

LABOUR MARKET ANALYSIS OF EAST- AND SOUTHERN-EUROPEAN COUNTRIES

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Abstract

Labour markets problems have become more and more important in the eastern and southern European countries. After the opening of the European Union (EU) labour markets, some EU countries started facing the problem of partial work force drain to richer countries with higher wages. At the same time, East-European countries face quite a high unemployment rate on the one hand, and many vacant jobs on the other hand – there is a lack of qualified work force. Their low salaries force many countries to go to work in rich countries, where wages are several times higher. But this is not the only reason. Hence the objective of this article is to analyse the labour market of new member states of the EU coming from East-Europe and Southern-Europe countries, with emphasis made on Estonia.

1. Introduction

According to „Europe 2020 Strategy“, one of the most important goals is achieving the rapid fall of unemployment and the implementation of efficient labour market reforms, in order to help create more and better jobs. It would be necessary to increase the participation rate of some groups in the labour market, and improve the efficiency of the labour market. Due to the economic crisis, unemployment increased significantly, and the demographic changes ahead threaten to decrease the amount of labour force even more. For sustainable development, achieving lower unemployment rates will not be enough; most member countries of the European Union (EU), including Estonia, have to take up measures to increase employment rate up to 75%. What would help to solve these problems are minimizing the number of vacancies, more efficient use of part-time employees, increasing the employment rate of younger and older people and those of low qualifications; decreasing job changes in the labour market. (European Council 2010)

Free movement of workers within the EU is the basic document and it should be a favorable impact on the EU economy. But on the other hand mostly one-way intra-EU migration hinders development of these countries, where labor moves and created a fairly large social tensions. This will lead to strikes to demand higher wages, both in the sphere of production and services, such as in the medical staff in Estonia. Intra-EU migration affects both the Eastern European countries, where GDP growth and fiscal policy is more or

less right, and Southern Europe, with a large budget deficit and public debt, and with the economy (GDP) decline.

2. Analysis of employment and unemployment in EU

In a stable period, analysis are conducted annually, but in times of economic crisis, the changes in employment are extremely rapid, therefore data should be analyzed in shorter time periods – quarterly or possibly even monthly. In the years 2000 – 2008, the development of the economy in Estonia (Tanning et al 2010) and the EU was stable, in 2009 there was a rapid recession and the next year showed growth again. All this also reflects in the changes of employment rates both in Estonia and the EU: the economic growth resulted in the increase of employment rates.

Table 1. Estonia. Labour status of population aged 15-74, 2001 -2011

	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011
Labour force, thousands	660.8	660.0	659.1	659.6	686.8	687.4	694.9	690.9	686.8	695.9
- employed, thousands	577.7	594.3	595.5	607.4	646.3	655.3	656.5	595.8	570.9	609.1
- unemployed, thousands	83.1	66.2	63.6	52.2	40.5	32.0	38.4	95.1	115.9	86.8
Employment rate, %	55.2	56.7	56.8	57.9	61.6	62.6	63.0	57.4	55.2	59.1
Unemployment rate, %	12.6	10.0	9.7	7.9	5.9	4.7	5.5	13.8	16.9	12.5

Source: Code ML330

The employment rate rose till 2008 and then started to decline slowly – by 2010, the number of employed persons had fallen by 8.1 thousand compared to 2008 year. In the years 2007 – 2010, the number of active participants in labour market decreased by 84.7 thousand and the number of unemployed rose by 83.9 thousand. In the period 2008 – 2010, the respective numbers were -85.6 thousand and +77.5 thousand, the gap being 8.1 thousand; and in the years 2009 – 2010 the gap being only 4.1 thousand.

The current analysis of the Estonian labour market proceeds with looking at the employment data. In Estonia, the fall in employment rate and the growth of unemployment rate was not balanced during crisis. The gap between those figures was considerable. The reason for this is that a number of people had been working without a formal contract, and a number of people who were left unemployed abroad, started to register as unemployed in Estonia; those people, however, had not been counted amongst the employed people in Estonia and had not been the taxpayers of Estonia. Therefore we should first try to focus on the people who were left unemployed, not primarily on those who had been working unofficially. Of course, exceptions also apply here. In 2009, the number of employed persons fell by 60.7 thousand, but the number of the unemployed rose by 56.7 thousand (?), the total number of unemployed persons reaching 95.1 thousand. Employment in 2010 compared to that of 2008 had fallen by 85.6 thousand.

Table 2. Employment rate, age group 15 – 64, %, 1998 – 2011

	1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EU 27	65.5	66.6	66.9	66.7	67.0	67.4	68.0	69.0	69.9	70.3	69.0	68.6	68.6
Germany	67.2	68.8	69.1	68.8	68.4	68.8	69.4	71.1	72.9	74.0	74.2	74.9	76.3
Estonia	71.2	67.4	67.8	69.2	70.0	70.6	72.0	75.8	76.8	77.0	69.9	66.7	70.4
Latvia	65.4	63.5	65.1	67.0	68.9	69.3	70.3	73.5	75.2	75.8	67.1	65.0	67.2
Lithuania	68.2	65.6	64.2	67.2	68.9	69.0	70.6	71.6	72.9	72.0	67.2	64.4	67.2
Finland	69.2	71.6	72.6	72.6	72.2	72.2	73.0	73.9	74.8	75.8	73.5	73.0	73.8
Sweden	75.3	77.7	78.7	78.5	77.9	77.4	78.1	78.8	80.1	80.4	78.3	78.7	80.0

