Presumptions for the Development of Labour Market Differences in a Homogeneous Group of Countries

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The main differences of labour markets in the Baltic States and the main factors influencing them in the context of Euro integration are analysed in this paper. The differences in different regions appear at the beginning of the European Union, but the last period of its development gave the most challenge for the new members as well as the whole European Union. The factors that influenced the changes in the labour markets can be grouped into two periods: influence of transformation processes till the integration into the EU and development of the integration processes of later years. Transformation and integration processes began simultaneously and they have been carried on for different purposes through different political conditions and means. The results and development of these processes determined initial Euro integration conditions and different development of labour markets in the EU countries. The Baltic States have a few similar features: they all have the similar territorial area, all three states are post soviet countries and their economic development was determined by the similar factors, but they have differences in the changes of their labour market structures. The differences of economic development between different regions and the other EU countries are obvious. Gross Domestic Product in some regions differs more than eight times and unemployment rates – even seven times. Though the Baltic States are often presented as one homogeneous group, the transformation and integration processes determined the different effects in their labour markets. To reduce these social and economic differences in these regions and to stimulate the equal EU development – it is one of the political purposes in the EU countries, so the presumptions influencing the differences of labour markets in homogeneous group of the countries are analysed in this paper.

Keywords: homogeneous group of countries, the Baltic States, labour market, employment, unemployment, differences in labour market.

Introduction

The political problems of the EU countries are analysed in Lithuanian and foreign authors’ works (Štreimikiienė, 1998; Bagdzevičienė, 2001; Smilga, Čičinskas, 2003; Eamets, Masso, 2002 Boeri, Terrell, 2002; Faggio, Konings, 2001; Iara, Trainstaru, 2004 ir kt.). Some authors concentrate their attention on the equal EU development and social and economic cohesion. The works analysing different models of political management which influence different economic development in the EU countries are relevant for the research. Though the presumptions and effects forecast and assessment are analysed in some works, the difference of labour markets in the homogeneous group of the countries has not been investigated. Having estimated it, the scientific problem can be formed like this: how it appeared and what influenced the differences of labour markets in the homogeneous group of the countries.

The aim of the research – to base the presumptions of different labour market development in the Baltic States.

The object – presumptions that influenced the labour markets differences in the Baltic States.

The methods of the research – systematic analysis of scientific literature and statistical data analysis, mathematical statistical methods.

Theoretical background of a homogeneous group in labour market formation

The changes made in the different labour markets can be explained through complicated behaviour of labour market mechanism. Theoretical model of an ideal labour market ignores the strong effect of external conditions for dynamics of labour market structure and points out the features necessary for the ideal labour market:

- labour force supply (labour force quantity in the labour market) is adequate to labour force demand (workplaces in the labour market);
- short time term from the moment when a person begins to look for a job (workplace vacancy) till the labour contract formation. It means that labour contract is made when an opening workplace appears as soon as a person begins to look for a job;
- all workers and opening workplaces leave the labour market usefully, as soon as the contract is over.

The resent research shows that ideal labour market is not really ideal (Berggren, 1992; Clawson, 1980; 1990; Williams, 1992). First, labour market supply does not correspond labour market demand. Apart from quantity discrepancy there is a structural misbalance (professional, qualification, geographical etc.). Second, labour flows are not equal to the workplaces flows in the labour market. Third, the time turns into a long-time term from the moment when a person (workplace) appears in the labour market till the labour contract is made (for some workplaces and workers it is a very important time period).
Fourth, the labour force leaving the labour market does not always match the liquidation of workplaces, and the both side disappearing is not always useful. A worker can leave the labour market when he looses the hope to find a job, and workplaces can be constrainedly liquidated from the labour market. Fifth, different attitudes of employers choosing and employing workers exist (discrimination in labour market). All these and other reasons determine dynamism, indetermination and different development of labour market (Schmid, 1995; Layard, 1991; Jackman, 1991; Nickell, 1991).

