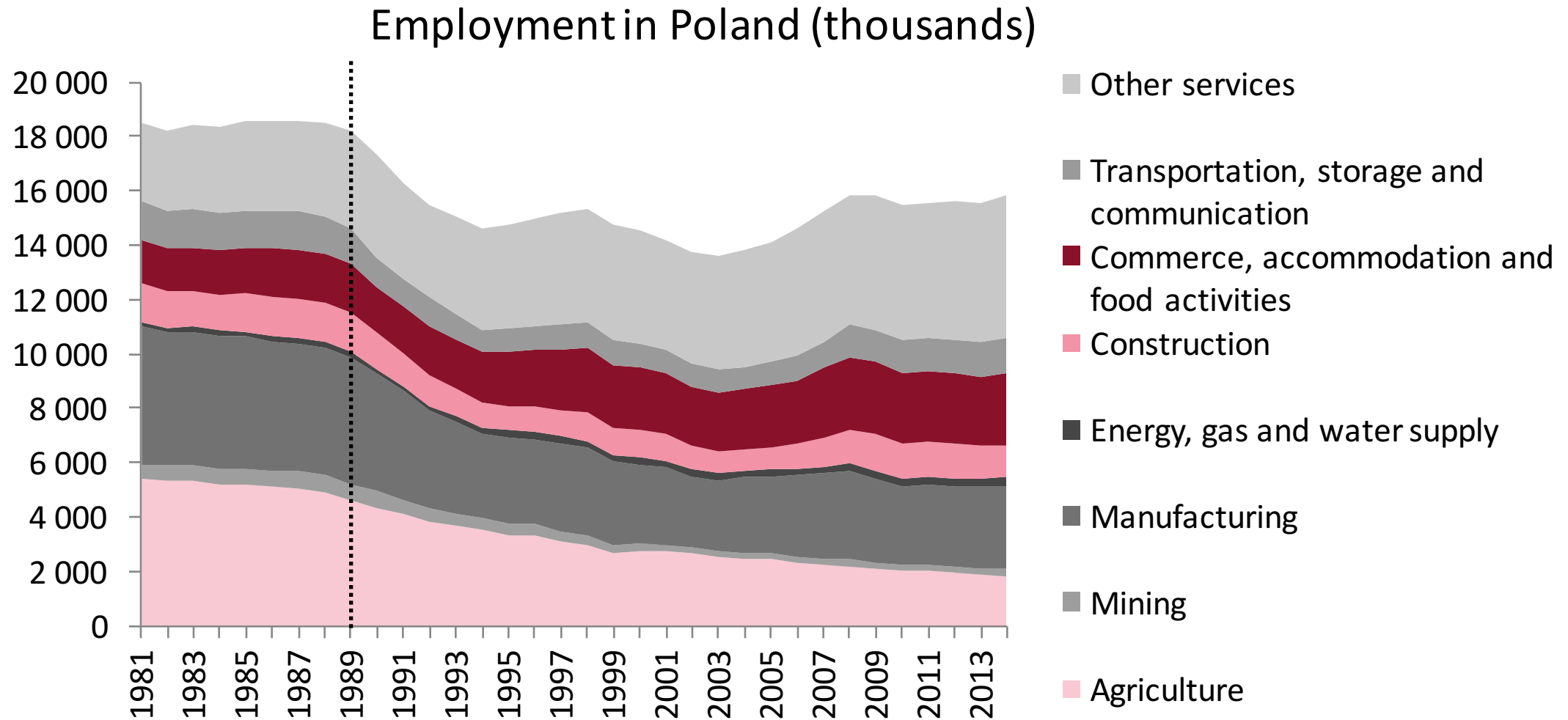


Reflections of informality and causalisation from Eastern Europe

Piotr Lewandowski

Cape Town, November 26-27, 2015

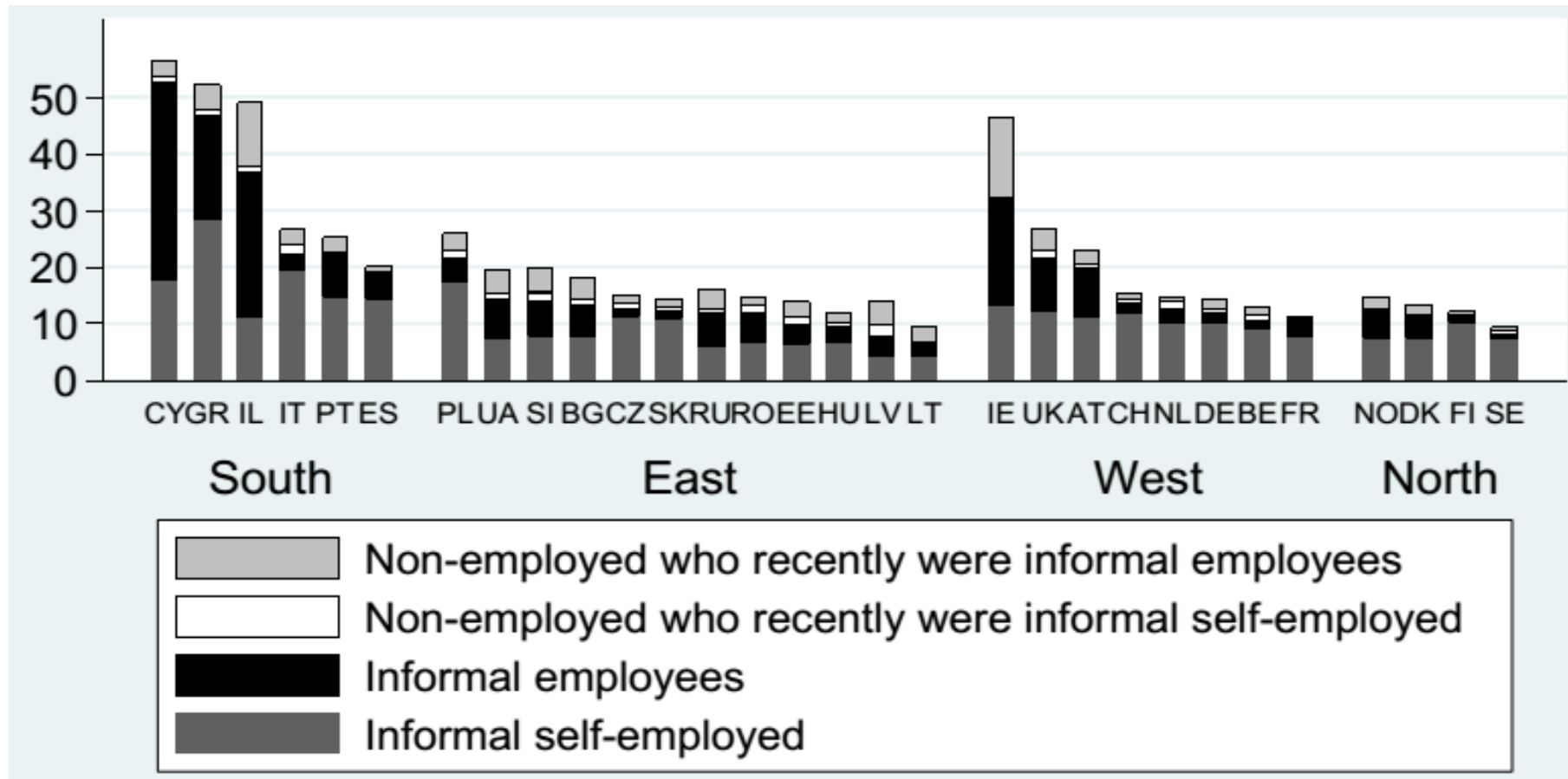
In the communist era employment was „obligatory”



Informal work in Europe – regional patterns



Share of „extended labour force” employed informally (2008-2009)



