

Dragičević, Mirjana; Obadić, Alka

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Unemployment in the transition economies - causes and proposals

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Mirjana Dragičević, PhD., Associate Professor
Tel: 01/2383-333, Fax: 01/2335-633
E-mail: mdragic@efzg.hr,
University of Zagreb, Graduate School of Economics & Business, Zagreb, Croatia
Trg J.F.Kennedy 6
10000 Zagreb

Alka Obadić, M. Sc., Assistant
Tel: 01/2383-333, Fax: 01/2335-633
E-mail: alka@efzg.hr
University of Zagreb, Graduate School of Economics & Business, Zagreb, Croatia
Trg J.F. Kennedy 6
10000 Zagreb

UNEMPLOYMENT IN THE TRANSITION ECONOMIES – CAUSES AND PROPOSALS

Key words: unemployment, transition economies, long-term unemployment, labour market policies, national employment policies

Abstract

The main purposes of this paper are to analyse:

- the causes and characteristics of unemployment in the transition economies;
- economic performance during transition that succeeded or failed in stimulating labour demand and supply;
- the differences and similarities in policy responses to unemployment problem;
- to recommend some proposals for unemployment reduction.

Unemployment is the result of a total economic performance in each country. Successful economic development during transition encourages labour demand and supply. It is supported by adequate employment policies. Transition crises was very deep in Croatia and it results in extremely high unemployment rates. Most countries are confronted with enterprise restructuring, as a result unemployment rates rise. Special attention should be paid to creating and implementing employment policies co-ordinated with other employment policies.

1. Introduction

Problem of high unemployment has always been a major concern of all policy makers. *Why is that so?* As it seems, unemployment is one of the major sources of misery in our society.

It generates huge costs both to unemployed and to a society as a whole. Firstly, unemployment imposes social and economic costs. Unutilised labour causes permanent production loss of output and therefore consumption. Secondly, unemployment imposes suffering upon individuals, not just in terms of forgone consumption but it also results in behavioural and psychological health problems, and family/marital instability.

One way of solving this is development of a strong priority policy towards growth, investment, job creation and social security. The Central European transition economies differs greatly in economic performance that is reflected on the labor market situation, i.e. on unemployment problem. Some countries succeeded in combating unemployment and some still suffer from its magnitude and consequences.

Higher growth levels are, of course, essential to unemployment decrease. Without faster growth, supply and demand side measures will simply not work. Yet, if deregulation does not do the trick, there is also a limit to what can be done through growth alone.

2. The analysis of unemployment in the transition economies

2.1. *The inheritance*

At the beginning of transition, the labour markets of former centrally planned Central European economies were characterised by full employment. Open unemployment existed only in Yugoslavia but its extent was limited. Poor wages and limited income differentiation did not motivate workers to improve their performance. A sub-optimal organisation of work led to widespread overstaffing in many sectors and low labour productivity.

Another characteristic of the command economies was a high share of industry in total employment. Big state-owned enterprises dominated industry. The private sector was practically non-existent or played only a limited role in most CE countries. The exceptions were Yugoslavia and Poland. Yugoslavia had a system of self-managed state enterprises co-existing with the private sector, which consisted of a large number of small firms. In Poland, agriculture was based on small private family firms.

2.2. *Economic performance during transition*

Centrally planned economies started transition to the market system under unfavourable conditions:

- they inherited badly balanced economies characterised with high inflation and heavy debt;
- national economies were further destabilised with the introduction of economic reforms which consisted of price liberalisation and privatisation;
- as a consequence of external and internal shocks, production declined rapidly and economies fell into a deep transition crises.

The depth and duration of this crisis depended on many factors and had a strong influence on economic and social development. The initial conditions were different:

- the level of inflation, the amount of external and internal debt as a proportion of GDP and exports, the structure of economy in terms of its diversity and the share of industries dependent on Eastern markets;
- industrial and entrepreneurial tradition;
- previous exposure to competition in the world market;
- existence of private sector;
- location of a country;
- political climate- the war in Croatia;
- commitment of governments to economic reforms and sound economic policies.

