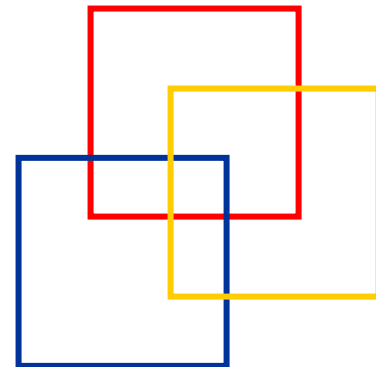




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Labour Market Institutions and Policies: Do they matter in the Western Balkans?

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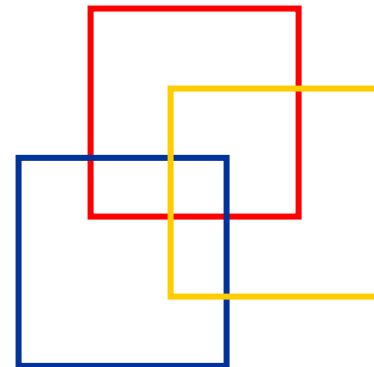




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Outline of presentation

1. **Labour market institutions and policies in the Western Balkans: how do they compare to CEE and EU countries?**
2. **The Role of LMI, social dialogue and labour taxation in LM developments, *the evidence from CSEE countries***
3. **Policy recommendations**



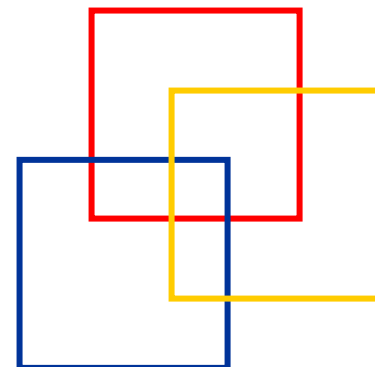


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1. LM Institutions and Policies-EPL

- Liberalization of EPL in hope of boosting employment and new recruitments

	mid/late90s	2007
● Albania	2.6	2.1
● BiH	3.2	2.6
● Croatia	3.6	2.7
● FYROM.	2.8	3.1
● Montenegro	2.9	2.2
● Serbia	2.9	2.2
● Bulgaria	2.8	1.9
● Romania		3.0





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Country	Index for contracts without limit of time	Index for temporary contracts	Index for collective dismissals	EPL Summary index
Albania	1.8	1.9 (3.3)	3.4	2.1
BiH	2.0	2.9	3.3	2.6
Croatia	2.7	2.8	2.5	2.7
FYRO Macedonia	2.1	3.8 (4.5)	3.8	3.1
Montenegro	2.6	1.1 (1.8)	3.8	2.2
Serbia	2.0	1.9 (3.3)	3.6	2.2
Bulgaria	1.8	1.1	4.1	1.9
Romania	2.3	3.1	4.4	3.0
WB average	-	-	-	2.5
EU-14*	2.3**	2.0**	3.4**	2.4**
New EU-8	2.6**	1.2**	3.4**	2.2**



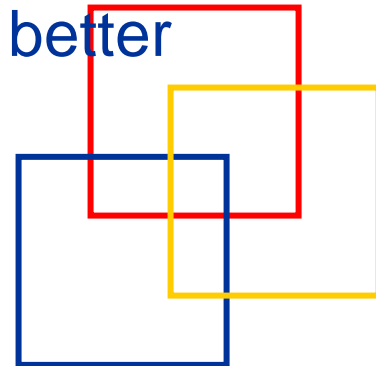
Country	UB as % of average wage	Share of registered unemployed receiving benefits	Total expenditure on labour market policies as % of GDP	Of which on active measures	Payroll tax as % of wages contributed by employers and workers	Tripartite Laboratory Organization
Albania	18	7	n.a.	0.028	41.9	22
Fed of BiH	40	1.7	n.a.	n.a.	47.3	68
Rep. Srpska	26	2	n.a.	n.a.	52	66
Bulgaria	33	20	0.97	0.67	42.7	25
Croatia	25	22	0.55	0.06	37.2	42.5
FYROM	50	12	n.a.	0.09	32.0	45
Serbia	60	9.6	n.a.	0.12	20.9	41
Slovenia	39	24	1.00	0.44	38.0	42



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1. LM institutions and policies-LMP

- Significant differences among the countries (UB schemes, expenditures on LMP and its distribution between active and passive policies)
- UI schemes not very generous (replacement rate + coverage rate)
- In general spending on LMP as % GDP very limited and significantly lower than in EU-15 countries
- Weakening of workers' EP at workplace not sufficiently compensated by income support in unemployment, broader access to ALMP or better assistance by PES

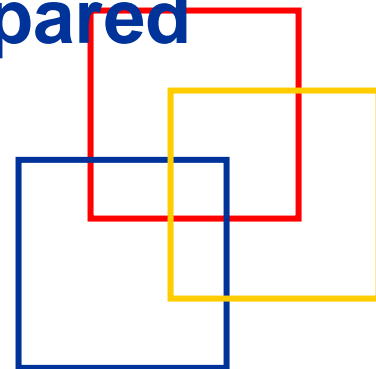




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1. LM institutions and policies- TU

- Trade unions are rather weak in many of these countries (but cross-countries differences)
- Weak bargaining power due to low coordination
- Labour taxation as % of wages slightly reduced but remains very high compared with EU-15 and OECD.