Source: Code tsdec420

The smallest employment rates in the 1990s were in Southern-European countries Spain, Greece, but also in Ireland. The countries with the highest employment rate were Denmark, Sweden, Switzerland and the USA. In order to be competitive in the global market, the EU has set a goal to reach employment rate of 75%. Here lies a deceptive contradiction: despite quite a high unemployment rate, employment should be increased. In the next decade, a similar trend continued. The highest employment rate was in Sweden in 2008 – 80.4 %. The employment rate in Estonia has in 2010 66.7%. As a general rule, the employment rate of male population has always been remarkably higher than the employment rate of female population, but data shows that the trend of female employment is growing. In Southern European countries, female employment rate is lower than in the Nordic countries. In 2011, the average employment rate of men in EU-27 was 75.0 % and of women, 62.3%. In Estonia, the respective figures were 73.5% and 67.6%. The highest employment rate of women was in Sweden– 77.2% and of men Sweden– 82.8% and Sweden– 81.4%.

Table 3. Estonia. Unemployed persons and rate. Thousands and percentages annual average, 1997 – 2011

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Thousands	65.8	66.1	80.5	89.9	83.1	67.2	66.2	63.6	52.2	40.5	32.0	38.4	95.1	115.9	86.8
%	9.6	9.8	12.2	13.6	12.6	10.3	10.0	9.7	7.9	5.9	4.7	5.5	13.8	16.9	12.5

Source: Code ML43/50

Among the unemployed persons in 2010, 38.0 thousand people had been unemployed for less than 6 months; 25.3 thousand, 6 – 11 months; 52.6 thousand, 12 or more months; and 19.3 thousand 24 or more months. The number of people being unemployed for more than two years was twice as big as in 2009 and over three times bigger than in 2008.

At the end of 2011 the unemployment slightly increased, but the annual average number of unemployed persons still decreased. In the record year for unemployment, in 2010, the unemployed persons numbered 115 900. In the previous year the number of unemployed persons decreased to 86 800 and was also smaller compared to 2009. The unemployment rate was 12.5% in 2011, which is by 4.4 percentage points smaller compared to a year earlier. This is the largest fall of unemployment during the last 20 years.

Table 4. Unemployment rates, %, 2010 – 2012

	2010						2011					2012
	M01	M03	M05	M07	M09	M12	M01	M04	M06	M09	M12	M03
EU 27	9.5	9.6	9.6	9.6	9.6	9.6	9.5	9.5	10.0	9.8	10.0	10.2
Germany	7.3	7.1	6.9	6.8	6.6	6.6	6.4	6.1	6.1	5.8	5.6	5.6
Estonia	19.0	18.7	18.0	15.9	15.9	14.3	13.6	12.7	12.8	11.3	11.7	10.9
Latvia	20.0	20.0	19.4	18.3	18.3	17.3	16.3	16.1	16.2	14.8	14.6	15.3
Lithuania	17.2	17.2	18.2	18.3	18.3	17.4	16.5	15.6	15.6	15.3	14.3	13.6
Finland	8.7	8.6	8.5	8.4	8.2	8.0	8.0	7.9	7.8	7.7	7.5	7.5
Sweden	8.9	8.5	8.7	8.5	8.2	7.8	7.8	7.4	7.4	7.3	7.5	7.3

Source: Code teilm020

The EU27 unemployment rate was 10.2% in the first quarters 2012. The largest falls were observed in Estonia (13.6% to 10.9% between the first quarters of 2011 and 2012), Lithuania (15.7% to 13.7%) and Latvia (17.1% to 15.3%).

Unemployment in the EU decreased in 2000 and in the next 1.5 years, grew again to 9%, stayed stable for three years, and the next three years brought a significant fall to 7%, until the recession. In the two crisis years, since QII 2008, unemployment reached its peak, the reasons of which have already been analysed within this article. The beginning of 2011, however, showed slight fall in unemployment (Code: une_rt_q).

3. Job vacancies

In a situation when unemployment rate is high and there is a wish to increase employment, it is proper to look at the *vacancies* and the changes within vacancy rates. Starting from spring 2010, despite high unemployment rates, the number of vacant jobs even exceeded 6000 at times. Therefore, the figures reveal the lack of qualified labour force.

Table 5. Estonia. Number of job vacancies and rate of job vacancies, %, Quarter, 2005 – 2011

	Number of job vacancies				Rate of job vacancies, %			
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
2005	12 663	13 373	14 395	13 035	2.3	2.4	2.6	2.4
2006	16 639	17 140	19 746	18 202	2.8	2.9	3.4	3.1
2007	20 079	20 744	22 532	18 276	3.3	3.4	3.7	3.0
2008	17 581	16 056	16 365	10 373	2.8	2.6	2.7	1.8
2009	5 735	4 075	4 920	3 890	1.0	0.8	0.9	0.8
2010	4 711	5 244	5 852	4 817	0.9	1.1	1.2	1.0
2011	5 876	6 324	7 834	6 318	1.2	1.2	1.5	1.3

Source: Code WSV 011.2011

Table 5 shows the number of job vacancies by quarters both in absolute and relative numbers. Before the economic crisis, the number of vacancies even reached 3.7% (QIII-2007), but dropped to a mere 0.8% or 3890 vacancies during recession.

The rate of job vacancies was the highest in public administration, defence and compulsory social security (2.6%), and the lowest in mining and quarrying (0.1%). Compared to the 4th quarter of 2010, the rate of job vacancies increased the fastest in accommodation and food service activities. The increase in the number of job vacancies was the biggest in transportation and storage and in accommodation and food service activities, where there were over two times more vacancies, compared to the 4th quarter of 2010. A third of the job vacancies were in the public sector and two thirds in the private sector. The rate of job vacancies was 1.4% in the public sector and 1.2% in the private sector. The public sector includes companies owned by the state or local government.

