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**Youth Employment In Central And East
European Countries. A Regional Perspective**

Work in progress

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Motivation of theme

- *«I cannot and will not accept that Europe is and remains the continent of youth unemployment. I cannot and will not accept that the millennials, Generation Y, might be the first generation in 70 years to be poorer than their parents.[...] We will continue to roll out the Youth Guarantee across Europe, improving the skillset of Europeans and reaching out to the regions and young people most in need.»*
- European Commission **President Jean-Claude Juncker**, State of the Union Address, 14 September 2016

SCOPE

- *Our paper* aims analyzing a group of determinants of young unemployment in Central and East European Countries: policies and institutions .
- The determinants are: cooperation in labor-employer relations, flexibility of wage determination, hiring and firing practices, reliance on professional management, women in labor force, labor market efficiency indicator .

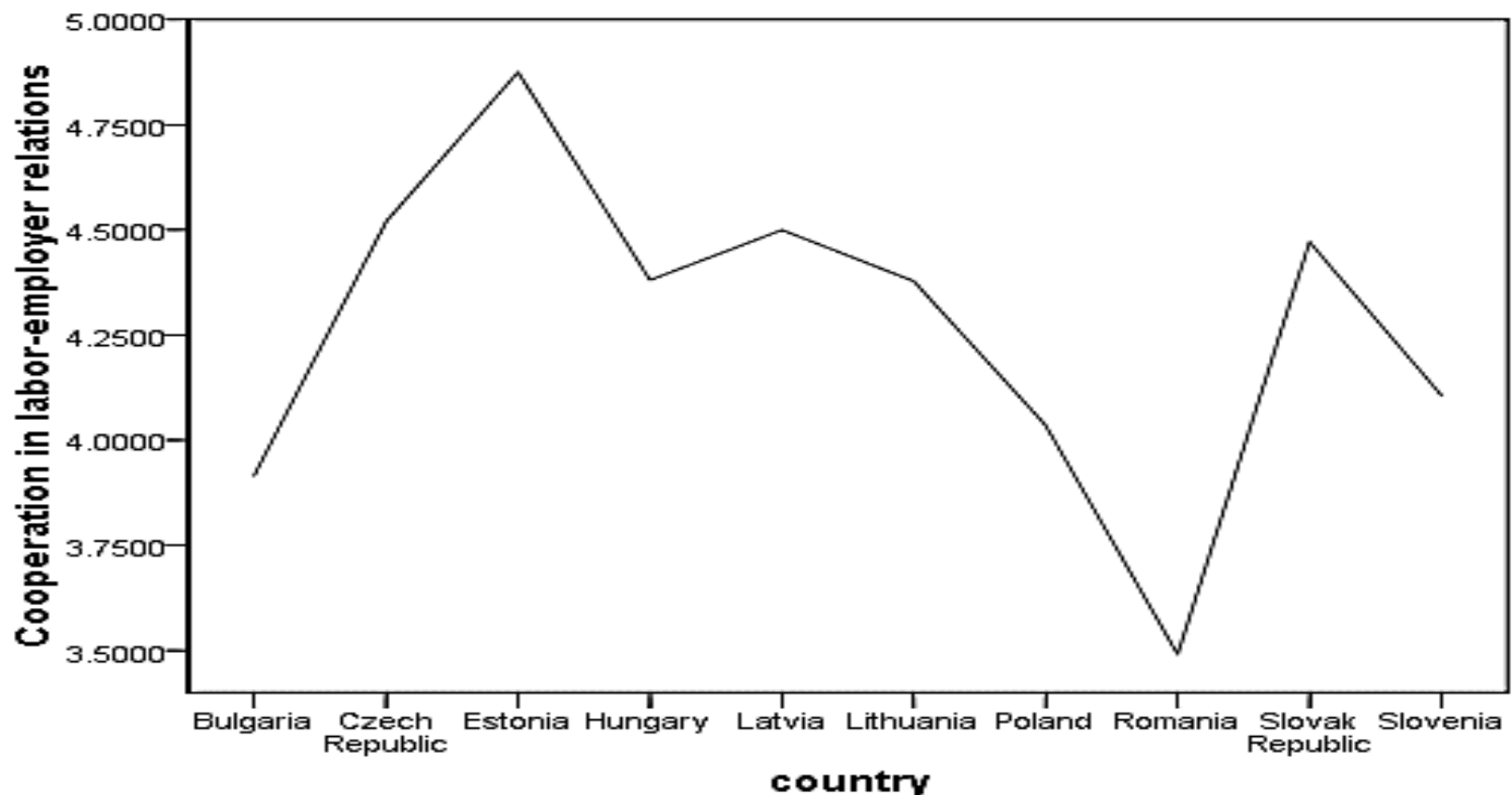
Introduction

- The young unemployment rate is measured using the percentage of young unemployment (15-24 year's old) in the labor force. The data was collected from International Labour Organization and Romanian Institute for Statistics (INSSE).
- For the other variables we have used data from Transparency International, Fraser Institute and Eurostat. Our dataset includes annual observations stretching from 2007 to 2015.
- The analyzed countries are the Central and Eastern European Member countries, namely: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia.

Used Variables

	Minimum	Maximum	Mean	Std. Deviation
Cooperation in labor-employer relations	3.1695	5.1723	4.267328	.4396404
Hiring and firing practices	2.2892	4.9488	3.647700	.5699465
Flexibility of wage determination	3.8429	6.2320	5.383565	.5616473
Redundancy costs	3.0000	40.0000	19.486843	10.6023962
Pay and productivity	3.4856	5.4520	4.467819	.4365938
Reliance on professional management	3.2741	5.5023	4.452163	.5674145
Women in labor force, ratio to men	.7801	.9490	.852812	.0490288
Labor market efficiency indicator	3.9288	5.1138	4.456657	.2719440

The type of collective work relationships - *the cooperation* positively influences productivity, while a conflictual one generates a disadvantageous business environment which may lead to an endangered output.



