Labour Market Dynamics and Attractive Business Environments in the South Baltic Region

Overview report:

STATISTICAL ANALYSIS OF THE CURRENT SITUATION OF THE SOUTH BALTIC LABOUR MARKETS

Part-financed by the European Union
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Maritime Institute in Gdansk

Gdansk, Poland, 2012

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MIG – Maritime Institute in Gdansk, Poland

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2. Economic Development Corporation Vorpommern GmbH
3. VIRTUS – Institute for new teaching and learning methods
4. Institute for European Initiatives
5. West Pomeranian Business School
6. Gdynia City Hall
7. EUCC Baltic Office
8. Klaipeda University

INTRODUCTION

The area of the study refers to four EU regions, namely Mecklenburg-Vorpommern (DE), Zachodniopomorskie Region (*Western Pomeranian* Region PL), Pomorskie Region (*Pomeranian Region* PL) and Klaipeda Region (*Klaipeda Apskritis* LT). In the report all these regions are simplified to the name of South Baltic (SB) regions/area. Most statistics in the report come from Eurostat regional yearbook 2011 and are supplemented by statistical information of Eurostat regional data base[1]. The analysis is also extended by data and information compiled and supplied by Project Partners and although they are sometimes of less cross-regional character, they enrich the contents and improve the scope of information included in this report. Due to constraints in data accessibility, however, only several indicators and information were available at national level. This refers mostly to the Lithuanian region since Lithuania as the whole country is also considered as a single NUTS-2 level region. In general, the report aims at showing, if possible, the latest available data and that is why the reference year may sometimes vary across the study. In the light of the economic crisis, which had for many markets severe implications, it is important to keep in mind the reference year with respect to overall economic and social events. It is worth mentioning that each of the relevant regions is so called coastal region, i.e. it is bordering the Baltic Sea.

Due to practical reasons, the study is conducted eastwards starting from Mecklenburg-Vorpommern (referred later as M-V), through Zachodniopomorskie Region (referred further as ZP) and Pomorskie Region (in short PR) and finally, even if data is mostly nationwide, it ends at Lithuanian region (referred later as Lithuania or LT). If data is provided for Klaipeda County as a NUTS 3 entity, then it is referred to as Klaipeda Region (KLP).

The report is focused on cross-regional analysis and it is structured into the following sections:

I. Location, land area and population trends of the South Baltic regions

II. Economy of the South Baltic regions

[1] epp.eurostat.ec.europa.eu

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III. Cross-regional analysis of labour markets

IV. Recommendations for the workforce mobility in the context of economy and labour markets of the South Baltic regions

V. Qualitative aspects of regional labour markets in the context of cross-border workforce mobility

Each section of the report is concluded with the main findings and selected features of trends.

I. LAND AREA AND POPULATION TRENDS OF THE SOUTH BALTIC REGIONS

Location of the South Baltic regions which are the subject of analysis is shown below (Fig.1.).