The Central European countries: Czech Republic, Hungary, Poland, Slovak Republic and Slovenia recovered their economic growth fairly quick. But, that was not the case in Croatia.

In the first transition phase, **the Czech Republic** had low internal and external disequilibrium. Owing to this and to a deep devaluation of the national currency and a sharp fall in real wages, the entrepreneurial sector was able to recover fairly quick. It managed to expand exports to new markets, and, after domestic demand recovered, national enterprises also supplied the home market, while gaining time for adaptation. This approach avoided loss of production capacity and prevented a sharp unemployment increase, but, slowed restructuring of production as a budget constraints in enterprises remained rather soft. It had negative impacts on their productivity and competitiveness. The main reason for slow transformation was the inefficient ownership structure which resulted from voucher privatisation. New owners and managers concentrated on short-term economic gains. Since 1996, there was increasing trade and current account deficits, destabilising the whole economy. The two stabilisation packages adopted in 1997 dampened domestic demand and reduced disequilibrium resulting in slowdown of economic growth. In 1998, the national economy ran into a decline of between 1,5 per

cent to 2 per cent. The Czech economy was very active in foreign trade. In 1998 exports of goods made up 49 per cent of GDP, services 14 per cent. The EU absorbed 64,1 per cent of Czech exports. Net inflow of FDI was US\$ 2,5 billion, or 4,6 per cent of GDP in 1998. It was about twice as much as in 1997. Despite the deepening recession, it may indicate that investors regarded the GDP decline as a temporary and positive impact of the new policy of FDI stimulation. In the long run, economic recovery and sustainable growth would largely depend on a profound restructuring of enterprises and the banking sector.

Hungary started its economic reforms under the communist regime in 1989 and achieved progress in liberalising prices, introducing a market-oriented tax system and in reforming the banking system. Hungary had a high foreign debt and it opted a more gradual approach to the market system. When the economy recovered from transition crisis, driven by high domestic demand for investment and consumer goods, economic imbalances deepened and the Government introduced restrictive economic measures to stabilise the economy. After two years, Hungary returned to high growth rates, based on a strong increase of industrial production and expansion of exports. A favourable business climate stimulated substantial foreign direct investment inflows. By the end of 1998, about US\$ 20 billion was invested in the country. FDI related both to privatisation and green-field projects contributed considerably to transition at the microeconomic level through increased competition.

Poland used shock therapy on the national economy and was the first to recover economic growth in 1992. Due to high production growth, GDP exceeded 1989 level in real terms in 1996. Economic growth was driven primarily by increasing exports and high domestic investment demand. Domestic demand accelerated recently and reflected on spending and investment. Capital flows into the country were very high. The FDI inflow summed US\$ 13,3 billion during 1995-1997.

The success of Polish economy was possible because of flexible fiscal, trade and banking policies, and systematic institutional changes: introduction of VAT in 1993, reform of income tax in 1996, reforms of various sections of economic legislation (EC,1999).

The share of the private sector is about 65 per cent and it is not directly related to privatisation of state-owned firms. The number of registered private firms increased from 1,5 to 2,6 million.

In 1998, growth of Polish economy slowed down due to internal and external causes. Internally, it was caused by strong expansion of domestic credit and fast growth of trade and current account deficit. External causes were falling exports due to the crisis in Russia, which was an important trading partner, and sustained appreciation of the Polish currency due to high capital inflows.

Slovakia was one of the most successful transition economies regarding to macroeconomic stabilisation. After the initial shock, the real GDP started to grow in 1994, and from 1995 the annual growth rate was close to 7 per cent in next three years. There was a slowdown of GDP growth in 1998 due to external debt close to half of GDP, trade current account deficit and generally low profitability of enterprises. Slovakia is a small open-economy with about-half share of trade in total GDP.

