovina), Center for Research and Policy Making (FYR Macedonia), Gorbis (Georgia), Index Kosova (Kosovo), BISAM Central Asia (Kazakhstan), M-Vector (Kyrgyz Republic), IPSOS (Serbia), M-Vector (Tajikistan), and A2F Consulting (Turkey).

The report also reflects the work and efforts of other colleagues at the World Bank. We are especially thankful to Mediha Agar, Mohammed Ihsan Ajwad, Joost de Laat, Keiko Inoue, Aylin Isik-Dikmelik, and Ana Maria Munoz. Maria Beatriz Orlando, Emily Weedon, and Sailesh Tiwari acted as peer reviewers.

Supervision of this work has been provided by Andrew Mason (Practice Manager, Social Protection and Labor Global Practice), Carolina Sanchez-Páramo (Practice Manager, Poverty and Equity Global Practice), Omar Arias (former Acting Sector Manager and Lead Economist, Social Protection and Labor Global Practice), and Hans Timmer (Chief Economist, Europe and Central Asia region).

Overview

Ainura lives in a village in Naryn Oblast (region) in the Kyrgyz Republic. Economic conditions in the village have improved greatly in the last decade, allowing many families to escape poverty. Ainura has also seen her life change for the better. She talks about the members of her family seizing the opportunities opening up around them.

“In 2007 we opened a shop by ourselves and built a house,” she says proudly. “We bought a house in Bishkek for our son. We have married off our children.” It did not come easy, and both she and her husband had to work, while her family also helped her raise the children.

“All the major purchases were made thanks to the livestock and hay we sold,” she explains. “All the money we saved, we invested to purchase the livestock.” This is how they bought their shop, which continues to be their main source of income, together with her husband’s modest pension and small revenues from agriculture. She says she is lucky “the price of hay has been good”. But, when Ainura reflects on her overall well-being, she talks about her own empowerment, too.

“I learned to make shirdaks [carpets],” she happily concludes: “I think my commercial experiences [at the store] and making shirdaks have brought the most meaning to my life: at the moment, all is good.”

But not everyone in the Europe and Central Asia region has been as lucky.

Marko, who is 50 years old, was devastated by the socioeconomic transition in Serbia. Over the course of his life, his household fell from the middle class into poverty.

“I’m not from a family that was always poor, but from a family that always traveled and enjoyed themselves,” he says. “I traveled all over Europe as a young man. I had a good car, and I dressed well. And then, all of a sudden, it all vanished.” His problems started in 2005 when he lost his stable job at the Belgrade City Transportation Company as a consequence of restructuring. Since then, Marko has worked occasionally and informally, always thanks to the support of friends, while his wife started making and selling small handicraft goods.

“When I lost my job, a friend found me construction work,” Marko says. “I went to South Africa for work [for two years] with the help of another friend. Their support was and still is very important to me.”

“It was better financially,” he continues, recalling those years, “but there was less stability because the job wasn’t secure.” Indeed, it did not last long. Today, Marko and his wife survive through social assistance. Thanks to this steady source of income, he pays the electricity bills. Meanwhile, he helps a friend who keeps bees and hopes eventually to obtain a grant to start his own bee-keeping business.

* * *



The experiences of Ainura and Marko differ sharply. Over the last decade, a large share of the population in the region has benefited, like Ainura, from economic advances generated by strong growth in their communities. New opportunities have opened up in labor markets and entrepreneurship; new infrastructure and services have been built; and people have accumulated new knowledge and assets and been awakened to new aspirations. But the story shared by Marko is also not rare. Throughout the region, the economic transition of the 1990s and more recent shocks have reduced the role of the state as a source of employment and have taken a toll on many households.

Although diverging, both stories reveal the central role jobs play in driving economic mobility, the value of informal institutions such as family, friends and professional networks in supporting household welfare and employment, as well as the impact of social norms in shaping people's opportunities.