Source: Hazans (2011) - European Social Survey

Which workers are more likely to be informal in CEE

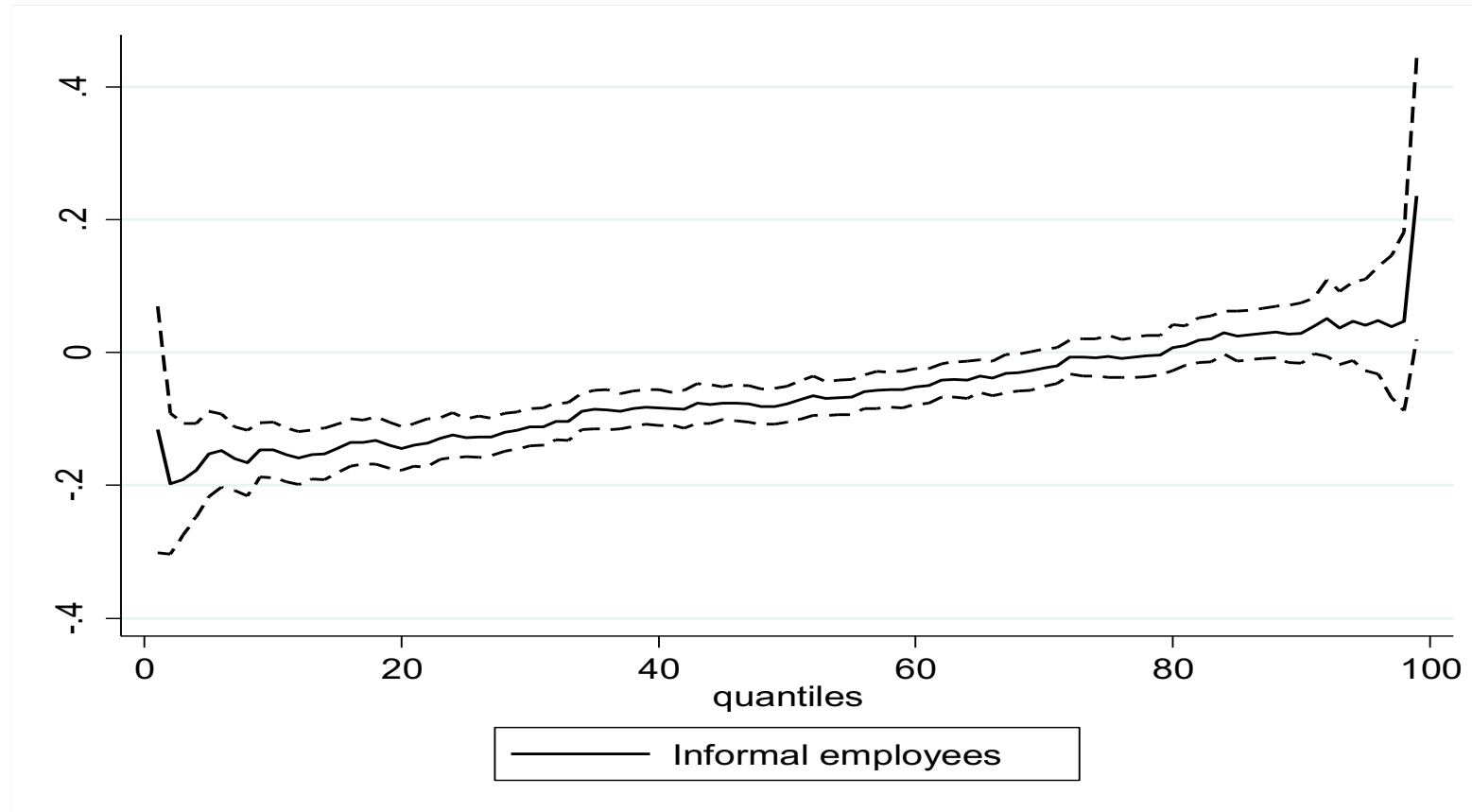


- Males
- Younger
- Single
- Lower education
- Construction, trade and related services (unskilled), agriculture and fishery (skilled)

- EU member states – rather natives, high incidence among ethnic minorities;
- Russia – rather immigrants (from Caucasus, Central Asia, other CIS countries)

Russia: segmentation but also selection (risk attitudes, wage gaps) . | :