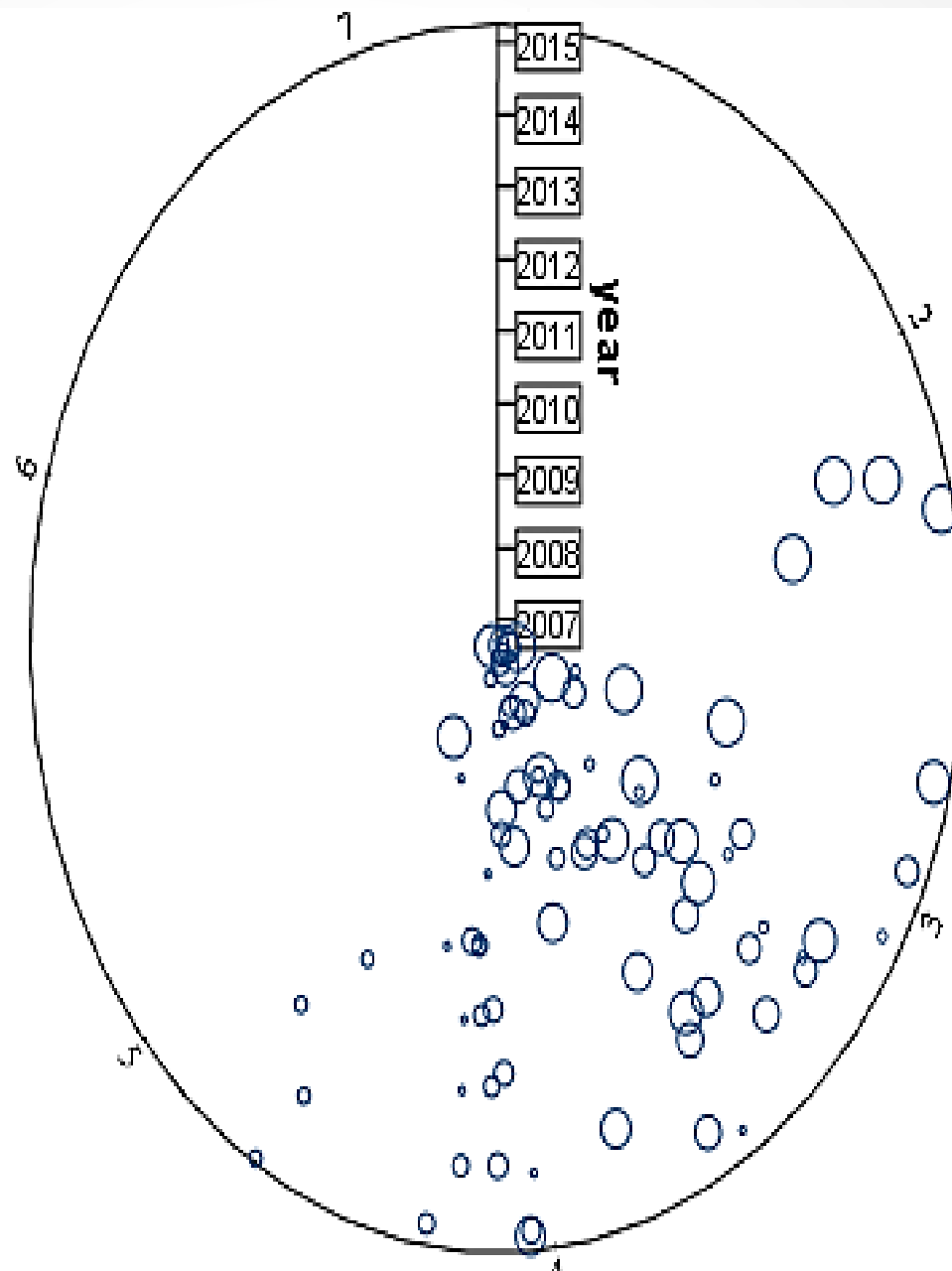
- In countries with **high values for cooperation** usually are dominated by the sense of joint responsibility for the entrepreneurship's performance and of the need of employees' participation in decision making process and labor organization.
- This scenario brings on front **two important postulates**: first, employers consider that labor innovativeness is significant and, second, employees' participation in decision making process brings business profits.
- **Confrontational collective work relationships** are characterized by lower productivity, strike threatens and higher associated costs.

Country rank change and associated values for cooperation in labor-employer relations in ECE, 2007-2015

Country	2007	Country	2009	Country	2011	Country	2013	Country	2015
RO	3.33	RO	3.65	RO	3.58	RO	3.17	RO	3.73
BG	3.97	BG	3.82	BG	3.85	SI	3.86	SI	3.74
PL	4.02	PL	3.86	PL	4.08	BG	3.94	BG	3.90
SI	4.35	LV	4.30	H	4.10	PL	4.01	SK	3.96
LT	4.49	H	4.39	LV	4.26	SK	4.04	PL	4.01
CZ	4.74	SI	4.49	SI	4.29	H	4.10	LT	4.12
LV	4.77	LT	4.55	LT	4.38	LT	4.30	H	4.29
EE	4.92	CZ	4.63	CZ	4.55	LV	4.31	CZ	4.52
H	5.07	SK	4.81	EE	4.55	CZ	4.37	LV	4.82
SK	5.17	EE	4.84	SK	4.79	EE	4.84	EE	4.92

- ***Hiring and firing practices*** are illustrated using the following survey question: In your country, how would you characterize the hiring and firing of workers?.
- The respondents can assign values from 1 to 7, where “1” represents hiring and firing practices heavily impeded by regulations and “7”, very flexible operations.
- Hiring and firing practices reveal the presence of regulations within working relations, that can shape employer’s freedom in determine the number of employees.
- The restriction may be related to the necessity of explaining each dismissal or noticing trade unions or other forms of leading employee representation about future labor contract termination.