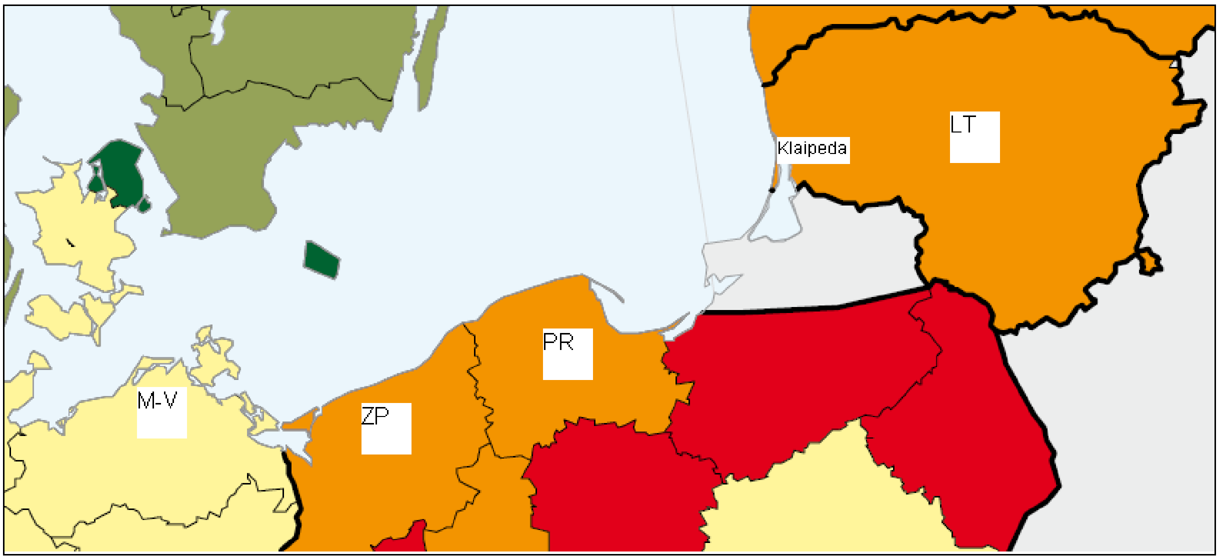

Fig.1. South Baltic regions: Mecklenburg-Vorpommern (M-V), Zachodniopomorskie Region (ZP), Pomorskie Region (PR) and Lithuania (LT)

Source: Eurostat online data

Total area of the South Baltic regions amounts to almost 130.000 km², wherein the biggest is Lithuania with 65.300 km² (50,3% of the total relevant area, Klaipeda County with 5.2000 km² covers 4% of the entire study area), two other regions namely Mecklenburg-Vorpommern and Zachodniopomorskie enjoy similar spatial parameters, respectively 23.191 km² (17.9%) and 22.892 km² (17.7%). Area of Pomorskie Region is of 18.310 km² (14,1%). All the regions have an access to the Baltic Sea and neighbour the coastline and land territory with an exception of Pomorskie and Lithuania and these two regions are separated by Kaliningrad Region (RU) and Polish Region of Warminsko - Mazurskie.

The South Baltic regions are populated (2010) by 8.862.000 inhabitants. Mecklenburg-Vorpommern is populated by 1.646.800 people (18.6% of total SB regions population), Zachodniopomorskie accommodates 1.693.100 people (19.1%), in Pomorskie the number of inhabitants amounts to 2.235.800 (25.2%), Lithuanian population reaches 3.286.800 people (37.1%), whereas the population of Klaipeda County is 330.000 people (3.7%).

Regions show different trends in population. In the period of 2006-2010 in Mecklenburg-Vorpommern and in Lithuania the average population decreased by 3.2% while the region's population in Zachodniopomorskie remained unchanged and in Pomorskie it has increased by 1.5%. Population density expressed as a number of inhabitants per km² (average for EU-27 stays at 116 inhabitants/km²) differs substantially from the lowest level of 52.4 in Lithuania (Klaipeda County 63.5), through 71.0 in Mecklenburg-Vorpommern and 74.0 in Zachodniopomorskie till the highest density of 122.1 inhabitants/km² in Pomorskie. The recent population changes are very unevenly distributed across the specified regions. While the change of population per 1000 inhabitants for the EU-27 average 4.1, in subregions of Mecklenburg-Vorpommern with exception for urban areas of Greifswald and Rostock which are distinguished by slight positive change, the rest of the region is heavily experienced by de-population, like in case of Ostvorpommern (-11.7), Ruegen (-12.2), Ucker-Randow (-16.0), Stralsund and Wismar urban area (respectively –2.8 and –6.3). Detailed study of Lithuania revealed de-population of Klaipeda County, which exhibits negative -1.6 ratio of population change. The recent population changes are very unevenly distributed across the specified regions. In Polish regions the situation is very variable among urban and non-urban areas. In region of Zachodniopomorskie the urban area of Szczecin city is being out-populated, which is confirmed by a negative population change of -2.1 per 1000 inhabitants, while in non-urban areas population has increased. In Pomorskie the change of population is quite the opposite, the urban area of Gdansk develops at high rate (change in population reaches ratio of 15.0), when the rest of region displays de-population at -2.0 ratio level.