Direct sales to domestic owners prevailed over other forms of privatisation. This explains relatively low volumes of FDI, compared to Hungary and Czech Republic. Although in 1998 the privatisation process which began in 1991 as small-scale privatisation, was nearing its completion, strategic companies representing about 30 per cent of productive state assets book value, remain excluded from the privatisation process.

Economic recovery in **Slovenia** started in 1994 with GDP growing by 5,3 per cent and then slowing down until 1996. The stabilisation policy was successful in bringing inflation down. Slovenia was highly dependent on foreign trade with exports of goods and services reaching 57 per cent of GDP. In 1993-98 period, both total exports and imports developed dynamically increasing cumulatively by 48,8 and 55,3 per cent respectively in current US\$ terms. Earnings from services offset the trade deficit.

The FDI inflow was very low in Slovenia compared to other transition countries. The main reason was Slovenia's strong resistance concerning participation of foreigners in the privatisation process. The process started in 1992 and provided a wide variety of methods, but the dominant form was management-employee buyout. In privatised enterprises insiders currently control 76 per cent share and these companies account only to 43 per cent of equity in the privatised sector.

Large companies are owned by funds. The privatisation of publicly owned enterprises, utilities and banks is still ahead. That is the reason why enterprise restructuring in Slovenia proceeds relatively slow.

Croatia inherited more open and market-oriented system, which meant a closer integration into the world economy, relative independence for enterprises and less

distorted prices. Transition to a fully-fledged market economy was hampered by the war. Beside direct damages and occupation of a part of the territory, the war also brought a large number of refugees into the country and paralysed the most important Croatian export industry- tourism.

The private sector was quite large and thousand of Croats worked in Western Europe contributing to country's development through remittances. In October 1993, the Government introduced an economic stabilisation programme which stopped inflation very fast, restored confidence, maintained the balanced development of public finances, and renewed economic growth. Sustainability of current economic situation was threatened by a sharply growing current account deficit reaching 11,8 per cent of GDP in 1997. The deficit was caused mainly by sharply increasing imports as a consequence of a rapid expansion of domestic demand for investment and consumer goods. Restructuring and privatisation of large and unprofitable state-owned enterprises is still pending.

2.3. Emerging unemployment problem

Political and economic reforms reshaped the labour markets of all transition economies. Reaction to economic uncertainty was a sharp decline in demand for labour. External shocks (the biggest was the war in Croatia) and the collapse of the common market of the former Eastern block occurred during the same period as internal shocks caused by economic reforms and stabilisation programmes. This combination resulted in sharp production losses and pulled the national economies of CE countries into a dragging transition crisis.

There was a certain delay before the effects on unemployment were felt, as enterprises were at first reluctant to dismiss redundant workers. As economic pressures intensified, the effect on unemployment in the different countries was determined by a number of factors as the scale of initial imbalances, the speed of reform, the type of privatisation, entrepreneurial tradition etc.

Macroeconomic stabilisation policies, based on restrictive monetary and fiscal measures accompanied with tax-based income policies, suppressed real wages and incomes reducing enterprise profits. As a result, domestic demand fell sharply, both for consumer goods and services, and for investment goods. Domestic production was, at the same time, confronted with competition from imports and most enterprises were losing their share of domestic market. Enterprises were under increasing pressure to

minimise production costs to become more competitive and to improve labour productivity. Resulting redundancies concerned many workers, particularly those considered less productive by employers.