Table 6. Estonia. Number of job vacancies. Major group of occupations. Quarter, 2008, 2010 and 2011

	Economic activities total	Manufacturing	Construction	Wholesale and retail trade;	Transportation and storage	Accommodation and food service activities	Information and communication	Professional, scientific and technical	Administrative and support service activities	Public administration and defence;	Education	Human health and social work activities
2008												
QI	17 581	3 874	1 072	1 978	946	718	538	754	659	3 098	1 203	949
QII	16 056	3 096	927	1 963	896	654	426	658	524	3 105	1 218	930
QIII	16 365	3 528	751	1 449	696	499	497	540	476	2 853	2 688	804
QIV	10 373	1 527	507	1 039	522	349	359	505	272	2 563	1 052	652
2010												
QI	4 711	497	202	684	193	..	163	214	348	870	375	224
QII	5 244	784	331	632	303	..	180	243	239	935	435	299
QIII	5 852	719	240	499	216	184	194	367	320	839	1 224	272
QIV	4 817	778	284	527	198	172	189	213	294	837	409	275
2011												
QI	5 876	968	260	918	328	210	315	245	332	949	341	349
QII	6 324	1 230	246	794	489	253	316	262	492	866	364	345
QIII	7 834	1234	420	1004	487	314	405	305	476	977	1211	346
QIV	6 318	910	311	772	493	402	339	203	553	973	417	335

Source: Code: WSV011

Table 6 enables to assess the number of vacancies before crisis, during the crisis and after it according to major groups of occupations. Although there has (always) been quite a large number of vacancies in all the economic sectors, the rates of job vacancies in different occupations are quite different. Before the economic crisis, the overall number of vacancies was 17.5 thousand, but even in the peak period of unemployment, the number of vacancies was almost 5 000 and over a 100 in major groups of occupation. Therefore, problems may lie in notifying the unemployed about job vacancies or in the fact that the unemployed people do not qualify for the vacancies.

Different job vacancies were also available in almost all Estonian regions during the peak of unemployment (QI2010). In QIV, the number of vacancies among professionals, senior officials and managers was slightly smaller than in QI. We face a situation where not everyone wants to work as an unskilled worker; at the same time, employers do not see their abilities to be suitable for working on a job requiring high qualification, for example, on a job of senior official or manager.

In Harju County, which includes the city of Tallinn, 14 784 new vacancies were added in 2010. Over three thousand vacancies were found in Tartu County and Ida-Viru County. Over a thousand vacancies were registered in Lääne-Viru, Pärnu and Viljandi County.

When the vacancy rate (relation of vacant jobs and employed persons) before the crisis (QI-2010) was high (2.8%), then in 2009, it had dropped to 0.8% in II and IV quarter. The rate of vacancies has been increasing slowly (2011=1.2%), but it is still lower than it was before the crisis. However, the vacancy rate today is higher than in 2010.

In Estonia, there have always been a certain number of job vacancies. Depending on the economic cycle, their numbers change continuously. At first glance, it seems that when unemployment increases, then the number of vacancies decreases and vice versa. Still, this regularities is more complex and varies from country to country. What shows the importance of this issue is the fact that even now, in Estonia and in the whole EU, there is the lack of qualified labour and at the same time, the workers are not willing to work with less suitable conditions.

The following analysis focuses on the relation of vacancies and unemployment and the rules of their distribution laws.

