

PANORAMA



Labour shortages in Central and Eastern Europe countries: a growing concern for businesses

2
UNEMPLOYMENT
set to continue to fall

FALLING UNEMPLOYMENT AND RISING LABOUR SHORTAGES increase employees' bargaining power

SEVERAL FACTORS have contributed to labour shortages

4
HOUSEHOLDS ARE BENEFITTING from labour shortages, while **CORPORATES ARE SUFFERING**

6
THE INCREASE IN WAGES EXCEEDS PRODUCTIVITY GAINS, but labour costs remain much lower than in Western Europe

TACTICS for alleviating labour shortages

Labour markets in the Central and Eastern Europe (CEE) region are continuing to improve. Unemployment rates have reached the lowest levels ever recorded and most CEE economies are enjoying lower unemployment than the EU average. Rising wages and low inflation, amid improving consumer sentiment, have made household consumption the main driving force behind economic expansion.

Nevertheless, while households and the region's overall economic activity are benefiting from these developments, corporates are suffering. The latter are faced with the strengthened wage bargaining power of their employees and are forced to accept higher compensation costs. Dynamic external and domestic demand, the low birth rate and emigration have all contributed to labour shortages. A rising number of companies are reporting this as a barrier to business expansion. Job vacancies are especially high in the Czech Republic and Hungary.

The increases in wages currently exceed labour productivity gains. Fortunately, regional labour costs remain much lower than in most Western Europe. On average, labour costs in Western Europe are more than 3 times higher than in CEE countries.

This comparative advantage, associated with the region's geographical and cultural proximity, should endure - although it could be eroded if emigration of the youngest and most skilled workers continues to weigh on productivity. Companies will continue to report labour shortages, especially with regards to qualified employees. Recent surveys indicate that skilled professions, drivers and engineers are among the vacancies that are the hardest to fill by employers in the CEE region. Labour shortages could be alleviated by encouraging emigrants to return and by more immigration. This would necessitate improvements in governance and addressing the reluctance in accepting migrants. Developing vocational training and tertiary education, as well as encouraging labour participation among the ethnic minority, female and senior populations, would also help to address the situation.



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