



LABOR MARKET AND SOCIAL PROTECTION IN CENTRAL AND EAST EUROPEAN COUNTRIES

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Abstract Since 2008, once with the arrival of the global economic crisis, the labour market in the Central and Eastern European countries has necessitated a new reorientation of policies. Market dynamics had known a significantly backward and social protection has been an essential element for all the governments of the CEE countries. Most of the CEE countries have proposed to achieve the targets included in the Europe 2020 Strategy, but there are huge differences between the current employment rate stage and targets. Objectives appear to be feasible for the Czech Republic, Estonia, Latvia, Lithuania and Slovenia, but very little achievable for Bulgaria, Hungary, Romania and Slovakia.

Keywords

CEE, employment, unemployment, pensions, social protection

JEL Codes:

J08, J21, J68

1. Introduction

World economic crisis has had a significant impact on the implementation of social policies at the level of all European states, but especially in central and east European countries (CEE). Identify the main vulnerabilities social plan for the CEE countries is general purpose of this article, because economic policies which have been implemented in CEE countries had an indirect effect on the labour market, as well as on social security (pensions, the risk of poverty or social exclusion).

2. Labour market

Employment growth is primarily determined by the evolution of the employment rate. Analysis of the dynamics of employment shows that the decline in employment is due to both the existence of job vacancies, as well as to reduce the number of workers employed, the latter, in relative terms, being the most important factor.

2.1. The employment rates

After reaching a high of 70.3% in 2008, the employment rate in the EU (27), for persons aged between 20 and 64 years old, has decreased gradually until 2013, when it arrived to 68.5 percent. These falls occurring in the context of global financial and economic crisis have amounted to a total of 1.8%. (Table 1)

Mean of the employment rate in the CEE countries, in the period 2008-2013, it was between 66% and 69%, there were variations from one country to another. In 2008, the highest employment rate is recorded in

Estonia (77.1%), while in Hungary was only 61.9%. In 2013, the employment rate in Estonia decreased to taking over 73.3%, but it was the highest of the CEE states and in Croatia has been cut to 57.2%, representing a decrease of approximately 5.7percent.

Table 1. Employment rate in CEE countries, in the period 2007 - 2013

Country/ Year	2007	2008	2009	2010	2011	2012	2013
European Union (28)	69.9	70.3	69.0	68.6	68.6	68.5	68.5
European Union (27)	69.8	70.3	69.0	68.5	68.5	68.4	68.4
Bulgaria	68.4	70.7	68.8	65.4	62.9	63.0	63.5
The Czech Republic	62.3	62.9	61.7	58.7	57.0	55.4	57.2
Estonia	72.0	72.4	70.9	70.4	70.9	71.5	72.5
Croatia	76.9	77.1	70.0	66.8	n.a.	72.2	73.3
Latvia	62.6	61.9	60.5	60.4	60.7	n.a.	63.2
Lithuania	75.2	75.4	66.6	64.3	66.3	68.1	69.7
Hungary	n.a.	72.0	67.0	64.3	66.9	68.5	69.9
Poland	n.a.	65.0	64.9	64.3	64.5	64.7	64.9
Romania	64.4	64.4	63.5	63.3	62.8	63.8	63.9
Slovenia	67.2	68.8	66.4	64.6	65.0	65.1	65.0
Slovakia	72.4	73.0	71.9	70.3	68.4	68.3	67.2

Source: Eurostat, 2014

Note: n.a. – not available data

Among the 11 CEE countries, between 2008 and 2013, the average of employment rate scored a significant decrease of about 34%. The most severe have been in Bulgaria (from 70.7 in 2008 to 63.5 in 2013), Slovenia (73% - 2008 to 67.2% - 2013) and Latvia (75.4% - 2008 to 69% - 2013). Hungary and the

Czech Republic have been the only CEE countries which have recorded increases in the employment rate: in Hungary from 61.9% in 2008 to 63.2% in 2013 and in the Czech Republic from 72.4% in 2008 to 72.5% in 2013.