Using new qualitative data from nine countries in Europe and Central Asia, including structured focus group discussions and semi-structured in-depth interviews in 43 communities, this report explores factors that have supported or hindered economic mobility and access to jobs among men and women in the region. A bottom-up understanding of how societies perceive progress and the opportunities for and challenges to upward mobility is extremely valuable. Expanding on traditional quantitative surveys, a qualitative approach facilitates the gathering of insights on the obstacles to economic mobility and productive employment that are otherwise difficult to capture, most often around informal institutions and attitudes. The qualitative analysis covers Bosnia and Herzegovina, FYR Macedonia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Serbia, Tajikistan and Turkey, following a common methodology implemented in 2013 (Annex 1).

“Those at the top, the rich ones, stay as they are, but those below are drastically different, and we’re going downhill,” was the particularly telling comment of a man in FYR Macedonia. “And, while we sink, those at the top go even higher.”

“Poor people have no foundation,” explains an urban Kyrgyz woman. “It is hard for children to get on their feet if their parents have not accumulated money.”

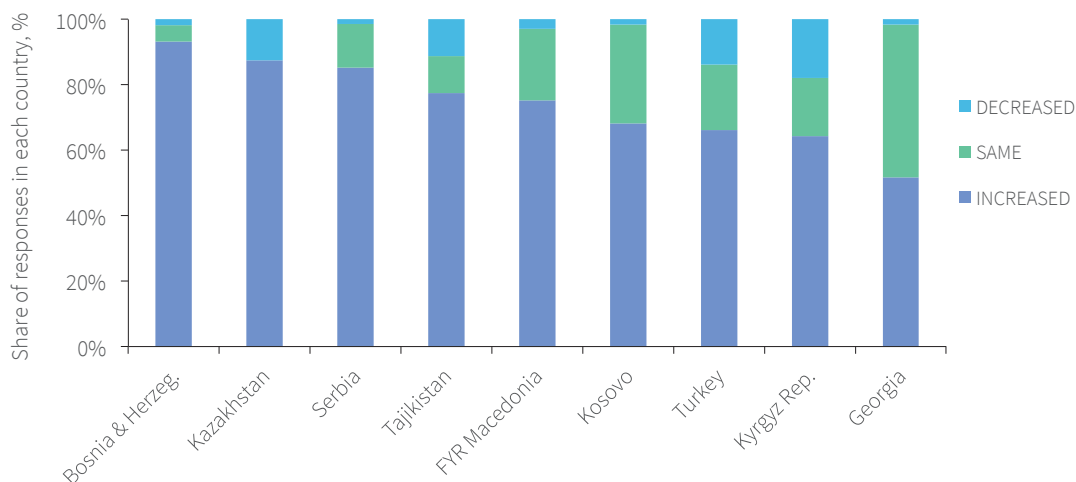
“Over the last 10 years, we have only done worse,” said an urban dweller in Bosnia and Herzegovina. “We took out loans and became poorer, while those at the top started getting richer thanks to our interest rates and taxes.”

“If someone has some property or money today, it is from previous generations,” said a rural resident in Georgia. “Nowadays, a poor person cannot afford even a 100-meter row in a vineyard.”

Listening to the voices of Europe and Central Asia reveals that, despite an overall good performance in economic growth and shared prosperity, there is a lot of discontent and rising concerns about a disappearing middle class. While economic growth in most countries in the region has created a ladder to better living standards, many people see no open path to climb above the first rungs. Men and women in the region aspire to be or remain in the middle class, and yet, many see it as elusive. Instead, men and women across the region describe societies that are greatly and increasingly polarized. Advances in living standards at the lower end of the distribution are outpaced by more rapid gains at the top, resulting in widespread percep-

FIGURE 0.1 Across Countries, Inequality Is Perceived to Be Widening

Perceived change in gap between poorest and richest in own community, by country, % of employed adult respondents



Source: Compiled from responses during 86 focus group discussions among employed men and women.