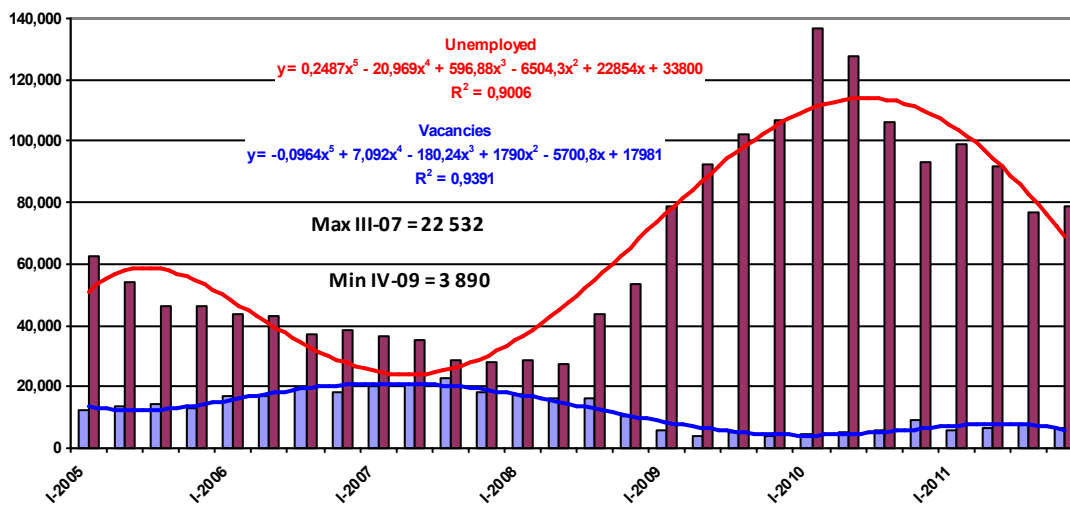


Figure 6. The division of vacancies and unemployment in Estonian, 2005-2011

Source: Author’s illustration

Two trend lines were approaching each other up until the end of 2007, then their gap was minimal (QIII-07=6168; QIV-07=9824). Then, unemployment was decreasing and at the same time, the number of vacancies was growing. It was getting more and more difficult for employers to find labour force, especially qualified labour. This kind of developments in the labour market started to suppress the development of the enterprises. The employees, on the contrary, had quite good opportunities for choosing jobs, which enabled them to ponder carefully about the nature of the job, the pay and the working conditions, etc. In the first half of 2008, the number of the unemployed was still decreasing, but the demand for workers started to rise slowly. The employers had to agree with higher demands of employees and this led to the fall in vacancy numbers. In the end of 2008, the effects of economic crisis started to be felt in the labour market. The unemployment rate started to increase quickly and the number of vacancies started to fall. By the beginning of 2010, the unemployment rate had reached its peak and the number of vacancies its low (fell to the minimum). The gap between the two trend lines was the largest. Next, the two lines started to approach each other again – unemployment rate started to fall and the number of vacancies started to rise. Both trend lines match quite well with the curves of actual value, which shows that unemployment and vacancies in Estonia follow certain rules, because $R^2 \sim 1.0$.

The rate of vacancies in the EU rose even up to 2.4% in 2007, but 2.5 years later, the economic crisis took it to 1.4%. In 2010, vacancy rate rose to 1.7 %. This trend in the EU is quite similar to the job vacancy trends observed in Estonia. In the III quarter of 2010, the rate of vacancies in the EU countries fluctuated between 3.0% - 0.3%. The highest vacancy rates were in Malta (3.0%), Norway (2.6%) and Germany (2.5%), the lowest in Lithuania (0.3%). Despite the Estonian vacancy rate rising in the II and III quarter of 2010, it is still lower (1.2%) than the European average (1.5%).

When the number of unemployed persons in Estonia was 25 – 50 thousand, the number of vacant jobs was in between 23 -13 thousand. Since the number of unemployed reached 80 thousand, the number of vacancies has been stable, around 5 000. When the number of unemployed persons reached 60 thousand, the number of vacancies decreased almost twofold. However, the unemployment rate has risen much more quickly than the number of job vacancies has decreased. When the number of unemployed persons reached 80 thousand, the number of vacancies stayed stable despite of the rapid growth in unemployment.

4. European salaries and wages

Below we analyze of the European Union salaries and wages.

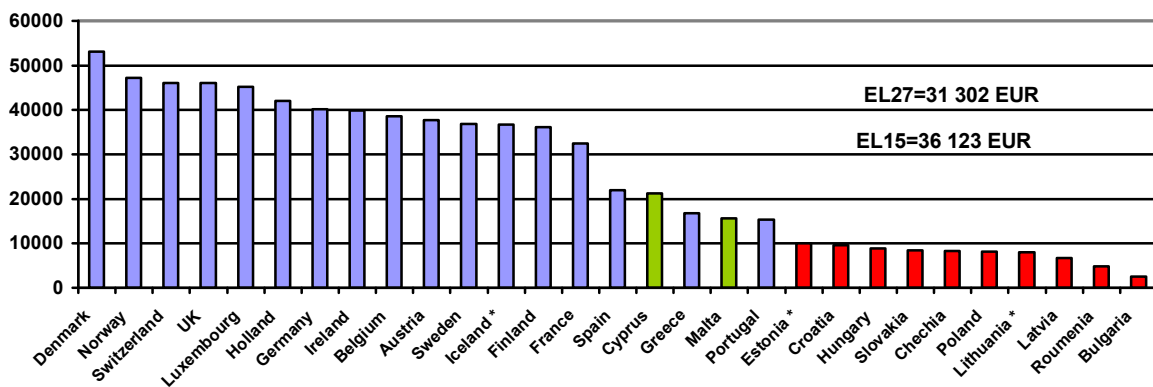


Figure 1. Average gross annual earnings in EU states, EUR

Source: Code: earn_gr_nace

Table 7. Net per year salaries, EUR, 1997 – 2011

	1997	1999	2002	2004	2006	2007	2008	2009	2010	2011
EU (27)	12,48	11,93	15,84	16,40	17,23	17,9	17,97	17,72	18,45	17,92
	9	4	4	7	5	10	5	8	6	8
EU (15)	15,22	14,35	18,72	19,41	20,26	20,9	20,91	20,69	21,35	20,91
	2	6	3	3	0	42	0	7	0	1
Denmark	17,26	18,61	20,35	21,27	22,18	23,2	24,09	24,64	25,24	25,69
	5	4	5	0	1	46	5	7	9	3
Germany	23,96	18,78	21,95	23,02	23,59	24,1	24,73	24,55	25,29	26,25
	6	6	8	2	7	80	9	2	7	3
Ireland	10,45	11,16	13,61	15,17	16,23	16,9	17,65	17,25	17,52	17,81
	1	0	2	0	7	18	8	3	7	7
Greece	6,331	6,684	6,940	8,848	9,797	10,5	10,69	11,87	13,09	10,11
						90	3	2	9	1
France	12,21	12,57	17,63	17,56	18,82	19,5	20,30	20,61	21,16	21,92
	3	4	1	2	3	36	7	4	6	6
Italy	14,44	13,47	15,06	15,78	16,66	17,0	17,72	18,10	18,63	19,17
	3	0	5	5	9	42	8	7	9	2
Luxembo urg	15,09	15,96	21,85	23,07	24,78	25,7	26,17	26,86	27,49	28,01
	9	5	8	2	6	69	9	7	7	6
Portugal	4,287	4,504	8,243	8,477	9,215	9,95	10,32	10,59	10,73	10,88
					6	6	7	8	6	3
Finland	15,02	15,51	18,43	19,47	20,79	22,0	23,17	23,64	24,44	25,38
	3	2	4	8	7	47	0	3	9	5
Sweden	16,07	16,66	20,77	22,23	23,20	24,1	24,27	22,41	25,36	27,32
	2	7	3	2	0	09	1	8	9	0
UK	12,95	14,34	22,99	23,46	25,04	26,4	22,76	20,31	21,69	21,35
	2	3	5	5	6	02	7	6	6	4
Norway	16,75	18,00	25,83	24,72	28,00	29,6	30,24	29,20	33,06	35,36
	9	3	9	4	2	14	0	7	4	1
Switzerla nd	19,74	20,98	24,90	24,26	24,40	24,1	24,88	26,36	28,93	33,33
	0	6	7	6	0	84	4	7	9	4
USA	17,44	17,19	19,99	15,94	16,92	16,2	16,08	17,75	19,21	18,72
	7	8	6	2	5	66	8	2	0	5
Japan	:	:	24,25	20,59	19,28	17,4	17,87	20,91	23,35	24,60
			0	9	7	73	8	1	5	5