Workers released from overstaffed sectors and declining industries and new labour market entrants were mostly absorbed by new growing sectors, particularly services. Reallocation of labour occurred, but the number of newly created jobs was much lower than the number of jobs lost, due both to the supply and demand restrictions in the market. At the same time, the absorption capacity of services was fairly limited owing to depressed incomes and profits. Enterprises were also constrained by lack of capital and difficult access to credit. As job destruction exceeded job creation, net employment losses became considerable. In Hungary and Poland, job losses exceeded GDP losses in percentage terms as many enterprises attempted to remain competitive. The consequence was employment reduction. In other countries employment shrank much less and labour productivity declined further. This was often connected with delays in enterprise restructuring and privatisation, or linked to disadvantages of the privatisation based on the voucher method.

2.4. The magnitude of unemployment and its characteristics

Open unemployment accelerated after introduction of economic reforms in all transition countries. In the initial period of transition, between 1990 and 1993, following the output collapse, registered unemployment rose in all countries, exceeding 16 per cent in Bulgaria and Poland, and fluctuating between 12 and 14 per cent in Croatia, Hungary, Slovakia and Slovenia (Allison, Ringold, 1996).

Table 1. Registered unemployment rates 1990-2000 – in %, end of period

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Czech Republic	4,1	2,6	3,5	3,2	2,9	3,5	5,2	7,5	9,4	8,8
Hungary	8,2	13,9	14,0	12,0	11,7	11,4	11,0	9,6	9,6	8,9
Poland	11,8	13,6	16,4	16,0	14,9	13,2	10,3	10,4	13,0	15,0
Slovakia	11,8	10,4	14,4	14,6	13,1	12,8	12,5	15,6	19,2	17,9
Slovenia	10,1	13,4	15,4	14,2	14,5	14,4	14,8	14,6	13,0	12,0
Croatia	-	15,5	14,6	14,8	15,1	15,9	17,6	18,1	20,4	22,3

Source: WIIW Database incorporating national statistics.

The figures from the table show that the unemployment rate was very low in the Czech Republic during whole transition period. The reasons of unemployment “miracle” can be found in relatively cheap labour which stimulates labour-intensive production, in postponed restructuring of the Czech Republic which was result of soft budget constraints in parts of the corporate and public sector, and in relatively high turnover of the unemployment pool. The constraints increased sharply because of the current deep recession and the National Bank’s new strict regulations for commercial banks. The unemployment rate increased to 9,4 per cent in 1999. The Czech labour market has comparable inflow and outflow rates from and to unemployment, which was achieved due to vivid development of small and private businesses and to larger flows to inactivity.

In Hungary unemployment reached its peak value in 1993, 14 per cent registered, but it declined from 1994 onward to 8,9 per cent in 2000.

Since 1993 the unemployment rates in Poland have been falling, reaching 10,4 per cent in 1998. But in 1999 the rate has increased to 13 per cent.

The unemployment rate in Slovakia increased from almost zero in pre-transition period to 11,8 per cent in 1991 and reached 19,2 in 1999. It had relatively weak labour market dynamics which reflected on the magnitude of monthly unemployment flows. They do not exceed 10 per cent of the unemployment stock.

In 1998 registered unemployment rate in Slovenia was 14,6 per cent.

In Croatia, the unemployment rate was very high and it reach its peak of 22,3 per cent in 2000. Exceptionally high and rising unemployment rates were caused by the war, forcing emigration from regions directly exposed to destruction, privatisation model, business closures, debt write off procedures, enterprise restructuring and

inability, especially of the unskilled and semi-skilled employees, to adopt to the new market orientation.

Considering the data, it is important to analyse differences in duration of unemployment, gender and age structure in the mentioned transition countries. Long-term unemployment in the total number of unemployed persons prevails.

Table 2. Share of long-term unemployed in total, %

	1993	1994	1995	1996	1997	1998
Czech Republic	-	-	-	-	27,6	29,5
Hungary	32,2	41,3	45,6	49,8	46,5	44,3
Poland	33,5	38,6	40,5	40,0	39,1	37,9
Slovakia	30,2	41,6	53,1	52,7	51,1	49,7
Slovenia	-	-	-	-	56,7	57,1
Croatia*						

Source: European Commission – 1999.