Changes in the size of the population are the result of two components: natural change (the difference between live births and deaths) and the net migration, i.e. the result of people migrating inward less people migrating outward. With the EU-27 positive net migration of 1.2, Mecklenburg-Vorpommern and all subregions herein exhibits negative natural population change ranging from -0.8 for Rostock to -4.2 for Ruegen/Wismar and – 5.1 for Ucker-Randow.

The Zachodniopomorskie region has a slight negative natural population change at -0.5 and positive development of inhabitants number in non-urban areas at the level of 2.6. The entire Pomorskie shows a positive natural population change, wherein Gdansk region with a

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high rate of 6.9 while the rest of the region (Tricity-Gdansk, Gdynia, Sopot) at moderate path of 0.4. Klaipeda region is characterized by a negative change in natural population of -0.8.

High negative net migration occurs in Mecklenburg-Vorpommern (more people emigrate to other regions) and it is especially visible in non-urban areas while urban subregions like Rostock and Greifswald net migration is positive in the range of 4.2-6.7. Klaipeda Region has a negative balance of migration at the level of -0.8 while again Polish regions are much heterogeneous. The urban area of Szczecin in Zachodniopomorskie Region has a negative migration balance at -1.6 while in the rest of the region more people immigrate than emigrate (balance amounts 3.4). It is quite the opposite in Pomorskie where the net migration for Gdansk subregion is of 8.1 while in the rest of the region; population outflow exceeds inflow and results in balance at -2.3.

The old-age dependency ratio indicates the relationship between working age population and elderly people. At the EU-27 level the total population aged 65 and more as a proportion of the working age population is 25.6% (2009). In other words, on average, every 100 people of working age were supporting 26 persons aged 65 and more. At the beginning of 2009, the old-age dependency ratio ranged within SB regions from 32.3 for Mecklenburg-Vorpommern, 23.3 for Lithuania and for the regions of Zachodniopomorskie and Pomorskie amounted to, respectively, 16.9 and 17.2.

Main findings and selected features of trends in the population of the South Baltic regions are as follows:

- almost 8.9 million people live in the area of 130.000 km² which consists of four regions, namely Mecklenburg-Vorpommern, Zachodniopomorskie, Pomorskie and Lithuania (incl. Klaipeda Region). All regions have a direct access to the Baltic Basin coastline (there are named in the EU nomenclature as coastal regions);
- in the period of 2006-2010 the population decreased in Mecklenburg-Vorpommern and Lithuania (incl. Klaipeda Region) by 3.2%, Zachodniopomorskie maintained its status quo in number of inhabitants while population of Pomorskie grew by 1.5%;
- Mecklenburg-Vorpommern and most of its subregions as well as Lithuania (Klaipeda Region incl.) have negative natural changes (number of deaths exceeds number of

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births). Despite of non-urban areas in Mecklenburg-Vorpommern (e.g. Rostock and Greifswald), these regions recorded negative net migration (in the respective regions more people emigrate than immigrate). This cumulated processes led to a marked population loss, especially in Mecklenburg-Vorpommern Region. In Pomorskie Region a positive natural change was accompanied by the high positive net migration within Gdansk subregion and offsets the negative trend in non-urban areas, hence leading to a cumulated increase in the region's population. In Zachodniopomorskie the negative natural change and the negative net migration of the urban area have been offset by positive net migration in the rest of the region and let the population remained unchanged;

- The population density in most regions is far below the EU-27 average of 116 inhabitants per km². Population density of Lithuania, Mecklenburg-Vorpommern and Zachodniopomorskie in comparison to the EU-27 average is at the level of 45% and 61%-64% with an exception of Pomorskie Region with a density ratio of 122.1 inhabitants per km², higher than the EU-27average ;
- population is ageing especially in the Region of Mecklenburg-Vorpommern where the old-age dependency ratio exceeds the EU-27 average by 6.7 percentage points. In other regions ageing population trends are so far of less importance.

