

# TRADE UNIONS AS AN ACTOR OF REGIONAL CITIZENSHIP AND EUROPEAN SOCIAL INTEGRATION OF THE SOUTH CAUCASUS

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Ashot Aleksanyan

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## Introduction

At the beginning of the 21st century, trade unions in the South Caucasus region continue to be involved in cycles of conflict and the struggle for social justice. The period of transition to a market economy changed the entire system of economic and social relations. In the light of reforms and the transformation of the political systems, the trade unions were forced to rethink and restructure their activities. The European social integration contributes to the formation of regional dialogue and regional citizenship in the South Caucasus.

The term “European social integration” refers to the unification of social policy actors, trade unions, and social non-governmental organizations (NGOs), social networks and movement, for the implementation of European social norms and rules, as well as for the qualitative functioning of the social system of the South Caucasus countries. At this stage, one of the indicators of European integration of the South Caucasus is a social dimension, which shows the consistency of social dialogue and partnership among public authorities, civil society organization (CSOs) and business at both national and regional levels. The main goal of European social integration is the rapprochement of national social actors and the formation of prerequisites for the joint solution of social issues in Armenia, Georgia and Azerbaijan.

The South Caucasus is a difficult and conflicting area of “neither peace nor war”, with various problems. Unemployment, low salaries of the workers, delays in salary payment, bad working conditions and safety, and numerous violations by the administration of labour legislation, including unreasonable dismissal of workers, opposition to many new owners of enterprises and organisations of trade union activities, are the most important characteristics of the labour market. Unfortunately, at present the main issues of the trade unions of the South Caucasus are their financial lack of independence and complete administrative dependence. The trade union is not recognized by the employer as an equal social partner and is considered as a fully

dependent organization for the goodwill of the employer. Thus, trade unions should become a factor contributing to the effective functioning of the labour market regulation mechanism.

At the present stage of the European society of knowledge and innovation, a comparative study of the dynamics, trends and features of citizenship and social integration of the South Caucasus is relevant. Even modern ideas about European social integration are a new phenomenon both in the social sciences, and in the behaviour and decision-making of the ruling elites, political parties and civil society organisations in the South Caucasus countries. In this context, it is important to study and apply the experience of the trade union movement and their activity in European countries. European trade unions are a *civiliarchic actor*<sup>1</sup> of the EU’s political system which regulates not only social and labour relations between employers and employees, but also social responsibilities between public institutions and citizens. The countries of the South Caucasus should be socially integrated within the framework of the Council of Europe, the OSCE and the EU in order to preserve political and economic stability, as well as to protect their national development model in the era of globalisation. The accumulated experience of European integration shows that the countries of the South Caucasus have the most favourable social, political, economic and cultural conditions for the formation of consolidated democracies. Obviously, non-fulfilment of European obligations led to a democracy deficit, thereby reproducing new forms of authoritarianism and liberalism. This confirms the hypothesis of the *civiliarchic role* of European institutions in democratization processes, especially at the stage of democratic consolidation. In fact, it is very difficult for European governmental and non-governmental organisations to implement the European social model in the countries of the South Caucasus. There are huge differences among the three countries in terms of political regime, CSOs, and demographic composition,

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1 Meaning that they have an influence on European social policy. The European Trade Union Confederation (ETUC) is actively involved in decisive situations to determine the real social orientation and character of the trajectories of political institutions and processes at the European and national levels. One example of this is the dialogue mechanisms for the protection of social rights and freedoms by the ETUC: “European social dialogue is at the heart of European Union governance. It enables the European social partners to help to define European social standards, and is a fundamental part of the European social model.” (European Trade Union Confederation (ETUC), “European Social Dialogue,” accessed October 10, 2018, <https://www.etuc.org/en/theme/european-social-dialogue>).

size of the public sector and the shadow economy, flexibility of labour markets and other social and economic indicators. But an important and common factor that is identified with the “European” social model is the struggle for equality and a strong welfare state. It is important to note that despite the differences in the social models of the EU member states, the ETUC nevertheless identified five main elements that are common characteristics of the European social model: 1) fundamental social rights; 2) social protection; 3) social dialogue; 4) social and employment regulation; 5) state responsibility for full employment, for providing services of general interest, and for economic and social cohesion.<sup>2</sup>

### Trade unions must be experienced

Since the 1990s, the trade unions of the South Caucasus are in the process of transformation from totalitarian trade unions to democratic trade unions. At this stage of European integration, the crisis of the trade union movement in Armenia, Azerbaijan and Georgia has become apparent, which is associated with the loss of the previous status and influence in the political system, as well as the helplessness and isolation of the worker in front of state power and business. The trade unions of the South Caucasus can be considered prosperous if there is no isolated economic active social groups in the society, since low levels of isolation are an important indicator of the success of the efforts of trade unions and social NGOs.

