

# Editorial

This 2012-2 issue of the *SEER Journal for Labour and Social Affairs in Eastern Europe* focuses on labour market developments and employment policies in south-east Europe, with a collection of articles from the major countries of the region. The articles in this issue are shortened and edited versions of important publication material resulting from a project by the Friedrich Ebert Foundation's Sofia Office on *Employment policies in south-east Europe*.<sup>1</sup> SEER is happy to help extend the audience for this rich material and hopes that it will generate a lively debate.

Europe as a whole is facing its most serious employment challenge in a decade in the wake of the 2009 economic crisis and in the midst of the Eurozone crisis, with EU-27 unemployment over 11 % and, in southern European crisis states, such as Spain and Greece, at record high levels of 25 %. This means that labour markets are at the centre of attention right throughout Europe.

Labour markets in the south-east Europe region demonstrate even broader and more fundamental problems than we currently see across the rest of the continent. Low levels of employment and chronically high unemployment in south-east Europe are still the late consequences of a prolonged transformation process that has been interrupted and derailed by civil war, political instability and then the crisis. The large share of the informal economy in south-east Europe is a long-term heritage and limits the scope of regular employment with all its consequences. Employment policies are still patchy and far from the level than those applying even at the periphery of the EU. It is thus high time to devote an issue to this very important topic.

The articles in this issue give us an analytical overview of labour market developments and employment policies in several countries of south-east Europe, country-by-country.

Lyuben Tomev examines labour market developments and employment policies under conditions of budget austerity in times of crisis in Bulgaria. The labour market in Bulgaria is strongly influenced by the demographic crisis, the disparity between labour force supply and demand and the expanding grey economy. Expectations are that the recovery of the labour market in Bulgaria will be slower than the recovery of the economy as a result of its serious structural weaknesses.

Valeriu Frunzaru takes stock of the latest developments in Romania. The main thread of the article is that what is happening in Romania can be called the 're-commodification' of labour. The article takes the following major factors into account: the transition from communism to capitalism; the massive migration of the Romanian workforce; Romania's capacity as a member state of the European Union; the current economic crisis; and demographic forecasts concerning the ageing of the population. The author comes to the conclusion that employment policy has been reactive and tardy, and identifies three dimensions of it that have had a negative impact: the old-age dependency rate, the national budget and the mentality of the population.

1 Tomev, Lyuben and Marc Meinardus (Eds.) (2012) *Employment Policies in South-East Europe – Common Challenges and Different Scenarios* Friedrich Ebert Foundation: Bulgaria Office, Sofia.

Maja Vehovec and Iva Tomić call for a re-evaluation of the role of employment policy in Croatia on the eve of the EU accession of the country. They point to Croatia having the lowest employment rate in the EU which, together with a two-digit unemployment rate, clearly indicates internal structural weaknesses. The main culprit behind the lack of the necessary dynamics in labour market flows is labour demand. Faced with an absence of domestic and foreign investment, rigid employment protection laws and high tax burdens, it is almost impossible for firms to create new jobs and expand overall labour demand.

Mihail Arandarenko examines the labour market crisis and the difficult road to job recovery in Serbia. He argues that the impact of the economic crisis has been rather mild in terms of the contraction of output in Serbia, but nevertheless it has been very severe in terms of job losses, which have seen an already difficult labour market situation deteriorate significantly.

Damir Miljević analyses the labour market developments and the role of employment policy in Bosnia and Herzegovina, and comes to the conclusion that Bosnia and Herzegovina has the worst economic and social indicators in the whole of south-east Europe.

Finally, the contribution of Vesna Stojanova and Todor Milchevski focuses on the situation in Macedonia. Here, there is monetary stability, but the GDP of the country is lower than it was twenty years ago and employment policies, for all the undoubted effort, do not show particularly good results. The unemployment rate is falling, but remains very high and, while the employment rate is rising, it is starting from an extremely low level and the depth of the grey economy is such that the rate of increase is, even then, extremely low.

**Béla Galgóczi**

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**Calvin Allen**