

Impact of industrial change on skills during economic transition in Central and Eastern Europe

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Literature and research question

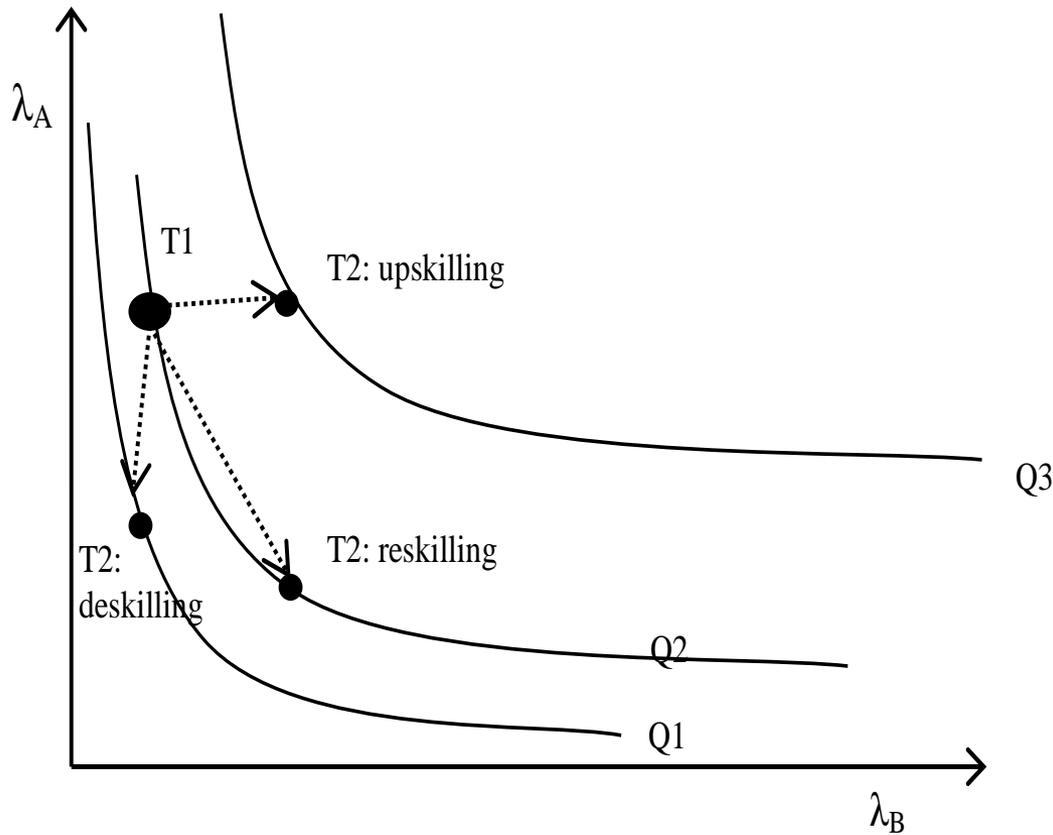
- Early transition of literature: expected smooth reallocation of labour;
- Subsequent studies: inherited skills were too specific and not useful. Therefore:
 - Significant outflows from the labour market + structural unemployment;
 - Decline in returns to experience and education acquired prior to transition;

Research question: to what extent has change in the structure of economy resulted in change in of skills or inter-generational change of workers?

