



# **Employment and Labor Market Challenges in EU8+2**

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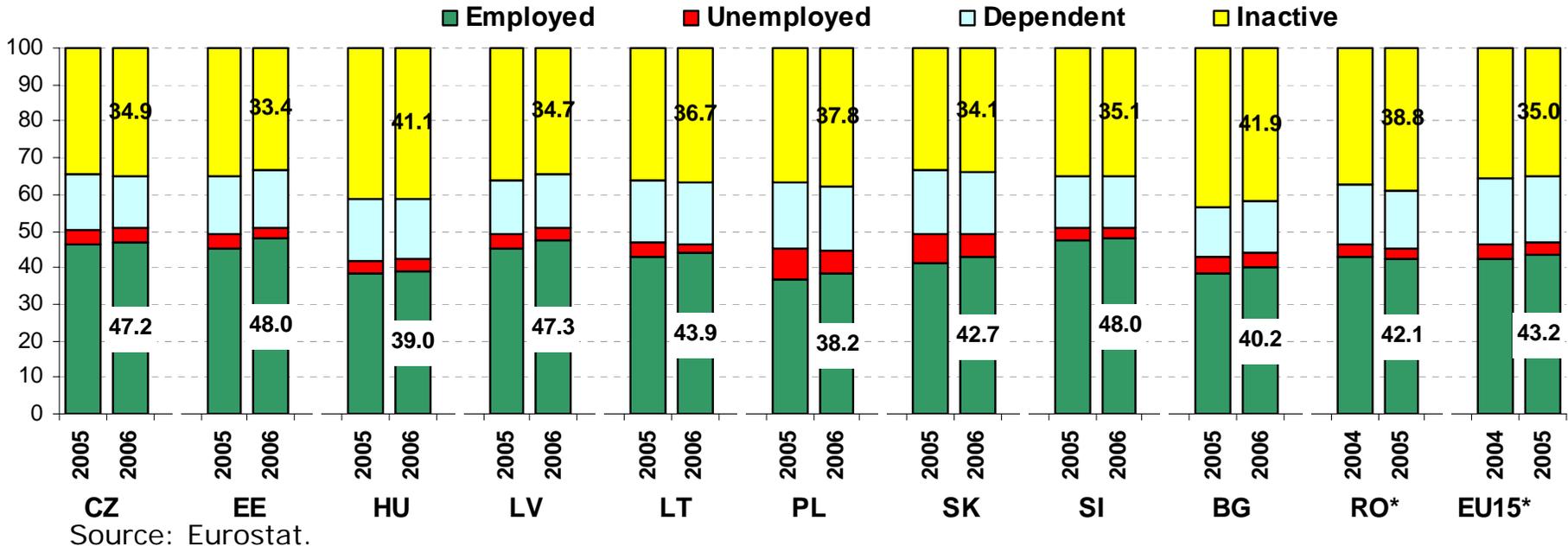
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# General observations

- Despite recent improvement, the region as a whole still performs weakly on labor markets, but there are significant divergences across countries
- Why do policy measures need to be selective and addressed to youth and older workers? Both of them cannot be lost generations!
- Labor market flexibility as only one of elements of broad labor market reform package

# Non-working in majority

Population structure in 2005-2006, %



- Dramatic current situation will deteriorate because of unfavorable demographic trends (aging)

- The chart above shows a failure of policies stipulating early retirement as a remedy against unemployment during transition. It led to heavy fiscal burdens of working population and contributed to hysteresis of those who exited earlier from labor markets

# Youth and elderly need to catch up EU15

## Employment rates by age (employment-to-population), 2006, %

Employment rates by age	CZ	EE	HU	LV	LT	PL	SK	SI	BG	RO	EU15	NMS10	NMS-EU15
15-24	27.7	31.6	21.7	35.9	23.7	24.0	25.9	35.0	23.2	24.0	40.1	25.4	-14.7
25-29	74.0	82.1	71.2	77.9	81.4	70.8	72.2	77.5	68.3	69.5	75.0	72.6	-2.4
30-34	78.4	82.5	75.5	80.4	83.4	76.4	76.3	89.6	75.7	77.3	79.1	77.5	-1.6
35-39	85.9	85.9	77.6	83.6	84.0	77.8	79.1	90.8	79.7	79.4	80.6	80.1	-0.5
40-44	89.1	87.2	78.0	84.6	84.3	76.7	82.4	88.8	79.5	79.7	81.2	80.3	-0.9
45-49	87.5	86.1	75.6	80.3	80.9	71.5	79.8	85.1	77.6	77.0	80.2	76.0	-4.2
50-54	83.5	81.6	69.0	79.6	75.3	59.8	74.8	74.0	71.3	66.2	75.0	67.4	-7.6
55-59	62.7	71.8	49.9	66.2	67.3	34.2	47.4	44.8	54.6	48.7	58.5	45.1	-13.4
60-64	23.1	41.4	13.4	39.2	31.0	17.9	13.6	15.9	22.2	32.4	29.3	19.8	-9.5
65-74	6.1	19.2	2.6	17.4	7.1	7.3	1.8	10.1	4.1	23.0	6.2	6.9	0.7
15-64	65.3	68.1	57.3	66.3	63.6	54.5	59.4	66.6	58.6	58.8	66.0	58.3	-7.7