II. ECONOMY OF THE SOUTH BALTIC REGIONS

The Gross Domestic Product (GDP) is a key measure of a nation's and region's economic wealth and growth. Of the total expressed in Purchasing Power Standard (PPS)[2] GDP produced in 2009 in the South Baltic regions, the highest share of 33.5% came from Lithuania (mind it relates to the whole country, whereas the share of Klaipeda County in the GDP/PPS of the target area is just 3.5%), followed by Mecklenburg-Vorpommern with 25.7%, Pomorskie with a share of 24.2% and Zachodniopomorskie with 16.6%. However a proper measure of economic development and actual cross-regional comparison of each region´s economic wealth is only possible when calculating relevant measure per inhabitant. Regional gross domestic product expressed in million of PPS per inhabitant is presented in table 1.

Tab.1. Regional Domestic Product (in PPS per inhabitant) in the regions of the South Baltic area in the period of 2006-2009

SB regions	2006	100,0	2009	100,0 (%)	2009/2006 (%)
M-V	18.800	34,1	19.800	33,6	105,3
ZR	11.200	20,3	12.500	21,2	111,6
PR	12.100	21,9	13.900	23,6	114,9
LT(incl. KLP)	13.100	23,7	12.800	21,7	97,7
Total	55.200	100,0	59.000	100,0	106,9

Source: Calculations based on Eurostat data

[2] Gross Domestic Product expressed in national currency is converted by purchasing power parities (PPPs) which take into account of different price levels between Member States allowing for more accurate comparison. GDP is converted into an artificial common currency, called purchasing power in countries/regions that use different national currencies.

The highest level of economic development refers to Mecklenburg-Vorpommern (33.6% of total SB region GDP/inhabitant) followed by less economically strong dispersed regions of Pomorskie (23.6%), Lithuania (21.7%) and Zachodniopomorskie (21.2%). It is worth remembering that the economic results are highly affected by the financial crises of 2008-2009 and Lithuania sustained in fact recession/contradiction in its economic growth.

The highest economic growth was observed in Polish regions, respectively with cumulated for the period rate growth of 14.9% and 11.6% in compare to the average economics growth of SB regions amounted 6.9%. However if SB regions results are similar to the EU-27 average, it appears that all SB regions are still lagging behind. Mecklenburg-Vorpommern GDP was of 84% of the EU-27 average gross domestic product, while for Pomorskie it was 59%, for Lithuania (KLP incl.) 55% and for Zachodniopomorskie only 53%.

The activity rate is the share of economically active persons in the total population (aged 15 and more). Economically active persons include employed (i.e. performing and holding work) and unemployed persons looking for work. Economically active persons in Mecklenburg-Vorpommern in the recent years have slightly diminished to 54,1% in 2010, in Zachodniopomorskie it has decreased by 1.7 percentage points to nearly 53%, Pomorskie Region reached 55.9%.

The analysis of Gross Value Added revealed different economic structures in the relevant regions. Even though the service sector predominates in each of them, industry and construction is of substantially greater importance in regions of Zachodniopomorskie, Pomorskie and Lithuania (Table 2).

Tab.2. Gross Value Added by sector in regions of South Baltic area (%, 2010)

Regions	agriculture, hunting, fishery, forestry	industry& construction	services
Mecklenburg-Vorpommern (M-V)	2.8	19.6	77.5
Zachodniopomorskie (ZR)	3.6	26.3	70.1
Pomorskie (PR)	2.5	30.2	67.3
Lithuania incl. KLP (LT)	3.7	31.6	64.7

Source: Statistical yearbook of regions, GUS, Warszawa 2011.

Employment distributed among economic sectors allow for the in-depth analysis of each region’s economy, what is presented in Table 3.

Tab.3. Business structure of the South Baltic regions measured by employment in economic sectors (thous. inhabitants, 2010)

Economic sectors	M-V	ZR	PR	LT (KLP in brackets)
Agriculture & fishing	16.6	49.5	6.2	20.8 (1.9)
Industry	76.5	100.6	122.2	140.4 (15.7)
Construction	39.3	36.1	32.5	56.4 (5.1)
Trade(whole/retail sale)	63.2	87.4	56.6	145.8 (11.5)
Hotels & restaurants	33.2	17.2		18.9 (2.3)
Transport, storage and communication	28.8	32.9	20.7	146.5 (15.2)
Financial services	9.2	10.7	19.5	14.8 (1.3)
Real estate & renting	6.0	-	10.2	10.3 (1.1)

Computer & related services	7.2	-	6.6	6.6 (0.8)
Public administration & defence	44.9	31.7	35.3	75.7 (6.6)
Education	33.3	45.6	60.3	136.7 (13.8)
Health & social sector	75.5	32.2	32.3	82.8 (8.2)
Social & personal service	18.4	18.3 (2007)		22.3 (2.5)
Recreational, cultural & sporting activities	5.8	6.4 (2008)	6.2	19.0 (2.4)

Source: based on data compiled and supplied by Project Partners.