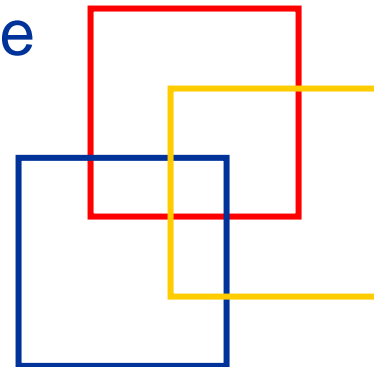


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2. Do Labour Market Institutions & Policies matter?

Finding from multivariate analysis (late 90s):

- No statistically significant impact of EPL on the aggregate, long-term and youth unemployment rates in CEE countries.
- Significant impact of EPL on employment and LFP; in *CEE* countries results indicate that more protection/better law enforcement could contribute towards better labour market outcomes.
- Labour market outcomes improved by collective bargaining and ALMPs.



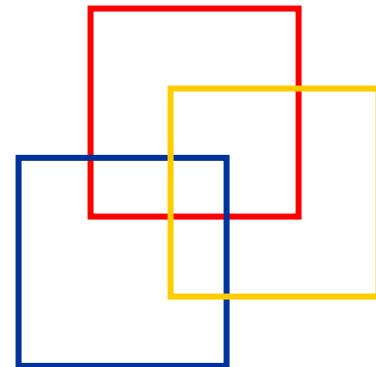


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2. Do Labour Market Institutions & Policies matter?

Finding from multivariate analysis (2003):

- EPL still has no significant impact on the aggregate, LT and youth unemployment rates
- No more impact of EPL on E and LFP; converging patterns of the new EU member and candidate countries with “OECD” countries.
- Labour market institutions that matter: ALMPs and labour taxation
- Collective bargaining coverage lost its econometric significance

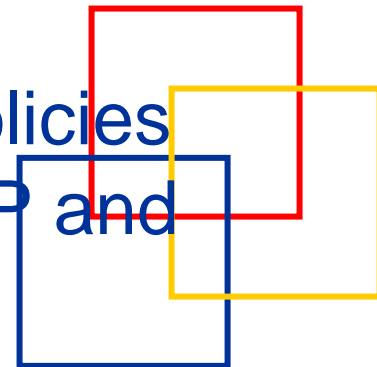




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3. Policy Recommendations

- Policies promoting (and strengthening) the role of social dialogue, LM stability and higher E, rather than pure deregulation should clearly be on the agenda of SEE countries
- Need for better enforcement of labour legislation
- Key labour market institutions on which policies of SEE countries should be focused: ALMP and social dialogue/collective bargaining

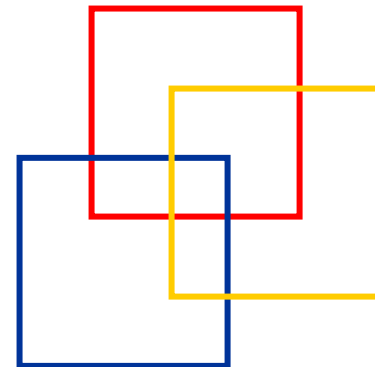




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3. Policy Recommendations

- Countries may consider reduction of payroll taxes in order to boost employment and further reduce unemployment, and in particular youth and long-term unemployment.
- Need for further social dialogue on policies, which would establish a balance between flexibility and workers' security acceptable for all parties: flexicurity as an option?





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Country	Year	Index for contracts without limit of time	Index for temporary contracts	Index for collective dismissals	EPL summary index
Albania	1995	2.1	3.0	2.8	2.6
Bosnia&Herzegovina	2003	1.8	3.1	3.3	2.6
Croatia	2003	2.7	2.8	2.5	2.7
FYRO Macedonia	2003	2.0	3.1	4.0	2.8
Serbia&Montenegro	2001	2.2	3.1	3.8	2.9
Bulgaria	2003	2.1	0.9	4.1	2.0
Romania	2003	1.7	3.0	4.8	2.8
Western Balkans average	See above	2.2	3.0	3.3	2.7
EU7 average	2003	2.6	1.2	3.3	2.1
EU15 average	Late 1990s	2.4	2.0	3.4	2.4
OECD average	Late 1990s	2.0	1.8	2.5	2.0