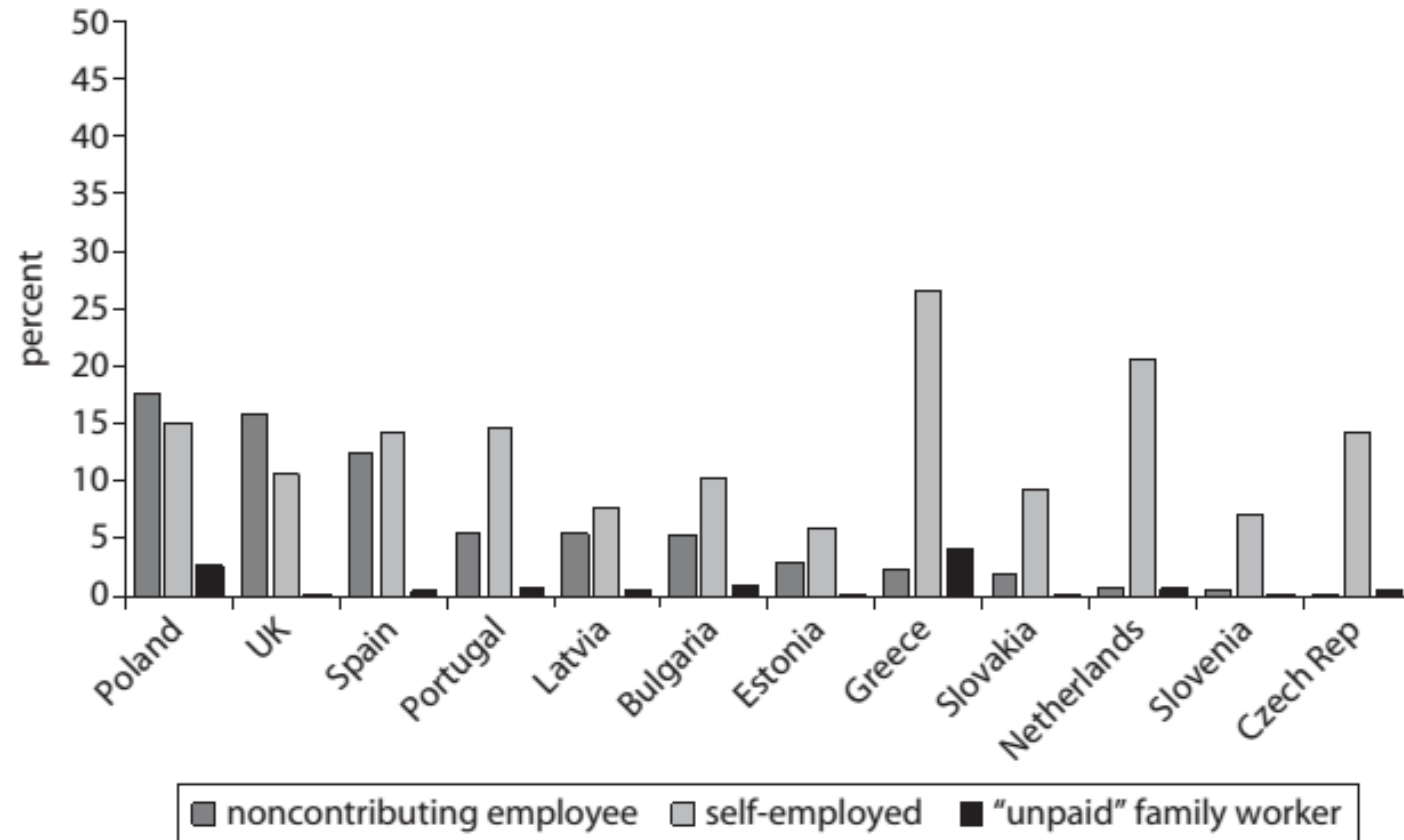
Hourly wage gap in Russia: Informal employees.
Coefficients from quantile regressions. Pooled sample, 2004-2011



Some noncontributing workers have contracts



Social insurance criterion for dependent employment



Source: Koettl, Packard, Montenegro (2012)