- Bulgaria
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- Romania
- Slovak Republic
- Slovenia

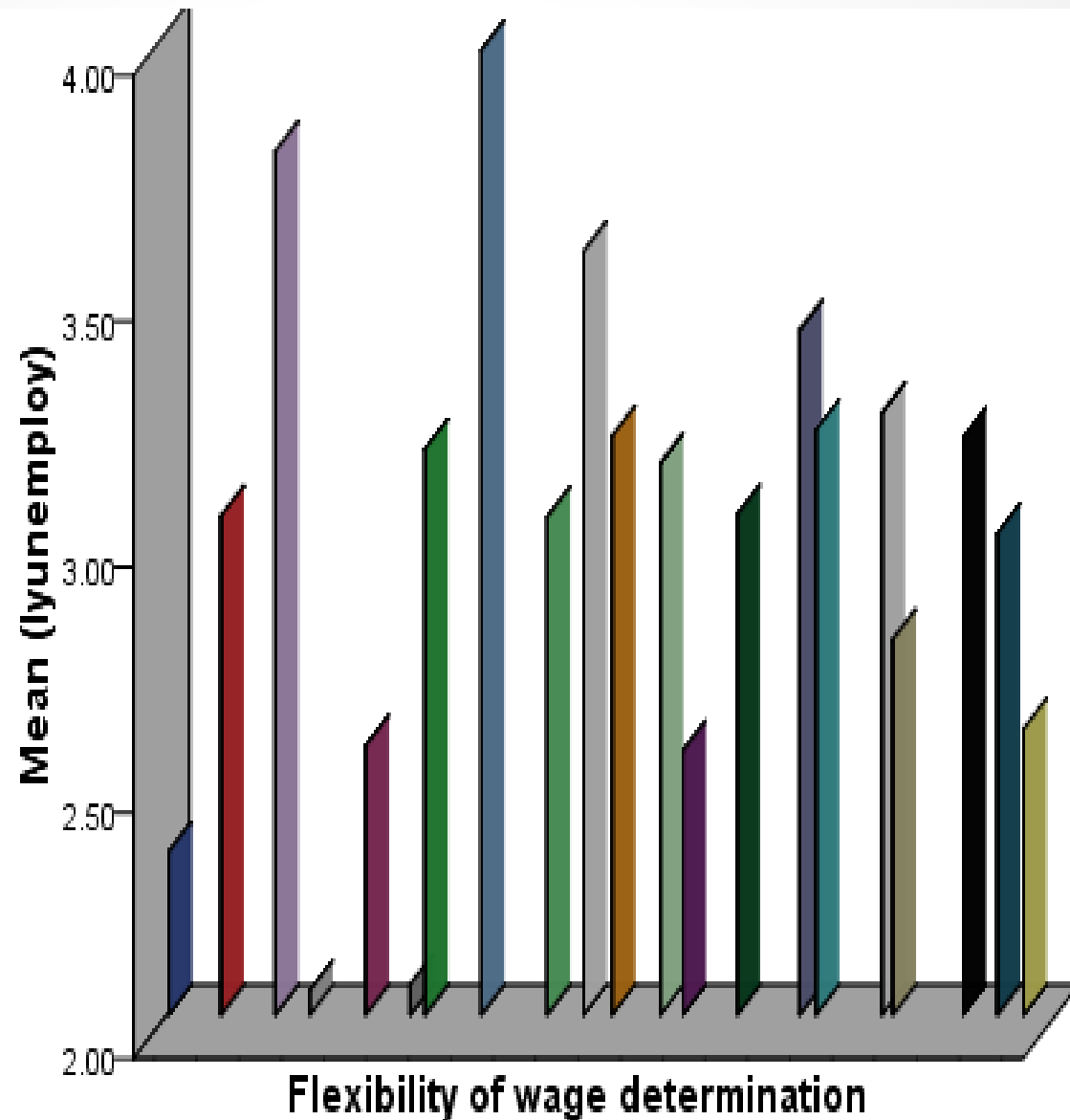


- **Flexibility of wage determination** is set up using the following survey question: "In your country, how are generally wages set?". The responders answers are situated between 1 -7, where "1" represents centralized bargaining process setting and "7", wage determination by individual company.
- Flexibility of wage determination strongly applies to the level of wage bargaining centralization. **Collective Bargaining Centralization represent important assets in association of wage-setting with economic and labor market performance measures** (Bercu and Vodă, 2017).