Also, the rates of employment are lower in among women and older workers. In 2008, the employment rate of men has reached to 77.9% in the EU (27), in comparison with 62.8% for women. A comparison on a long-term basis shows that, while the employment rate of men, in 2013, was below the level corresponding recorded ten years ago (75.5% in 2003), there has been a significant increase of the proportion of women in total persons employed, from 58.7% in 2003, to 62.7% in 2013.

In the case of CEE countries, Estonia, Latvia, Lithuania, Latvia, the Czech Republic and Slovenia have exceeded media the employment rate for women in the EU (28), arriving in 2013 from a percentage of 70.1%, 68.6%, 67.7%, 63.8% and 63%.

Objective they Lisbon strategy have been achieved in the case Slovenia (66.5%), Estonia (65.9%) and Lithuania (65%) in terms of employment rates of women and for the Czech Republic and Slovenia with 70.3% and 70.4% respectively in terms of employment rates in total among persons aged 20 to 65 years.

In the future the level of employment is likely to increase slightly, in the main, as a result of the increase in gross domestic product (GDP) national asset. In 2013, the weighting the vacant jobs were approximately 1.5%, which represents a percentage approximately equal to the average of the end of the year 2010. Looking emphasis, in the medium term, there are several trends that will lead to a continuous increase in the number of jobs, especially in certain areas. For example, technological progress will create jobs in the ITC sector (it is estimated that up to 2015 will be holidays 900 thousands of specialists), while the phenomenon an aging population will determine, in spite of current constraints public health budgets, the increase in demand for workers in the field of health and medical services in the medium term (in 2012, the total number of persons employed in posts of medical care in the EU (27) had already almost 1 million). Also, greening economy may cause an increase in the number of jobs environmental (total number of employees increased from 2.4 million in 2000, from 3.0 million in 2008, expected 3.4 million in 2012). Other sectors based on high-technology industries, such as the transport industry, will require substantial commitment of the workforce with a qualification mid to top, in order to accommodate growth in the field of aviation and of the transport of passengers and the increase of the share of personnel in age which it is estimated that it would leave transport sector by 2020.

In these circumstances it might be asserted that, in order to reach targets Europe 2020 strategy, it is necessary that Member States commitments may farms to implement reforms in current economic circumstances. In many Member States there is a huge difference between the current state of the employment rate and the rate set for 2020. Objectives appear to be feasible for the Czech Republic, Estonia, Latvia, Lithuania and Slovenia, but very little achievable for Bulgaria, Hungary, Romania and Slovakia.

2.2 Unemployment

The unemployment has reached to unprecedented levels in the European Union (28). After that, in the period 2003-2008, the unemployment rate has decreased by more than 2 percent, because of financial and economic crisis which has caused a serious deterioration of the situation. Between 2008 and 2013, the unemployment rate in the EU (28) increased from 7% to 10.8%. With a few exceptions, developments in the course of time have been more or less similar for the different groups of the labour market. First of all, the unemployment rate in rows of young is apparently more sensitive to economic situation in general. Secondly, once the crisis comes, there was an increase of unemployment among men than among women, because "sectors dominated by men" have been the most affected. This can be seen form the increase observed between the years 2008 and 2009 for total rate of unemployment, higher than for unemployment recorded for women. As regards structural differences, young people, low qualified workers and nationals of third countries are affected by higher levels of unemployment.

In 2013, total number of unemployed in the EU (28) amounted to about 26.3 million euros, out of which 4.4 million were in the countries ECE, which represents an average rate on total ECE countries of 11 %, with 0.2 % higher than the average for the EU (28). Between 2009 and 2013, economic crisis has had dramatic effects on the population in the Republic of Poland, which of all the 11 member ECE has recorded the largest number of unemployed persons, 1.5 million, at a rate of about 10 %. (Table 2)

