

CEE Labor Research

CELSI 10th Year Anniversary Event

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Big themes

- Brexit
- Aging
- Youth unemployment
- Changing nature of work

Brexit

- Slowing emigration to the UK
- Research questions:
 - What will be the impact on skill supply in CEE by skill category?
 - Would it alleviate labor shortages in countries that face that problem?
 - What will be the impact on wages?
 - What will be the impact on demographics?

Aging in Europe

- The **EU-15 countries**:
 - Enjoy an average **life expectancy** of **81 years**.
 - Have witnessed a **drop in fertility** since the 1970s (though recently fertility has stabilized or re- increased in a number of countries).
- **Central Europe and the Baltics are aging differently**:
 - Average **life expectancy** is **well below EU-15** (for most, the gap is between **4-7 years**). High mortality amongst the poor.
 - In a number of countries **fertility rates** are as low as **1.3 or 1.4** children per woman.
 - **Outward migration** of younger populations is **accelerating the aging process** and has resulted in a fall in populations in some countries.

Consequences of aging societies in CEE

- Risks to economic growth
- Fiscal pressures to provide adequate services as well as income security to aging populations
- Firms could lose out on productivity gains if they fail to adapt to an aging workforce

Addressing these challenges requires policy initiatives covering labor markets, healthcare, education, pensions, long-term care, migration and family policy.

Research questions

- Could more flexible work arrangements, including increased part-time work, both for workers transitioning to retirement and parents of young children, contribute to longer working lives for an aging workforce?
- What changes in pension policies would be needed to keep older workers in the labor force?
- What measures in affordable childcare and eldercare could be taken to help women stay in work?
- What kind of investments in skills and lifelong learning would be needed for longer and more productive working lives?
- What changes in social protection and healthcare would be needed to manage age-related spending pressures?
- What kind of pro-natal policies have been successful?
- What is the contribution of inward migration to the rebalancing of demographic changes?

Youth unemployment in the EU, Central Europe and the Western Balkans

- **Youth unemployment in:**
 - EU: 17.3 percent (2018)
 - Central Europe and the Baltics: 13.4 percent (2018)
 - **Western Balkans: 37.6 percent (2017)**
- In the Western Balkans:
 - The **youth unemployment rate has been declining** and it is at the lowest level since 2010.
 - Country rates range from **29 percent in Montenegro and Serbia**, to more than **50 percent in Kosovo**.
 - They also face a **wage gap**, earning up to **20 percent** less than those who find employment sooner.

Consequences of high youth unemployment

- Lower economic output
- Social and political tensions
- Intergenerational inequity
- Outmigration
- Difficulties to maintain skills after prolonged unemployment and thus lower return on education

Research questions

- What are the underlying reasons for high youth unemployment?
- What are its social consequences?
- Does youth unemployment disproportionately affect women?
- How could active labor market policies effectively support first employment?
- Is it possible to reduce the wage gap?
- What are the implication for education and skills?

Changing nature of work

(Trends in Europe's labor market)

- **Transition to service activities**
- **Shift away from more routine and manual work toward non-routine and inter-personal (like many service-sector jobs) or non-routine and analytical jobs:**
 - **De-routinization and decreasing demand for middle-skilled jobs**
 - **Manual occupations (many in the agriculture and construction) are declining across the EU (with few exceptions)**
 - **Steadily rising demand for high-skilled workers**
- **Rise in educational attainment of the workforce has played a strong role in the changes in task content of jobs.**
- **In the EU, flexible forms of employment are more prevalent among workers with lower levels of education.**
- **Technological advances in machine learning, artificial intelligence, robotics and the platform economy will continue to change how we work.**

Consequences of the changing nature of work

- **On jobs, skills and learning**
 - **Routine jobs** will increasingly be **automated**.
 - **Demand will increase for skills that complement new technologies**, including:
 - advanced cognitive skills (such as complex reasoning),
 - socioemotional skills (such as team work), and
 - skill combinations predictive of adaptability (such as problem solving, self-efficacy, and entrepreneurship).
 - An augmented labor force will **marry the strengths of humans and machines**.
 - Individuals will need multiple opportunities to **upskill and reskill** themselves throughout life.
- **On the social contract and social protection**
 - Digitization, new platforms, and collaborative digital business models put pressure on organizational hierarchies and **change the nature of elected and appointed leadership**.
 - **Non-state actors will exert considerable pressure on government**, its legitimacy, and its role as a trusted intermediary with the advent of transactions on distributed ledgers.
 - **Employee-employer relationships will continue to shift**. There will be an increase in informality.
 - The **decoupling of employment status and social protection**—with workers being part-time in the gig economy and changing jobs more frequently—is likely to require more universal forms of social protections.

Research questions

- How do disruptive technologies change the nature of jobs?
- What kind of skills will be required?
- What will be the consequences of increased informality on taxation, social security and labor market policies?
- What will be the consequences of changing employer/employee relationship on the future of trade unions and social protection programs?
- Is Universal Basic Income a feasible proposition?
- How could a new social contract be built?
- What is the interplay between the changing nature of work, aging population and youth unemployment?

Sources and recent relevant World Bank publications

- Changing Wealth of Nations
- World Development Report 2019: The Changing Nature of Work
- Growing United: Upgrading Europe's Convergence Machine
- Skills and Europe's Labor Market : How Technological Change and Other Drivers of Skill Demand and Supply are Shaping Europe's Labor Market
- Western Balkans Labor Market Trends: 2018
- Toward a New Social Contract : Taking on Distributional Tensions in Europe and Central Asia
- Golden Aging: Prospects for Healthy, Active and Prosperous Aging in Europe and Central Asia
- What's Next in Aging in Europe: Aging with Growth in Central Europe and the Baltics