Informality vs. non-standard employment

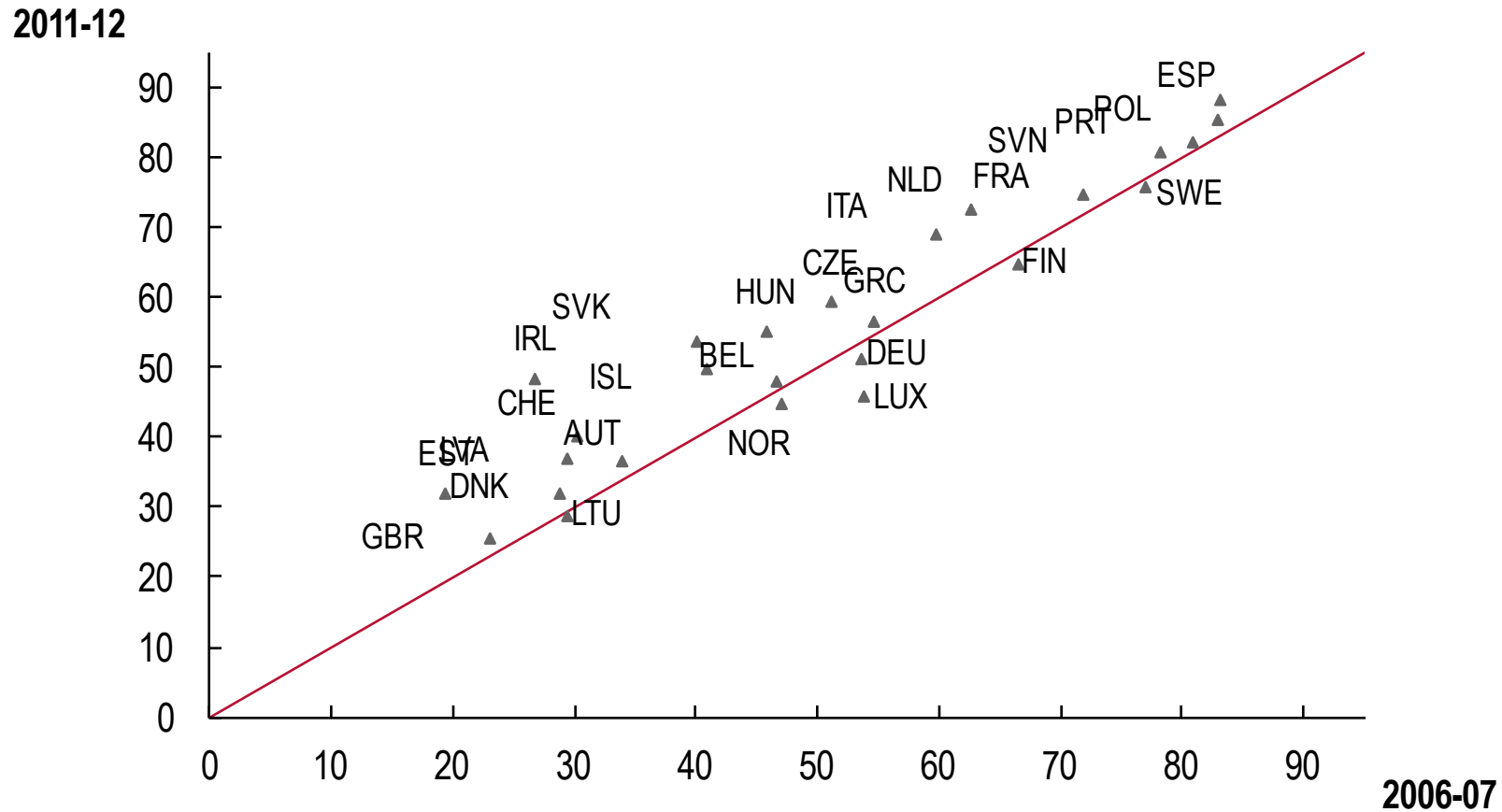


- 10% of workers in CEE receive envelope payments, mostly involuntarily in firms not declaring all transactions (Leibfritz 2011)
- Non-standard contracts and temporary agency work combined with regular employment
- Terminating temporary contracts – very heterogenous laws (not covered by OECD EPL)
- Poor enforcement of laws to prevent abuse of non-standard contracts