The main tendencies in business sectors for each region of the South Baltic area, measured in by the number of persons employed in economic sectors, are outlined below:

Mecklenburg-Vorpommern

- Economic activities related to an increase of employment are in the fields of industry, hotels and restaurants, health and social sector; sectors declining in terms of employment comprise transport, storage and communication, real estate and related services, public administration and education also social & personal service; other sectors do not show any change observed in the number of employed persons,

Zachodniopomorskie Region

- Economic activities with raising employment relate to agriculture, construction, public administration and education, health and social sector, social and personal service; declining in terms of employment sectors are industry and transport, storage and communication; most of economic sectors of the relevant region are rather stable in terms of employment.

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Pomorskie Region

- On the contrary to the above mentioned regions, most economic activities in terms of employment show a status quo with slightly raising employment in the information & communication sector and declining number of employees in the financial services.

Lithuania (incl. Klaipeda County)

- The global financial crisis of 2008 had very severe consequences for the private sector employment in Lithuania. All economic sectors suffered decreasing employment between 2006 and 2010, but the most dramatic decline in employment was in construction (decrease of employed people by 45.7%), computer and related services (42.6%), industry (26.5%), HORECA (26.5%), trade (20%), financial services (15.9%), agriculture and fishing (14.8%).
- The only private sectors which showed substantial robustness in time of crisis were transport and communication as well as real estate and renting where the employment declined by less than 10%. Generally, the most stable sectors were public ones, where the decline was much less painful: social and personal service (decrease of employed people by 9.7%), recreation, culture and sport (7.8%), public administration (5.4%), education (5.1%), health and social sector (0.5%).
- The decline of employment in Klaipeda County was similar to that of Lithuania in general. Although the economy shrunk a bit less in Klaipeda compared to the rest of the country but downsizing of the labour force was of similar proportions.

Labour costs are a major component of the cost of producing goods and services and correspond to the costs borne by the employer for employing staff. Labour costs are also a key factor to decide where to locate a business. Available data (from 2008) allowed the cross-regional comparison of labour costs in the following scope:

- hourly labour costs in business economy (average EU-27 EURO 21.79),
- average hours actually worked per year in business (average EU-27 1764 h)

- the share of social contribution in total labour costs paid by employers (average EU-27 -19.87%).

The inter-regional comparison of labour costs sustained in business economy is shown below in Table 4.

Tab.4. Labour cost across regions of the South Baltic area (2008)

Regions	Mecklenburg-Vorpommern	Zachodniopomorskie	Pomorskie	Lithuania (incl. KLP)
Hourly labour costs (EUR, excl. apprentices)	19,0	7.0	7.0	6.0
Yearly average hours actually worked per person in full-time unit in business economy	1703	1756	1743	1756
Share of employers' actual social contributions in total labour cost (%, excl. apprentices)	17.22	13.65	13.80	22.74

Source: Eurostat statistics.

At EUR 19.0 per hour, Mecklenburg-Vorpommern has the highest average labour cost within SB area. Other regions have 2.7 times lower average labour costs at EUR 7 to 6 per hour. However relative costs of social contributions are at the highest level in Lithuania (incl. KLP) (22.74%) while the employers in the other regions borne noticeable lower expenditures. Average actual working time per person full-time employed is the longest in Lithuania (incl. KLP) and in Polish regions, Mecklenburg-Vorpommern distinguishes as the region with the shortest average working time per employee.

The financial benefits of working abroad are of crucial importance for feasible mobility of labour force. Comparable analysis of salaries payable in the relevant regions and in business sectors is shown in Table 5.

