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LABOUR MARKET FLEXICURITY IN NEW EU MEMBER STATES

Az új EU tagállamok munkaerőpiacai bővülőben vannak. A jó makrogazdasági politikák nélkülözhetetlenek a kiegyensúlyozott növekedéshez, különösen ha figyelembe vesszük a térség országai számára súlyos kihívásokat jelentő hosszú távú munkanélküliség jelenségét is. Egyre nagyobb kihívás az új tagállamok foglalkoztatási és szociális politikái számára, hogy a globalizált gazdaság keretei között is képesek legyenek megfelelően szabályozni gyorsan változó munkaerőpiacaikat. Szükség van ugyanis egyrészt stabilitásra és biztonságra, e nélkül a munkáltatók nem fektetnek eleget humán tőkébe, ami versenyképességük csökkenéséhez vezet; másrészt azonban elő kell mozdítani a rugalmasságot és az alkalmazkodóképesség javítását is. A hagyományos rugalmas foglalkoztatási formák (például a részidős vagy a határozott időtartamú foglalkoztatás) aránya meglehetősen stabil, ám megfigyelhetünk egyfajta emelkedést a nem munkaszerződésen alapuló, vagy munkaszerződés nélküli foglalkoztatásban. A „flexicurity" rendszer magasabb foglalkoztatottsághoz és mobilitáshoz vezetett bizonyos európai gazdaságokban. A rendszer sikeres bevezetése azonban erősen függ az adott ország attitűdjeitől, értékeitől és hagyományaitól.

1. INTRODUCTION

During the process of integration in the European monetary integration, new member states (NMS's) will have to gradually give up a part of their own monetary sovereignty, and abandon it completely when entering the EMU. Entering the European monetary union requires that the loss of independent monetary policy is substituted by other economic policies. Asymmetric shocks represent a problem in the common European monetary union, where monetary policy is unable to work. Taking into account the fact that fiscal policy does not always represent a suitable instrument for taking actions, asymmetrical shocks at certain market rigidity can be neutralised only with increased capital and work mobility and a more flexible labour market.

Experience of Western European countries related to labour market flexibility point to different strengths and weaknesses. During the period of favourable economic conditions, ageing populations and ensuring high level of social security, when academic and political circles believed that social economy could not cope with structural changes and demands regarding increased labour market flexibility, an increased interest among NMS for the model of flexicurity has been noticed.

There are two different approaches to flexicurity. The first approach introduces the flexibilisation of the whole work force and includes the majority of employees with typical working contracts. Flexibilisation can be implemented in two ways, either through new ways of organising work or through different, more diverse

working time arrangements. At the same time, flexibilisation should be accompanied with some forms of employment security. In this respect, Denmark is a well-known example. It combines relaxed employment protection with a high level of benefits for the unemployed, as well as active labour market policies. In doing this, the security component is ensured by the Government and not by the employers. Worker protection and not job protection is at the forefront. Austria also focused on this component, when it codified severance payments, which are transferable and not linked to one employer.

The second approach includes the normalisation of the rights of employees with atypical working contracts (part-time employment, different forms of temporary employment, and fixed-term employment), without reducing the flexibility of such contracts. The same idea will be implemented in the Netherlands through increased social security of the employees with atypical employment contracts and through the unification of their rights with those of full-time workers. Trade unions in Slovenia are also in favour of equal rights for workers on part-time employment contracts and for those on full-time contracts (access to loans, education, pension rights, etc.).

There are huge differences regarding the proportion of atypical workers among the EU-15 states. Some countries have very high shares. Both the United Kingdom and the Netherlands have high percentage of part-time workers, whereas Spain has a high percentage of fixed-term contracts. 30% of the entire workforce in Spain represents employees on fixed-term contracts. Recent labour market reforms in Spain have attempted to redress some of the disadvantages associated with previous reforms, which aimed at the flexibilisation of the labour market. Excessive labour market segmentation and declining levels of productivity presented a huge problem. The purpose of recent reforms was to increase security and rights of workers with atypical contracts and to create incentives for employers to convert atypical contracts to typical ones.

In our contribution, we try to answer the question if efficient combination of flexible labour market and employment security is possible in NMS and to explain the notion of flexicurity.