Source: Code earn_nt_net

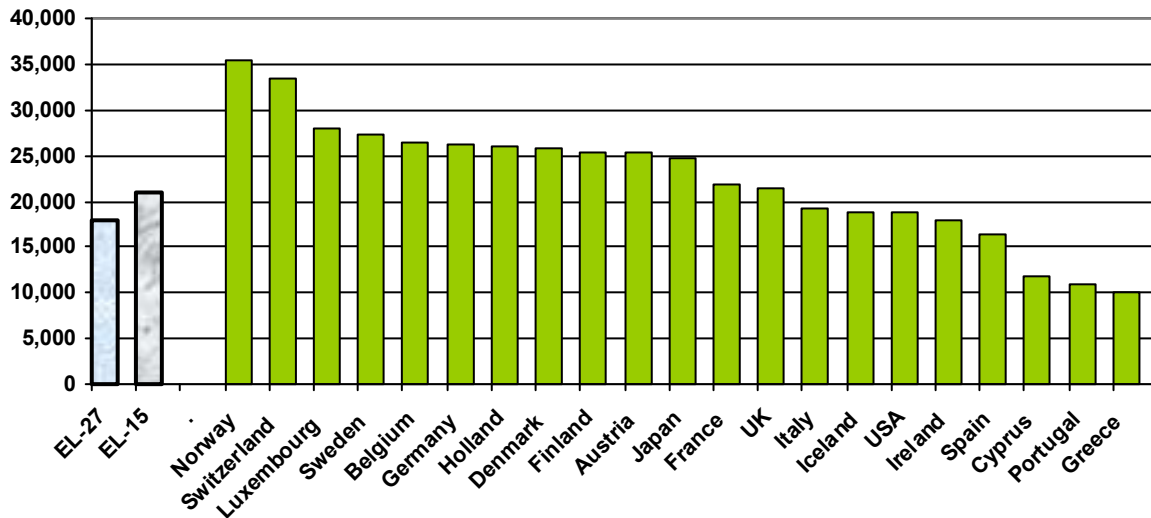


Figure 2. Net per year salaries, EUR, 2011

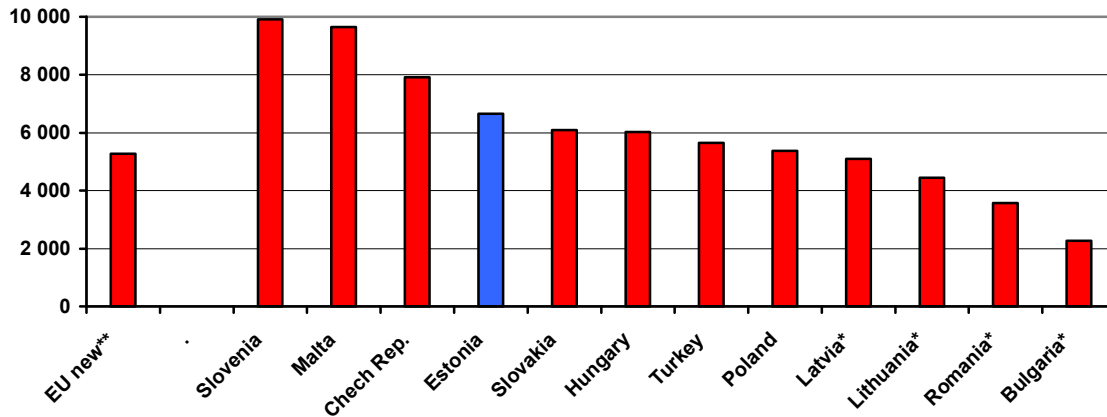
In new EU member states the average net annual salary in 2007 was 5266 EUR, significantly smaller than Estonian salary (in 2011 was 6664). Also contrastively presented herein is the EU candidate state Turkey's salary, which was on an average level among the others. As regards the Estonia's remunerations, presented in greater detail at the end of article will be separately the data on recent years.

In the period under perusal the salaries of the new EU member states (CZ, EE, CY, LV, LT, HU, MT, PL, SI, SK) have grown 2.16 times, in the majority at least 3 and in Estonia 4.34 and Lithuania 3.95 times.