Note: The results are not representative at either the country or regional level, but simply help anchor the narrative discussion and allow for some comparative analysis. This applies to all figures in this report.

tions of increasing inequality (figure O.1).¹ Across countries, people are voicing frustration about slow progress, inequality of opportunities and the limited sustainability of the gains that have been achieved. These concerns may be partly related to the global economic crisis, but not exclusively. In fact, these perceptions are echoed in discussions referring to the pre-crisis period, and are also consistent with related findings for the mid-2000s when the region was growing rapidly.²

The lack of good jobs, particularly among women and youth, is driving the discontent

¹ The data collection instrument includes a series of close-ended questions, including this one. As the qualitative discussions, they are not meant to show a representative finding, but to provide an initial basis for interpretation of and comparative work with the narratives emerging in the discussions. The rating exercise also helps to reduce potential biases in focus groups discussions arising from anchoring views on the perceptions of whoever responded first to the question, and helps capture views of all participants.

² Cancho et al (2015a and 2015b), using Life in Transition Surveys 2006.

amidst rising prosperity. Access to jobs is the main factor that can propel households into higher living standards and the middle class, or precipitate a downward spiral (figures O.2 and O.3). The voices of Europe and Central Asia communicate this loudly and clearly.

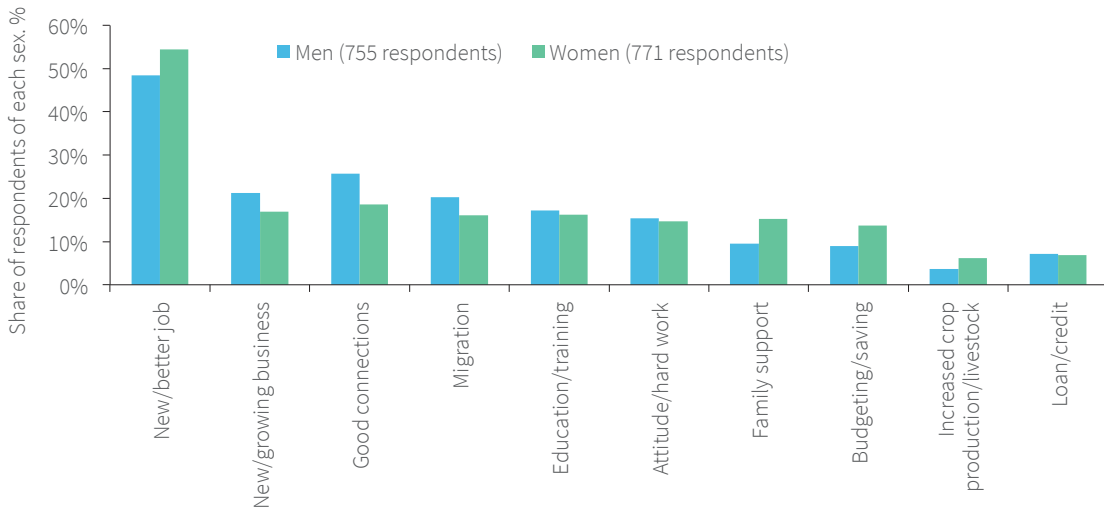
Across the region, people aspire to a middle class that is largely defined by stable employment and earnings. The Ladder of Life –a community-specific description of the different socio-economic levels present in the community– is largely defined by individuals' employment status and job prospects.

Yet, jobs –especially stable, well-paying jobs– are seen as out of reach for a large share of people.

Poor labor market prospects are even more glaring when contrasted with people's high, often unrealistic, expectations. The overwhelming majority of people in the region, even youth, associate the middle class and upward mobility

FIGURE 0.2 Men and Women See Jobs – and Factors Associated with Job Opportunities - as the Number One Driver of Upward Mobility

Factors important in getting ahead in the community, by sex, % of adult respondents