Tab.5. Average gross monthly/hourly salaries by business sectors in regions of South Baltic area (EURO, 2010, Polish currency converted into EURO with average exchange rate 3.90 PLN/EURO).

Sectors/regions	Average monthly gross salaries				Average gross hourly salaries		
	M-V	ZR	PR	LT (KLP)	M-V	ZR	LT (KLP)
Agriculture & fishing	1305	860	846	508	·	5.36	2.99
Industry	2371	719	755	614	13.97	4.57	3.61
Construction	2125	588	667	527	12.75	3.82	3.1
Trade (whole/retail sale)	2287	574	636	560	13.30	3.92	3.29
Hotels & restaurants	1596	497	476	354	19.19	3.35	2.08
Transport, storage and communication	2434	1097	842	593	13.96	4.59	3.49
Financial services	4195	1048	1200	1215	24.62	6.26	7.15
Real estate & renting	3326	821	848	569	20.26	4.77	3.35
Public administ. & defence	3060	999	1043	798	17.70	6.40	4,69
Education	4034	875	885	579	25.58	7.39	3.86
Health & social sector	2748	771	833	626	15.84	5.11	3.68
Recreational, cultural & sporting activities	2360	689	737	458	13.65	4.58	2.69

Source: Project Partners data contribution.

There are considerable differences between Mecklenburg-Vorpommern and the other regions as regards the level of remuneration for performed work. The average monthly gross salaries in all business sectors except agriculture were in the case of the Polish regions only 30% of gross salaries payable in Mecklenburg-Vorpommern. Salaries payable in Lithuania (paid officially, without consideration of any 'grey overheads') are by 30-50% lower even in comparison with Polish regions.

Main findings and selected features of economic well-being and development also economic structure of the South Baltic regions are the following:

- The highest level of economic wealth refers to Mecklenburg-Vorpommern (33.6% of total SB region GDP/inhabitant measured in PPPs) followed by less economically prosperous Regions of Pomorskie (23.6%), Lithuania (21.7%) and Zachodniopomorskie (21.2%). The most dynamic in economic development are Regions of Pomorskie and Zachodniopomorskie.
- Even though all South Baltic regions have experienced growth in the recent years and have decreased the gap with the average economic development of the EU-27 by 9 (Pomorskie) and 5-4 (Zachodniopomorskie and Mecklenburg-Vorpommern) percentage points, they are still substantially lagging behind in terms of economic development. The gap is still substantial and it ranges from less than 16% in the case of Mecklenburg-Vorpommern and lower than the EU-27 GDP/inhabitant by 41% for Pomorskie and by 47%-45% for Zachodniopomorskie and Lithuania.
- No observed changes are recorded in activity rate measured by the share of economically active persons in the total population (aged 15 and more) even though the level of economically active persons is within the range of 56%-53%. In Mecklenburg-Vorpommern, economic activities experiencing a raise of employment; this relates to the industry, hotels and restaurants, health and social sector. Zachodniopomorskie records a raise of employment in agriculture, construction, public administration and education, health and social sector, social and personal service. No major changes in terms of employment in the business section are a phenomenon of the Pomorskie Region. All private sectors (except transport and communication, as well as real estate and renting) have experienced a dramatic decline of employment in Lithuania while the employment in public sectors remained relatively stable.

- Mecklenburg-Vorpommern has the highest average labour costs, however relative costs of social contributions are at the highest level in Lithuania. Average actual working time per person full-time employed in business is the shortest in Mecklenburg-Vorpommern. There are considerable differences between Mecklenburg-Vorpommern and other regions as regards the level of remuneration for performed work. The average monthly gross salaries in all business sectors except agriculture were in the case of the Polish regions only 30% of the gross salaries payable in Mecklenburg-Vorpommern while in Lithuania the salaries were just 20 to 25% of the ones paid in Mecklenburg-Vorpommern.
- Cross-regional analysis of salaries payable in business sectors are also relevant labour costs and working time give the grounds for two tentative conclusions as regards the mobility of workforce within the South Baltic area. The main driving force for the mobility of employees between Polish regions and Mecklenburg-Vorpommern are the expected economic gains benefited from outperformed work. At the other end of the range, the workforce mobility between Polish and Lithuanian regions might be less aimed at gaining direct economic benefits but driven by the need of acquiring an interesting and longer lasting job performed within social friendly conditions.