lower than NMS10 average

Source: Eurostat.

- Labor market challenges are the biggest in Poland, Slovakia, Hungary and recently acceded member states (Bulgaria and Romania), but bottlenecks in some sectors emerge also in the remaining countries (especially the Baltic States)
- Hungary is a special case (the deterioration of LM performance after EU accession results from dramatic growth slowdown)

# Focusing on youth, elderly, women, and low-skilled

## Selected employment rates by age, gender, and education; 2005-06

	CZ	EE	HU	LV	LT	PL	SK	SI	BG	RO	NMS avg	EU15
<b>Total, aged 15-64</b>												
2006	65.3	68.1	57.3	66.3	63.6	54.5	59.4	66.6	58.6	58.8	61.9	66.0
2006-2005	0.5	3.7	0.4	3.0	1.0	1.7	1.7	0.6	2.8	1.2	1.7	0.8
<b>Total, aged 15-24</b>												
2006	27.7	31.6	21.7	35.9	23.7	24.0	25.9	35.0	23.2	24.0	27.3	40.1
2006-2005	0.2	2.5	-0.1	3.3	2.5	1.5	0.3	0.9	1.6	-0.9	1.2	0.3
<b>Total, aged 50-64</b>												
2006	58.8	67.3	47.9	63.0	59.1	41.5	50.5	49.1	50.3	51.5	53.9	55.9
2006-2005	0.5	3.2	0.8	4.4	0.3	1.5	1.7	1.7	3.7	1.9	2.0	1.1
<b>FEMALE, aged 15-64</b>												
2006	56.8	65.3	51.1	62.4	61.0	48.2	51.9	61.8	54.6	53.0	56.6	58.4
2006-2005	0.5	3.2	0.1	3.1	1.6	1.4	1.0	0.5	2.9	1.5	1.6	1.0
<b>FEMALE, aged 15-24</b>												
2006	23.7	26.1	18.8	28.7	20.9	21.0	22.5	30.3	21.0	20.6	23.4	37.1
2006-2005	1.2	5.5	0.4	3.4	3.4	-0.7	3.3	2.5	5.6	1.4	2.6	1.4
<b>FEMALE, aged 50-64</b>												
2006	49.1	68.4	43.0	58.9	54.9	33.1	39.9	40.0	44.0	43.8	47.5	47.1
2006-2005	0.9	4.7	0.8	3.6	1.9	0.6	1.8	1.5	4.4	1.4	2.2	1.3
<b>Total, aged 15-64, Pre-primary, primary and lower secondary education - levels 0-2 (ISCED 1997)</b>												
2006	23.6	23.8	24.5	23.7	19.8	18.2	14.9	37.5	23.6	34.8	24.4	41.0
2006-2005	1.1	1.3	-0.6	-0.9	1.1	-0.4	1.3	-0.1	-0.4	-0.4	0.2	0.5
<b>Total, aged 15-64, Upper secondary and post-secondary non-tertiary education - levels 3-4 (ISCED 1997)</b>												
2006	62.8	67.2	57.7	67.4	62.4	49.8	59.0	63.5	62.6	59.4	61.2	65.0
2006-2005	0.0	3.8	-0.1	4.0	0.5	1.1	0.2	-0.6	3.4	1.7	1.4	1.0