The trade union movement of Armenia, Azerbaijan and Georgia will face a serious test of its viability in connection with modernisation which will change not only the economy and the labour market, but also social and labour relations. Along with other factors, integration processes will influence the course of modernisation of political systems, since they largely determine the state of affairs in the labour market, the development and realisation

of the labour potential of employees, and social stability. Regional trade unions need to develop strategies and tactics to reflect the changes brought about by European social integration. The implementation of integration projects and commitments is inevitably associated with certain costs, and the task of the trade unions of Armenia, Azerbaijan and Georgia is to prevent employees from becoming the social group on whose shoulders the main burden of change lies. For this, trade unions should use the mechanisms of social dialogue and partnership, collective and contractual regulation of social and labour relations at the macro-, meso- and micro-levels.

Trade unions are especially important for the countries of the South Caucasus, where the majority of the employed and unemployed feel to some extent as victims because of the new social and economic order and the country’s integration into the global economy<sup>3</sup>. The current legislation of Armenia, Azerbaijan and Georgia on labour, social dialogue and partnership, responding to market realities, provides only a minimum of social and labour guarantees, thereby influencing employers and workers to build labour relations on a contractual basis. In this context, the role of trade unions as a legitimate representative of the interests of workers increases substantially since workers are directly affected by and the decisions and negotiations between trade unions and the employers.

The transformation of the political system and market relations, as they take shape in the countries of the South Caucasus, create conflict situations for trade unions. Under these conditions, many leaders and active members of trade unions are not waiting for democratic changes in their work. Instead, they decide to resign their membership in protest and don’t participate in social movements anymore, whereby they weaken the capabilities of their trade unions. Respecting and recognising the individual right to choose the membership of

2 European Trade Union Confederation (ETUC), “The European Social Model,” accessed October 10, 2018, <https://www.etuc.org/en/european-social-model>.

3 Lourdes Benería, “Shifting the Risk: New Employment Patterns, Informalization, and Women’s Work.” *International Journal of Politics, Culture and Society* 15 (1) (2001): 27-53; Peter Fairbrother, “Rethinking trade unionism: Union renewal as transition.” *The Economic and Labour Relations Review* 26 (4) (2015): 561-576; Magdalena Bernaciak, Rebecca Gumbrell-McCormick and Richard Hyman, *European trade unionism: from crisis to renewal?* ETUI Report 133 (Brussels: ETUI, 2014), 90.

the trade union of the organization that best meets their interests, or not to participate in a trade union at all, however, the orientation of the trade unions should be explained to their members. It should be noted that over the years of reforms in the South Caucasus, the trade unions have accumulated considerable experience in actually protecting the interests of their members, and many trade union organisations have become a real organisational force, competently using their rights and opportunities of working people<sup>4</sup>.

The democratic transformations of the countries of the South Caucasus are manifested in the weakness and underdevelopment of trade unions, which partially continue the negative trends since the times of the totalitarian trade union of the former Soviet Union. It must be pointed out that the main functions of the Soviet-type trade unions were completely different from the function of the trade unions of Western European countries, since the duties of the Soviet-type trade unions were party-oriented instead of employee oriented. During Soviet times, trade unions were under the control of the Communist Party which formally implemented the decisions made in advance. The isolation of the former Soviet trade unions from the labour rights and interests of workers has led to the fact that the trade unions of the South Caucasus still have a lot of shortcomings not only at the level of resolving labour conflicts, but at the level of civic culture and social values.