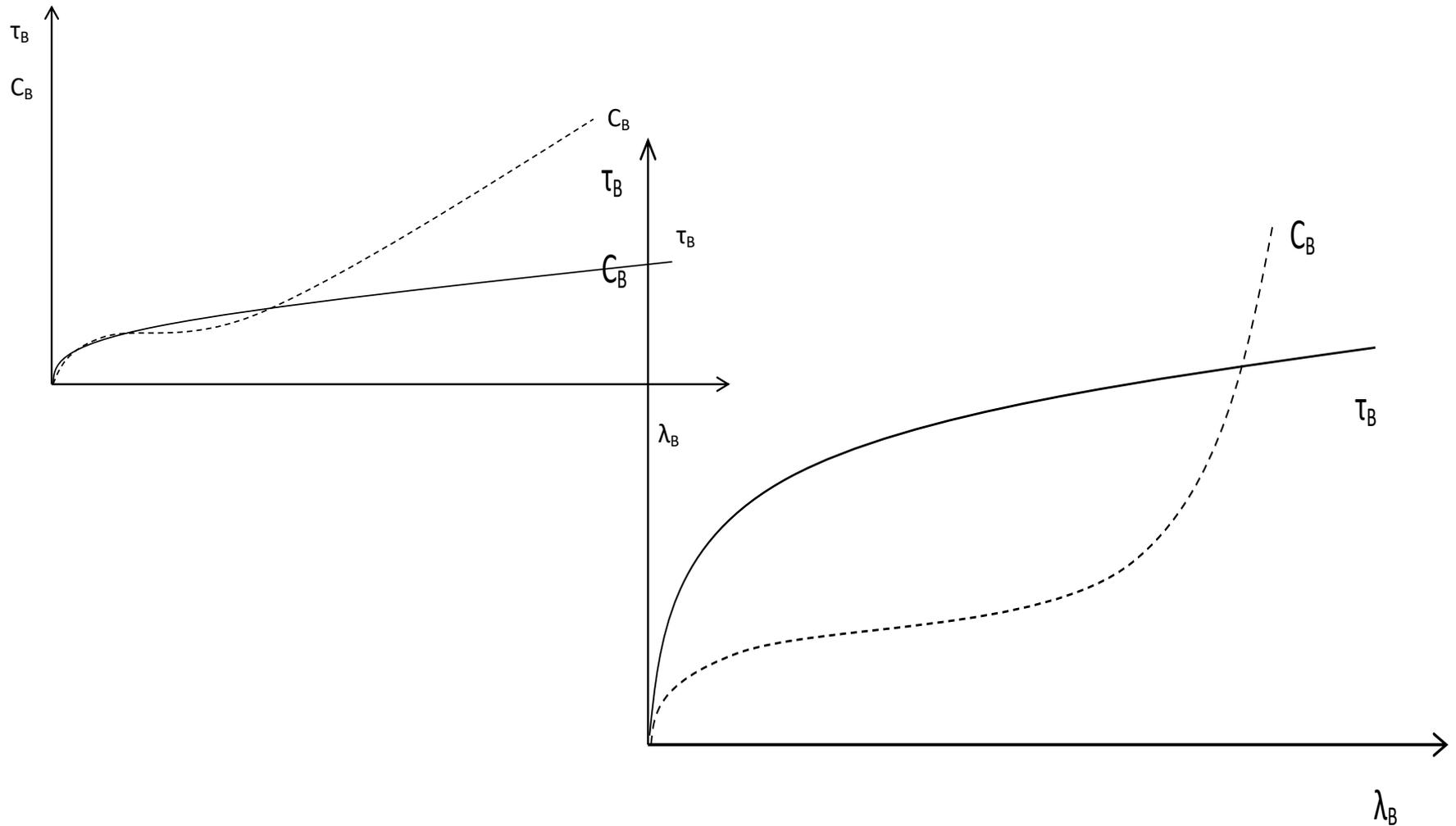
Theoretical model: skill specificity problem

- The literature argues that narrow specific skills obstructed movement of labour.
- However, if we use Becker's definition of specific skills, we get a tautology.
- Proposed approach: $\tau_{ij} = \eta_j + \lambda_A + \lambda_B + \lambda_C + \lambda_n$

