



Growth and Jobs in the EU8+2: Regional Overview

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Key arguments

- Jobless growth is still a problem
 - Number of factors, including
 - Tight labour market regulations
 - High tax burden of labour
- Heterogeneous group of countries
 - Baltic states
 - CEE countries
 - Bulgaria, Romania?



Falling unemployment but lower activity

Ranked by 2006 unemployment rate

	Unemployment (2006, %)	Unemployment (2001, %)	Activity (15-64 years, 2006, %)
Poland	13.8	18.2	63.4
Slovakia	13.4	19.3	68.6
Bulgaria	9.0	19.5	64.5
Hungary	7.5	5.7	62.0
Romania	7.3	6.6	63.6
Czech Republic	7.1	8.0	70.3
Latvia	6.8	12.9	71.3
Slovenia	6.0	6.2	70.9
Estonia	5.9	12.4	72.4
Lithuania	5.6	16.5	67.4
<i>Memo: EU15</i>	<i>7.4</i>	<i>7.2</i>	<i>71.6</i>



Growth creates less jobs in EU8+2

	GDP growth (%)	Employment growth(%)
	2001-2006	
EU15	2.4	1.2
EU8+2	5.8	0.9
	2001-2003	
EU15	1.9	1.0
EU8+2	4.9	0.3
	2004-2006	
EU15	2.9	1.3
EU8+2	6.7	1.4



Who are the laggards?

Performance between 2001-06, ranked by growth elasticity of employment between 1995-2006

	GDP growth (%)	Employment growth (%)	Growth elasticity of employment
Latvia	8.8	2.2	1.1
Poland	3.5	0.1	0.8
Estonia	8.8	1.8	0.7
Bulgaria	5.6	1.7	0.6
Slovakia	5.2	0.9	0.5
Lithuania	7.7	1.0	0.4
Czech Republic	4.1	0.5	0.4
Hungary	4.3	0.3	0.4
Romania	6.1	-0.5	0.3
Slovenia	3.8	0.6	0.2
<i>Memo: EU15</i>	<i>1.8</i>	<i>0.9</i>	<i>0.6</i>



Stable growth performance against peer group

2001-2006		
	Below average GDP	Above average GDP
Above average employment	BG, SK	EE, LV, LT
Below average employment	CZ, HU, PL, SI	RO
2001-2003		
	Below average GDP	Above average GDP
Above average employment	HU, SI, SK	BG, EE, LV, LT
Below average employment	CZ, PL	RO
2004-2006		
	Below average GDP	Above average GDP
Above average employment	BG, PL	EE, LV, LT
Below average employment	CZ, HU, SI, SK	RO



Good performance by own standards

Change in growth performance between 2001-03 and 2004-06

	Slower GDP	Stable GDP	Faster GDP
Faster employment		LT	BG, CZ, EE, LV, PL, RO, SK
Stable employment			SI
Slower employment		HU	



Strict labour market regulation

Labour market rigidity

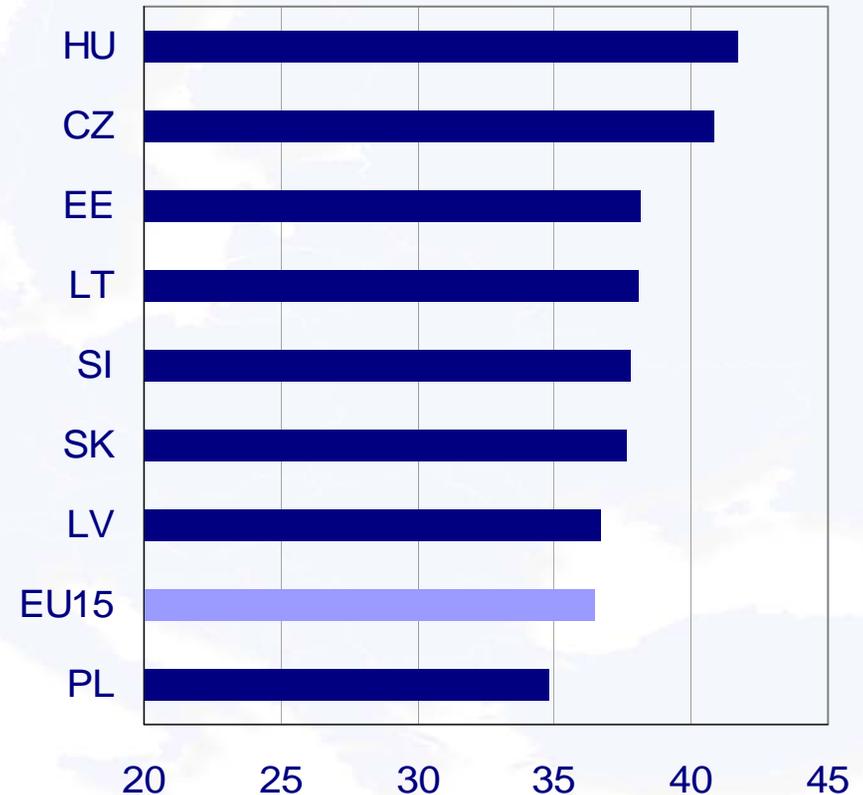
(Doing Business 2007)

	EU14*	EU8+2	Concern
Rigidity of employment index	41	45	EE, LV, LT, RO, SI
Non-wage labour cost (% of salary)	27	30	CZ, EE, HU, RO, SK
Firing costs (% of weekly wage)	39	22	EE, HU, LT, SI

* Excluding LU

Implicit tax rates on labour

(2001-04 average, %)





Conclusions

- Job creation in the EU8+2 is insufficient
 - Baltic countries + Bulgaria (?): faster employment growth due to booming non-tradable sector (?)
 - CEE-5: low elasticity of employment to growth (except for Poland)
 - Low activity is a problem, reason behind low unemployment (?) in Hungary, Romania
- Number of problems including
 - Rigid labour markets
 - Over-taxation of labour



Thank you for your attention!

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