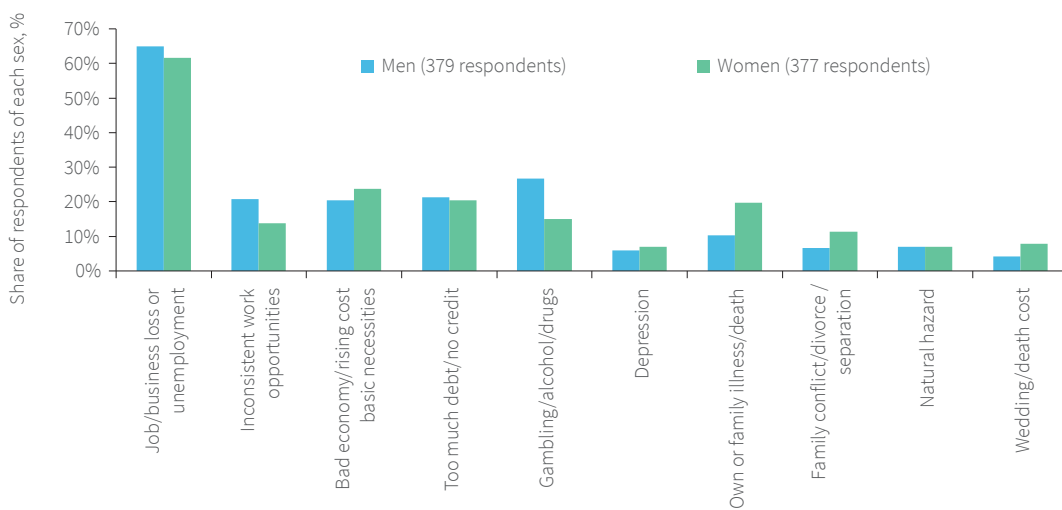


Source: 172 FGDs with adult men and women.

Note: Each focus group participant was asked to select two upward mobility factors; the share indicates the share of participants that chose a given factor among the top-two factors.

FIGURE 0.3 Job Losses Most Often Trigger Downward Mobility

Risks that can move households down within the community, by sex, % of employed adult respondents

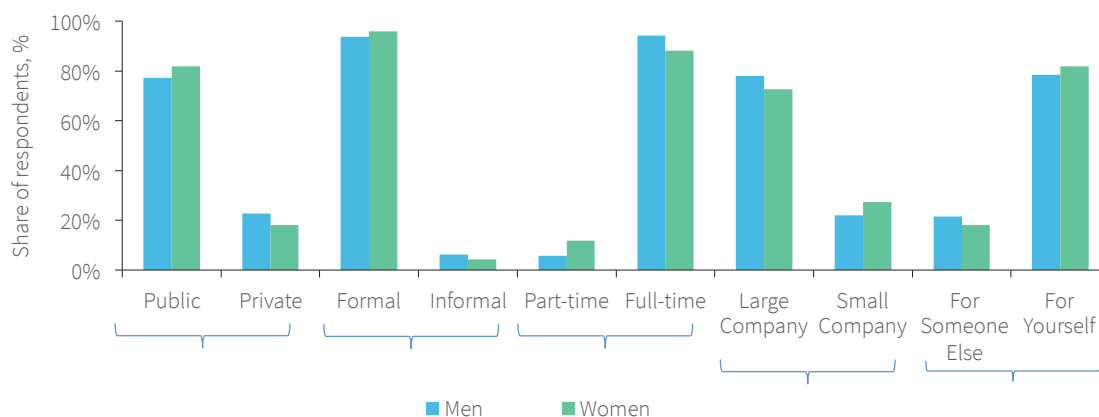


Source: 84 FGDs with employed adults. Data from women focus groups in Ferizaj (Kosovo) and village near Mardin (Turkey) are not available.

with jobs that are full-time, formal and with open contracts. The vast majority still aspires to a public sector job (figure O.4). Although some voiced their preference for a private sector job, where, they believed, the wages would be higher, promotion would be easier, and their skills would be appre-

ciated, most attached more value to the security and stability of public sector jobs.

These aspirations about jobs leave out more ‘irregular’ forms of employment that are, in fact, becoming increasingly common in

FIGURE 0.4 Most People Prefer Full-Time Formal Jobs in Large Companies or the Public Sector*Preferred job among sets of alternatives, adults, by sex, % of respondents*

Source: 136 focus group discussions with working and nonworking people in all countries, except Turkey.

many countries. Traditional definitions of employment used in household surveys include a broad range of jobs that go well beyond the formal, stable jobs that most people in the region think of when defining what a job is. These include unpaid work, informal sector work, jobs on irregular schedules, and part-time work. For example, being a worker in agriculture or construction—two very common forms of work—is often not considered an actual job by people on the ground (figure 0.5).