### **Trade Unions vs. Shadow Economy: Who Wins?**

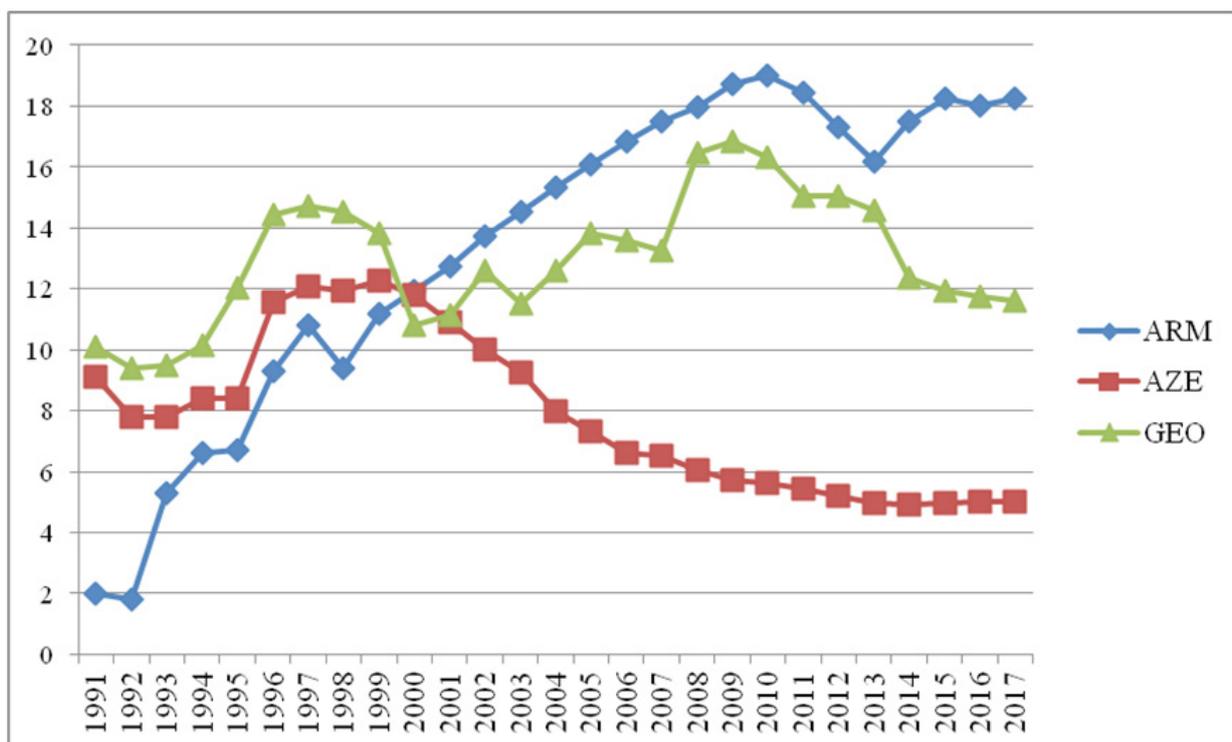
The formation of a shadow economy in the countries of the South Caucasus reflects the general negative trends during the Soviet times which were intensified with the collapse of the Soviet Union, when the introduction of market regulation mechanisms was blocked by the state, corrupt officials and oligarchic monopolies. One of the notable institutional effects of the market transformation in the South Caucasus is a steady

increase in the scale and diversity of the forms of the shadow economy that could also be called a criminalisation of economic life. Since shadow economic activity substantially limits the economic and social potential of reforms by reducing the financial means of state influence on the economy, by contributing to the outflow of money capital abroad, and by predetermining the unfair differentiation of incomes of the population, the danger of social instability is obvious.

Even if the unemployment rate in Armenia, Azerbaijan and Georgia is varying, it has negative economic and social consequences. It increases social tensions and social differentiation, drops in labour activation, weakens the motivation to work, pursues the outflow of qualified workers, and leads to migration.

Cyclic unemployment is inherent in the South Caucasus countries that are experiencing general economic difficulties of a stabilising economy. Periods of employment, followed by periods of unemployment for individual labourers are the main characteristics of the labour market and the shadow economy of these countries. For the period from 1991 to 2017, the problem of growth and the rise in unemployment level requires new ways and approaches to its solution in the region (see figure 1). The unemployment rate in the South Caucasus is highest in Armenia with more than 18.2% in 2017. In the same year, the unemployment rate in Azerbaijan was slightly above 5%, and in Georgia 11.6%. As the economy grows, the situation continues to improve in Azerbaijan, and since 2001 the unemployment rate in Azerbaijan has fallen below the level of 11%. The lowest unemployment rate since Azerbaijan's independence was 4.91% in 2014. Analysing the situation on the labour market in Armenia and Georgia, some concerns are caused by registered unemployment, which for the period 1991-2017 was unstable and fluctuating, thereby fixing several crisis situations. This may be due to problems in the financial sector; however, structural challenges are becoming increasingly apparent in the unemployment

4 Richard Hyman, "How can trade unions act strategically?" *Transfer: European Review of Labour and Research* 13 (2) (2007): 193-210; Daniel Clegg, Paolo Graziano and Christa van Wijnbergen, "Between sectionalism and revitalisation: Trade unions and activation policies in Europe." *Working Papers on the Reconciliation of Work and Welfare in Europe* 7 (2010): 1-28.



