LABOUR MARKETS IN TRANSITION: BALANCING FLEXIBILITY AND SECURITY IN CENTRAL AND EASTERN EUROPE

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The article, based on a recent book by the two authors, studies whether persistently high unemployment in Central and Eastern Europe is to be attributed to the rigidity of their labour markets. The analysis shows that Central and Eastern European labour markets have increased their flexibility, but the forms of flexibility are different from those to be found in the OECD countries. The identified counter-cyclical movement of labour turnover, opposite to developments in the OECD countries, is explained by high job, employment and income insecurity perceived by workers in transition countries contrasting with much higher confidence in the labour market and its institutions enjoyed by workers in industrialized countries. Comparisons show that on average employment protection legislation is similarly liberal or rigid as the EU average. The econometric analysis finds that while in the OECD countries stricter employment protection tends to have a negative effect on employment and labour market participation, in transition countries the results indicate the opposite.

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