Given the centrality of jobs, which factors are perceived to matter most for productive employment and entrepreneurship?

Although education is critical in opening up access to economic opportunities, and is particularly valued by youth, it is perceived to be insufficient. For youth, in particular, the challenge is that the education and skills that the educational systems offer have not evolved alongside the demands of labor markets in the region. Perceptions about low quality education are widespread, and the skills obtained in school are viewed as irrelevant for the labor market. Youth's lack of experience upon entering the labor market exacerbates this disconnect between skills

“Being part of the middle class means to be employed and to be able to meet your needs,” said a jobless woman in a village near Pristina, Kosovo. “I think you’re lower class if you don’t have a job and therefore can’t think about anything else.”

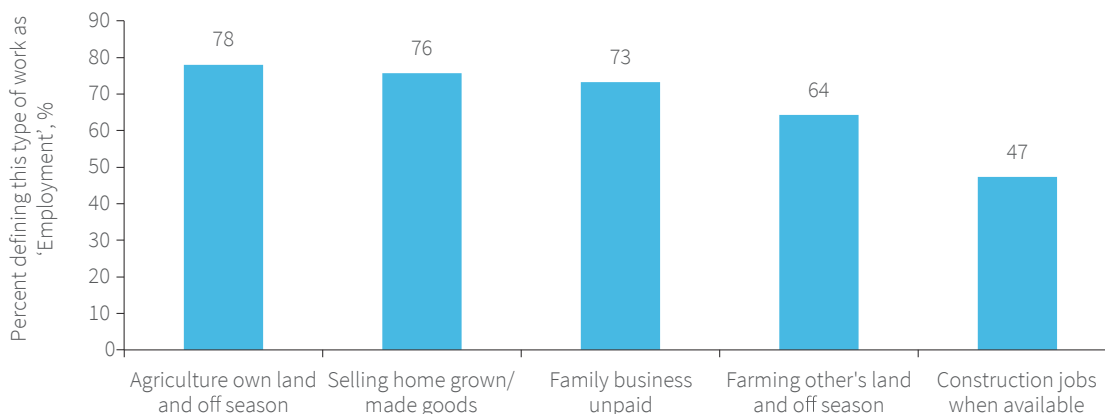
“People who belong to the middle class should not be under constant stress that they might lose their jobs,” said a jobless man in urban Serbia.

“I hope to move into the upper class,” relates a jobless woman in Istanbul. “My daughter is going to start working and earning wages. My husband will retire and receive a pension. I can find a part-time job now that my kids are finishing school. There should be two or three wage earners in the household before one can move into the class above the middle class.”

“It is important whether you have one or two wages in the family,” explained a woman in Belgrade.

FIGURE 0.5 Many Common Jobs Are Not Considered Actual Jobs in the Region

Definitions of types of work as employment, % of adult respondents



Source: Participants from 172 focus group.

“A secure job? All [employed family members] employed in the public sector,” agreed a group of men in FYR Macedonia. “If the government falls, they will fall too, but they are still more secure than other jobs.”

“A job is good if you have a contract,” said a woman in rural Georgia. “A contract guarantees that you will not suddenly end up unemployed.”

“If your job isn’t stable, your income isn’t stable either,” complained a man in a Tajik village.

learned and skills required in a job. However, as voiced by youth in the region, youth see—more than the older generations—a value in obtaining skills that are relevant for the labor market, and see education as a way to move up the Ladder of Life. And, while they still have job aspirations that are remarkably similar to those of the older generations, they seem willing to give up some job security for more fulfilling, more ambitious jobs. This is an opportunity for the region.