Table 8. Net per year salaries in new states, EUR, 1997 – 2011

	1997	1999	2002	2004	2005	2006	2007	2008	2009	2010	2011
New States (10)	2,43	2,72	4,01	4,0	:	4,83	5,26	:			
Bulgaria	654	866	974	1,0	1,28	1,36	1,61	2,01	2,23	2,27	:
Czech Rep.	2,64	3,03	4,10	4,4	4,96	5,56	6,09	7,37	7,14	7,61	7,91
Estonia	1,52	1,73	3,28	3,8	4,20	4,96	5,95	6,69	6,35	6,43	6,66
Latvia	1,36	1,49	2,22	2,3	2,63	3,23	4,15	5,03	5,13	5,09	:
Lithuania	1,24	1,54	2,28	2,6	2,87	3,37	4,14	4,85	4,52	4,43	:
Poland	2,58	2,99	3,83	3,4	4,05	4,53	4,98	5,50	4,62	5,18	5,37
Romania	756	799	1,40	1,5	2,08	2,41	3,07	3,43	3,21	3,56	:
Slovenia	4,57	5,15	6,61	7,2	7,53	7,94	8,49	9,15	9,33	9,81	9,90
Slovakia	1,64	1,51	2,62	3,2	3,37	3,78	4,50	5,36	5,70	5,88	6,09

Source: Code earn_nt_net



Note: EU new**=2007; Latvia, Lithuania, Romania and Bulgaria* = 2010.

Figure 3. Net per year salaries in new states, EUR, 2011

In the years of 1999 – 2011, as a general rule the minimum salaries grew, however due to the economic crisis part of the countries had frozen their salaries for two to three years, incl. in Estonia to the level of 2008. The British decreased minimum salaries in 2011 as against 2008 and the Americans increased it substantially. In Estonia, it has nevertheless increased as from 1999 by 3.6 times; in Latvia 3.8 times and Lithuania 2.5 times. It increased still more in Romania (5.9 times) and Bulgaria (4.2 times). It thence transpires that in evidence is the trend to level out the salaries, although at variable rates, significantly influenced by the position of their economies during the crisis and success of the policy in superseding the crisis.

Discrepancies in minimum salaries still are overwhelmingly large. Hence in Bulgaria it was 13.0 times lesser than in Luxembourg, 5.5 times lesser than in better economy post-socialist Slovenia and 2.1 times lesser than in Estonia. Whereas in Estonia the minimum salary is 6.2 times lesser than in Luxembourg and 2.6 times lesser than in Slovenia. Whereas the Luxembourg's minimum salaries are several times higher than in new EU member states. Reckoning with divergent price levels of the countries, Estonia's minimum salary should be 362 euro, subject to purchasing power standard (PPP).

Table 7. Minimum per month salaries, EUR, 1999 – 2012

	1999	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	32.7	44.5	56.3	61.4	76.7	81.8	92.0	112.5	122.7	122.7	122.7	138.0
Czech Rep.	92.4	142.7	196.4	206.7	235.9	261.0	291.1	300.4	297.7	302.2	319.2	310.2
Estonia	80.3	102.3	138.1	158.5	171.9	191.7	230.1	278.0	278.0	278.0	278.0	290.0
Ireland	-	944.7	1073.	1073.	1183.	1292.	1402.	1461.	1461.	1461.	1461.	1461.
			2	2	0	9	7	9	9	9	9	9
Greece	522.0	543.6	606.5	630.8	667.7	709.7	730.3	794.0	817.8	862.8	862.8	876.6
France	1036.	1083.	1154.	1215.	1286.	1217.	1254.	1280.	1321.	1343.	1365.	1398.
	0	3	3	1	1	9	3	1	0	8	0	4
Latvia	75.2	86.8	114.0	119.0	114.6	129.3	172.1	229.8	254.1	253.8	281.9	285.9
Lithuania	92.1	115.5	124.6	130.3	144.8	159.3	173.8	231.7	231.7	231.7	231.7	231.7
Luxembourg	1162.	1258.	1368.	1403.	1466.	1503.	1570.	1570.	1641.	1682.	1757.	1801.
g	1	8	7	0	8	4	3	3	7	8	6	5

Hungary	89.2	150.9	211.6	201.9	231.7	247.2	260.2	271.9	268.1	271.8	280.6	295.6
Holland	1064.	1154.	1249.	1264.	1264.	1272.	1300.	1335.	1381.	1407.	1424.	1446.
	2	5	2	8	8	6	8	0	2	6	4	6
Poland	158.9	197.4	199.0	175.3	207.9	232.9	244.3	313.3	307.2	320.9	348.7	336.5
Romania	27.3	41.4	71.2	68.0	78.7	89.7	115.3	138.6	149.2	141.6	157.2	161.9
Slovenia	361.3	395.3	450.3	471.0	490.1	511.9	521.8	538.5	589.2	597.4	748.1	763.1
Slovakia	69.4	100.2	134.2	147.7	167.8	182.2	220.7	241.2	295.5	307.7	317.0	327.0
UK	-	977.4	1063.	1054.	1134.	1212.	1315.	1242.	995.3	1076.	1136.	1202.
			8	2	7	6	0	2		5	2	0
USA	765.1	959.3	851.2	706.8	655.4	756.7	677.8	688.8	815.8	872.3	940.5	971.2