2. LABOUR MARKET FLEXICURITY IN SOME EU-15 STATES

During the time of favourable economic conditions and high levels of social security, when academic and political circles believed that social economy cannot cope with structural changes and demands regarding increased labour market flexibility, increased interest among the majority of European countries for the Danish model of flexicurity has been noticed.

In Denmark, the balance between employment flexibility and social security is maintained by social policy, unemployment benefits, loose collective agreements, a lower degree of centralisation, decentralised negotiations between social partners, as well as with the help from the internal labour market and the setting up of small enterprises. Similarly, high level of social security is also a characteristic of the Swedish labour market, although the flexibility of Swedish labour market is consid-

erably lower. This is mainly the consequence of the low level oftrust among social partners, but the situation in this area has improved considerably. Denmark belongs to countries with the lowest job security, which is nevertheless higher than in Switzerland, Canada, the United Kingdom and the United States.

In the Netherlands, the emphasis is on employment security and not job security. In this respect, negotiations between social partners and part-time employees play an important role. Belgium and Germany have high flexibility in their internal labour markets, whereas Denmark and the Netherlands have high flexibility in their external labour markets. Unlike the Netherlands, Germany and Belgium have more traditional forms of flexibility, emphasising internal numerical flexibility and job security (see Table 1).

Belgium, Luxemburg and Portugal developed a system, which ensures high employment security. The same holds true for Spain and Ireland, where employment security is slightly lower. In Spain, security and flexibility are differentiated with regard to different groups of employees, which is a consequence of a dual labour market. In one labour market employees are highly protected, whereas in the other they are much less protected, which leads to a higher flexibility of the latter labour market. In the United Kingdom the model of liberal labour market prevails, which enables easier and quicker promotion and thus leads to greater employment security. In the UK, Portugal and Luxemburg the time to convert atypical employment to typical was the shortest.

Table 1. EU states with regard to predominant flexicurity type

	Job security	**Employment security**	**Income security**	**Combination security**
External numerical flexibility	Spain	The Netherlands, Denmark	CEE countries	
Internal numerical flexibility	Belgium, Germany, Austria	The Netherlands, Spain	Austria	Finland
Functional flexibility	Germany, Portugal	Italy, Latvia	Germany	Denmark
Labour cost/wage flexibility	Portugal, Austria		Austria	
Externalisational flexibility				

Source: Vilthagen and Velzen (2005) and Wilthagen and Tros (2004).

There are different forms of labour market flexibility: (i) external numerical flexibility, (ii) internal numerical flexibility, (iii) functional flexibility, (iv) labour cost/wage flexibility and (v) externalisational flexibility. With regard to security we differ between: (i) job security, (ii) employment security, (iii) income security and (iv) combination security (see Table 2.).

Table 2. Flexicurity matrix

Security/flexibility	Job security (protection against lay-offs and considerable changes regarding working conditions)	Employment security (availability of suitable jobs)	Income security (ensured minimal benefits when unemployed)	Combination security (a combination of afore-mentioned forms of security)
External numerical flexibility (flexibility regarding employment and laying-off)	■ types of employment contracts ■ employment protection legislation ■ early retirement	■ employment services /active labour market policy ■ training/life-long learning	■ unemployment compensations ■ other social benefits ■ minimum wages	■ protection against dismissal during various leave schemes
Internal numerical flexibility (flexibility regarding working hours)	■ shortened work/week /part-time employment	■ employment protection legislation ■ training/life-long learning	■ part-time supp-lementary benefit ■ study grants ■ sickness benefits (e.g. due to sick-ness or injuries)	■ different kind of leave schemes ■ part-time pension
Functional flexibility (job rotations with regard to different jobs and types of work)	■ "multitasking" ■ training ■ labour leasing ■ subcontracting ■ "outsourcing"	■ training/life-long learning ■ job rotation ■ teamwork	■ performance related pay systems	■ voluntary working time arrangements
Labour cost/ wage flexibility (adjustments regarding wages according to performance of employees and companies)	■ local adjustment in labour cost ■ scaling/reductions in social security payments	■ changes in social security payments ■ employment subsidies ■ in-work benefits	■ collective wage agreements ■ benefit for shortened work week	■ voluntary working time arrangements
Externalisational flexibility (employment without employment contracts, through employment agencies)				

Source: Vermeylen and Hurley (2007).

