



The Human Resources files: Each month, CEO Europe shares its expertise and presents you an expert synopsis of a specific topic.

The employment market in the CEEC

Countries with a strong growth potential like the CEEC (Countries of Central and Eastern Europe) have specific characteristics linked to their history and culture - two key notions, necessary to understand the particularities of this employment market. CEO Europe shares its expertise with you, to help you benefit from business opportunities.

A/ Unemployment rate : from 6 to 18 % depending on the countries

The unemployment rate varies significantly across regions. It's highest in Poland with 18% down to 6% in Estonia. Differences inside one country are substantial as well. As a rule, economic activity **concentrates mainly on capital cities** whereas you find much less activities in rural areas. People in CEEC are not mobile and thus do not follow job opportunities; they rather stay unemployed than to leave their place of residency. As a consequence, the demand for work force exceeds the supply in capital cities while small towns and rural areas have very high unemployment rates, even up to 60% in some regions.

B/ Manufacturing and IT sectors greedy for labor

The manufacturing and IT sectors are back on the scene again. There are ongoing massive investments into automotive and electronic industries in Central and Eastern Europe. These investments also bring subcontractors, who have to move closer to their main customer base. **Consequently, the demand for experienced manufacturing management increases.** Furthermore, with good traditions and a valid supply of professionals available, also major IT and Telco companies have launched their development centers in this region. Traditionally the educational system has been very strong in natural sciences and engineering, with universities in the region providing top education in those areas. **This makes the region very attractive for technology companies.**

C/ Young and qualified employees: up to 50 % of the population graduates from University

It has been a tradition, that people enter the labour market promptly after graduation. Hence it is either at 18 or 21-23 years to get the first job. Due to a short history of family savings and poor financing of student loans, students often work during their studies as well. **The number of university graduates is very high, being in some cases close to 50% of the population** and it is increasing as there is a huge number of evening and correspondence courses available. E.g. in Estonia, the number of students enrolled to universities and colleges (including correspondence and evening courses) was as high as 12% of the total working population. However the vocational education is suffering and it becomes harder and harder to find well qualified young blue collar workers.

After the change in the beginning of 90-s, international businesses came into the region, and the key to successful careers was the knowledge of English and German languages. Young people, flexible to learn and travel abroad took advantage of the situation, obtained the language skills and were promptly able to get managerial jobs. **The generation of 30-45 years old professionals are called "winners"**. The older generation lost out on the labor market as the language training behind the iron curtain was non-existent outside of government secret service training schools. The 50+ generation is currently working either at blue collar level or owns small enterprises. Unemployment exists mostly among elderly people. At the same time, there is a high number of relatively young managers between 30-45 who has already significant senior management experience with international companies. They have achieved their ceiling in their countries and look for new challenges as they still have 30 years of working life ahead in their career. They are well trained, motivated and energized to play a major part in future Europe.

Find us on the Web :
www.ceo-europe.com

+33 (0)147 701 998



CEO Europe in the CEEC

CEO Europe is a partner of CVO Group, the first online international recruitment company in the CEEC.

CEO Europe is currently developing its Management on demand™ offer in these countries.

CEO Europe and CVO Group's clients benefit from recruitment solutions and interim management inside these countries. Since their integration to the European Union, on May 1st 2004, the CEEC represents real timeliness as relay of proximity growth within the European Union.

With this partnership, CEO Europe extends its interim management offer to middle management profiles, CVO Group being extremely active in that field.

*Report written after
interview with Agu Vahur,
CVO Group General
Director*

Find us on the web :

www.ceo-europe.com

+33 (0)147 701 998

D/ Temporary employment : to be developed

The temporary employment industry is still premature and less than 0.5% of employees are engaged through temporary employment agencies even in countries like Hungary, where that form is most developed. In countries like Lithuania and Latvia, this form of employment is clearly an exception. The customer base for temporary agencies is international business. Local businesses have not been very receptive and they want to "own" employees rather than rent. The workforce is still rather seen as "community" than "commodity". With the market economy development, **the temporary employment industry should grow, especially for top managers, building a competent resources fishpond.**

E/ A strong attachment to the « Work » ethics

The legal age for retirement differs from country to country and in some countries it is still different for male and female. The retirement age is anything between 63 and 68 and it is planned to be gradually increased over the period. The standard working week is 40 hours. **However, it is symptomatic to the CEE region that the commitment to work is high and people often do overtime without extra remuneration.** It just comes with culture and family traditions that work ethics are very high.

F/ Law and collective agreements structure the market

The law regulates collective agreements. Those are enterprise specific agreements. Industry specific "umbrella union" agreements give just guidance to those on an enterprise level. Each company negotiates own terms once the union of that company is formed.

In case of disputes... There is an Ombudsman ship status introduced to settle disputes. If that does not help, the court must take a decision. The effectiveness of the system is low due to lack of experience of the parties in their roles. So if there is a hostile, even illegal strike, employers usually do not get support and protection.

Contracts. There are basically two types of contracts : employment and self-employed. The number of self-employed people is decreasing as taxation issues on self-employed people become more and more complicated and this form of employment is not feasible any longer. Temporary employment is not legally defined yet in half the countries of the region. Currently, the labor code is under review across the region to bring it in compliance with the temporary employment practice that already exists here. The basis of employment legislation is copied from the continental European practice and you will find a lot of similarities with the German labor code.

Income taxes and social cost. Once again, the tax rate differs a lot country by country. In general, the personal income tax is the responsibility of an employee. The personal income tax is progressive (14-40%) in Hungary, Poland, Czech, Lithuania while the flat tax rate between 20-25% for everybody is applied in Slovak Republic, Estonia and Latvia. The social taxation is mostly the responsibility of an employer. As private pension funds have been established just lately, the social tax carries the weight of the solidarity pension scheme for the elderly people. Hence companies pay anything between 30-40% on top of gross salaries to fund the social cost and medical insurance.

G/ To conclude : local competence to be valorized

The exponential growth of the CEEC is a real opportunity for the Western European countries to seize, if they benefit from local operational forces, which perfectly fit the regional culture and economic tissue. **CEO Europe accompanies you in your process, so that you optimize your implantation and/or to support your local development, thanks to its unique knowledge and qualified profiles in the CEEC.**