Investigating the factors of changes and differences of labour market structure the works analysing the structure of labour market mechanism, its components and function possibilities are relevant (Schmid, 1995; Layard, 1991; Jackman, 1991; Nickell, 1991). The labour market mechanism influenced by different environment conditions can be characterised with different dynamics of different labour market elements. The research, analysing the features of work efficiency, uncovered that work efficiency influenced by large investment and technological possibilities makes a big influence on the changes of labour market structure even in the sectors of alternative economic performance (Berggren, 1992; Clawson, 1980; 1990; Williams, 1992; Haslam, 1992). Theoretical labour market studies, where the balance states of supply and demand are analysed, labour force position problems and negotiation related to the differences of work payment are important, because they uncover the reasons which are determined by microeconomic process (Krugman, 1991; Olgaard, 2001; Rotschild, 1994; Rolle, 1997 and others).

The problem of labour force migration is relevant nowadays. The research is important investigating the reasons and process of migration in the country. The authors (Tedaro, 1969; Molle, 1997; Öberg, 1997; Marsden, 1994) had proved that migration appears when there is a growing disproportion between labour market supply and demand as well as the differences of work payment in different regions. Having analysed the problems of social economic development in the European Union countries, it is noticed that they have common social and economic development features (Iara, Trainstaru, 2004; Boeri, Terrell, 2002), however the development of institutional, political, juridical and other factors in different countries or their groups influences unequal social economic development. These factors influence the changes of different labour market structures. Though the Baltic States are accepted as one homogeneous group, they are very different in their development process. Integration processes in these countries are found in different development aspects.

Theoretical interpretation (Černina, 1991) of labour market segmentation is necessary to point out the presumptions which determine the segmentation of the elements having the same features in labour market structure. The character and number of segments can vary through the international level, so it is difficult to structuralise and explain the presumptions of different territorial labour market formation.

In conclusion, labour market can be characterized by complicated morphological structure, however it is influenced by internal and external conditions. These conditions are not separated from each other and have synergy effect: when external conditions are changing internal condition features are changing respectively, too. This process determines different changes in labour market structure through different territorial regions.

Having evaluated the fact that the labour market is an open system, effective functioning of which is influenced by many factors (interior and exterior). The structure of factors influencing labour market is presented in Figure.

The synergy effect determines the different social political tightness, which influences the distribution of labour resource (Boeri, Terrell, 2002). To sum it up, essential presumptions influencing the different dynamics in labour market structure are determined by the external factors: the difference of economic growth in the countries, the changes of labour resource and work; and the internal factors: different and limited information, intensity of work search, tightness of an employer and a worker in the aspect of placement and working conditions.
Analytical Model of Changes and Differences in Labour Market Structure

To come to a decision to reduce the differences of labour market structures the data estimating the changing economic situation in the particular region is essential. To solve this problem it is necessary to choose the right methods to calculate and estimate the data.

To analyse the components of economic rate, data of simple and complex structure is invoked. Data of simple structure is understood as a set of homogeneous elements, whose consistent pattern of dispersion is defined by well known mathematical function. Data of complex structure involves the compound of organically linked simple data elements. Data to describe macro economic and micro economic events in the economic performance is usually comprised of a complex structure. This data can be defined as factual, optimal and hypothetical and its elements are economic static criteria or indicators. Economic statistical identification of the economic changes (labour market structure) with a ‘structural’ tone is a very difficult goal. To formulate the task of statistical research of structure changes and differences, these concepts should be concretized. The concept of structural changes is more ‘dynamic’. It defines the ‘inside’ structural changes of economic indicator through time, x- role of i-indicator component change through time. The concept of the structural changes is broader and involves dynamic and static aspects. It defines \( \Sigma y_i \) changes of the indicator level through time in the hierarchy aspect of the economic structure (Valkauskas, 2004).

To research the development of territorial changes in the Baltic States the task defining the structural changes and differences should be formulated in this way: take \( n \) number of \( S_i \) indicators, which involve \( m \) number of equal components \( y_{ij} \), id est. \( i \) indicator is equal to \( S_i = \Sigma y_{ij} \). In this case the comparative weight of the component of indicator is equal to:

\[
 f_{ij} = \left( \frac{y_{ij}}{\Sigma y_{ij}} \right) \times 100; \tag{1}
\]

where: \( \Sigma f_{ij} = 100 \).