3. FLEXICURITY IN NMS-12

After 1990, NMS-12 were faced with a decrease in the number of employed and which led to an increase in long-term unemployment. Employment moved from large state-owned companies to small and medium-sized private enterprises and from primary and secondary to tertiary and quarter sectors.

In their efforts to adapt their labour markets, Slovenia and the Czech Republic were among the most successful NMS countries (and also Slovakia). They succeed-

ed in lowering the unemployment rate to one digit level, and at the same time retain a high level of work activity. The reason for this is likely to lie in their more favourable economic structure and efficient labour market policies.

Due to less favourable economic structures, labour market adaptation in Poland lasted for a longer period of time than in other NMS. The reason for this lies in ineffective labour market policies. Kluwe, Lehmann and Schmidt (1999) found out that the long-term labour market policy was efficient enough, but the efficiency of various employment programmes aimed at the improvement of professional worker mobility was hindered by market inconsistencies. Boeri and Flin (1999) for example, found that the low level of employing unemployed persons was the consequence of segregation of those who had been once employed in the public sector, because it was difficult for them to get employment in the private sector. An important reason for a slower labour market adaptation can also be found in the low percentage of gross domestic product for financing active labour market policy. Poland had, similarly to Slovenia, introduced the programme of public works, with the purpose to improve full-time employment opportunities for the unemployed. The Slovene programme differed from the Polish programme in that it ensured jobs in education also for more educated unemployed workers.

Among the NMS, Poland has the highest degree of unemployment and second lowest degree of work activity. Only Hungary has a lower degree of work activity. Low professional and spatial mobility of workers can partly be explained by the increase in the number of unemployed workers and agricultural subsidies.

The Czech Republic implemented both active and passive labour market policies. It's active labour market policy was carried out by local employment offices. Within the framework of this policy programmes were implemented for the employment of disabled people and fresh university graduates. The county's passive policy was implemented through unemployment benefits. The unemployed received compensation for the maximum period of six months, which amounted to 60% of their last net wage, but not exceeding 150% of the minimal wage. In addition to programmes of active labour market policy, the Czech Republic effectively implemented programmes of passive policy, because they did not have a negative influence on the duration of unemployment.

Because spending on active labour market policies in the NMS-12 is very low, they lag behind the Danish model of flexible security considerably. On the other hand, there are analyses that confirm the efficiency of some programmes (Anspal and Vörk 2007). Among NMS-6, Slovenia had the highest percentage of GDP expenditure for active labour market policy in 1998 (0.83), and was followed by Slovakia (0.32), Poland (0.30), Hungary (0.30), Estonia (0.07) and the Czech Republic (0.05). The highest percentage for GDP expenditure for active labour market policy per percentage of unemployment among NMS-6 in 1998 was in Slovenia (0.11), Hungary (0.036), Poland (0.028) and Slovakia (0.026), the lowest the Czech Republic and Estonia (0.007). Despite the fact that Slovenia had the highest percentage among NMS-6, it was still below the EU average (0.16), and lagged considerably behind the Netherlands (0.55) and Denmark (0.34), which belong to the OECD countries with the highest percentage of GDP expenditure aimed at active labour market policy per percentage of unemployment. The OECD average in 1998 was 0.14.

Between 1996 and 2004, the expenditure in NMS-7 regarding active labour market policy decreased considerably. The Czech Republic and Lithuania were the only exceptions. Despite the fact that all NMS implemented different programmes of active labour market policy, the expenditure remained low. At the same time, their growth lagged behind GDPs growth , which remained considerably high all the time. Despite high level of unemployment in Poland and Slovakia, they also recorded, as all other NMS, decreased expenditure for active labour market policy (see Table 3).[1]

Table 3: Expenditure for active labour market policy [% of GDP] (in brackets: normalised to the unemployment level)