* The figures for Croatia are not comparable, because of different methodological approaches. In Croatia figures are available according to administrative data – registered rates, and in all other transition countries according to ILO methodology (LFS).

Successful economic performance in the Czech Republic during the transition was also manifested in the lowest share of long-term unemployment. The long-term unemployment represented not more than a third during the whole period.

In Hungary, the long-term unemployment was highest in 1996 accounting for almost half of total unemployed and it decreased to 44,3 per cent in 1998.

The figures on the long-term unemployment in Poland show that the situation was similar to Czech Republic.

In Slovakia, the highest level of long-term unemployment was in 1995 (53,1 per cent) and in Slovenia 57,1 per cent in 1998.

In Croatia, the share of long-term unemployment was more than 50 per cent during the whole transition period.

The increase of unemployment duration represents the most serious labour market development during transition in Croatia, Slovenia and Slovakia. Multiple problems emerge, because of effect that the longer an individual is unemployed more difficult it is for him/her to find work. Also, with or without low income assistance, the long-term unemployment rapidly falls below the poverty line. Another problem is that the proportion of unskilled persons among the long-term unemployed prevailed in all

mentioned economies. Unskilled persons and those with primary education only are most vulnerable.

Table 3. Structure of unemployment by age and gender – per cent of unemployed – Czech Republic

	1993	1994	1995	1996	1997	1998
Aged 15-24	32,5	34,6	32,4	30,1	28,6	30,4
Aged 25-54	59,7	59,0	61,1	61,4	64,8	63,9
Aged 55+	7,8	6,5	6,5	8,4	6,7	5,7
Female	55,9	53,7	52,9	52,7	54,6	56,5

Source: European Commission – 1999.

Considering the age structure in the Czech Republic, the share of workers between 24-54 in 1993 was only 59,7 per cent. That is the lowest share among transition countries. The share of the unemployed women was 56,5 per cent in the total number of unemployed in 1998.

Table 4. Structure of unemployment by age and gender – per cent of unemployed – Hungary

	1993	1994	1995	1996	1997	1998
Aged 15-24	27,2	26,3	27,5	26,6	27,5	28,0
Aged 25-54	67,5	69,5	69,4	70,0	68,4	68,1
Aged 55+	5,2	4,2	3,1	3,4	4,1	3,9
Female	39,1	43,3	37,2	39,1	38,6	39,5

Source: European Commission – 1999.

Comparing the share of unemployed women in Hungary with all other transition countries, it is evident that it reached the lowest percentage in the total number of unemployed.

Table 5. Structure of unemployment by age and gender – per cent of unemployed – Poland

	1993	1994	1995	1996	1997	1998
Aged 15-24	26,8	27,6	28,7	28,4	27,5	26,7
Aged 25-54	68,9	68,0	67,5	67,7	68,7	68,7
Aged 55+	4,4	4,4	3,8	3,9	3,8	4,6
Female	51,3	51,2	50,9	51,8	54,0	53,3

Source: European Commission – 1999.

It is evident that in Poland women were much more affected by the unemployment than men, representing over 50 per cent of the total jobless.

Table 6. Structure of unemployment by age and gender – per cent of unemployed – Slovakia

	1993	1994	1995	1996	1997	1998
Aged 15-24	36,6	34,0	31,8	31,3	31,9	33,8
Aged 25-54	60,8	62,7	65,4	65,8	65,3	63,2
Aged 55+	2,6	3,3	2,8	2,9	2,8	3,0
Female	43,8	46,0	46,9	50,7	49,0	47,3

Source: European Commission – 1999.

The most specific for age structure in Slovakia was, that it had the lowest rate in the age group 55+ among the transition countries, only around 3 per cent. The share of unemployed women was below 50 per cent during the whole period.

Table 7. Structure of unemployment by gender – per cent of unemployed – Slovenia

	1993	1994	1995	1996	1997	1998
Female	42,3	43,5	44,3	44,9	48,6	46,8

Source: European Commission – 1999.