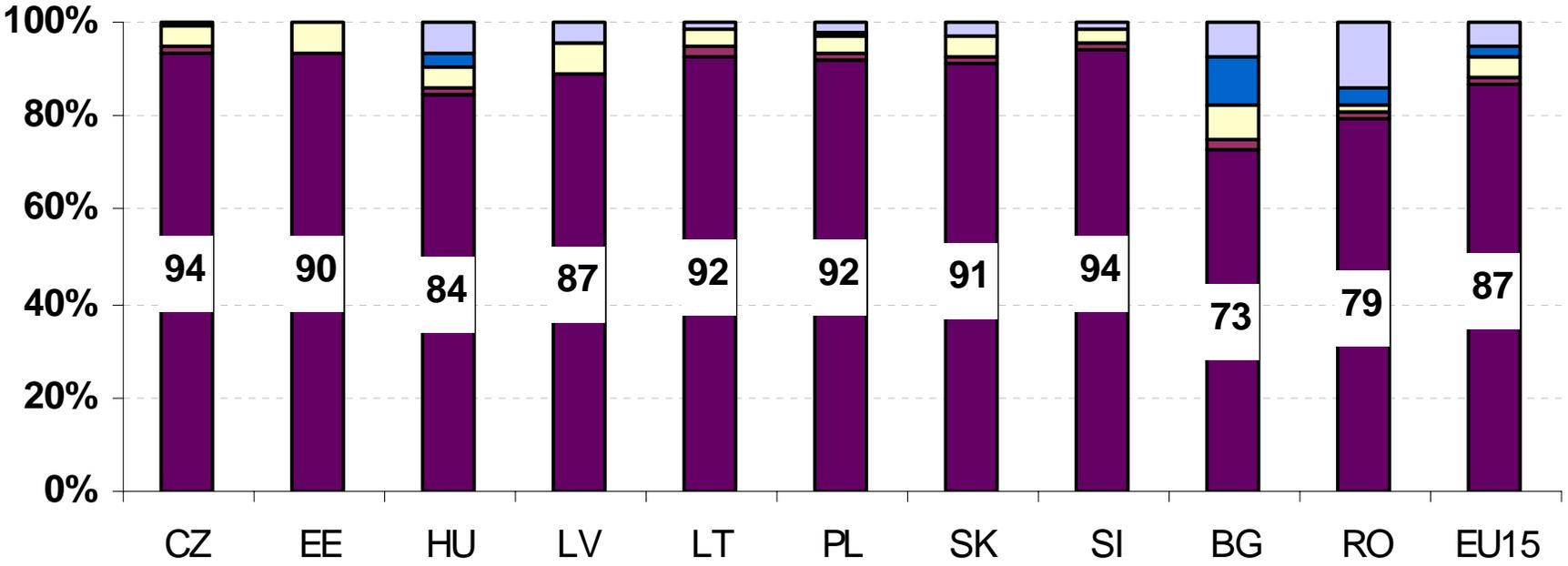
Source: Eurostat.

- The improvement among youth was smaller than average (except Latvia)
- Employment of young women increased stronger than average (not in Poland)
- Despite some better situation of older workers, the gap to EU15 is big in Poland, Slovakia and Hungary (in particular among older females in PL and SK)

# Reasons behind the differences in the inactivity rates: LFS results (1)

Aged 15-24 years

Reasons for Inactivity 15-24



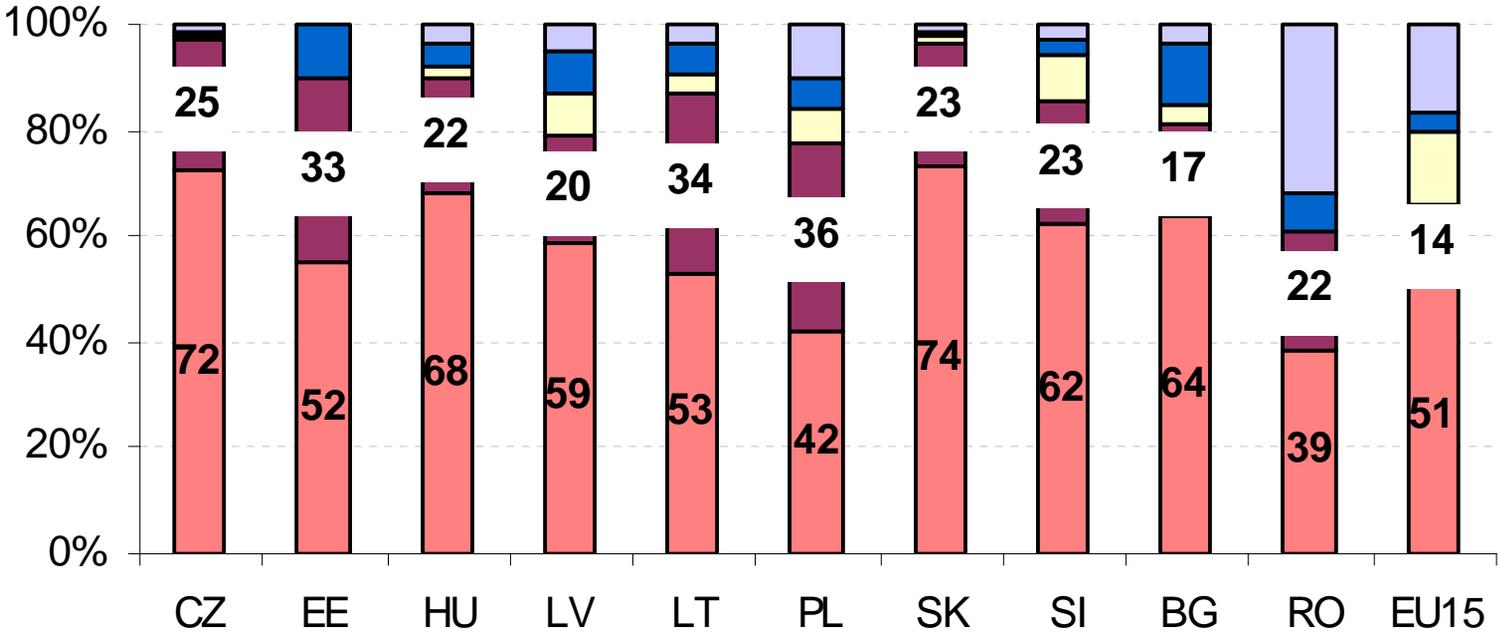
- In education or training
- Awaiting recall to work (on lay-off)
- Own illness or disability
- Other family or personal responsibilities
- Looking after children or adults
- Retired
- Think no work is available
- Other reasons