Source: Code: tps00155

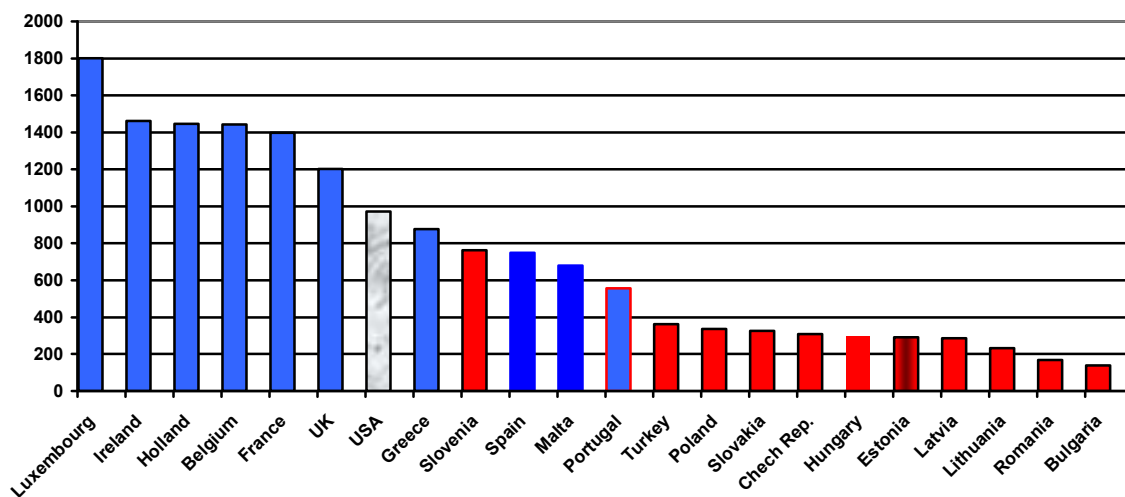


Figure 4. Minimum per month salaries, EUR, 2012

Share of minimum salary (Nace Rev.2) in average monthly salary is a major economic policy problem, depending on political decisions and country’s economy level. It constitutes nearly a half in Greece (2011=50.1%), France (2009=47.6%), Malta (2011=47.4%), Belgium (2008=47.3%) and Luxembourg (46.7%). It is of lesser proportion, besides Estonia (2010=35.6%) also in Czech Republic (33.4%), Slovakia (36.6%) and Romania (32.3%). In 2009 the share of minimum salary picked up in the majority of East-European EU member states, whereas in Estonia it grew a year earlier. Contrastively, in USA it was 31.4% in 2011 (Code: earn_mw_avgr2).

It needs be taken into account in this connection that periods affect the average salary, hence in December, on account of the Christmas bonus, the remuneration makes a quantum leap. When comparing equidistant months, the onset of crisis must be taken into account. In the pre-crisis period salaries made a headway. When comparing 2003 salaries with 2008 salaries, the growth was almost doubling. Whereas the 2010 salaries were lower than two years earlier. Largest gross salary was evidenced in June 2008 – 905 euro and the least in August 2009 – 720 euro. 2010 still witnessed continual incremental growth, however two years earlier it was still higher. June 2008 witnessed the record 904.99 average gross monthly salary, December 2010 evidenced 848.55 euro i.e. less by 56.44 euro.

For analysis of the real income the impact of inflation must also be considered, whereas in 2010 the CPI was much higher than before the crisis. Real salary, reckoning the impact of change in CPI and showing salary’s purchasing power, declined for nine quarters on end. In 2010, IV quarter the real salary dropped by 1.2%. (Code: YPA51)

Table 8. Average quarterly monthly salary, euro (EMTAK 2008), 2009-2011

	2009				2010				2011			
	IQ	IIQ	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ
Gross	837	887	787	832	811	891	793	861	854	923	841	907
...												
Net ...	680	719	639	673	651	712	637	690	685	737	674	725

Source: Code WS041

In 2010 IV quarter the share of net monthly salary constituted 80% of gross monthly salary, being among the highest in the EU member states.

Quite naturally, in the pre-crisis year the salary and consequently labour expense were larger than in 2009. As from the second quarter 2010 the level of the previous year was superseded, however there was a shortfall, as compared to the pre-crisis time.

As per areas of activities the IV quarter of 2010 continually displayed the largest gross monthly salary in finance and insurance business (1337.73) and in information and communication (1305.33). Salaries in manufacturing industry (777.10); trade (740.74) and building (853.35) were much lower. The lesser area however was „other servicing business“ – 502.41 euro. Average gross monthly salary in 2010, IV quarter was the largest in Tallinn 920.46 and Tartu 811.93 and lower in county Valga 610.48 euro.[Code WS21...]

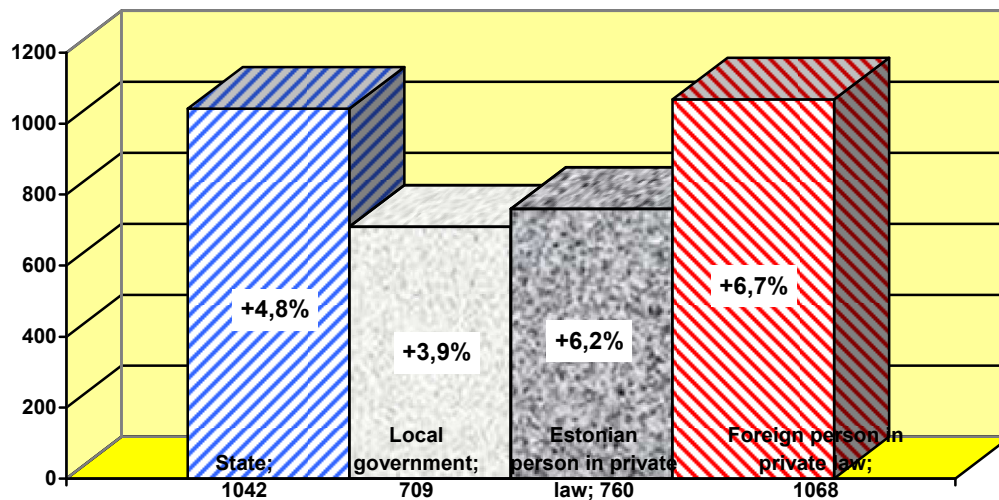


Figure 5. Estonian gross monthly salary per owner, QIV 2011, euro

Embraced have been workers under Employment Contract, Service Contract and Public Service Act. While on the one hand it is emphasised that the salaries of government and self- governments were frozen, because before crisis they enjoyed a non-motivated large growth, the growth analysis of salaries of 2010, IV quarter contradicts to it. Lesser growth of salaries was evidenced in private sector. [Code: WS31]

Estonian productivity is 69%, but salaries are below 30% EU average.