- Decentralized negotiations are associated with higher levels of wage flexibility and more efficiency of the usage of labor factor.
- A flexible environment, negotiations or renegotiations are much easier to reach, and employees are aware of their salary standards.
- The degree of wage flexibility depends on the **behavior of wage setters**. For instance, the ability of bargaining and parties willingness to compromise in order to reach an agreement are also important factors that influence wage determination.

Flexibility of wage determination, UE, 2007-2015

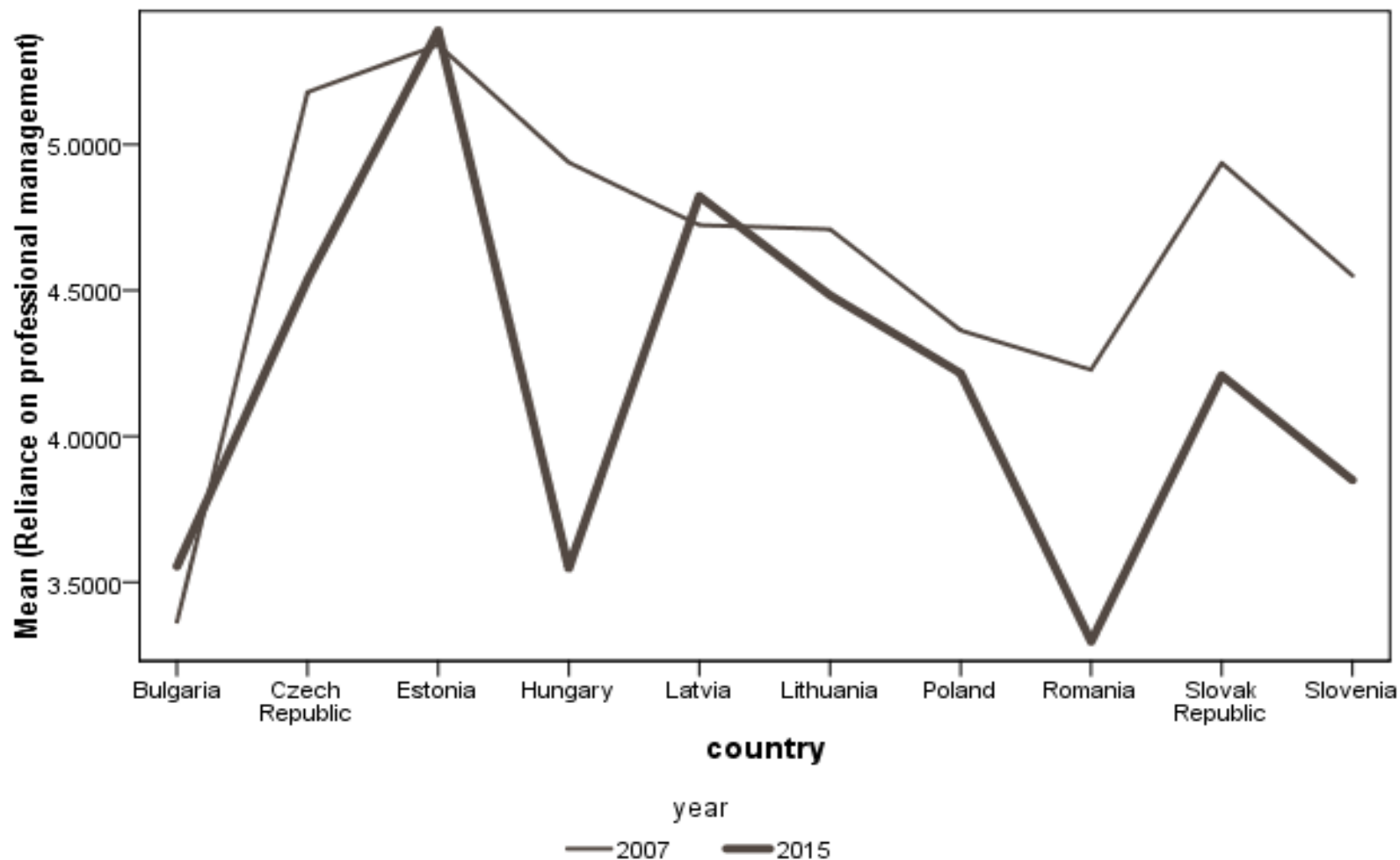
- Austria
- Belgium
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia



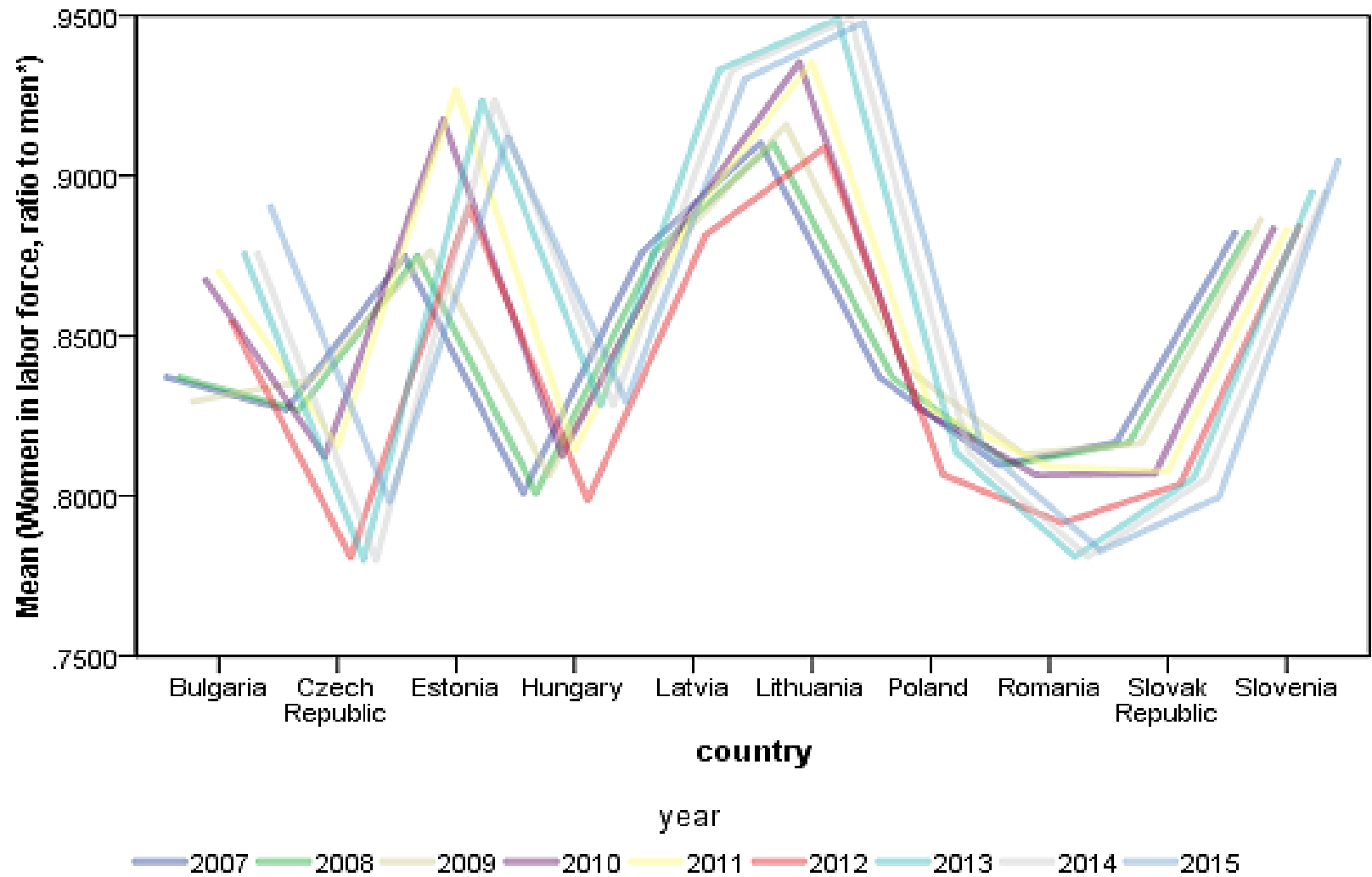
- According to the World Economic Forum (2015), the *redundancy costs* represent the estimates the cost of advance notice requirements, severance payments, and penalties due when terminating a redundant worker.
- The amount of benefits associated with the redundancy costs is calculated in proportion to the working time and expressed in weekly wages.
- Redundancy costs are paid directly by the employer and are not included in the unemployment benefit system.
- A high redundancy costs may hold back the employment of workers - „the higher they are, the more limited the employer is in his decisions about matching the number and structure of employment in a firm with the needs that are required by the market. He then refrains from dismissals, but makes decision about hiring new personnel very cautiously”(Ostroj, 2015).