	EU-14	NMS-7	CZ	EE	HU	LV	LT	PL	SL	SK
1996	1.17 (0.13)	0.26 (0.026)	0.12 (0.031)	0.06 (0.006)	0.37 (0.039)	0.16 (0.012)	0.09 (0.006)	0.49 (0.040)	–	0.56 (0.048)
1998	–	–	0,05 (0.007)	0.07 (0.007)	0.28 (0.036)	–	–	0.30 (0.028)	0.83 (0.11)	0.32 (0.026)
2004	0,7 (0.11)	0.12 (0.013)	0.133 (0.016)	0.043 (0.004)	0.207 (0.034)	0.085 (0.007)	0.154 (0.015)	0.16 (0.008)	–	0.072 (0.004)

Note: (–) data not available. Source: Cazes (2002), Anspal and Vörk (2007) and own calculations.

In addition to expenditure for active labour market policy, expenditure for passive policy also decreased during the period between 1998 and 2004 in NMS-7, the only exceptions being the Czech Republic, Estonia and Poland. Among NMS-7, the highest percentage for passive labour market policy expenditure in 1998 was in Hungary (0.91) and Slovenia (0.89), and the lowest in Estonia (0.10), Latvia (0.22) and the Czech Republic (0.27). All NMS-7 had a lower percentage than the EU-15 average (see Table 4).

The highest percentage of expenditure from GDP for passive labour market policy per percentage of unemployment level can be found in 1998 in NMS-7 in Slovenia (0.11), Poland (0.058) and Slovakia (0.044), the lowest in Estonia (0.01) and Lithuania (0.017). NMS-7 average amounted to 0.05, in 2004 to 0.03.

Table 4: Expenditure for passive labour market policy [% of GDP] (in brackets: normalised to the unemployment level)

	EU-15	NMS-7	CZ	EE	HU	LV	LT	PL	SK	SI
1998	2,4 (0,26)	– (0,05)	0,26 (0,036)	0,10 (0,01)	0,91 (0,036)	0,62 (0,043)	0,22 (0,017)	0,59 (0,058)	0,56 (0,044)	0,89 (0.11)
2004	1,94 (0,22)	– (0,03)	0,28 (0,034)	0,25 (0,026)	0,37 (0,06)	0,35 (0,034)	0,10 (0,009)	0,65 (0,034)	0,36 (0,02)	– –

Note: (–) data not available. Source: Cazes (2002), Anspal and Vörk (2007) and own calculations.

1 NMS experiences proved that FDI (foreign direct investment) is extremely important for the creation of new jobs. Thus, the promotion of FDI can be considered as a measure of active labour market policy.

Before entering the EU, NMS established the majority of labour market institutions, which exist in EU-15. By doing so, they wanted to increase labour market flexibility and improve adjustment capability of the economy. The majority of states introduced the system of social security in cases of unemployment, which included unemployment benefits. Initially, unemployment benefits were rather high, and had to be lowered later. The reason for this lies in the development of rent seekers and in increased pressure on public finance.

The level of unemployment benefits range in the EU-15 between 50-70% and are considerably higher than in NMS. The unemployed receive benefits for 6 to 12 months. The amount of unemployment benefits decreased in Lithuania, Hungary, Poland and in Slovakia and remained more or less the same in Lithuania and the Czech Republic. The only exception is Estonia, which increased the amount of unemployment benefits in 2003 by 7%. Despite the increase, the amount remained below the EU average (see Table 5).[2]

Table 5: The amount of unemployment benefits (2003)

	EU	NMS-8	CZ	HU	PL	SK	SL	EE	LV	LT
First month	63	50	50	64	40	60	63	50	50	25
60th month	37	16	31	24	30	42	0	0	0	0

Source: Babetskii (2005) and own calculations.

In NMS unemployment benefits are received for a shorter period than in the EMU. Despite higher level of long-term unemployment, unemployment benefits are less progressive in CEE states than in EMU countries. The amount of unemployment benefits ranges between 67 and 130% of the average wage.