Instead, political and social connections, and social norms are perceived as most critical for accessing jobs and for improving individuals’ well-being. Importantly, these factors shape people’s expectations and aspirations about what they can achieve in life, and how people engage in society. In the region, these factors are perceived to give rise to inequality of opportunities.

People voice great frustration with how the lack of connections curtails their opportunities, and with the unfairness in the process of getting a job. Connections can play a positive role in searching for and finding a job, particularly in the presence of market and institutional failures³. But, inequalities in access to connections, power and networks, and the corruption at the top, mean that limited access to productive employment can become a trap.

Social norms, particularly those related to gender, also mediate access to jobs. Many women referred to the need to redefine roles in the house-

³ Kaas and Manger (2012) for example, show how employer discrimination disappears in the hiring process in the presence of information and networks.

“Jobs, that’s what you need connections for,” stressed a man in FYR Macedonia.

“Nowadays, it’s very difficult to find a job without connections, whether through a political party or family ties,” relates an Albanian woman in FYR Macedonia. “Someone has to recommend you.”

“Society has been formed in the way that you can’t breathe without a connection. It doesn’t matter which school you went to. If you don’t have a connection, it’s the same as if you didn’t finish school at all... You must be a member of a political party to get a job. Some individuals get into universities overnight through the help of their relations, and they get a job because of political parties,” explains a man in Bosnia and Herzegovina.

“Anywhere you go, connections matter, at a medical school or a kindergarten,” said a man in Kazakhstan.

hold to be able to look for jobs or get better jobs. Especially outside major urban areas, families see a trade-off between women working but earning a low salary and the threats to traditional norms and values that would come from a woman working outside the home.⁴ The good news is that, in many communities, norms are beginning to change. Nevertheless, the lack of access to affordable and quality child care limits progress.

All of these perceptions matter for policy design and development. Perceptions influence how people view and evaluate situations, and

⁴ Beyond social norms related to the role of women in the family and at work, social norms around what a job is in the region also influence people’s labor market engagement.

“The education we receive and the skills we learn are poor relative to what is required to meet the responsibilities of the available jobs,” said a young woman in Tajikistan.

“It is a real problem that, after receiving an education, you have no experience,” explains a young man in the Kyrgyz Republic. “For example, you’ve got an education, a specialty, and you know the theory, but you don’t know how to apply it in practice.”

“We learned nothing in high school, nothing practical,” complains a young man in Bosnia and Herzegovina. “My school was not useful to me.”

“Everyone needs an experienced worker with at least two or three years of experience,” said a young woman in the Kyrgyz Republic. “How can we have experience if we just started seeking a first job?”

thus how they make decisions.⁵ They can fuel discontent while discouraging job seeking, and investments in human capital. Findings reflect people’s perceptions that accessing economic opportunities is less dependent on one’s effort and talent, and more on one’s connections and relevant social norms. These factors could affect people’s behavior – e.g. in the labor market, support for reforms⁶ and their satisfaction with life.⁷ Importantly, since these factors are often seen as largely outside of the direct control of the individuals, they could be amplifying peo-