Source: Eurostat.

# Reasons behind the differences in the inactivity rates: LFS results (2)

Aged 50-64 years

Reasons for Inactivity 50-64

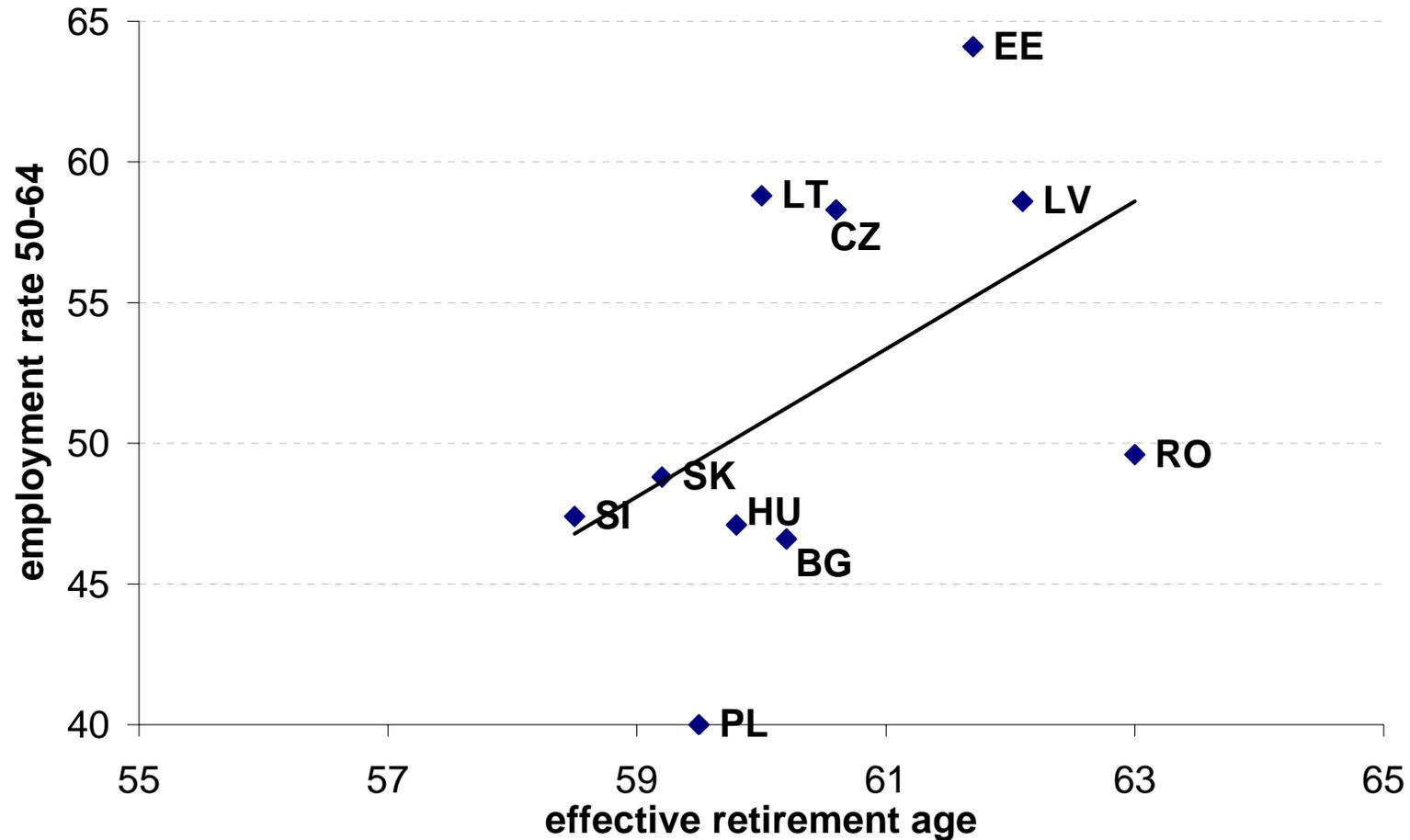


- Awaiting recall to work (on lay-off)
- Own illness or disability
- Looking after children or adults
- Think no work is available