Table 2. Unemployment rate in CEE countries, during the period 2007 - 2013

- % of labour force -

Country/ Year	2007	2008	2009	2010	2011	2012	2013
European Union (28)	7.2	7.0	8.9	9.6	9.6	10.4	10.8
European Union (27)	7.2	7.0	8.9	9.6	9.6	10.4	10.8
Bulgaria	6.9	5.6	6.8	10.3	11.73	12.3	13.0
The Czech Rep	5.3	4.4	6.7	7.3	6.7	7.0	7.0

Country/ Year	2007	2008	2009	2010	2011	2012	2013
Estonia	4.6	5.5	13.5	16.7	12.3	10.0	8.6
Croatia	10.0	8.9	9.6	12.3	13.9	16.1	17.3
Latvia	6.1	7.7	17.5	19.5	16.2	15.0	11.9
Lithuania	4.3	5.8	13.8	17.8	15.4	13.4	11.8
Hungary	7.4	7.8	10.0	11.2	10.9	10.9	10.2
Poland	9.6	7.1	8.1	9.7	9.7	10.1	10.3
Romania	6.4	5.6	6.5	7.0	7.2	6.8	7.1
Slovenia	4.9	4.4	5.9	7.3	8.2	8.9	10.1
Slovakia	11.2	9.6	12.1	14.5	13.7	14.0	14.2

Source: Eurostat, 2014

Comparative analysis of the number of unemployment between 2003 - 2013 and 2008 - 2013, shows that in the first interval, the number of those without a job has had a decreasing trend in the most of the CEE member states, except in Slovenia and Croatia, and in the second interval, the number of unemployed people has increased. These aspects indicate that before the crisis of 2008 economic development has been present in all countries. In terms of unemployment, the crisis has had more negative effects in case for Slovenia, Bulgaria, Lithuania and Croatia.

Unemployment of long duration has been on the rise, because of the period long crisis. At the end of the year 2013, long-term unemployment has reached an absolute record of 7.3 million people in the EU (28), which represents 3.3% of the world's working population. In 2008, long-term unemployment has almost doubled, with increases in almost all CEE member states, except Lithuania (where rate has dropped from 2.4 percent in 2009, to 0.7% in 2013).

Unemployment among young people is maintained at very high levels. In 2013, the EU (28), unemployment among young people has exceeded 23.5 percent, increasing by 7.7 percent compared to 2008 and by 0.5 percent as compared to the previous year. There are noticeable differences between CEE members, 2013 figures ranging from 18.7 percent in Estonia and 18.9% in the Czech Republic, to 50% in Croatia and 33.7 % in Slovakia.

At the EU level (28), the proportion of young people who are not professional employees, who don't follow any educational program or vocational training, has continued to grow during the period 2008 to 2013. Thus, the rate of youth between the ages of 15 and 24 years old young people who are not professional employees and which does not follow any educational program or training has increased by 2.2 percent, from 10.8 percent in 2008, to 13% in 2013. In 2012, there was a new increase in the rate of duty on EU level, representing the level of 2003, 13.1%. In CEE countries have been recorded in the rate increases in all states, the biggest, there were recorded during the period 2008 to 2013 in: Croatia (9.5%), Romania (5.6%) and

Bulgaria (4.2%) and to a lesser extent in Latvia (1.2%) and Lithuania (2.3%). The rates of young people who are not professional employees and are not any educational program or training are slightly higher for women than for men: 2013 EU average rates (28) have been 13.3% and 12.8%. Among men the largest quotas shall be recorded in Croatia (10.9%), Romania (6.7 %) and Bulgaria (6.5%), and in women in Croatia (8%), Romania (4.4%) and Hungary (4.1%). The phenomenon of young people who are not professional employees and do not follow any educational program or training is caused mainly by the increase in unemployment among young people and it is not necessarily the fact that they did not fulfil the conditions of employment.

3. Social protection

The social security systems of the Member States of the EU have been designed to manage risks related to, among other things, unemployment, disease, disability, different situations family, old age. Although Member States shall be responsible for the organization and financing their systems of social protection, the EU plays a particular role in coordinating national systems of social security, especially in matters relating to the movements of a European country to another.

