

ILO Online - No. 6 - Friday 9 March 2007

Labour markets in Central and South Eastern Europe: positive trends, persisting problems and new challenges

A new ILO study says that economic growth has accelerated in Central and South Eastern Europe after 2000, but it has not adequately translated into employment creation. The positive economic trend also coincided with a relative worsening of youth unemployment and decreasing protection at the workplace. The study argues that an approach combining flexibility and security is the most relevant for the region and suggests appropriate reforms of economic, labour market and social policies. ILO Online spoke with the co-authors and editors of the book, Sandrine Cazes and Alena Nesporeva.

ILO Online: Central and South Eastern European countries have undergone significant changes since the late nineties...

Alena Nesporeva: Labour markets in Central and South-Eastern Europe have moved from the difficult transition process marked by massive job destruction and only a limited creation of new jobs in the 1990s to a stabilization and liberalization phase in the first years of this century. In contrast to the 1990s, labour markets patterns in the new and the old member States of the European Union are now converging. The incidence of flexible forms of employment, in particular fixed-term contracts, is increasing. Employment protection legislation has been further liberalized to reach OECD levels, while protection of workers through collective bargaining has weakened as a result of declining unionization and the decreasing coverage by collective agreements. However, this lower level of job security has only partially been counterbalanced by increasing employment and income security through better access to job mediation, retraining and other programmes promoting re-employment of laid-off workers and longer paid unemployment benefits.

ILO Online: Yes, hasn't economic growth accelerated in the region and coincided with declining unemployment?

Sandrine Cazes: This is true but employment increased in only five of the Central and South-Eastern European countries and even there only modestly, so one can speak of "jobless growth" across the region. Employment levels remain below the levels of the old EU member States. The fall in unemployment continued to feed inactivity more than employment. Another important factor reducing the impact of unemployment has been labour migration, which has accelerated since the enlargement of the EU in 2004. The most worrying labour market situation up until recently was in Poland, with the unemployment rate reaching almost 20 per cent in 2002-03 despite good economic performance. Employment in Poland was on the decline until 2004 and started rising only in 2005. The last two years have finally recorded a significant reduction in unemployment, but with labour migration estimated to include well over one million of Poles.

ILO Online: But is there a general trend towards stabilization of labour markets in the region?

Alena Nesporova: Stabilization of labour markets has been confirmed by a decline of labour turnover since 2000 in all the countries for which we have data and a slight lengthening of average job tenures. If we look more closely at job tenures, we see a trend toward further labour market segmentation - a higher share of workers staying less than one year or more than 10 years with the same employer. In the first group, we find mostly workers of prime age and with higher skills enjoying full-time contracts without limit of time and, in the second, young or older workers, typically less skilled, who are trapped in temporary jobs.

ILO Online: What kind of workers face the highest barriers to labour market entry or re-entry?

Alena Nesporova: Young persons, older workers, ethnic minorities, low-skilled workers, women returning from maternity leave and persons with health problems. Many are pushed to use the available less and less generous social welfare schemes and a number of them are also involved in informal work to make ends meet.

ILO Online: What about the situation of women workers in the region?

Sandrine Cazes: Gender differences in labour market participation and employment rates persist across the region. However, there has been a slight tendency towards this gap closing in the case of labour market participation, while the opposite has been observed for employment since 2000. The unemployment situation has also improved more for men than for women. In terms of employment, men have thus benefited slightly more than women from economic growth.

ILO Online: What about wages?

Alena Nesporova: Many countries have tried to increase the attractiveness of work by increasing the basic minimum wage as compared with unemployment and social benefits. Income protection against risks of enterprise insolvency and bankruptcy has been ensured by establishing wage guarantee funds in an increasing number of countries in the region.

ILO Online: What are the implications of your findings for economic and social policies in Central and South-Eastern Europe?

Sandrine Cazes: Addressing jobless growth is the most important challenge for employment policy in the region. It is up to the government together with the social partners and representatives of vulnerable social groups and jobless persons to determine their country's employment and social development. Through dialogue, they must decide whether the country will shape its economic and social policy in line with the EU Lisbon Strategy and the ILO Decent Work Agenda towards a triple objective of full and decent employment, higher labour productivity, and social cohesion and inclusion, or whether it will remain driven by predominantly economic goals.

This book shows how this can be achieved through a “flexicurity” approach combining a more flexible labour market with stimulation to a secure move towards new, more productive, jobs and protection against fall into protracted unemployment and poverty. It provides an answer to the dilemma of how to maintain and improve competitiveness while it makes at the same time full use of the potential of social policy as a productive factor. However, there is no one-size-fits-all flexicurity model, and different combinations of flexibility and security can be of service to both employers and workers in different national contexts. Although the balance can be delicate, the pursuit of win-win strategies for both employers and workers lies at the heart of this concept.

^{*/} Sandrine Cazes, Alena Nesporova (eds.), *Flexicurity: A relevant approach for Central and Eastern Europe*, International Labour Office, Geneva, 2007.