- Retired
- Other family or person
- In education or training
- Other reasons

Source: Eurostat.

# Reasons behind the differences in employment rates: Early retirement schemes hamper employment

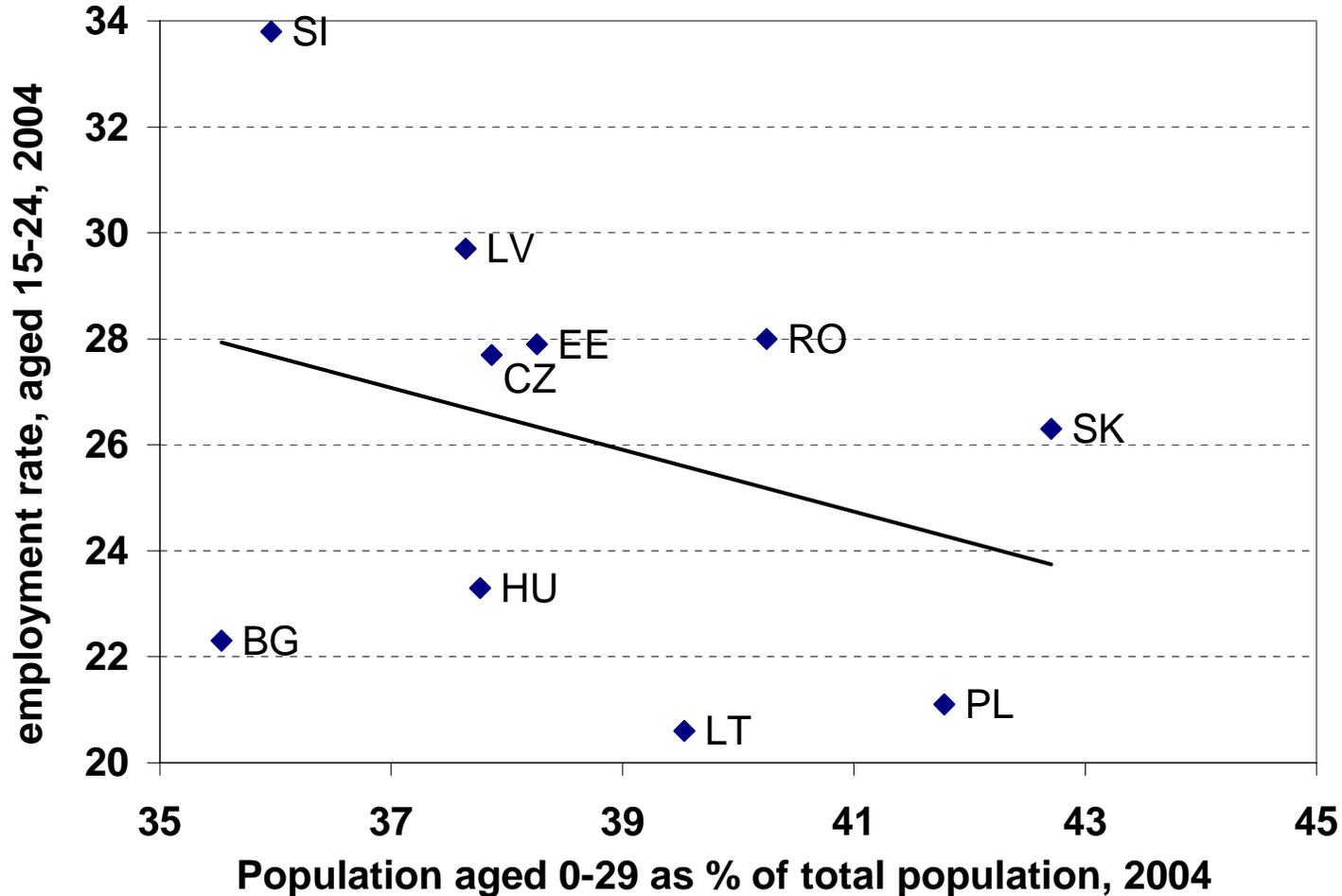
Employment rate (aged 50-64) and average exit age from labor market, %