Theoretical model: restructuring and change in skills



Obtaining deeper skill B: importance of human capital productivity



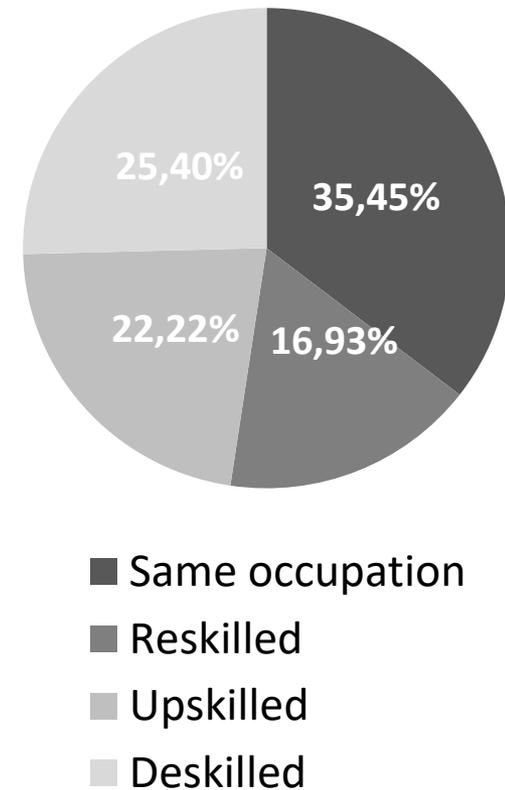
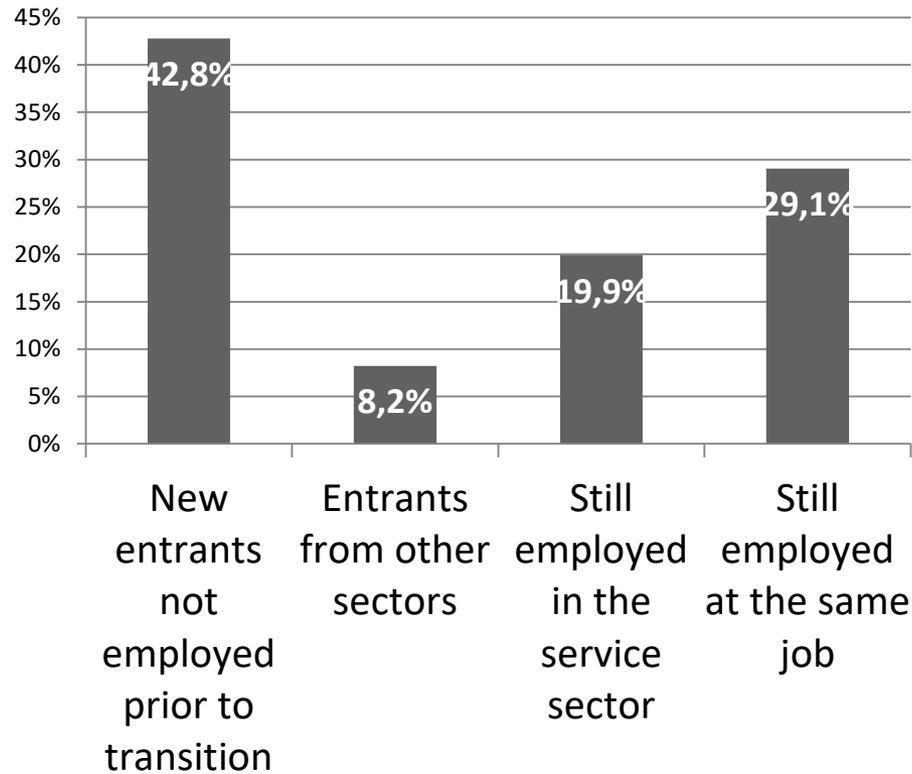
Data and operationalisation

- Life in Transition Survey (LiTS) carried out by the EBRD in 2006;
- Question on all job changes since 1989 (possible recall bias)
- 9 CEE countries: BG, CZ, EE, HU, LV, LT, PL, RO, SK;
- Change in skills:
 - Moderate reskilling: change of jobs within same occupational group (ISCO1→ISCO1);
 - Reskilling: change of jobs within similar set of occupational groups (ISCO1→ ISCO2);
 - Deskillling: movement to lower occupational group (ISCO 2 → ISCO 4);
 - Upskilling: movement to higher occupational group (ISCO 4 → ISCO 2).

Findings: movement from manufacturing to services?

