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DAY 3 - 15th OCTOBER

SESSION I: 09:00 - 10:20

LABOR ECONOMICS

Flexicurity Policies and Their Effects on Productivity: Empirical Analysis of the EU Countries**Suzana Laporsek**
University of Primorska, Slovenia**Primoz Dolenc**
University of Primorska, Slovenia**Abstract**

The concept of flexicurity promotes the idea of finding the right balance between flexibility and security at the labour market, which should be perceived as mutually supportive. It presents a response to changes in national economies due to globalization processes, rapid technological development, demographic aging and labour market segmentation and provides a tool to maintain and improve competitiveness while reinforcing European social model. According to the European Commission (2007), flexicurity policies can be designed and implemented across four policy components: (i) flexible and reliable contractual arrangements; (ii) lifelong learning programmes; (iii) active labour market policies; and (iv) social security. The aim of the paper is to examine the issue of flexicurity in the EU Member States, to present the level of implementation of above mentioned flexicurity policies and to study the impact of flexicurity policy components on productivity. As flexicurity policy elements present complex entities which are difficult to measure and compare between countries, we focus our analysis on four representative labour market institutions, one for each flexicurity component: employment protection legislation index, participation rate in lifelong learning programmes, expenditures for active and passive labour market policies and net replacement rate for the first year of unemployment. In order to present performance of the EU Member States in implementation of flexicurity policies we use descriptive statistics for the last available data. To estimate the effect of flexicurity policies on labour and total productivity growth we employ panel regression analysis performed on the sample of 20 EU countries between 1998 and 2008. The empirical analysis pointed on the existence of large differences in the level of implementation of flexicurity policies across EU Member States, by which the least successful are NMS due to very very rigid labor markets at very low security of employees. On the other hand, flexicurity policies are the most balanced in Scandinavian countries. As regards the impact of flexicurity variables on productivity, the panel regression estimates showed that high expenditures for ALMPs and participation in LLL programs exhibit positive impact on labour productivity growth and total factor productivity growth, indicating that higher investments in programs aimed at skill and knowledge improvement may by enhancing human capital increase productivity growth. On the other hand, EPL index and NRR for unemployment may lower labour and total factor productivity growth, probably due to their effect on worker's effort and on labour and worker flows (howsoever, the impact of EPL index is statistically insignificant). The findings confirm the importance of further development of flexicurity policies, with special attention to be put on the development of active labour market policies and the system of unemployment benefits. However, each of the EU countries must shape its own flexicurity pathway that best suits the specific needs of its labour market, with special attention put on finding the right balance between the needs of both employees and employers and at the same time assuring macroeconomic stability.

Keywords: Flexicurity, Labour Market, Productivity, European Union**JEL Classification:** J08

Life Satisfaction and Informal Employment in Russia**Andrey Aistov**
Higher School of Economics, Russia**Lyudmila Leonova**
Higher School of Economics - Nizhny Novgorod, Russia**Abstract**

The paper deals with the informal sector labor market in Russia. Informal employment takes rather big place in Russian economy, as in any developing country. Analysis was performed using RLMS, that include data about different characteristics of job and personal traits of the respondent. The panel was formed from cross-sectional sample for 1994-2007 years. The research contains two parts. In the first, determinants of choice informal

employment were analyzed using logit models with fixed and random effects. To take into account endogeneity instead of using income as explanatory variable, we used difference between income forecasts in the status of informal and formal employment. We find that income, unemployment rate, age and education seem to affect the probability of informal sector's choice. Moreover, estimates of the coefficients in front difference incomes forecast and unemployment rate allow to suggest that informal employment is forced, and in case of any available alternatives, person will not choose the informal status. In the second part the emphasis of research has shifted to the level of life satisfaction. There are a lot of papers dedicated to different aspects of happiness. In this paper the attention was concentrated on influence informal employment's status on general satisfaction. The research of psychologists and econometrics's foundation showed that models with fixed effects are the most appropriate. The analyses was implemented on panel data with probit adapted OLS method. In case of multinomial variables with more than two classes, a linear model where the dependent variable is "roughly cardinalised" is necessary. Refusal from nonlinear models like probit and logit with fixed effects was caused by significant shrink in number of observations. As a result was found that, at the mean, informal employees are happier in comparison with official ones.

Keywords: Informal Employment, Russia, Happiness

JEL Classification: J0, I3, O17

Long-Term Unemployment in the Czech Republic

Tomas Pavelka

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Abstract

The Czech Republic is a small open economy, whose economic performance is strongly associated with the development of foreign economies. It is a reason, why recent global economic recession hit so hard Czech economy. The economic recession led not only to a decrease of gross domestic product but also influenced the situation on the Czech labor market. The unemployment rate after years of gradual decline sharply increased. It is well known that unemployment causes economic but also non-economic losses. These losses are generally higher, the longer unemployment lasts. This paper is devoted to evaluation of the development of long-term unemployment in the Czech Republic. Long-term unemployment is among others a sign of weak labor market flexibility. The first part of the paper will describe statistical data on the occurrence of long-term unemployment in the Czech Republic. It will be shown that the proportion of long-term unemployment in the total unemployment during the economic recession has considerably decreased. The reason for this development was not a decline of number of long-term unemployed people, but more like an increase of short-term unemployment. Subsequently, data on long-term unemployment will be confronted with similar data from other European Union countries. The next section of the paper will analyze the contribution of factors that have in the Czech Republic a key influence on the duration of unemployment. In conclusion will be presented the measures (especially in the area of active and passive employment policy of the state), which could reduce the incidence of long-term unemployment in the Czech Republic.

Keywords: Unemployment Rate, Long Unemployment, Very Long Unemployment, Economic Recession

JEL Classification: J21, J64

When Does It Pay to Work in the Public Sector?

Terhi Maczulskij

University of Jyväskylä, Finland

Jaakko Pehkonen

University of Jyväskylä, Finland

Abstract

This paper examines public-private sector wage differentials in Finland. We explore wage gaps at the lower and upper tails of the wage distribution by controlling for endogeneity in the selection of the working sector and allowing returns of individual skills to vary between industries. The results suggest that men earn a premium of 3 percent in the public sector at the lower tail jobs. Otherwise, the pay gap is negative, varying between 5 and 10 percent. Women, in turn, always earn more in the public sector (4-10 percent), the premium being the highest at the upper end of the earnings distribution.

Keywords: Public-Private Pay Gap, Selection, Decomposition, Quantile

JEL Classification: J31, J45