Source: Eurostat.

# Significance of demographic trends

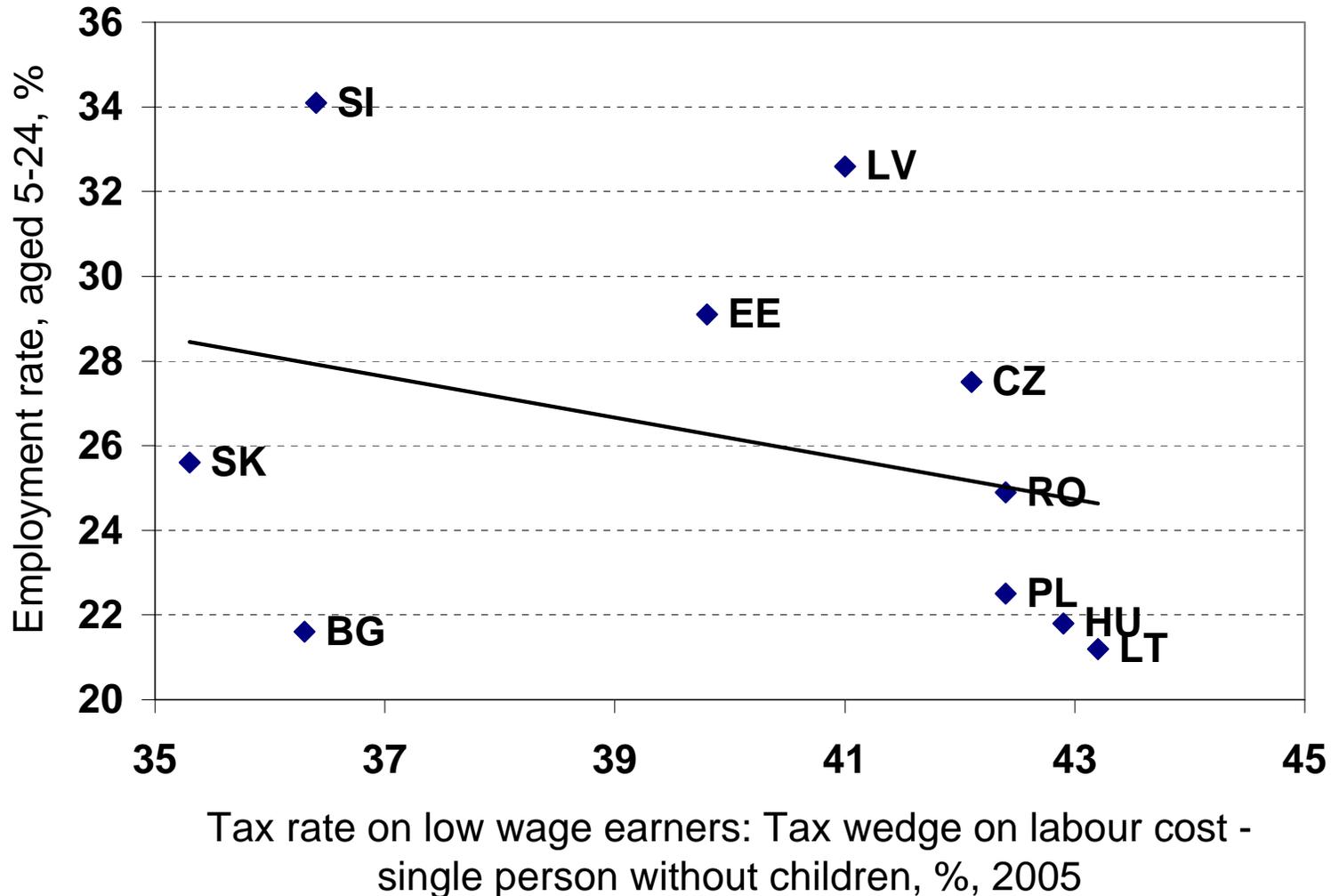
Employment rate (aged 15-24) and share of population aged 0-29, %



Source: Eurostat.