As data for the age structure in Slovenia was not available, some general remarks according to data in 2000 could be given. More than one quarter are persons below 26 years of age. The share of women in total unemployment during the whole period was below 50 per cent.

Table 8. Structure of unemployment by gender – per cent of unemployed – Croatia

	1993	1994	1995	1996	1997	1998
Female	55,1	53,6	51,6	49,6	49,4	51,8

Source: European Commission – 1999.

The data for 2000 shows that the largest share of unemployment around 28 per cent are of workers under 24 years of age. The share of women in total unemployment is similar to that of Poland.

Some other important characteristics of the labour markets in analysed transition economies are high and increasing regional disparities in unemployment. The difference between the highest and the lowest rate of registered unemployment often exceeds 20 percentage points. There are numerous counties and communities in each country where unemployment is several times higher than the national average. Unemployment tends to be the lowest in big cities and in regions with diversified economy. Regions that are hit hardest by unemployment tend to be mono-cultural, where the main industry is suffering from economic recession in regions with little potential for economic

development. The regional disparities problem in unemployment is aggravated by very low territorial mobility. Generally, the transition economies have low mobility across sectors and occupations too.

3. Policy responses to unemployment problem

3.1. National employment policies

Before transition, people experienced lifetime jobs and job security. A range of non-wage benefits and service, including health care and various types of social insurance connected with employment, led people to remain in the work force (Earle 1994).

Unemployment was officially recognised as an inevitable consequence of systematic and structural changes accompanying transition to the market system and adjustment to new economic conditions. All the transition countries adopted new laws or amended existing national labour legislation in order to create a sound regulatory framework for their national labour markets.

New laws committed states to implement policies which will promote productive employment, combat unemployment and provide special assistance to vulnerable groups to improve their employment prospects. The design of employment policies often failed to conform with economic, social policies and policies on education and could even contradict them.

National Employment Policy (1998) in Croatia, represents a general formulation of active labour market policies. These national policy was not co-ordinated with other economic and social policies. Its implementation had a poor influence on combating unemployment.

With very modest employment generation and with persistent high unemployment rates, this approach is being re-examined. In some countries, national employment programmes are being formulated in a broader way. The Programme for Promotion of Productive Employment and Reducing Unemployment, approved by the Polish Government in 1996 combined economic policies to promote investment, exports tax system reform with improvements in functioning of labour market institutions and labour market regulation, with reforms of vocational education and refinement of labour market policies.

3.2. Labour market policies

In most economies labour market institutions were poorly developed. But governments have responded to growing unemployment with a range of passive and active policy measures. These policies were designed in conjunction with the reforms of social protection (Barr 1994). Policies, however if not co-ordinated with other economic policies cannot be effective.

3.2.1. Passive policies

In all mentioned countries persons registered at a labour office are entitled to unemployment benefits if they have worked for 9 to 12 months within a longer period. In most countries, the length and level of payment is not uniform and depends on age, work record and reasons for job loss. A minimum level of payment is related to the minimum wage.

The essential role of unemployment benefits is to provide income security during spells of involuntary unemployment. The problem in the region is the low level of unemployment benefits which cannot provide economic security.

Resolving of the unemployment problem is thus on active labour market policies that should be created and implemented according to broader economic and social objectives and co-ordinated with other economic and social policies.

3.2.2. Active policies

In early transition period, in most countries, generally low demand for labour was accompanied with inefficient labour market policies resulting in high and persistent joblessness, and increasing long-term unemployment.

The exception was the Czech Republic, which in the period 1991 to 1993 designed and applied the employment promotion programme based on job creation schemes supplemented by public works and vocational training. Job creation schemes provided grants and preferential credits to private entrepreneurs for self-employment or for creation of new jobs for unemployed persons. In 1992 over two-thirds of registered job-seekers participated in the employment promotion scheme. As needs of labour market changed later, the employment promotion programmes were cut down.