In the period of transition, minimum wage in NMS was rather low, and was only partly adapted to price growth level, and if so usually with considerable delay. Not so long ago, minimum wage was adapted to the growth of the cost of living. In NMS, the value of the Kaitz index (which represents the relationship between minimum and average salary) is around 30, which is considerably below the EU average (50). The average minimum wage in NMS amounts to one fifth of the average wage in the EMU. The average wage in Slovenia is the only one comparable to the average wages of countries at the bottom of the EMU scale. Among NMS-8, Slovenia had the highest minimum wage in the second part of 2006 (511,6 euros), whereas the lowest minimum wage was in Latvia (129,3 euros) (see Table 6).

Table 6: Minimum wage (2006, 2nd half of the year)

	NMS-8	CZ	HU	PL	SK	SL	EE	LV	LT
euro/month	240,1	280,2	229,5	223,3	181,3	511,6	191,7	129,3	173,8

Source: Eurostat (2007).

2 The correlation between the amount of unemployment benefit and employment security is negative.

Table 7: The percentage of paid workers, who are trade union members (1995/2002) or are involved in collective bargaining (2002)

	EU-15	NMS-8	CZ	EE	HU	LV	LT	PL	SK	SI
% of paid workers, who are trade union members	44/43[1] (30)[3,4]	46/23[2] (22)[3,5]	43/30	36/14	60/20	30/15	40/15	34/15	62/35	60/41
% of paid workers, who are involved in collective bargaining	72	37	25–30	28	31	<20	10–15	40	48	100

Notes: 1 Unweighted EU-13 average. 2 Unweighted NMS-8 average. 3 Weighted average for 2002. 4 Data for EU-14. 5 Data for NMS-9. Source: Cazes (2002).

In NMS, the limitations regarding the salaries in private sector are not binding. The percentage of employees, who are trade union members in the NMS is comparable with the EMU average, whereas the percentage of employees, who are involved in collective bargaining, is not comparable. In NMS, the role of trade unions is weaker than in the EMU and in the EU-15. The percentage of employees, who are trade union members, amounts to 23% in NMS-8, and to 43% in EU-15. The percentage of employees, who are involved in collective bargaining, is 37% in NMS-9, and 72% in the EU-15. In NMS, collective bargaining is carried out mainly on entrepreneurial level, whereas in the EU-15 they are carried out in the sectoral level. Slovakia and Slovenia are the only exceptions. The percentage of employees, who are trade union members, has decreased considerably lately (see Table 7). The highest decrease is seen in Baltic countries, Poland, Slovakia, and slightly less in the EU-15. The reason for such decrease is the decrease of the share of processing industry and an increase in the share of services, which are less unified.[3]

EMPLOYMENT SECURITY INDEX (INDEX EPL)

During the previous socio-economic system, employment security was extremely high in the majority of NMS-12. The basic feature of labour markets was high employment growth. During the 1970s the employment growth level in Slovenia was 3,8%, which was the consequence of the socio-economic system, which allowed for permanent retention of jobs. After 1973, when the opportunities to get employment abroad decreased and when, after 1980, economic growth in Yugoslavia begun to stagnate, the autonomous employment growth caused the growth of disguised unemployment. Due to the economic crisis the annual employment growth level decreased to 0,3%. After 1987 registered unemployment also started to increase. Because of economic restructuring and higher efficiency in the distribution of production factors, employment security decreased in the majority of NMS-12 after 1990.

3 Objective circumstances are defined differently in different countries.

In the majority of NMS the EPL index has decreased from the 1990s to 2004. In 2003, the Czech Republic and Hungary had the lowest EPL index among the NMS-12, which have the most flexible working legislation. They were followed by Slovakia, Poland and Lithuania, and Latvia, Estonia and Slovenia, which have similar EPL index as the EU-14 states. Bulgaria, Estonia, Lithuania and Romania have strict employment legislation, especially in the area of collective redundancies (see Table 8). Baltic states have a higher EPL index and lower amounts of unemployment benefits, whereas Central European states have a more flexible legislation and higher amounts of unemployment benefits.