**Figure 1.** Unemployment in Armenia, Azerbaijan and Georgia (% of total labour force) (1991-2017)<sup>5</sup>

rates. At the same time, the unemployment rate among rural residents of the South Caucasus countries exceeds the unemployment rate among urban residents.

The essence of the shadow economy in the countries of the South Caucasus is revealed in its function of delimiting social development and destabilisation. The destabilising role of the shadow economy is manifested primarily in the following:

- 1) It leads to the rejection of important macroeconomic indicators, which makes it difficult to manage and regulate the economy;
- 2) It leads to decreasing tax revenues and, accordingly, government revenues, and to a general undermining of the tax system;
- 3) It significantly limits the investment resources of the legal economy, and, accordingly, is one of the reasons for the conservation of its technical base.

In order to achieve stabilisation in the economic sphere, it is necessary to have a feedback which makes it possible to evaluate the productivity of economic policy, and to identify gaps in the legal framework for entrepreneurial activity. This means that it is possible to minimize the negative effects of the functioning of a market economy, thereby ensuring sufficient economic freedom and civilization of social relations. The civilized regulated market is one of the factors of humanization of society, when the state, through social partnership with trade unions and business, seeks to somehow mitigate the influence of the shadow market. In the structure of the shadow economy of Armenia, Azerbaijan and Georgia, unorganised and organised crime stands out. This may or may not be associated with corrupt government officials. Shadow economy<sup>6</sup> covers shadow economic activities which are also carried out, as a rule,

<sup>5</sup> "Unemployment, total", The World Bank Group, 2018, accessed October 10, 2018, <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=AM-AZ-GE>.

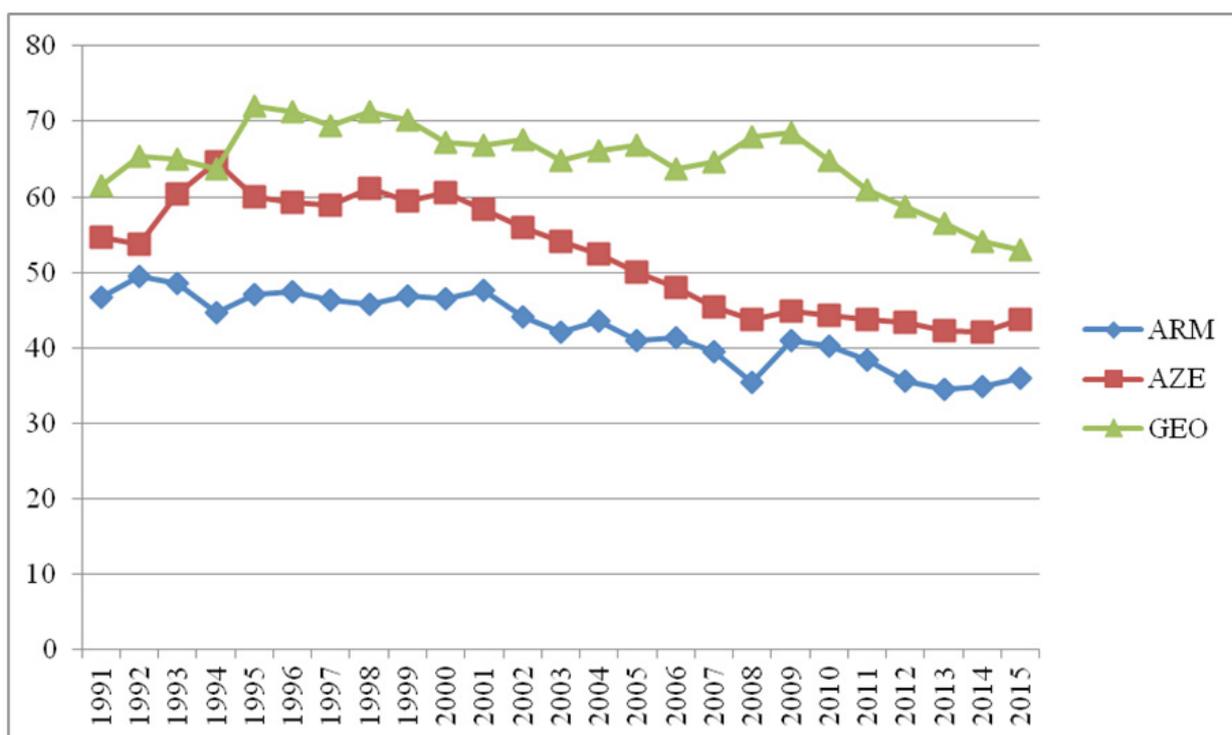
<sup>6</sup> Martha Alter Chen, "Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment." DESA Working Paper 46 (2007): 1-14; Martha Alter Chen, "The Informal Economy: Definitions, Theories and Policies." WIEGO Working Paper 1 (2012): 1-26.

