



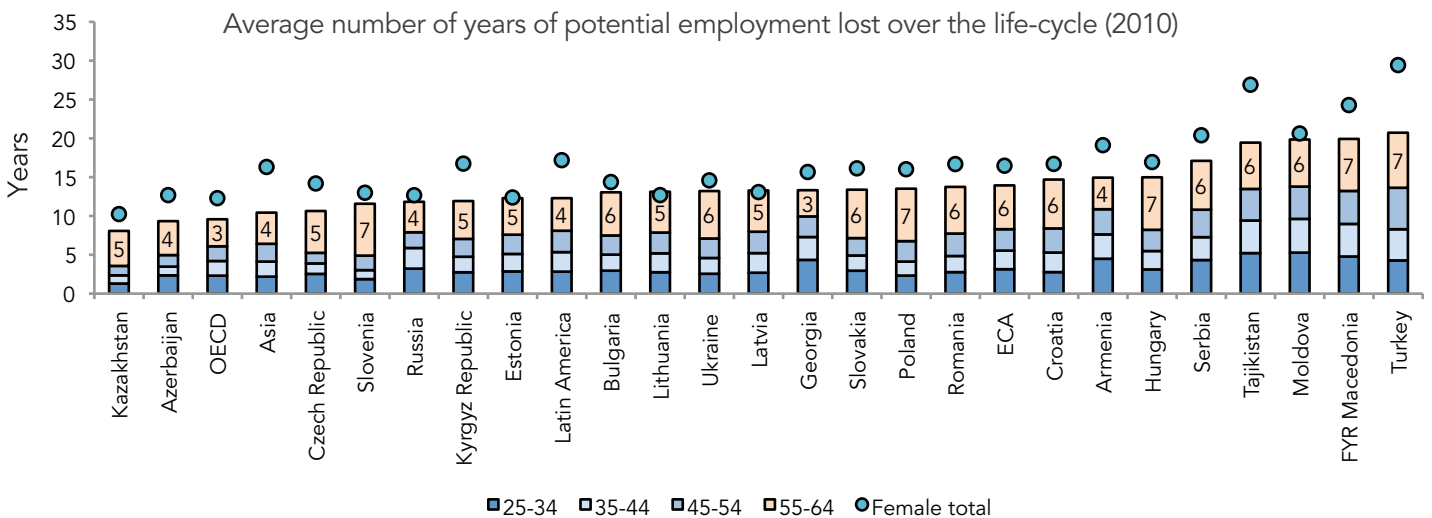
BACK TO WORK

Growing with Jobs in Europe and Central Asia

DISINCENTIVES & BARRIERS TO EMPLOYMENT IN EUROPE AND CENTRAL ASIA

There are too few people working Europe and Central Asia (ECA), particularly among younger and older workers, women and ethnic minorities. Creating jobs requires policies to improve the business environment and provide the right skills to workers. Yet, this is not enough: action is also needed to remove work disincentives embedded in the labor taxation and social protection systems and other barriers that keep people out of productive employment.

Many years of productive employment are lost

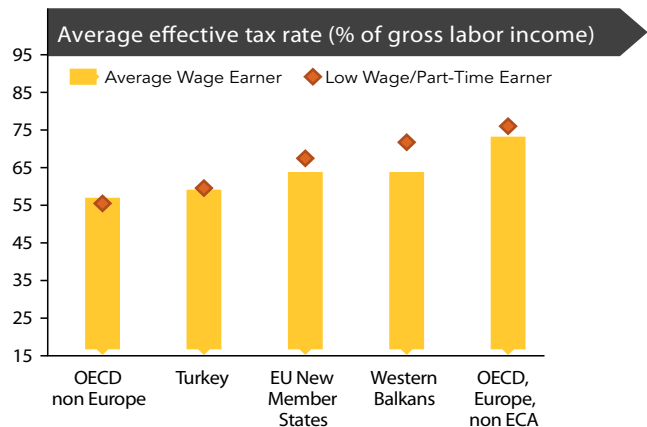


Often, it does not pay to hire workers or for workers to hold a (formal) job

In many countries, it does not pay to work formally due to high and not very progressive labor taxes jointly with design features of social protection systems that remove benefits abruptly or prohibit formal work. Disincentives are higher among low-wage and part-time workers and second-earners in the household (usually women).



A closer look at the graph: Share of gross income of the accepted formal job that is taxed away through income taxes and social security contributions or through lost unemployment, family and housing benefits when accepting a job at average wage or below wage (50% of average wage).



How to get more people into productive jobs?



Reduce labor taxation

Especially among low-wage, part-time & second earners



Improve social protection

To provide smart protection to those in need, continue pension reform and introduce in-work benefits or income disregards

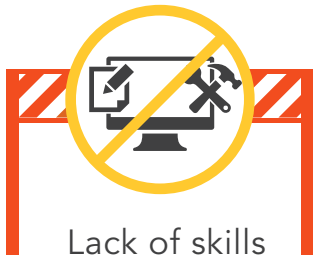


Strengthen active labor market programs

To tailor integrated support based on profiling of beneficiaries and measure results

Addressing barriers keeping people out of work

Multiple barriers, often reinforcing each other, can limit access to employment for younger and older workers, women and ethnic minorities. A comprehensive policy agenda, going beyond labor market policies, is needed.



Lack of skills



Lack of mobility



Lack of child & elderly care



Limited flexible work arrangements



Imperfect access to:
Productive inputs,
Networks + Job info



Negative attitudes + social norms

Going forward, rebalancing longer and more productive work lives with social welfare systems that protect the vulnerable and that help workers in transition, is a critical challenge to prosperity in Europe and Central Asia.