This is the procedure of primary data changing to the criterion of comparative structure. When there is \( n \) number of indicators, \( S_i \rightarrow S_{f_i} \). Having the factual and comparative bases of the past period, \( S_{f_i} \) meanings are identifying and analysing in these goals:

1. To identify factual \( S_i \) features of the structure (static of the index is estimated in the given time period);
2. Features of structure changes are assessed comparing factual and comparative data (process dynamics is estimated in the aspect of retrospect). Mathematical models of time rows are used to solve this task, which let define the change of variable \( x \) value in the time moments \( x(t), t_1 < t_2 < t_3 \);
3. The criterions of deflection of factual indicator components are defined and compared with the base situation (index tendencies are forecasted in the aspect of perspective). Static prediction models of time row are use to solve this task, where forecast error \( e_i \) is counted to validate the accuracy:

\[
e_i = x_i - f_i, \tag{2}
\]

where: \( x_i \) – factual value of the index, \( f_i \) – the change of forecasting index value.

4. \( S_i \) structural links are identified and estimated with the help of \( K_i \) indicators (the analysis of correlation regression is done). In this task \( r \) indexes of link tightness are assessed,

\[
 r = \frac{\bar{xy} - \bar{x} \times \bar{y}}{\sigma_x \sigma_y}; \tag{3}
\]

Dynamics and differences of labour markets in a homogeneous group of countries

The factors that influenced the changes in the labour markets can be grouped into two periods: influence of transformation processes till the integration into EU and development of the integration processes of late years. Transformation and integration processes began simultaneously and they have been carried on for different purposes through different political conditions and means. The results and development of these processes determined initial Euro integration conditions and different development of labour markets in the EU countries. The Baltic States have a few similar features: they all have the similar territorial area, all three states are post soviet countries and their economic development was determined by the similar factors, but they have differences in the changes of their labour market structures.

Analysing pre-integration period which is determined by the transformation process effects, the Russian crisis is actual because of its influence on the labour markets in the Baltic States. The Baltic States as one homogeneous group found out that Russian crisis had dramatically different effects in each of the three labour markets. As result of crisis, Estonian outflow from unemployment declined and the unemployment pool become more stagnant. By contrast, in Latvia the unemployment outflow relatively high, but there was an increase in the inflow to inactivity. One explanation for such a situation in Latvia, where unemployment has been substantially higher than in Estonia, is that the macroeconomic shock resulted in widespread worker discouragement (Eamets, Masso, 2002).

After Euro integration unemployment rate was decreasing most in Estonia – on average 4.1 per cent. In other Baltic States this rate was decreasing following: in Lithuania – 2.2 per cent and in Latvia – 1.4 per cent. In conclusion it can be claimed that the Baltic States compared with the other EU countries have reached the best results in decreasing unemployment. Unemployment rate after integration in Cyprus stayed the same – 1.1 per cent and in Hungary it was 1.0 per cent higher.
Analysing the changes of unemployment rate among young people during 2001-2005 period, which is divided into pre-integration and post-integration, it was noticed that unemployment among young people during pre-integration period was decreasing very slowly in the whole homogeneous group of the countries, but very differently in each of them. The biggest decrease of youth unemployment was noticed in Lithuania, which was 5.8 per cent until the EU integration, in Latvia it was 5.0 per cent, and in Estonia – 2.8 per cent. After integration the change of youth unemployment was searched in Lithuania again – -7.4 per cent, in Estonia – 5.9 per cent, and in Latvia – 4.4 per cent. This decrease of youth unemployment can be explained by mobility, typical for such group of people. According to the results of the research a lot of young people after studies prefer to look for a job in a foreign country instead of integrating into the local labour market.

Thought the homogeneous group of the countries successfully solves the unemployment problems in their regions, the lack of labour force in different economic sectors is observed recently in all these three countries and the reasons are determined by the flow of labour force migration. Usually migration appears as the response to the disproportion of labour force supply and demand as well as the differences of wages among regions. The migration analysis in the Baltic States showed that the inequality of the people who arrived and left the country was negative in Lithuania and Latvia and it was growing up. In the both countries net migration was -7.2 thousand people during the period of 2001-2005. In Estonia situation was different: until 2004 net migration was positive and in 2005 this rate was 0.3 thousand people.