	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015
Bulgaria	0.078	-0.020	-0.061	-0.038	0.020	0.041	-0.032	-0.018
Czech Republic	0.020	0.018	-0.032	-0.055	-0.039	0.014	0.034	0.001
Estonia	0.003	-0.021	-0.041	0.006	0.016	-0.022	-0.005	-0.004
Hungary	-0.048	-0.059	0.016	0.010	-0.049	-0.037	-0.019	0.048
Latvia	0.022	-0.038	-0.097	0.004	0.049	0.005	0.027	0.033
Lithuania	0.012	-0.013	-0.014	-0.017	-0.019	-0.004	0.029	0.024
Poland	0.017	-0.027	-0.002	0.038	0.011	0.019	-0.021	-0.020
Romania	-0.051	-0.038	0.019	0.036	-0.074	-0.099	-0.006	0.086
Slovak Republic	0.087	0.012	-0.057	-0.055	-0.030	0.010	-0.033	-0.035
Slovenia	0.046	0.008	-0.038	-0.120	-0.103	0.012	-0.011	-0.007

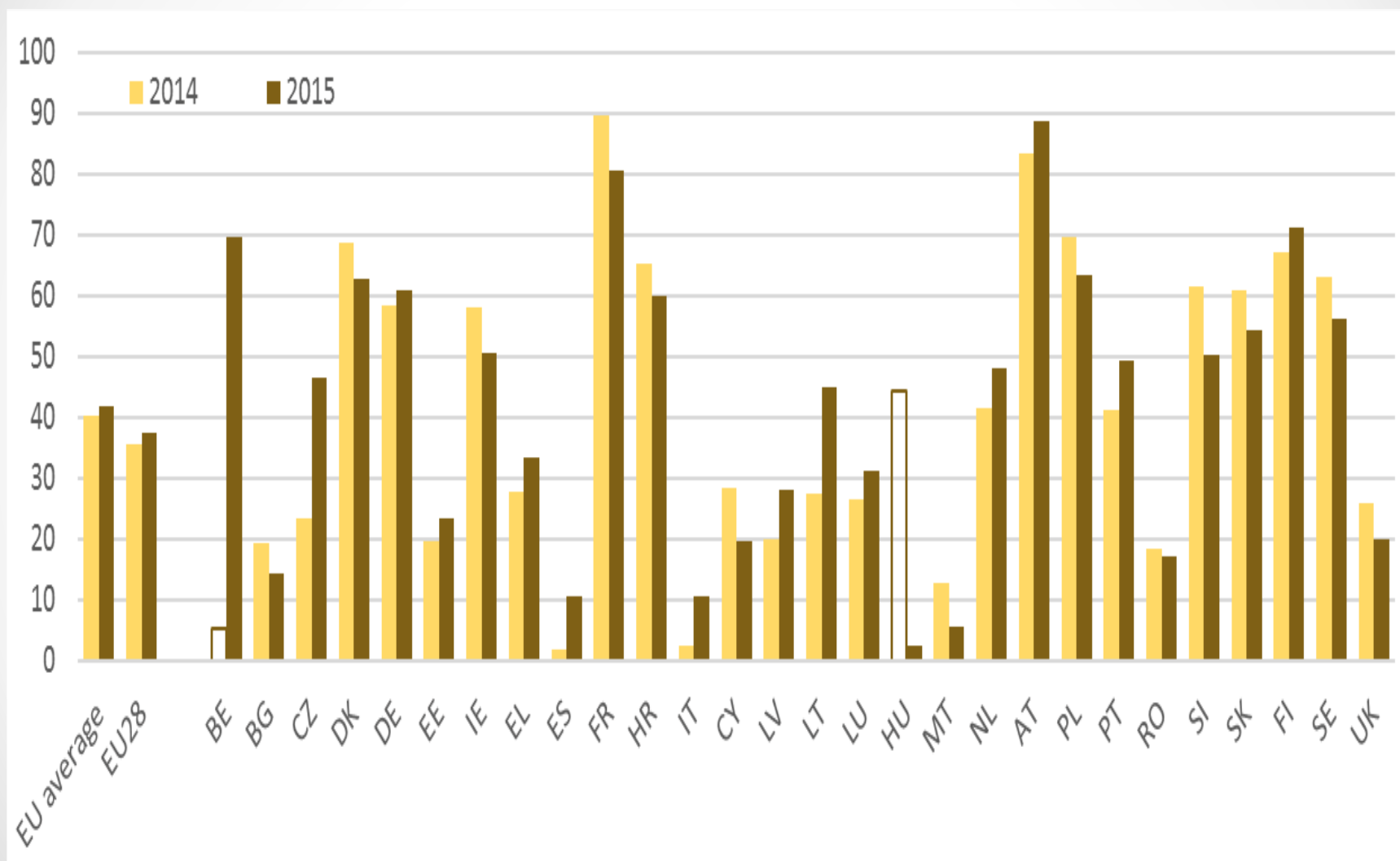
Reliance on professional management in ECE, 2007-2015



Women in labor force, ratio to men in ECE, 2007-2015



Coverage of YG schemes, 2014 and 2015 (% NEET ,15-24) - Eurostat



Comments

- 5.4 million young people (3.0 million men and 2.4 million women) exiting after taking up an offer or otherwise being deregistered during the year, slightly fewer than in 2014 (5.6 million).
- 2.2 million (40.3%) took up an offer of employment, education, an apprenticeship or a traineeship within 4 months of registration, though the real figure is likely to be higher as the reason for leaving is unknown for more than a fifth of cases.
- the proportion of exits that were both timely and positive was slightly higher for women (41.3%) than for men (39.4%) and, at country level, varied from 94% in Hungary and over 70% in Denmark, Spain, Italy and Malta, to less than a quarter in Greece, France and the UK and less than 10% in Cyprus.

Preliminary conclusions

- Well-functioning cooperative relationships between free market and central state represent an important strategy in taming youth unemployment.
- Among EU member states (CEE) special industrial relations regulations exists in different sectors in each economy and are predominantly based on the principle of freedom of association and the autonomy of the parties involved.

Preliminary conclusions

- The role of the state in the cooperative and collective relations varies among different states and three predominantly patterns exists across the CEE countries:
 - a) countries in which collective bargaining and cooperation represent the most important mode of regulation of the employment relationships;
 - b) countries in which the state authority dictates the employment relationship (although this form of unilaterally settlement does not exist anymore in this pure form);
 - c) countries in which the employment relationship are established as a mixture between the previous two patterns - a hybrid arrangements which are neither unilateral determination nor collective bargaining.

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