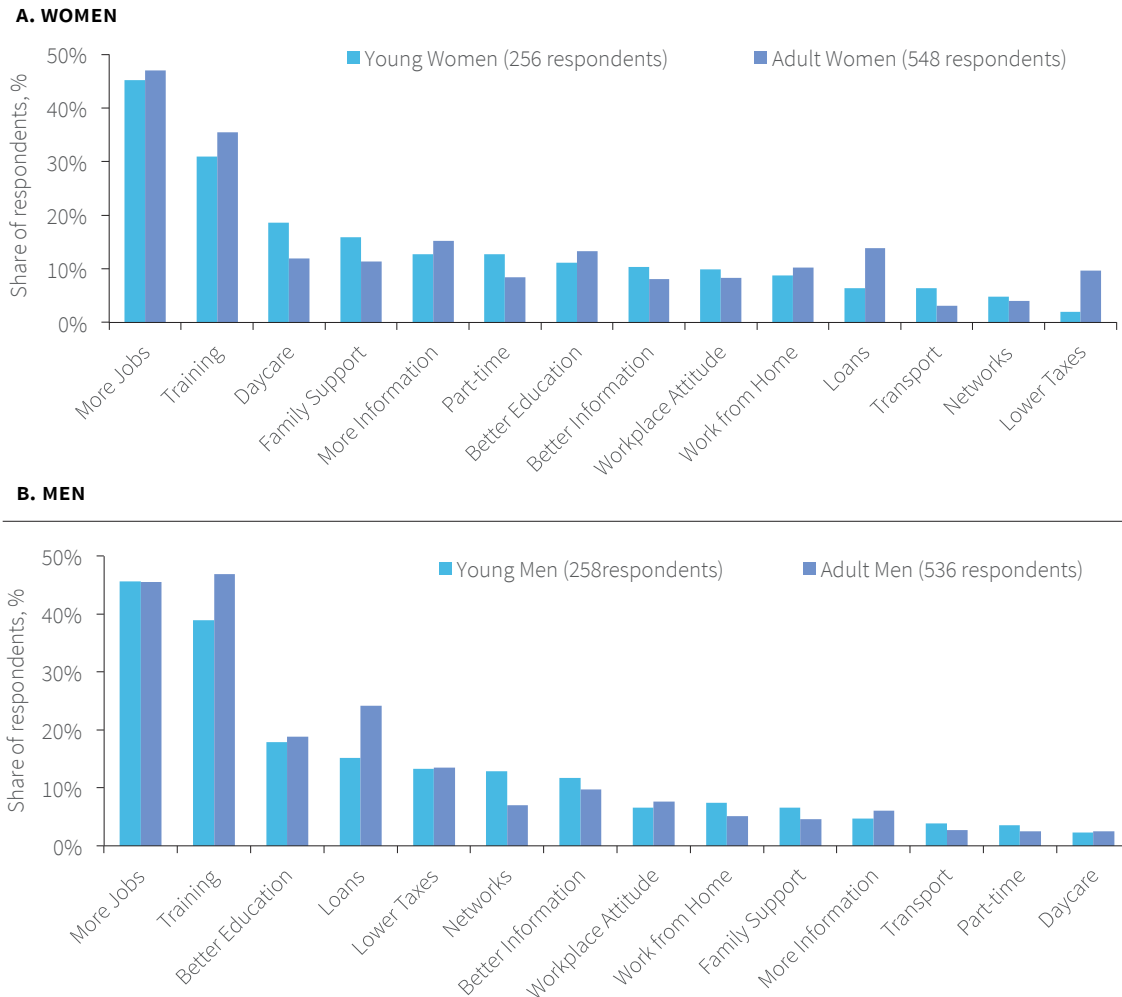
⁵ World Bank (2015c).

⁶ Alesina and Angeletos (2005), Norton and Arieli (2011), Niehues (2014), Cruces, Perez-Truglia and Martin (2013) and Kuhn (2015) discuss how perceptions affect preferences for redistribution.

⁷ Alesina et al (2004) find that perceptions of economic mobility influence people’s reported happiness.

FIGURE 0.6 More Jobs and Training Opportunities Are Important in Improving Access to Employment

Factors that would make the biggest difference in improving access to employment and entrepreneurship (for own gender), by age group, % respondents



Source: 120 Focus group discussions with adults and 60 with youth in Bosnia and Herzegovina, FYR Macedonia, Kosovo, Kyrgyz Republic, Serbia and Tajikistan.

ple’s discontent and jeopardizing social cohesion even when there is economic growth.

Some of the barriers to work that people face – lack of job-relevant skills and access to productive inputs – are already well known to policy makers. Moreover, the instruments to address them are part of the customary toolkit in the jobs agenda. These remain important in the region, and a majority voiced how better training and education, and access to loans, could improve their economic opportunities (figure 0.6).