Productivity reverted to decline in the second half of 2007 and attained the trough of the slump in 2008, IV quarter. Whereas salary increased and its record sizes were evidenced in 2008 II and IV quarter, where productivity had plummeted.

Conclusions

In 2010, the gross annual salary in Sweden was 38 023, in Finland, 38 626 and in Estonia 9 490 euro – the relations therefore being 4.01 and 4.07. In 2011, the net annual salary in Sweden was 27 320, in Finland 25 385 and in Estonia 6 664 euro – the respective relations being 4.10 and 3.81.

However, it is not enough to compare merely gross and net salaries: for a deeper analysis, price levels, social expenditures, family budget and other social figures must also be observed. As it is known, the highest price levels are in Switzerland, Norway and from EU countries, Denmark.

In Estonia, certain prices of more expensive goods and services may even reach the price levels of Germany, but in overall, the price levels in Estonia are still lower than in richer Western European countries.

When comparing the salaries in public and private sector in Estonia, it must be considered that in public sector, the number of people with higher education is much bigger than in private sector. Therefore it is not feasible to compare, for example, the salaries in education (public sector) with salaries in services (private sector), as the qualifications of workers are too different. Unfortunately, the salaries of workers with higher education do not differ that greatly from the salaries of workers with basic education.

Estonian productivity is 69%, but salaries are below 30% EU average. Consequently at such level of average productivity it is, as a general rule possible to raise salaries primarily on the expense of owner profit.

This would also lessen the drain of qualified workforce. Keeping qualified workers in Estonia is in the long run also beneficial to the employer. A reasonable raise in the salaries would be a beneficial future investment for the companies. As for the rise of profit, it would be insured by keeping qualified workforce and by lessening or saving from training expenses on new employees, etc. But we mustn't also forget the golden rule of economic theory: the main goal of a business enterprise is earning profit to its owners. Hence, the conflict of interests arises. Therefore we may also look at different enterprises from a viewpoint of whether their activity is focused on today only or does it also consider the future.

Productivity in ratios of other post-socialist countries, new EU states is substantially higher than salaries. Significant discrepancy of productivity and salaries causes movement of labour of East-European states to the states of higher salaries. Whereas it must be taken into account that East-European countries produce, as a general rule goods of lower value than in Western Europe. Nevertheless the labour market will put in place, in due course of time the correct relation of productivity and salaries, but by that time new EU member states will have lost part of their precious labour.

The possibility of raising salaries should be analysed separately according to economic branches, jobs and professions. The countries of Eastern Europe, including Estonia, could try to model after the experiences of developed industrial countries.

The salaries could be raised in there areas where the result (turnover and profit) is more connected to the quality if workforce, in order to find better and more competitive employees. It should also be certainly connected to the productivity and quality of work through salaries and bonus systems. These generalisations could also be made to other new European Union countries.

In the labour market analysis, all its components should be looked at according to their relations to each other. In a simpler analysis, only the most important factors will be concentrated on. However, analysing one or two factors does not allow developing the most efficient means to improve the situation in the labour market. This is also shown by the European practice where despite economic growth, the situation of the labour market is improving slowly, and the implemented means are less effective than expected. Due to the free movement of people in the EU, the analysis of labour markets should focus on the changes in employment rates, not unemployment rates. When analysing the reasons of employees' mobility, the fact that wages differ in the old and new member states should also be taken into account. This has a direct effect on the mobility of employees. The other authors have also noticed that for those who do not wish to take the job they are offered, some kind of measures should be implemented. A formal retraining (of the unemployed) does not fix the situation. According to employers, a number of unemployed people should not be hired at all, as the damage they cause directly or indirectly to the employer and to the society at large considerably exceeds the costs on unemployment benefits. As for Estonia, when we do not count among the unemployed the people working unofficially, the ones who do not pay taxes to the country and the ones who have no desire to work at all, the actual unemployment rate is much lower. At the same time, the transfer unemployment connected to mobility is still inexorably there, along with the higher than normal unemployment rate, which may even be beneficial, because it helps to guarantee the necessary quality of the work and services and gives the employer a better chance to require the fulfilment of the working discipline. The primitive equalizing of all employees and the wish to see an ideal employee in everyone lowers the quality of the labour market. The abilities and motivation of people vary greatly; therefore contradictions and competition are the basis for development of the labour market. Denying this would lead to economic stagnation.

After the economic crisis, the GDP of Estonia started growing again, but the fall of unemployment rate has been very slow. What are the reasons for this? In order to come out of crisis, enterprises try to minimize labour costs. First, the companies try to get rid of workers who are unqualified, not needed or have conflict personalities. At the same time, we are facing a new problem: there are not enough qualified employees to be found. Estonia is not the only one facing this problem.

After the crisis, economy does not develop extensively any more, instead, it develops along an intensive path. This means that manufacturing will grow mainly due to the use of more efficient machines and devices and more efficient organization of the work process. This lessens the amount of low qualified workers and raises the demand for employees with high qualifications. This does not only concern the unskilled workers, but also those having higher education – engineers, economists and other specialists. Hence we face also the problem of the quality of higher education. The demand for knowledge capital (human resource) has grown noticeably - this is the greatest value in the information society.

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