# Unemployment traps catch mainly young (low-skilled) workers

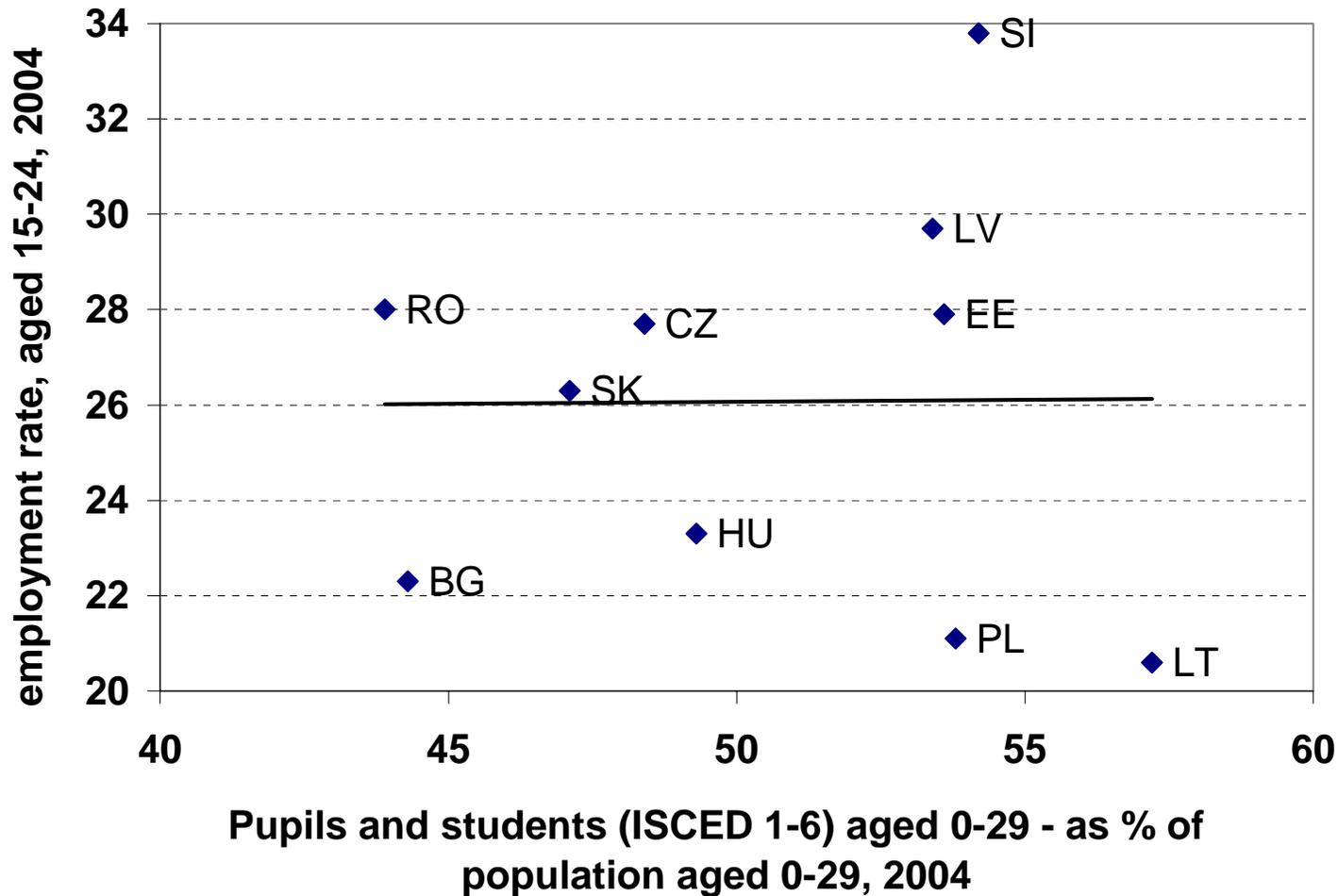
Employment rate (aged 15-24) and tax wedge, %



Source: Eurostat.