The study findings reveal, however, a blind spot in policies aimed at improving access to more and better jobs. The barriers that strongly emerge in the narratives of the qualitative analysis - the lack of networks and information, and social norms that keep people out of work -, are often ignored in the design of policy responses to the jobs challenge. These barriers play a critical role in shaping people’s behavior and opportunities, and are actually amenable to policy. As such, learning from the still small, but growing, body of evidence in these areas can help enhance more

traditional approaches to labor market inclusion. Table O.1 summarizes key insights from the relevant international experience. Moving forward, as part of this process of broadening the menu of policy options, new interventions and programs ought to be rigorously evaluated to continue to build the evidence base.

The rest of the report is organized as follows.

Chapter 1 shows that accessing more and better jobs is the primary mechanism through which households improve their well-being. It complements quantitative indicators with in-depth analysis of qualitative evidence to explore how the progress in poverty reduction, shared prosperity, and access to economic opportunities are perceived by people in Europe and Central Asia. It compares and contrasts men and women's perceptions across countries. The chapter also identifies the key drivers of mobility among men and women by urban and rural location and across the income and welfare distribution.

Chapter 2 sheds the light of qualitative evidence on the economic and social barriers to gaining productive employment that are often missed by quantitative data. Many of these barriers –particularly those associated with lack of connections and limiting social norms– are outside the direct control of the individual and can therefore be particularly discouraging and foster hopelessness. The chapter discusses the ways in which these barriers affect individuals and communities and how countries can promote shared prosperity by expanding the policy toolkit to address “non-traditional” barriers to productive participation in the labor market.

Given the importance of youth unemployment and inactivity in the region, the report includes a **special section on youth** that explores the priorities and problems of young people in accessing and maintaining productive employment. Young women and young men face many hurdles in finding employment in the region, including lack

of experience, lack of access to accurate information on labor market prospects, lack of effective networks, and lack of access to productive inputs such as financing, land, and credit. Notable barriers encountered by young women are the lack of affordable, reliable childcare and the social norms and traditions that hinder women from finding employment.

But, in sum, at the core of people's perceptions about economic mobility and jobs in Europe and Central Asia, and as simply put by two people in the region, are a set of common principles: “No job, no money,” said a woman in FYR Macedonia. “More ties, more work,” concludes a man in Kosovo.

“You can't open a business if you have a husband, two children, and so many household duties,” said an employed woman in a suburb of Foča, Bosnia and Herzegovina. “It won't work, at least not here.”

“If I were to say I wish to work, my husband would ask me, ‘for what? I make money;’” said a woman in Kazakhstan.

I have a small child: my wife doesn't work. Why? Preschool is too expensive. She would give her wages to the preschool; so, it's not worth it for her to work. —Employed man, suburb of Vitez, Bosnia and Herzegovina

“The salary would have to be greater than the income from the farm,” said a woman focus group participant in a village near Telavi, Georgia. “It should be worthwhile for women to leave their homes to work, but, because salaries are so small, women do not look for jobs.”

TABLE 0.1 Expanding the Toolkit for Labor Market Inclusion Policies Is Key

Policy objectives	Examples of interventions
<p>Connecting people to jobs</p>	<p><i>Addressing governance failures, especially around public sector employment</i></p> <ul style="list-style-type: none"> • System-wide governance reforms • Improving transparency in the process of hiring, firing and rewarding public sector employees through, for example, the professionalization of the civil service, as well as incentives and technology to reduce ghost workers and absenteeism <p><i>Interventions aimed at improving access to information on education and training and labor markets</i></p> <ul style="list-style-type: none"> • Labor market observatories, to provide relevant stakeholders with information that can inform their educational and labor market choices • Professional orientation in the school system and early in the school-to-work transition, to provide youth with information that can influence their educational and labor market choices <p><i>Improving information and networks to access jobs and improve schooling and labor market decision making</i></p> <ul style="list-style-type: none"> • Providing incentives to employers to hire new entrants into the labor market can help bridge some of the information and network gaps that make it more difficult for these groups to access their first job. This can be done through apprenticeships/internships schemes or well-targeted and designed short-term employment subsidies • Intermediation services to help improve job search and provide counseling and matching services, including improvements in public employment services and their relationship with private ones; job fairs, job shadowing and mentoring
	<p>Social norms</p>



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