III. CROSS-REGIONAL ANALYSIS OF LABOUR MARKETS

The behaviour of labour markets is influenced by three main factors, namely the actual and feasible (expected) economic growth of regions, socio-economic policy at the EU-, national and regional level and, the last but obviously not least, by overall economic trends in economy. The economic crisis has vastly affected labour markets of the SB area and made the labour situation in the regions more complex and demanding both in terms of employment and unemployment.

Available time series comprising employment rates[3] of the age group 15-64 years old in the relevant regions are shown below (Fig.2.).

The highest employment rate throughout the recent years was recorded in Mecklenburg-Vorpommern and this trend was surprisingly not broken by the economic downturn as the overall employment rate raised in 2010 to the ever highest level of 70.6%. Even though the Pomorskie Region has recorded a noticeable lower employment rate of 59.1%, it was the only region showing a slight raise of employment. A very complex and much worse labour market situation concerns other regions of the South Baltic area. Zachodniopomorskie recorded the lowest employment rate of 53.7% and additionally for the first time displayed falling trend in employment. The labour market in Lithuania has been vastly affected by the economic crisis and the raising till than trend in employment was contradicted and the rate of employment dropped within 2008-2010 by 4.5 percentage points to the level of 57.8%. It is worth mentioning that relevant targets for the labour markets set in Europe 2020 Strategy is 75% for 20-64 year-olds and 60% of female employment. The employment rate for the 20-64 years old group in the EU-27 for 2010 was 68.6%, falling for a second year in row. The average European employment rate level confirms that besides Mecklenburg-Vorpommern where employment rate for 15-64 years age group was by 2% higher, other South Baltic regions were lagging much behind (with the worst scenario in Zachodniopomorskie of 14.9 percentage below the European average) and thus experiencing a very tense situation on their labour markets as well as challenging problems with employment.

[3] Employment rate represents employed persons of the certain age group as a percentage of the population of the same age group.

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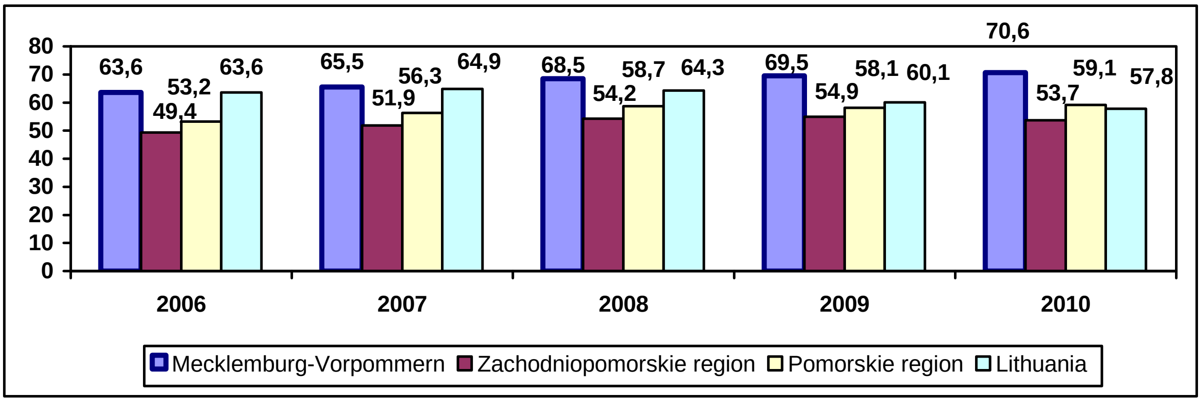
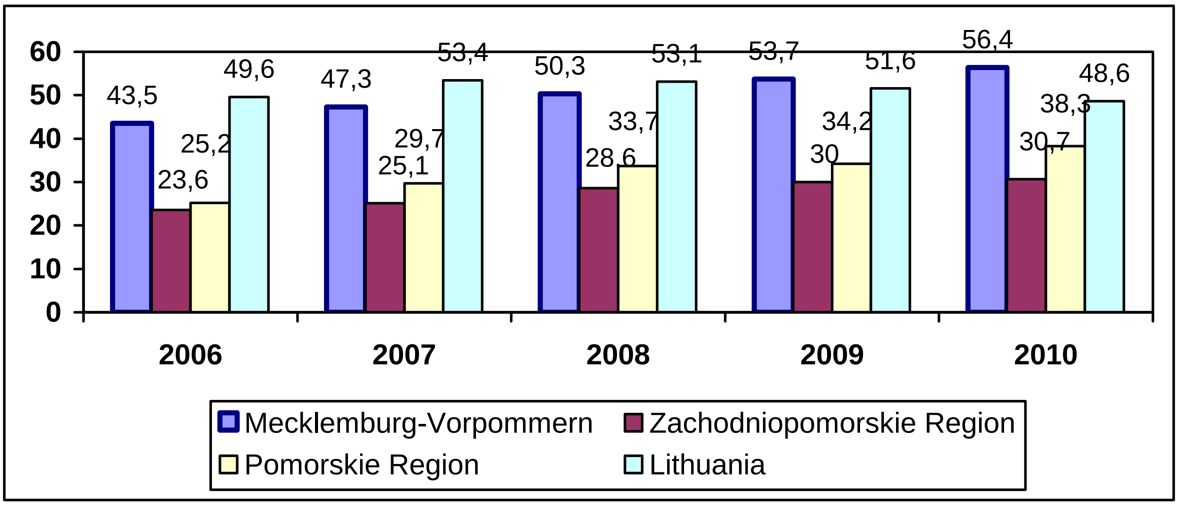
Fig.2. Employment rate of the 15-64 years age group in the regions of the South Baltic area (%)



