

# Comparative overview of labour market characteristics: South Eastern Europe and the EU

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# Structure of presentation

- Still disappointing labour market performance in SEE
- Increasing flexibilization of employment relations and deepening labour market segmentation
- Slowdown of labour market dynamics
- Countercyclical development of labour turnover persisting

**GDP and employment trends, 1995 – 2006** (growth rates in %)

Country/region	GDP		Employment	
	1995-99	2000-06	1995-99	2000-06
Albania	4.7	5.8	-1.6	-2.2
Bosnia&Herzeg.	28.1	5.1	38.8	-0.9
Croatia	3.5	4.8	-1.0**	0.4
FYR Macedonia	2.6	2.4	-1.4	0.6
Montenegro	n.a.	3.5	n.a.	0.4*
Serbia	n.a.	5.3	-0.8***	-0.6*
Bulgaria	-2.3	5.4	-1.5	1.5*
Romania	-2.0	6.1	-1.8	-1.4*
Slovenia	4.4	4.0	-0.7	0.5
EU 10	2.9	4.6	-0.7	0.1
EU 15	2.5	2.1	1.3	0.9



## Unemployment trends, 2000 – 2006 (unemployment rates in %)

Country/region	2000	2002	2004	2006
Albania	16.8	15.8	14.4	13.8
Bosnia&Herzeg.	39.4	42.7	44.9	47.7
Croatia	16.1	14.8	13.8	11.1
FYR Macedonia	32.2	31.9	37.2	36.0
Montenegro	n.a.	n.a.	27.7	...
Serbia	12.1	13.3	18.5	20.9
Bulgaria	16.4	18.1	12.1	9.0
Romania	7.2	8.4	8.1	7.3
Slovenia	6.7	6.3	6.3	6.0
EU 10	12.6	13.9	12.9	10.1
EU 15	7.6	7.5	8.0	7.4

# Increasing flexibilization of employment relations

- The share of flexible forms of employment is rapidly increasing, in particular temporary employment. In EU-15 its share in total employment grew from 13.7% in 2000 to 14.7% in 2006, in new EU countries from 6.3% to 8.7% (of which in Poland from 5.8% to 27.3%), in Western Balkan countries this tendency was even more rapid: in Croatia from 10% to 13% and in Macedonia from 10% to 18%. Shortening of duration of fixed-term contracts.
- The proportion of self-employment varies widely with high levels in South European countries in general and in countries with large agriculture depending on small family farms like in Poland or Romania while low levels of self-employment are typical for North European countries and for countries with large industrial sector. While in EU-15 self-employment remains on average stable around 15%, in new EU countries its level has been declining since the 2<sup>nd</sup> half of the 1990s and reached 19.3% in 2006. In Western Balkans, self-employment also has a declining tendency – in Macedonia from 13% in 1997 to 10.9% in 2006, in Croatia from 21.1% in 1998 to 18.3% in 2006.
- Agency work is also on the increase although still kept within 2% of total employment.
- In contrast, incidence of part-time employment remains low – below 10% - due to its unpopularity among employers and workers, while in EU-15 it is increasing and reached 20.8% in 2006.

# Deepening labour market segmentation

- However, the main evidence of labour market flexibilization has been an increase in informal employment during the transition period.
- The incidence of flexible forms of employment is particularly high among young workers, older workers, women with small children, unskilled workers, migrant workers and other vulnerable groups. While for some of them this is a preferred option due to their studies, health problems or family responsibilities, it also points to a deepening labour market segmentation, with core workers of usually prime age, relatively well protected against employment termination by contracts without limit of time and covered by social security schemes, and peripheral workers with less secure contracts or working without any formal contracts, with limited or no coverage by social security.

# Slowdown of labour market dynamics

- Labour turnover has declined since 2000, indicating a certain stabilization of national labour markets after the period of extensive enterprise restructuring in the 1990s in the new EU member countries. Both accession and separation rates have fallen, suggesting that enterprises no longer resort to mass redundancies (or forced 'voluntary quits') but were still up until recently unable to create and fill many new positions.
- The labour market stabilization has also been confirmed by an increasing job tenure. However, the increasing shares of job tenures under 1 year and over 10 years at the cost of job tenures in-between are an additional proof of labour market segmentation.

# Business cycle and labour turnover

- In economically advanced countries labour turnover typically accelerates in periods of economic growth, largely for supply-side reasons.
- In the CEE countries, however, up until now labour turnover has decelerated in periods of economic growth and picked up during recession. This continuing tendency towards a counter-cyclical development of labour turnover may be explained by still low demand for labour but also by workers' behaviour, which in the context of weakened workers' rights and protection against unemployment and significant income loss in joblessness, are reluctant to quit their jobs voluntarily for new ones, even during economic boom. The perception of insecurity by workers in the CEE countries, confirmed also by several European surveys, thus leads towards slowing down of desired reallocation of labour to more productive jobs, with negative effects on labour productivity dynamics and economic growth.
- This confirms that flexibility without security does not lead towards better labour market performance. Therefore it is important to find the right combination of adjustment flexibility for enterprises, to enable them to create new jobs, and employment and income security for workers, to support their motivation to engage in productive work, to improve their skills through training and if necessary to move to new jobs.

# Labour turnover