by unlawful methods, in violation of the current legislation of the South Caucasus countries.

The IMF's method of estimating the dynamics of the shadow economy made it possible to improve the accuracy of the ratings and to reveal the size of the shadow economy of the South Caucasus for the period 1995-2017 (% of GDP).<sup>7</sup> According to the integral index of the IMF, it is indicated that there is a long-term downwards tendency of the share of the shadow economy in the GDP of the South Caucasus countries. The condition of equality of weights, multiplied by the variations of the modified estimates of the increase in the share of the shadow economy, thereby ensures the consistency of the integral index of the IMF.<sup>8</sup> These results make it possible to single out the types of countries in the region in terms of the share of the shadow economy,

that is, the shadow economy has the lowest value in Armenia, and the most significant one in Georgia (see Figure 2). According to the IMF, the share of the shadow economy in 2015 in Armenia reaches 35.96%, in Azerbaijan 43.66%, and in Georgia 53.07% (see Figure 2).

Analysing the results, one can see that the share of the shadow economy declined over the period but generally remained high (see Figure 2). If a comparison is made for each country in a given region by year, then a decline in the share of the shadow economy is characteristic for Armenia and Azerbaijan. Estimates of the share of the shadow economy in Armenia, Azerbaijan and Georgia from 1991 to 2017 recorded a fall, a post-crisis growth and its subsequent fluctuations in the range.



**Figure 2.** Shadow economy in Armenia, Azerbaijan and Georgia (% of GDP) (1991-2015)<sup>9</sup>

7 Leandro Medina and Friedrich Schneider "Shadow Economies Around the World: What Did We Learn Over the Last 20 Years?", IMF Working Papers (2018), accessed October 10, 2018, <https://www.imf.org/en/Publications/WP/Issues/2018/01/25/Shadow-Economies-Around-the-World-What-Did-We-Learn-Over-the-Last-20-Years-45583>.

8 See *ibid.*

9 See *ibid.*

## Trade unions as part of the societal security dilemma: Pacification or Securitisation?

Social stability is also a relevant factor for national security as trade unions have to be understood as an integral phenomenon that includes economic, political, military and informational components. The dynamics and nature of the social contradictions and tensions of the South Caucasus show the anthropocentric importance of resolving these issues. The UN, the EU, the NATO, the OSCE and the Council of Europe are trying to prevent wars and armed conflicts, while giving preference to political, diplomatic, economic and other non-military means in the South Caucasus. At the same time, the national interests of Armenia, Azerbaijan and Georgia require the presence of military power sufficient for its defence. The dynamics of the development of trade unions in the South Caucasus show that the economic growth of the countries of the region in recent years has not led to a strengthening of the social status of the worker. Neither the improvement of social welfare of workers, nor the new Labour Code, nor even Armenia's, Azerbaijan's and Georgia's membership in the ILO were capable to set new institutional frameworks for labour relations or introduced fundamental, qualitative changes in the humanisation of the social sphere. The issues of the trade unions are quite politicised, since they are inevitably connected not only with cohesive opposition and labour conflicts, but also with the military-political situation in the region. In the research of this politicised and ideologically sensitive topic, the EU vector in the direction of supporting social integration of the South Caucasus acquires particular importance<sup>10</sup>.