With regard to security indicators of part-time employment, convergence was noticed among the EU-15 states in the period between 1990 and 2003. In Southern European countries, the flexibility of labour legislation increased, whereas in Anglo-Saxon countries it decreased. This is also one of the reasons why the Czech Republic, Slovakia and Slovenia are getting closer to the United Kingdom and Ireland with regard to part-time employment security indicators. In 2003, Slovakia liberalised labour legislation regarding collective redundancies and full-time employment. The most important reforms in the labour market were carried out in Slovenia, which had an influence on the lowering of EPL index in 2003. Slovenia does not lag behind the Western European countries with regard to flexible employment practices. Among all newly signed contracts 70% were part-time contracts. Despite reforms Slovenia still has the most restrictive labour legislation among CEE-8 countries.

Table 8: EPL index1 of NMS-9 [1-6] (end of 1990s/2002/2003/2004)

	Index EPL (1-6)	EPL index components		
		Full-time employment	Part-time employment	Collective redundancies
Bulgaria	2,8/2,5/–/2,0	2,3/1,9/–/2,1	3,4/3,4/–/0,9	2,9/1,8/–/4,1
The Czech Republic	2,2/2,1/1,9/2,0	3,0/2,8/3,3/3,3	0,5/0,5/0,5/0,5	3,2/4,3/2,1/2,6
Estonia	2,4/2,6/2,6/2,3	2,9/3,1/3,1/2,7	1,7/1,4/1,4/1,3	2,9/4,1/4,5/4,0
Lithuania	–/–/2,7/2,8	–/–/3,0/2,9	–/–/1,4/2,4	–/–/4,9/3,6
Hungary	1,8/1,7/1,7/1,6	2,1/2,1/1,9/2,2	1,2/0,6/1,1/0,4	2,5/3,4/2,9/3,4
Poland	2,0/2,0/2,1/2,2	2,3/2,2/2,2/2,0	1,4/1,0/1,3/2,0	2,7/3,9/4,1/3,5
Romania	–/–/–/2,8	–/–/–/1,7	–/–/–/3,0	–/–/–/4,8
Slovakia	2,3/2,4/2,0/1,7	2,6/2,6/3,5/2,7	2,0/1,4/0,4/0,3	2,4/4,4/2,5/3,0
Slovenia	3,3/3,5/2,3/2,6	3,4/3,4/2,9/2,7	2,7/2,4/0,6/2,3	4,5/4,8/4,9/3,3
NMS-9 average	–/2,5/–/–	–/2,5/–/–	–/1,7/–/–	–/3,9/–/–
EU average	2,4/2,4/–/–	2,4/2,4/–/–	–/2,1/–/–	–/3,2/–/–

Note: 1Employment Protection Legislation Index. EPL index is calculated as weighted average of 22 indicators, which regard to procedures, expenses, limitations and conditions regarding the termination of employment contract. The value of EPL index can be 1-6: countries with the most flexible legislation have index close to 1, countries with the least flexible legislation have index close 6. (-) data not available.
Source: Rutkowski (2003), Matković and Biondić (2003), Mitcevska (2003), Tonin (2005) and Anspal and Vörk (2007).

FULL-TIME EMPLOYMENT

In the Czech Republic and Bulgaria an employer does not need to give a valid reason in order to give notice. On the other hand, it is obligatory in Slovenia to give a valid reason for the termination of employment. Slovenian legislation states the following among valid reasons for the termination of employment: business reason, the reason of incapacity and fault reason. The Act also states unfounded reasons for the termination of an employment contract: temporary absence from work due to disease or injury or due to parental leave, trade union membership and participation in trade union activities (including participation in a strike). Exercising workers' rights against an employer is also stated in the Act. Before the employment termination, the employer has to carry out certain procedural obligations - the employer must call the worker's attention (in writing) to the possibility of employment termination. The employer must provide the worker an opportunity to defend himself (this is also the case in Hungary). If thus requested by the worker, the employer must inform the trade union in writing. The trade union may give its opinion within eight days. If the trade union opposes it, the termination of the contract is not effective until the expiration of the term for arbitration and/or judicial protection. Because the termination of contract is not effective, the worker remains employed until the process is concluded. This is an extremely important protection. In Estonia, the employer also has to inform trade unions about the employment termination, whereas in Ukraine, the employer only has to do so in cases when the worker has not been offered another job or in cases when a worker does not want to accept the offered job.