Long-term unemployment usually becomes a difficult problem because of its strong social factor, but in the Baltic States long-term unemployment was slowly decreasing during the researched period. In Lithuania this rate decreased 2.2 per cent of the particle, in Latvia – 3.3 per cent and in Estonia only 0.9 per cent. While in Poland long-term unemployment was growing up and during 2001-2005 it increased almost 3.0 per cent. Successfully integrated system of labour market political means had a positive influence for the changes of unemployment in the Baltic States.

To avoid the unemployment growth in Lithuania new mechanisms to establish new work places have been implemented, which had the purpose to increase accessibility for the capital for business beginning, to develop business and administration abilities among the people and to promote the investment potential in the working companies. More and more work places have been established after having improved business conditions in the economy of the country.

The decrease of unemployment rate in Estonia was influenced by fast internal market growth and rise of foreign direct investment, especially in finance, telecommunication, transport and storage as well as in manufacture and trade sectors. Increased return of the companies influenced the rise of their profitability. The value of investments into the manufacture significantly increased in Estonian companies. Fast growth of personal usage and gross investment motivated companies to increase work places. In Latvia as well as in the other Baltic States situation was changing in the same way influenced by the same reasons. The unemployment was decreasing because of the economic growth, investments and successfully implemented employment policy.
Reasons of differences in labour markets in homogeneous group of countries

Having analysed the results of the research assessing the changes of labour market structure it is obvious that the differences in the labour markets are determined by external as well as internal factors, which influence is different in each country.

Taking into account that the economic conditions and development changes were assessed as external factors, possibilities of investments in the Baltic States, dynamics of Gross Domestic Product (GDP) and the changes of wage and work efficiency have been analysed too.

Foreign direct investment (FDI) is necessary condition to create new work places. During the researched period FDI was especially high in Estonia – in 2004 it was 9.4 per cent of GDP. In Latvia it was growing up, but much slower compared with Estonia rates (5.1 per cent of GDP in 2004). In Lithuania FDI was only 3.5 per cent of GDP in the given period. The correlation analysis of FDI and employed people showed that growing investment determines the growth of employment rate. According to the count, it was noticed that adequate to the growing investment, employed people compounded 63 per cent in Estonia, 62.3 per cent in Latvia and 61.2 per cent in Lithuania. To sum it up, the improving of investment climate in the country is one of the relevant conditions for the positive changes of employment.

In the research of work efficiency change in the EU countries the biggest growth of work efficiency was noticed in Poland (5.9 per cent every year). It was noticed that in Poland work efficiency was growing while the employment was decreasing and the unemployment was slowly increasing, so this rate appeared without wage growth. In the Baltic States work efficiency was growing following: in Estonia 5.6 per cent, in Latvia 4.2 per cent and in Lithuania 3.8 per cent per year. However, the wages were growing too while the unemployment was decreasing. The employment growth in Latvia and Lithuania was determined by low value-added taxes. Though the Baltic States were characterized as fast growing productivity countries, they were at the bottom of the list with this rate compared with the other EU countries.

The most important factor influenced the changes in labour market structure and determined migration growth was the differences of the average wages in the countries.

<table>
<thead>
<tr>
<th>Average net wage in 2005 (Euro)</th>
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<td>11056</td>
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<td>10733</td>
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Source: Eurostat data New Cronos

Having analyzed the data, it is obvious that annual wage in Latvia and Lithuania is the least compared with the other EU countries. It differs more than six times compared with Cyprus and eight times – with EU(25). Migration flows have been determined by global macro economic factors, which are symmetric to the economic proportion of the developed and undeveloped countries. Because of emigration decreased labour force demand in the labour markets influenced on the increase of the wages. Due to it the average wage is approaching to the average EU(25). When in 2001 the difference was 7.1 times between Lithuania and ES25, it has obviously decreased till 0.5 times during the researched period, in Estonia -1.1 times and in Latvia -1.2 times.

Conclusions

1. The analysis of special literature let it point out and bases the internal and external factors in labour market, which are relevant for the changes in labour market structure. The internal factors can be defined as:
   - the accessibility of information about vacant work places;
   - the intensity of work search;
   - the flexibility of employer and employee in the aspect of work place and hire conditions;
   - the intensity of work search;

The external factors are defined as the changes of labour resource structure, economy and work.