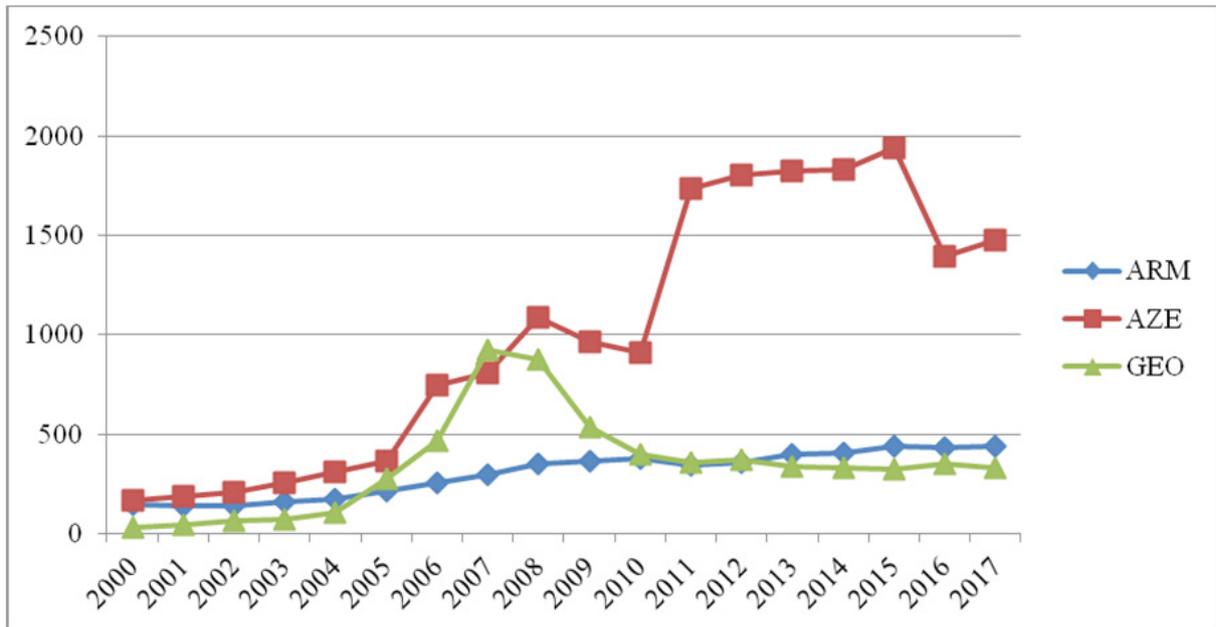
In the process of the collapse of the totalitarian system of the former USSR, ethnic and political violence increased in the South Caucasus, where ethnic, religious and territorial problems existed even before the USSR. The enmity between Azerbaijanis and Armenians in the Nagorno-Karabakh Autonomous Oblast (NKAO) lasted for centuries. However, the current phase of armed conflict and war in the NKAO

began in 1988 after reports of reunification with Armenia and the creation of a national movement to protect the rights and freedoms of the Armenian population. The fighting and the war were stopped and a cease-fire agreement was signed thanks to OSCE engagement - flanked by the UN and the Council of Europe - in May 1994. At the same time, the process of peace negotiations between Armenia and Azerbaijan was initiated and continues through the mediation of the OSCE Minsk Group. Since 1992, negotiations on the peaceful settlement of the Nagorno-Karabakh conflict have been conducted with the full participation of all involved parties and with full support of the UN, the Council of Europe, the EU and NATO.<sup>11</sup>

In Georgia, the crisis of political leadership and internal political disintegration processes has exacerbated conflicts in South Ossetia and Abkhazia. The political leadership of the autonomous region of South Ossetia sought to raise the status of the region through its reunification with the North Ossetia Autonomous Republic, which was part of the Russian Federation. In Abkhazia, the leaders of the Abkhaz national movement refused to recognize the authority of the Georgian political leadership in Tbilisi, and even before the collapse of the USSR there were attempts to raise the political and legal status of Abkhazia. After the collapse of the USSR, the new Abkhaz elite demanded a new status from Georgia in the format of a free federation. The escalation of tensions over the political and legal status of Abkhazia resulted in the 1992-1993 war. In this case, with the assistance of the UN, the Council of Europe and the OSCE under the mandate of the Commonwealth of Independent States, in 1994 a peacekeeping force was deployed on the ceasefire line between the opposing sides. It should be noted that the negotiations on the issue of political and legal status did not lead to any significant result, and the coordinating role of Russia negatively influenced the resolution of the conflict. Evidence of this was the August conflict of 2008 and the declaration of independence of South Ossetia and Abkhazia with the support of Russia.