# Pursuit of knowledge does not seem to explain the existing discrepancies

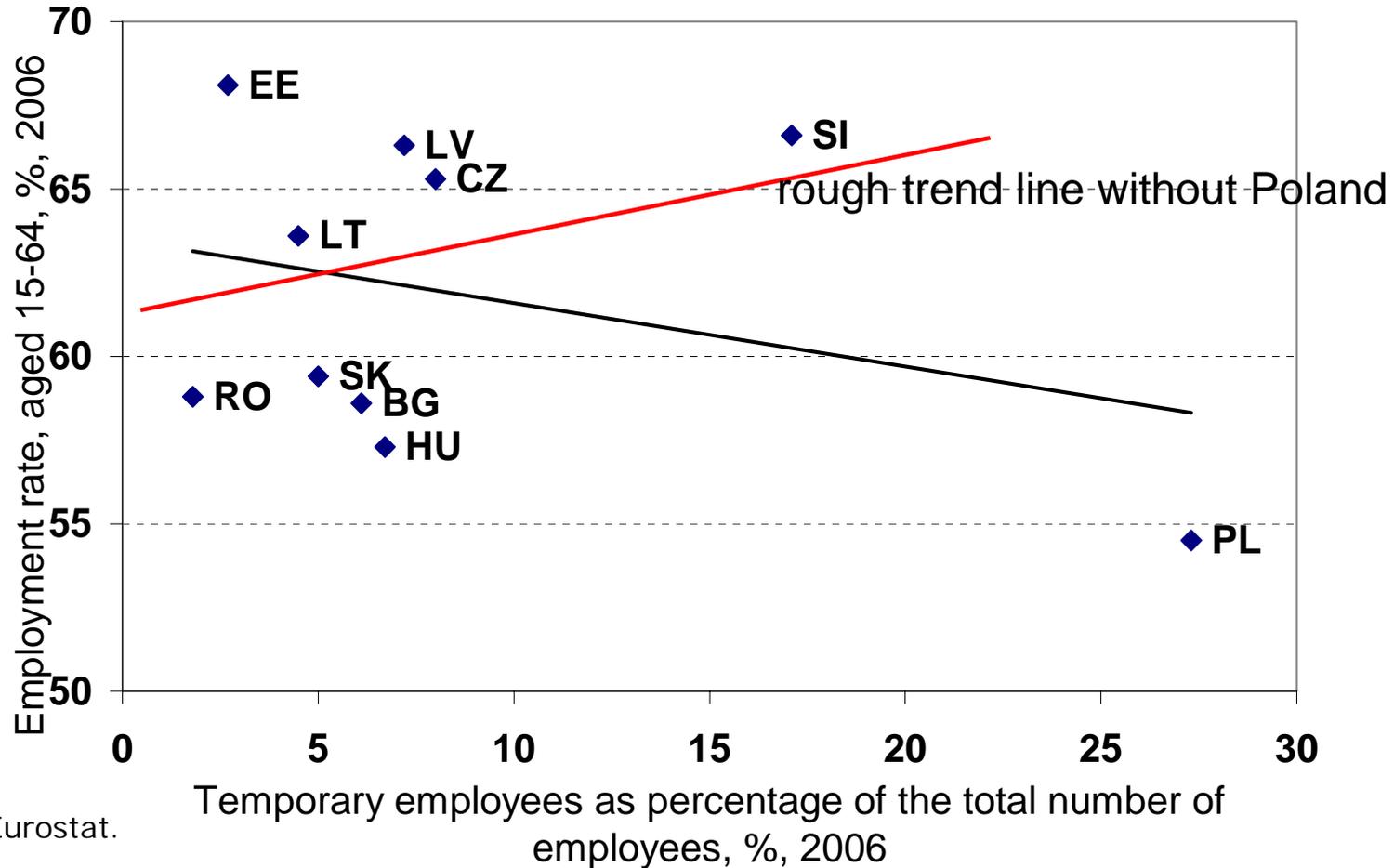
Employment rate (aged 15-24) and number of students, %



Source: Eurostat.

# LM flexibility is good, but not a sufficient cure

Employment rate (aged 15-64) and share of temporary employees, %



Source: Eurostat.

- 2/3 of young Poles and Slovenians work on temporary contracts
- 45% of term contracts of the Poles is longer than 6 months (13% is longer than 3 years)

# **Broad policy package is needed in the EU8+2 in order to improve employability and reduce incentives for external migration**

- **Care more about education** (improve quality of education in order to reduce skill mismatches)
- **Facilitate “second life” of older workers** (reduce incentives for early retirement)
- **Make work pay** (increase incentives to work in formal economy by reduction of labor taxes)
- **Encourage internal labor mobility** (facilitate reallocation of resources to more productive sectors, improve quality of infrastructure and renting market regulations)
- **Mitigate bottlenecks in selected sectors** (management of migration flows and enhancement of vocational education)
- **Effectively use EU structural funds** (allocated on human capital)

**Thank you for your attention**