Many countries improved the structure of their labour market policy, nevertheless there were large differences among countries regarding range, structure, quality of applied employment programmes, same as targeting of the programmes to

vulnerable groups, devoted resources and their distribution between passive and active policies.

There are evident differences between countries in attention paid to the active labour market policies. The new Czech Government has begun to draw up a national employment programme which would rely more on active employment policies.

In Croatia, the Government wants to extend application of active labour market programmes. The National Employment Service designed a number of new programmes to increase labour market impact, but still do as not have any significant impact on the labour market situation.

Countries most affected by the long-term unemployment use public works as an income-transfer instrument. In Bulgaria, more than 60 per cent of all ALMP participants were engaged in public works in 1996 and in Hungary 46 per cent, Poland 37 per cent and the Czech Republic 39 per cent. Hungary combined public works with large-scale infrastructure or ecological projects. Croatia has no public work scheme yet.

Subsidised employment called “socially useful jobs” was widespread in the Czech Republic from 1991 to 1993 but later became less attractive.(Rutkowski,1995). This scheme is not widely used in other countries. Self-employment programmes are still modes in most countries.

It is very difficult to identified the real impact of labour market policies on unemployment reduction, because of the undeveloped monitoring system in most countries. Although what matters more is not only how to improve the impacts of different ALMPs, but how to make them effective.

4. Proposals for solving unemployment problems

Employment goals should have a prominent place in economic and social policy making. With transition process in the same time new challenges, opportunities and difficulties for people and nations, are generated by adjusting to major systematic changes and exposure to effects of globalisation. To address these problems national employment policy should take into consideration a full range of economic, social and other factors affecting unemployment.

On the supply side, except demographic factors, employment is strongly influenced by government policy in education, social protection and labour market regulations. On the demand side, the level and quality of employment depends on demand for labour generated by economic and social development and regulated by

monetary, fiscal, structural, industrial, regional and technology policies. It is important to consider a national employment policy in a multidisciplinary approach.

Beside this approach, the solution should be:

- encourage private sector growth and entrepreneurial climate;
- enhance labour market flexibility and mobility;
- reduce costs of firing and hiring;
- improve labour force skills and competencies;
- stimulate self-employment schemes;
- reform local and national exchange services.

According to labour market policies used for combating unemployment in the developed market economies, transition economies and especially Croatia has to follow a contemporary trend towards:

- a growing importance of supply-side measures;
- within the demand-size measures- a shift towards targeting (in particular groups) and indirect job-creation (through incentives and subsidy based schemes);
- a changing balance of measures within the supply-side approach with a greater emphasis on initiatives and focusing on advice, counselling, job-search support;
- “individualisation” of measures – “individual action plans”- a trend away from standardised, “one-size-fits all” schemes;
- a proliferation of local, community-based and “intermediate labour market” initiatives;
- initiatives based on early action and early identification of potential unemployment (Meager, Evans 1998).

A special attention should be put not only on evaluating the effectiveness of a single measure (training, job-creation, subsidies etc.) but the effectiveness of different combinations and packages of measures or integration pathways which may occur contemporary or sequentially. (Connell, O., McGinnity 1997).

5. Conclusion

The analysis of the unemployment problem in the transition economies has shown differences according to the height of unemployment rates and similarities according to the duration of unemployment, gender and age structure.

The inherited non-market economic structures faced with transition to the market economy provoke economic and social shocks. The process of privatisation, enterprise restructuring, inadequate structure of labour supply and inability of adjustment to a new labour demand, induced a rise of

unemployment. All countries have experienced dramatic changes in their labour and product markets, but some of them succeeded in economic reforms and the others failed.

Therefore, active labour market policies, crucial for job creation, should be an operational part of job strategy co-ordinated with other economic policies and measures.

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