10 Anna Cornelia Beyer, "Abolishing the Security Dilemma: Why we need to integrate the militaries." *Cambridge Journal of Eurasian Studies* 2 (2018): 1-20; Zoran Slavnic, "Political economy of informalization." *European Societies*, 12 (1) (2010): 3-23.

11 OSCE, "OSCE Minsk Group", accessed October 19, 2018. <https://www.osce.org/mg>; OSCE, "Mandate for the Co-Chairmen of the Minsk Process (Issued by the Hungarian OSCE Chairmanship, 23 March 1995)", accessed October 21, 2018. <https://www.osce.org/mg/70125>.



**Figure 3.** Military expenditure by Armenia, Azerbaijan and Georgia (in constant (2016) US\$ m.) (2000-2017)<sup>12</sup>

More importantly, the “frozen conflicts” pose a threat to the social model of the South Caucasus. In particular, for Armenia and Azerbaijan there are few opportunities for further European integration. In any case, the Council of Europe, the OSCE and the EU as a whole have made a constructive contribution to the phased integration and cooperation, as well as the preservation of regional stability. Considering the complexity of the regional situation, it can be argued that European social integration processes are key aspects for minimising the military tensions of the national security systems of Armenia, Azerbaijan and Georgia. At this stage, the consensus of the integration processes on the part of the EU aims at unifying the peculiarities of the strategy of the South Caucasus countries, as well as at creating a joint mechanism of social and economic security. This will make possible, through European integration, to resolve issues of sustainable development in the South Caucasus in the medium and long term. In this regard, the EU integration policy plays a significant role in ensuring regional peace and

stability, on the one hand, and, on the other, can deter not only the violation of stability and tensions, but also conflicts of interests and new crises.

When comparing the main conceptual aspects of military doctrines and security strategies of Armenia, Azerbaijan and Georgia, the differences between them become clear. The discourse on issues of stability and the future development of the South Caucasus is closely linked to militarisation, modernisation of the army, and an increase in military spending. Unfortunately, due to the military-political strategy, the countries of the South Caucasus lack a common approach to the problem of regional security. In this context, the South Caucasus remains to be an explosive region, since the situation can drastically change also due to the geopolitical instability of neighbouring countries (Iran, Turkey, Russia, Middle East countries).

The maintenance of the army, the provision of its weapons, food and uniforms has always been one of the most important concerns in the South Caucasus, a necessary and forced state

<sup>12</sup> Military Expenditure Database, Stockholm International Peace Research Institute (SIPRI), accessed October 10, 2018, <https://www.sipri.org/databases/milex>.

need, expressed, as a rule, in significant amounts of expenditures. The trend of constant growth of government spending on national defence is becoming universal in the South Caucasus. It is observed both in conflict situations and in the post-war period, in which most of the GDP is spent on meeting the needs of the army. In 2017, the total military expenditures of GDP in Armenia were 4%, in Azerbaijan 3.9%, and in Georgia 2.2%.<sup>13</sup>

According to the Global Militarization Index for the period 1990-2016, Armenia and Azerbaijan are distinguished by a high level of militarisation in Europe, which is due to the unresolved Nagorno-Karabakh conflict and the strengthening of its armed forces<sup>14</sup>.

The successful implementation of the new design of European security is crucial for the strength of social integration in Armenia, Azerbaijan and Georgia. In this regard, the most effective measure for social integration of the South Caucasus is the “functional redistribution” of roles between existing institutions of the Council of Europe, the OSCE, the EU and the NATO in accordance with the main directions of European security: social security, economic and energy security, external security, security within the European region, international legal and humanitarian security. The unsuccessful restart of the Russia – US relations, the escalation of the sanctions policy, the unsettled Armenian-Turkish and Armenian-Azerbaijani relations, and the tense Russian-Georgian relations are the main negative factors of instability in the region. Moreover, it will be much more difficult to confront these negative factors of the South Caucasus countries individually, and the consequences will be more painful than in the case of joint efforts of the parties.