Before 2009 year, the increase in social expenditure has been determined by the main costs of unemployment, but to a lesser extent, and other functions (in particular pensions and health) (Table 3). In general, after a peak in 2009, the growth rates of social costs were negative after this year. Social expenditure growth decreased in 2010, which is explained by the expiry of the measures and the budget pacing progressive loss of normal automatic stabilization in those countries that I know an economic recovery.

Table 3. Public expenditure on social protection, in CEE countries, between 2007 and 2012

- % of the GDP -

Country/ Year	2007	2008	2009	2010	2011	2012
European Union (28)	n.a.	26.7	29.5	29.4	29.0	n.a.
European Union (27)	26.1	26.7	29.6	29.4	29.0	n.a.
Bulgaria	14.1	15.5	17.2	18.1	17.7	17.4
The Czech Republic	18.0	18.0	20.3	20.2	20.4	20.8
Estonia	12.1	14.9	19.0	18.0	16.1	15.4
Croatia	n.a.	18.7	20.8	21.0	20.7	21.2
Latvia	11.73	12.7	16.9	17.8	15.1	14.0
Lithuania	14.4	16.1	21.2	19.1	17.0	16.5
Hungary	22.7	22.9	23.4	23.1	22.1	21.8
Poland	18.5	19.4	20.6	20.0	19.1	n.a.
Romania	13.6	14.4	17.2	17.6	16.4	15.6
Slovenia	21.3	21.4	24.2	25.0	25.0	25.4

Country/ Year	2007	2008	2009	2010	2011	2012
Slovakia	16.1	16.1	22.54	18.7	18.3	18.4

Source: Eurostat, 2014
Note: n.a. – not available data

Crisis has affected cost structure for social protection. In some CEE countries have been significant increases in 2009 in areas (such as pensions and invalidity) in which the level of expenditure was already high results and associated with relatively weak on social level or in the field of employment. The biggest public expenditure on social protection as a percentage of GDP, in 2009 as compared to the previous year, have been recorded in the Baltic states (Lithuania - 5.1%, Latvia - 4.2% and Estonia - 4.1%), at the same time, in some countries, the level of expenditure has stagnated or even declined in areas such as health, social exclusion, the expenses relating to the dwelling or family.

In 2012 (the last year for which there are records), public expenditure on social protection were quite high, more than 20% of the GDP, in Slovenia (25.4%), the Czech Republic (20.8 %) and Croatia (21.2%).

3.1. Pensions

Their expenses relating to pensions in the EU (28) were equivalent to 13% of the GDP in 2011, and in the CEE countries media was 10.1%. In 2012, the largest expenditure on pensions have been in Poland and Slovenia, approximately 11.6 percent of the GDP, and the three Baltic states have recorded the share the lowest (Lithuania - 7.7%, Estonia - 7.8% and Latvia - 8.2%). (Table 4)

In 2012, the cost for care of the elderly persons in the EU (28) represented 11.2 percent of the GDP, of which CEE countries have scored an average of almost 8%, from 10.1% in Slovenia, at 5.8% in Croatia. Expenditure allowance for care of the elderly care coverage, accommodation, as well as assist in carrying out daily tasks.

Table 4. Public expenditure to the pensions in ECE countries, during the period 2007 - 2012
- % of the GDP -

	2007	2008	2009	2010	2011	2012
European Union (28)	n.a.	12.70	13.1	13.0	13.0	n.a.
European Union (27)	11.7	12.70	13.1	13.0	13.0	n.a.
Bulgaria	6.9	7.0	8.8	9.2	8.7	8.5
The Czech Republic	7.9	8.2	9.1	9.2	9.7	9.9
Estonia	5.8	7.1	9.0	8.9	8.0	7.8
Croatia	n.a.	9.5	10.4	10.7	10.6	10.7
Latvia	5.3	6.0	8.4	10.0	8.6	8.2
Lithuania	6.6	7.4	9.6	8.5	7.7	7.7
Hungary	10.5	11.0	11.1	11.0	11.1	9.6

	2007	2008	2009	2010	2011	2012
Poland	11.5	11.5	12.4	11.9	11.4	n.a.
Romania	6.4	7.6	9.4	9.4	9.2	8.8
Slovenia	9.7	9.6	10.9	11.73	11.4	11.6
Slovakia	7.3	7.2	8.5	8.4	8.3	8.4

Source: Eurostat, 2014

Note: n.a. – not available data

3.2. The risk rate of poverty and social exclusion

In 2013, 122 million people or 24.5 percent of the total population EU (28) were threatened by poverty or social exclusion, a large proportion of which were women and children.