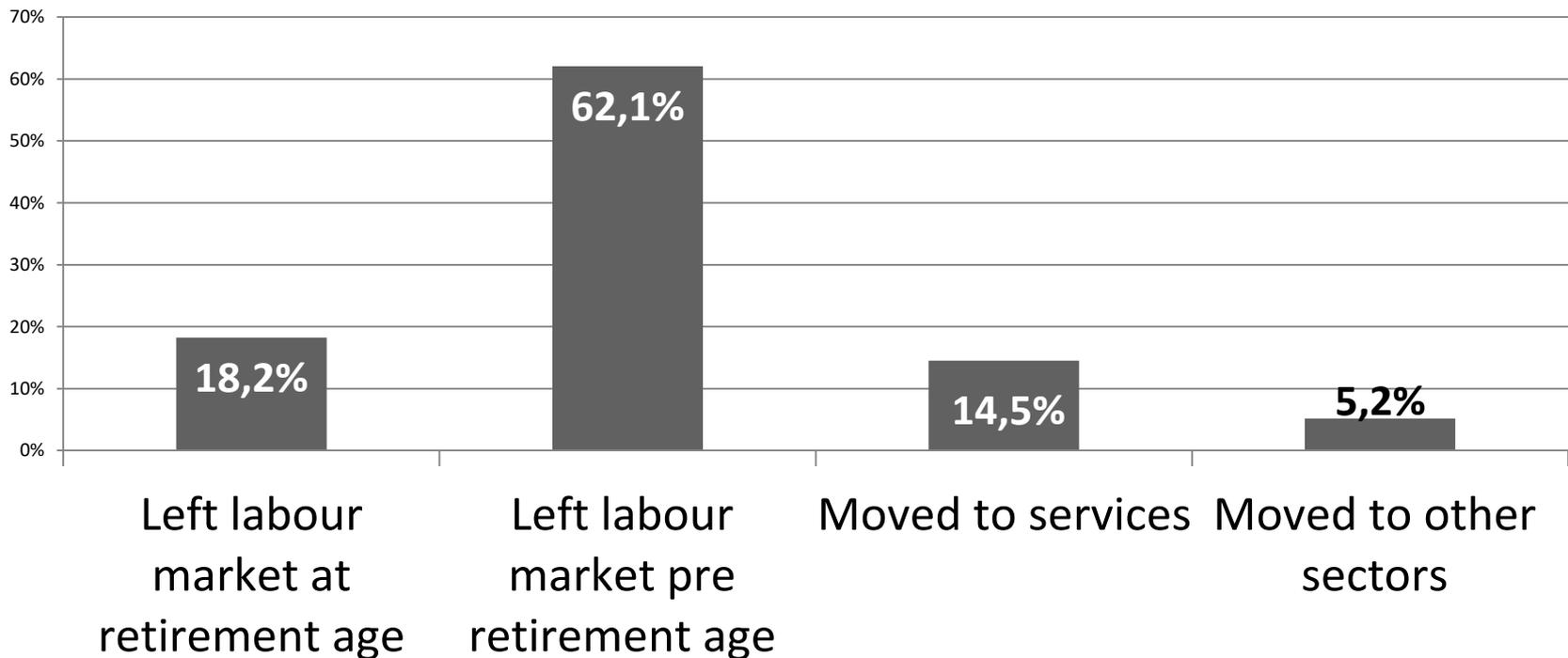
Persons in services in 2004=100%.
What were they doing in 1989?

100 % = entrants from other sectors



Movement from manufacturing to other sectors?

Persons employed in manufacturing in 1989=100%. What was their status in 2004.



Which individuals prematurely left labour market?

Table 7. Ordinary Least Squares regression; dependent variable: no of years individuals did not exit labour market during transition

	Coefficient	Std. Error	t-ratio	p-value	
Constant	12,2265	0,494766	24,7116	<0,0001	***
Age in 2004	-0,211885	0,00616133	-34,3895	<0,0001	***
Education level	0,179866	0,0182519	9,8547	<0,0001	***
Mothers education level	-0,0947648	0,0148011	-6,4025	<0,0001	***
GDP per capita*	0,000488207	1,5839e-05	30,8231	<0,0001	***
Services	0,575547	0,145373	3,9591	<0,0001	***
High skilled white collar workers	0,301654	0,120973	2,4936	0,0127	**
Male	0,306699	0,120137	2,5529	0,0107	**

N = 3853

Conclusions

- Relatively little re/de/up skilling has taken place;
- Is this driven by:
 - Low “inherited” human factor productivity;
 - Scale of change;
 - Absence of state intervention;
 - Deficiencies in our data set?