## Conclusion

- There are two necessary conditions for a European social integration of Armenia, Azerbaijan and Georgia: first, effective partnerships between trade unions and their interest in the European social dialogue issue; and second, active

cooperation with the ETUC and the implementation of European standards for the protection of social rights and freedoms. If we assess the role of the trade unions of the South Caucasus from these positions, it turns out that they, as a rule, have no specific duties and responsibilities to employers. Therefore, assuming the responsibility to work to increase labour productivity, trade union organisations of companies orient employers to improve the work of protecting the interests of workers, thereby increasing the social responsibility of business.

- The market requires an increasing level of responsibility in business relations, expanding the sphere of social responsibility in the countries of the South Caucasus. However, as practice shows, the level of social responsibility in South Caucasian societies does not increase, but - on the contrary - decreases. This is acutely felt in the economic sphere, especially in medium and large businesses. With an insufficiently developed responsibility, even a part of the entrepreneurial structures of the business as a whole will not be civilised nor be able to take a worthy place in the development of a socially oriented economy in the formation of a civil society in the region.
- Social aspects of labour, rights and freedoms remain undeveloped, and positive changes in social well-being were associated only with insignificant activity of trade unions, which were mainly associated with periods of improved economic resources of governments. Unfortunately, trade union membership in Armenia, Azerbaijan and Georgia is still problematic, when the trust and level of membership in trade unions of the economically active population is much lower. This means that trade unions must uphold and protect the rights and freedoms of workers, as well as guarantee social dialogue and social partnership.

13 “Military Expenditure Database,” Stockholm International Peace Research Institute (SIPRI), accessed October 10, 2018, <https://www.sipri.org/databases/milex>.

14 Global Militarization Index (GMI), Bonn International Center for Conversion (BICC), accessed October 10, 2018, <https://www.bicc.de/research-clusters/project/project/global-militarization-index-gmi-43>.

- Social responsibility is an integral element of the EU trade union movement. In this context, as a regulator of social relations, social responsibility should be strengthened with the division of labour, which gave rise to the need to exchange activities and their results. With the evolution and European social integration of South Caucasian societies, responsibility should become the leading quality of social and economic, political, cultural and other relations. Its improvement is a prerequisite for sustainable development. From the point of view of European integration, special attention should be paid to the fact that the processes of democratisation and modernisation in Armenia, Azerbaijan and Georgia should be viewed in the context of sustainable development and increasing the social significance of strategically important resources, in which the main world and regional powers were involved.
- In the period when the place and role of Armenia, Azerbaijan and Georgia was determined in the model of European social integration, when these countries underwent reform processes with an attack on the rights of workers in the national trade union movement, unfortunately, there were no uniform approaches to understanding the movement and its place in the system of social partnership.
- The current foreign policy of Georgia differs from Armenia and Azerbaijan mainly in the pro-European vector, which is due to the development and deepening of integration processes with the EU, Western European countries, the US and NATO.
- The characteristic features of the social policy of Armenia and Azerbaijan reveal the so-called contradiction of democratization, that is, the failure to fulfil social obligations to the UN, the Council of Europe, the OSCE and the EU in the field of human rights, the rule of law and civil society. If in 2018, after the Armenian Velvet Revolution, the situation began to change in a positive direction, in Azerbaijan, contradictions in social policy continue to intensify. The reason for this is the increasing role of the administrative regime and oligarchies in the process of making and implementing foreign policy decisions in Azerbaijan.
- It is obvious that multi-vector policy in the foreign policy of Armenia, Azerbaijan and Georgia is a condition for the effectiveness of their political course of European integration and stability in the development of both the national and regional levels.
- The transition economy of the South Caucasus is characterized by a relatively high share of the shadow economy which contains a social risk for the welfare of society and trade unions. The informal economy limits and hinders trade unions to participate effectively in the regulation of social and labour relations, thereby reducing the anthropocentricity of bilateral and tripartite agreements, collective agreements, and others. The shadow economy leads to differentiation in the standard of living of the population, is tough and indifferent to poor people, and does not provide social protection for the population. In such situation trade unions cannot influence the social consequences of the labour market: low real wages, unemployment, inhuman attitudes, poverty of certain groups of the population, social injustice, non-provision of a minimum standard of living, and others. The principles of free competition without the active participation of trade unions do not ensure the observance of civilized rules and norms of behaviour of social partners in the countries of the South Caucasus, which leads to undesirable effects.

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