Rising but diversified role of temporary employment

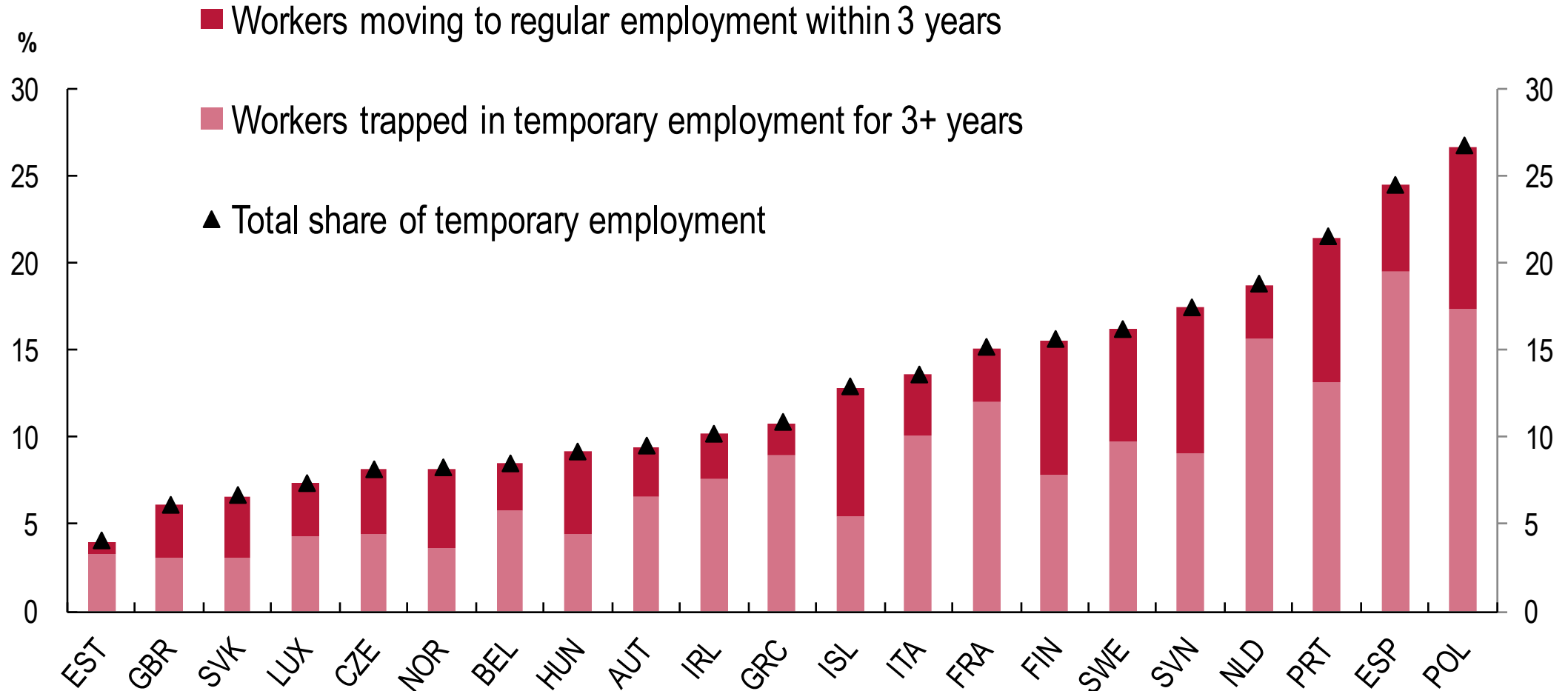


Temporary contracts among new hires, 2006-07 vs. 2011-12



Source: OECD (2014)

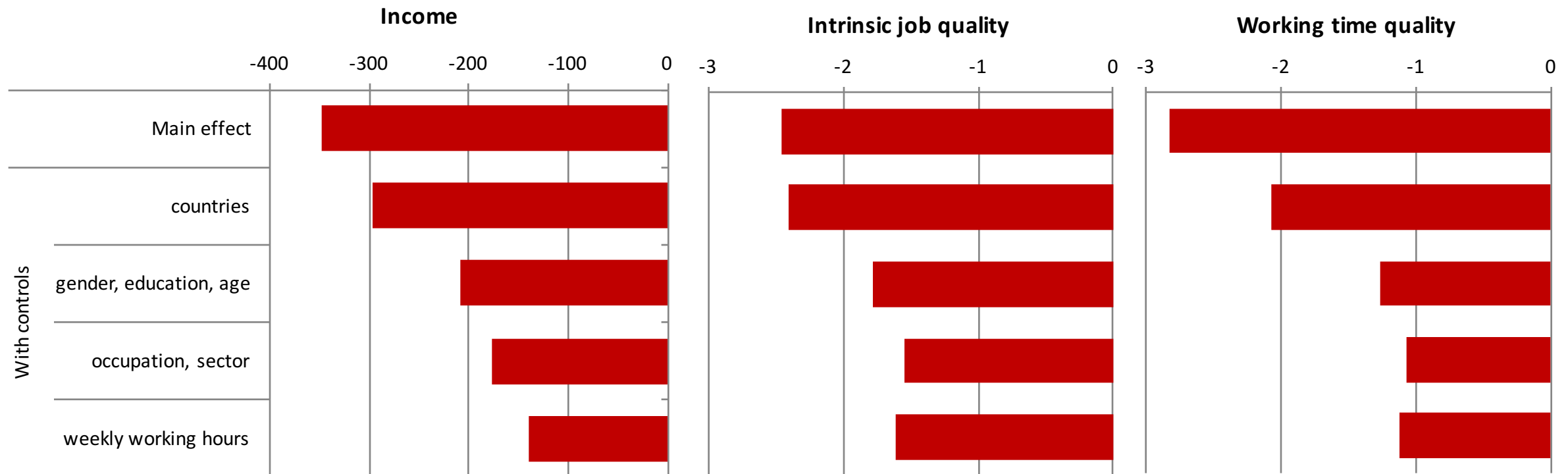
Many „temporary” workers remain in temporary jobs



