With 37 million people in informal or vulnerable jobs (a third of the working population), social safety nets in Eastern Europe, Turkey and Central Asia are increasingly under threat. How to reduce that gap? Make it easier to hire by reducing taxes in the formal sector which offers better social protection. But tax polluters and capture some of the 65 billion in illicit cash that’s leaving the region every year, a new UNDP report on the region suggests.

1. A growing middle class

Between 2001 and 2013, the middle class tripled to 90 million people. Growth + relative equality = more effective poverty reduction. Inequalities fell in 10 countries but official statistics generally underestimate income inequality or other types of disparity.

2. But increasing difficulty finding good jobs

37 million  Number of people in precarious jobs. That’s: one third of the workforce, or the entire population of Poland.

20%  Youth employment rates in the Western Balkans. Across region, high taxes are pushing people into informal employment. Some groups find it particularly hard to find a decent job.

Recommendation: Invest in "social protection minimum", (e.g. basic education, minimum wage). Reduce labor taxes but tax polluters and illicit cash to raise additional State revenue.

Estimated budget revenues from a 10 percent tax on mis invoiced trade flows (shares of GDP)

UNDP calculations, based on 2004-2013 Global Financial Integrity, IMF-WEO data (annual averages).
3. Exclusion is on the rise

Women face challenges of discrimination, pay gaps, glass ceilings and large share of unpaid care work (double burden).

Recommendation: Training and access to finance, better access to affordable child care, campaign against stereotypes.

Woman

50% Women’s unemployment rates are 50% above men’s in Kazakhstan

22% Proportion of MPs who are women

Roma but also migrants, youths, people with disabilities and other groups face daily discrimination and stigma.

Men’s life expectancy has declined, and is now below world averages.

AIDS-related deaths have tripled in 15 years: focus on marginalized populations is insufficient.

Recommendation: Establish legal environments that favour public health over punishment

4. Natural resources are declining

6 million hectares of arable land lost around the Aral Sea

Region is well endowed with natural capital but water, forest and other resources are being overused. 97% of all agricultural land in Tajikistan is eroded while Uzbekistan is using 101% of its renewable water.

Recommendation: include measure of sustainability in inequality, promote local ownership of environmental programmes

5. Huge governance challenges remain

In 7 of 12 countries, a majority of people interviewed by Transparency International say governments are run by separate big entities. One third make informal payments to access medical care.

Recommendation: make it easier for SMEs to operate, prevent rather than punish corruption, build more able institutions.