Trade Unions also have an important role in Croatia, the Czech Republic and in Lithuania, as well as in Slovakia, where employers have to negotiate the employment termination with the Trade Union (which is similar to the situation in Poland).

The amount of unemployment benefit depends on the reason for the employment termination in Bulgaria, Estonia, the Czech Republic and in Slovakia. In Slovenia, the amount depends on years of service, if the employment termination is due to business reasons (because of economic, technological, structural, organisational and other reasons).

In some NMS-12 states (e.g. in the Czech Republic and in Lithuania) age, years of service, the number of dependents, etc have to be considered before the employment termination. In Hungary, Poland and Bulgaria employers have to offer another job before the employment termination. In Estonia, workers are treated preferentially with regard to their trade union activities and skills, whereas in some NMS countries social components are taken into account.

In the case of unfounded reasons for employment termination the employer is obliged to pay the worker the compensation for any loss of income and penal provisions. This does not hold true for Croatia, Estonia and Slovenia. Slovenian legislation does not directly determine the amount of compensation for the loss of income and penal provisions, whereas in Estonia and Bulgaria the legislation determines that the compensation for the loss of income should amount to the last six month's average salary. In Croatia the amount of compensation depends on the duration of the last signed employment contract and on the age of the worker. Frequently, the

amount of compensation for loss of income also depends on the employer who may or may not offer the worker who has been previously made redundant to conclude a new employment contract.

PART-TIME EMPLOYMENT

Part-time employment depends on objective circumstances, among which the following should be mentioned: temporary increased amount of work, seasonal work, project work, employment of a foreigner, employment of a manager, etc.[4] In Hungary, Slovakia and Poland there are no limitations regarding the reasons for concluding part-time employment contracts. On the other hand, the conclusion of employment contract outside objective reasons differs among the states considerably due to different legislation. Croatia and Ukraine have limited the use of part-time contracts to objective reasons, whereas Slovenia, Estonia and Lithuania also state certain special circumstances. Slovenian legislation states, for instance, that the conclusion of part-time employment contracts is possible for jobs that are temporary in their nature.

In Bulgaria, part-time employment contracts can be concluded for the period not longer than three years, and cannot, in some cases, be prolonged. There are also limitations regarding minimum duration. Such system was also introduced in 2004 by Lithuania, Estonia and Poland, whereas Hungary, Croatia and the Czech Republic introduced limitations regarding contract chaining and the total duration of such employment. Due to the problem of contract chaining in Slovenia, the duration of such employment was limited to the maximum of two years. It is not allowed, according to the legislation, to sign one or more part-time employment contracts with the same worker and for the same work for more than two years (for three years during the transitional period). After this period of time, a full-time employment contract should be signed. If the fixed-term employment contract has been concluded contrary to law or if the worker continues to work even after the period for which he had concluded the employment contract, it shall be assumed that the worker had concluded an employment contract for an indefinite period of time (see Table 9).

Table 9: Percentage of part-time employees (2005), NMS-12

	EU-27	CZ	EE	CY	LV	LT	HU	MT	PL	SI	SK	BG	RO
1995	11.7	6.7	2.1	–	–	–	6.6	–	11.6	–	–	–	–
2000	12.6	8.1	3.0	10.7	6.7	4.4	7.1	4.1	19.9	13.7	4.8	6.3	2.8
2005	14.5	8.6	2.7	14.0	8.4	5.5	7.0	4.5	19.5	17.4	5.0	6.4	2.4

Note: (-) data not available.
Source: Vermeylen and Hurley (2007).

4 Privatisation of state companies, higher level of unemployment and increased number of small and medium-sized enterprises are key reasons for the decrease of unification in iondividual sectors.

Slovenian legislation also determines part-time employment through Employment Services. Such part-time employment contracts are of temporary nature and can only last up to one year (the same situation is in Croatia and the Czech Republic, whereas Hungary and Slovakia do not limit the duration of such contracts). During the time when the worker is employed, he receives a full payment, whereas during the time when the worker does not work, the wage cannot be lower than 70% of the minimum wage, the risk is being carried by the Employment Service. In some cases, the legislation does not allow such employment practices: in cases when workers are on strike, when the company has terminated employment contracts with a large number of workers (full-time) in the past 12 months. In Poland, this employment practice can be used only within objective circumstances.