2. According to the analysis of literature source, it was estimated that the Baltic States can be considered as one homogeneous group, because they all have the same features: they all are situated in small territorial regions, they all are post-soviet countries and their economic development was determined by the same factors, however they have differences in the changes of labour market structure.

3. The results of the research showed that the Baltic States obtained the best results in decreasing the unemployment rate compared with the other EU countries.

4. It was estimated that FDI growth is one of the relevant conditions increasing the possibilities of employment in the homogeneous group of the countries, because the increasing of this rate influences the growth of new work place establishment.

5. The analysis of statistical data showed that the differences of the wages among the EU countries determine the dynamics of migration flow and this influence the lack of work force in the different economic performance sectors.

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Reikšminga darbo rinkos segmentuotės teorijos interpretacija (Cernina, 1991), atskleidžianti prileidais, lemiančias darbo rinkos struktūros elementų teikimą į atskirus segmentus su jų būdingais bružais. Tarpautinių lygių segmentų pobūdis ir skaičius gali būti labai įvairus, todėl sunku struktūrizuoti ir paaškinoti teritorinių darbo rinkų skirtingus susidarymas prileidais.

Giliai nustatyta ES sąjungos šalių socialinė ekonomija vystymosi problemas, pastebėta, kad jūs turėtų bendrų ekonominių ir socialinių vystymosi bružų (Igra, Trainstau, 2004; Boeri, Terrell, 2002), tačiau institucijų, politinių, teisinų ir kitų veiksmų raida skirtingose šalyse ar jų grupėse sąlygoja netolygą socialinę ekonominę raitą. Šiuo veiksmu visumą turėtų įtakos skirtingiems darbo rinkų struktūros pokyčiams. Nors Baltijos valstybės labiausiai viena homogeninio grupei, tačiau ekonominio vystymosi požiūriu jos labai skirtingos.


Analizuojant išskirtinių laikotarpių, susijusių su transformacinių procesų padarinių reikšmė, įskaitant Rusijos krizės įtaką Baltijos šalių darbo rinkoms. Šie procesai homogeninių šalių grupėje, nors ir sąlygįtų to pačių veiksmų, turėjo skirtingą vystymosi dinamiką.


Išvados

1. Literatūros šaltinių analizė leidžio išskirti ir pagrįsti vidinės ir išorinius darbo rinkos veiksnius, kurie lemia darbo rinkos struktūros pokyčius. Įdėliai priskiriant:
   • informacijos apie darbo vietas prieinamumas;
   • darbo paieškos intensyvumas;
   • darbouzio ir darbovietų lankstumas darbo vietos ir santakos dalis požiūriu.

2. Išorinius veiksnius priskirianti darbo darbo rinkos struktūros pokyčius, ekonomikos ir darbo pokyčiai.

3. Remiantis literatūros šaltinių analize nustatyta, kad Baltijos valstybėse galima vertinti kaip vientisą homogeninę grupę, nes jų turėtų bendrų bružų: tai nesidedė teritoriniai regionai, visos trys šalys yra positivinės valstybės, o šių šalių ekonominę raidą lėmė panašios priežastys, tačiau jos bendžiusių skirtingi darbo rinkų struktūros pokyčiai.

4. Atlikti tyrimų rezultatai parodė, kad, palyginti su kitomis ES šalimis, Baltijos šalyse, mažindamos nedaro lygių, nagrinėjama laikotarpio požiūriu struktūrų rezultatus, o darbo užmokesčio pokyčiai.

5. Nustatyta, kad TUI augimui yra viena iš sąlygų didinant homogeninės šalių grupės užmokesčio galimybę, nes ši rodiklio augimas skatina naujų darbo vietų kūrimą.

6. Statistikos įvairių analizė parodė, kad darbo užmokesčio struktūrų tarp ES šalių sąlygoja migracijos struktūros dinamiką, o dėl to tirtinkite įvairiai darbo jėgos stigijos daugelį ekonominės veiklos sektorių.

Raktai: homogeninė šalių grupė, Baltijos šaly, darbo rinkos, užmokesčiai, nedarbas, skatiniai darbo rinkos. The article has been reviewed.

Received in October, 2006; accepted in December, 2006.