Job quality penalty in non-standard employment



- Strong compositional effects - concentration of 'bad jobs' in certain segments of the labour force (vulnerable workers) and labour market (sectors and occupations)



Regression results, estimates for non-standard contract (reference: permanent contract), nested models. All p-values < 0.001

N = 35,372

Data: EWCS 2010, EU27.

Civil law contracts in Central Eastern Europe



- Useful in the communist era
- Abolished in **Romania in 2003**
- Reformed in **Slovakia in 2013** – full coverage with ss contributions
- Increasingly important in **Poland**:
 - Contracts of mandate
 - Contracts to perform a specific task

Civil law contracts in Poland – interactions of regulations



Lower social security contributions

- Higher net wages
- Lower total labour costs

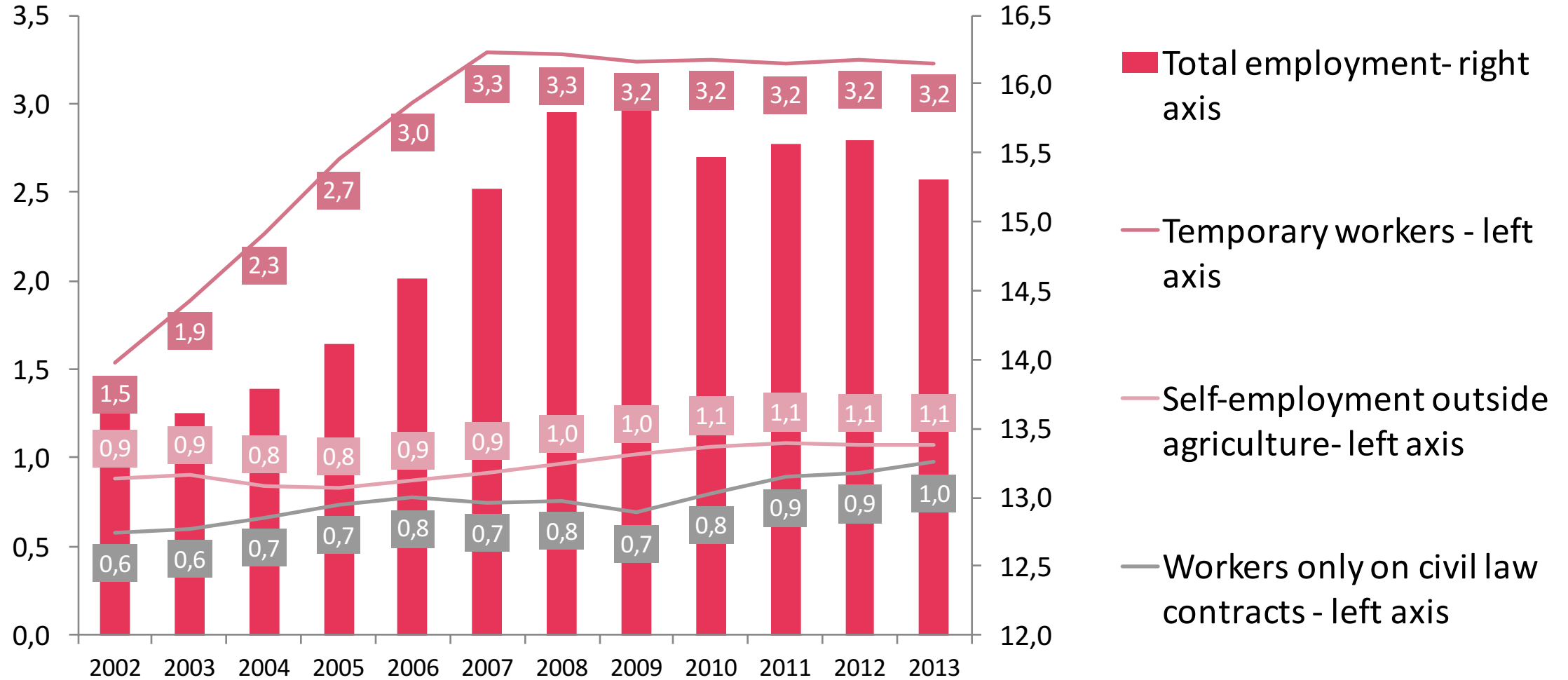
Minimum wage is not binding

Easier to terminate than regular contracts

Segmentation within segmentation in Poland



million



Privileges depend on tenure rather than type of contract



Single contract

Flexible at signing

After 3 years of
tenure – full EPL

Social security
coverage

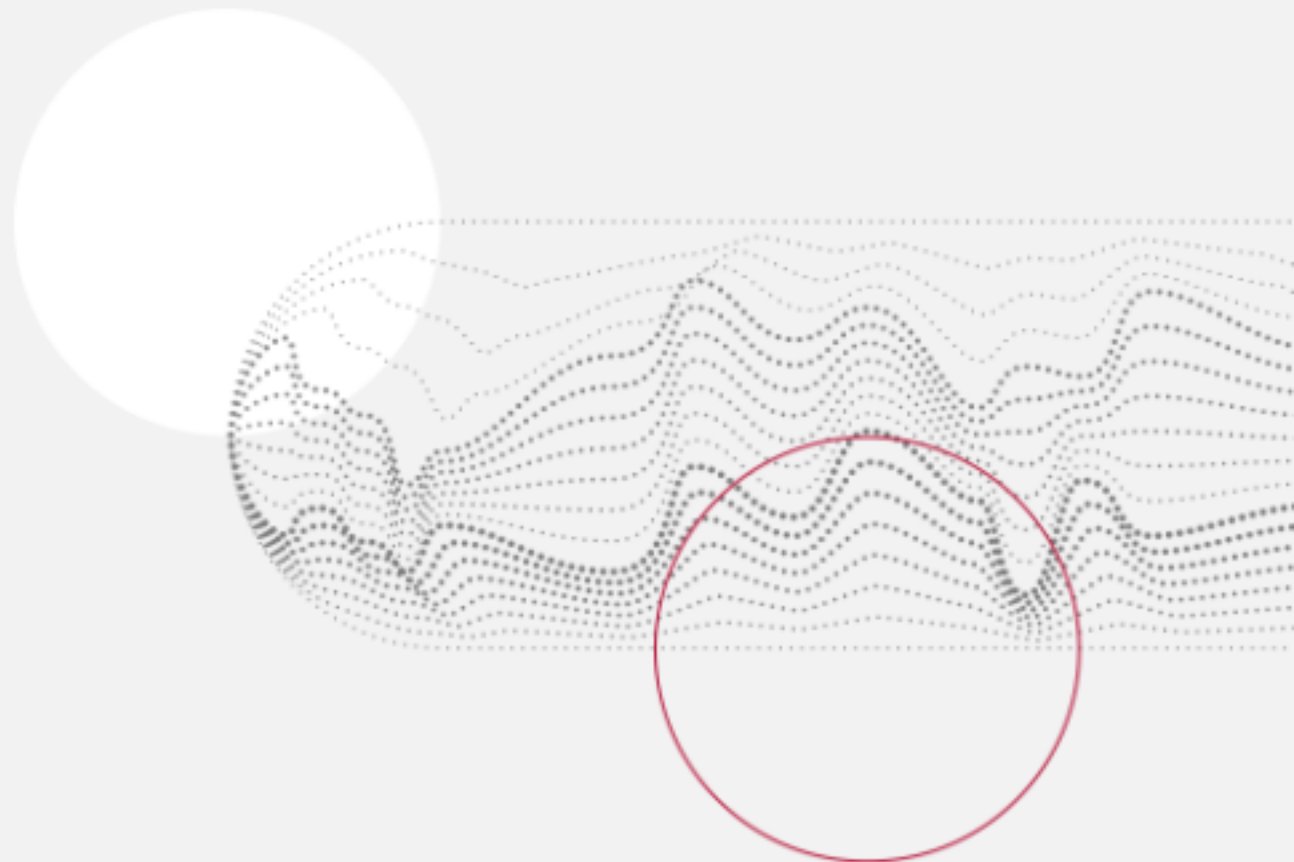
Minimum wage
binding

Thank you for your attention

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