In Bulgaria, the employer can sign a part-time contract with the worker only in cases stipulated by the law, whereas Estonia and Poland do not stipulate any limitations. In the Czech Republic, the employer is not allowed to sign a part-time contract with the candidate, who completed the probation, secondary school or a faculty period less than two years ago, and who acquired suitable qualifications for certain jobs, except if the candidate is willing to sign such a contract.

In Hungary, the conditions for chaining part-time contracts have become stricter lately. The same has also been done in Poland, which, at the same time, introduced very strict legislation regarding part-time employment through Employment Services. In Bulgaria, Estonia and in the Czech Republic, chaining of part-time employment contracts is not limited in any way. This is not the case in Poland, where the employer and worker can only sign a part-time contract twice, whereas the third contract automatically becomes a full-time employment contract. In the Czech Republic, Poland and in Estonia, the labour legislation does not limit the cumulative length of part-time employment, which, on the other hand, is not the case in Bulgaria.

In Bulgaria, Estonia, the Czech Republic and in Poland labour legislation does not govern part-time employment through Employment Services.

COLLECTIVE REDUNDANCIES

Laying off of workers is considered collective redundancies if an employer makes workers redundant in the following way: within the period of 30 days at least 10 workers with the employer employing more than 20 and less than 100 workers are made redundant, at least 10% of workers (with the employer employing at least 100 workers, and less than 300 workers) or at least 30 workers with the employer employing 300 or more workers. This definition differs from one state to another (say in the Czech Republic, Hungary, Poland, Estonia and Latvia). In Bulgaria, collective redundancies is mentioned in the Employment Act, but not precisely defined. In Estonia and Poland, there is no legal act, which would regulate collective redundancies.

4. CONCLUSION

The choice of a particular form of flexicurity depends primarily on historical development of labour markets, collective agreements and the role of government in these, as well as on basic considerations of social and labour policy.

Labour market flexibility ensures labour cost adjustments and the reduction of the number of unemployed workers. This has been proved by the experiences of countries with a high labour market flexibility and low employment security. On the other hand, countries with high employment security and poor labour market flexibility have a higher level of unemployment. Labour market flexibility has an important impact on the supply of workforce, because the workforce can, through active labour market policies, education and training, adapt to the market demand. The latter can also represent a reduction in social security entitlements for the employees. Therefore, it is necessary to choose such a combination of economic policy measures in the NMS-12 that will increase labour market flexibility on one side and retain a high level of social security on the other side.

Experiences of some NMS show that it is necessary to judge the appropriateness of individual forms of labour market flexibility and security both from the point of view of competitiveness of the economy as a whole and social security of employees. The system of flexicurity requires a certain degree of "maturity" of the society and social partners, trust during negotiations and a certain negotiation culture, needed for the harmonisation of different interests among the participants (employers, employees, government). Values, ethics, competences and the attitude of workers towards success should also be taken into account. Imposing different forms of flexicurity on the environment with rigid labour market and poorly developed labour legislation can lead to unfavourable effects, threaten social security of employees, lead to abuse of the system, increase expenses for active and passive labour market policy and question the soundness of the reforms.

An important question is also to what extent the success of different forms of flexicurity depend on economic conditions and labour market characteristics. The advantages of individual forms are, above all, shown during the period of lower economic growth, when employees become increasingly resistant to more flexible forms of employment, and when the demand for more security is on the increase. Experiences of Western European countries proved that favourable trends on the labour market during favourable economic conditions are mainly due to favourable economic trends and not more flexible employment practices. This, of course, did not bring to light all disadvantages of individual types of flexicurity.

High administrative expenses should also be mentioned among the disadvantages of flexicurity (expenses related to employment brokerage, ensuring unemployment benefits, etc.), which may appear in the case of low efficiency of the public sector. Therefore it is necessary to determine the expenses and benefits stemming from the introduction of different types of flexicurity. With frequent job changes the question may be raised about the motivation of the employers to finance education and training of employees with atypical employment contracts and what level of uncertainty is acceptable for the employees.

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