Moreover, 18.5% of European citizens (at least 1 senior citizen of 6) were faced with shortages materials in 2013. It is considered that half of these (8.9 % of the total population) is faced with severe shortages materials and cannot afford to pay for the products or services on which many it considers essential in order to lead a decent life in Europe, for example: heating adequate, cost savings to meet unforeseen expenditure, the washing machine, telephone, or automobile. In the poorest countries, the proportion exceeds 45%. In addition, around 10% of European citizens of working age live in families in which no works there. (Table 5)

Amid the economic crisis, the situation has worsened, while the EU considers it unacceptable in the twenty-first century. Therefore, one of the fundamental objectives of the strategy Europe 2020 is the removal of poverty below the threshold of at least 20 million people, by the end of the decade.

Between 2010 and 2013, the number of Europeans exposed to the risk of poverty and social exclusion has increased by 4.8 million (excluding Croatia), 24.4 % of the EU population (27). The proportion of the population exposed to the risk of poverty and social exclusion has increased, in particular in the CEE states which are most affected by economic crisis. The most of the CEE members have reported a drop in relative levels of poverty, exception made Bulgaria, Estonia, and Slovenia.

Table 5. The Rate risk of poverty and social exclusion, In ECE countries, during the period 2007 - 2013
- % of total population -

	2007	2008	2009	2010	2011	2012	2013
European Union (28)	n.a.	n.a.	n.a.	23.8	24.4	24.8	24.5
European Union (27)	24.4	23.8	23.3	23.7	24.3	24.8	24.4
Bulgaria	60.7	44.8	46.2	49.2	49.1	49.3	48.0
The Czech Republic	15.8	15.3	14.0	14.4	15.3	15.4	14.6
Estonia	22.0	21.8	23.4	21.7	23.1	23.4	23.5
Croatia	n.a.	n.a.	n.a.	31.1	n.a.	n.a.	29.9
Latvia	35.1	34.2	37.9	38.2	40.1	36.2	35.1
Lithuania	28.7	27.6	29.6	34.0	33.1	32.75	30.8
Hungary	29.4	28.2	29.6	29.9	31.0	32.4	33.5

Poland	34.4	30.5	27.8	27.8	27.2	26.7	25.8
Romania	45.9	44.7	43.1	41.4	40.3	41.7	40.4
Slovenia	17.1	18.5	17.1	18.3	19.3	19.6	20.4
Slovakia	21.3	20.6	19.6	20.6	20.6	20.5	19.8

Source: Eurostat, 2014

Note: not applicable - data not available

There are substantial differences between the age groups. Active population was the most affected. Poverty and social exclusion in among persons aged 18 and 64 years, it has risen significantly in two-thirds of the CEE Member States in the last few years, mainly because of an increasing number of households with no jobs or low-activity and jobs low paid. Older persons (65+) have been relatively less affected because their risk of exposure to poverty and social exclusion has fallen in most of the Member States, the women being but are most affected by poverty in his old age as compared to men. There is, however, a relative improvement resulting in the first row of pensions which have remained largely unchanged, while the level of income of the working age population has stagnated or fallen.

4. Conclusions

The employment in the CEE countries, but also in the EU as a whole, forms the basis of the future development of the Europe. The evolution of labour force largely depends on the support of the national social protection programmes. Characteristics of the CEE countries derive from the legacy of labour market systems until the fall of communism, as well as the slow rate of the reforms implementation in large part of these countries after 1989. In this context, the role of EU policies is essential to decrease the disparities between CEE countries and the other EU Member States.

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