The employment rates of males and females of 15-64 years age group, respectively at the level of 72.3% and 68.8%, were again at the highest level in Mecklenburg-Vorpommern. Remarkably this region is also a rare example of successful development of women's employment with a stable growth of female employment rate. Pomorskie Region has male and female employment rates at the level of 66.5% and 52% and recently shows a slight positive trend at the level of less than 1% annually. Zachodniopomorskie experiences 59.3% and 48.3% rates of male and female employment. Both rates are falling, which confirms serious and complex situation about the region's labour market. In Lithuania, the male employment rate amounts to 56.8% while the females one is higher and results in 58.7%. Both rates have recently experienced a strong (by 2%-2.5% per annum) contradiction, thus problems with employment especially of males are about to continue in the future and the relevant employment perspectives for men are going to deteriorate. The EU- 27 average female employment rate in 2009 was 58.5%. It means that employment for women was above and/or in line of European averages for Mecklenburg-Vorpommern and Lithuania, the latter region experiencing a phenomenon where the female employment rate exceeds the male employment rate. Two Polish regions are drastically below European and other SB regions' standards.

At the regional level, employments rates for older workers within the 55-64 years old[4] group are much dispersed and ranging from a minimum of 30.7% in Zachodniopomorskie, through 38.3% in Pomorskie and 48.6% for Lithuania, to a maximum of 56.4% in Mecklenburg-Vorpommern (Fig.3).

Fig.3. Employment rate of the 55-64 years age group in the regions of the South Baltic area (%)



Again two Polish regions show the lowest rates for elderly people employment at 30.7% and 38.3% range while the EU-27 employment rate for older workers (aged between 55 and 64) stood at 46% in 2009.

The unemployment rate represents unemployed persons as a percentage of the economically active population. The youth unemployment rate relates to persons aged 15-24. Finally long-term unemployment share represents the percentage of total unemployed seeking job for longer than 12 months. Table 6 shows how the unemployment situation has changed in the regions of South Baltic area between 2006 and 2010.

[4] Old-age employment rate represents employed persons aged 55-64 as a percentage of the population aged 55-64.

Tab. 6. Unemployment analysis in the regions of South Baltic area

Regions		2006	2007	2008	2009	2010
M-V	Unemployment rate 15-64 ys.o.	19.2	17.4	14.6	13.9	12.4
	Youth unemployment rate 15-24 ys.o.				15.1	
	Share of long-term unemployment>12 months	11.56	10.53	7.81	7.27	6.27
ZR	Unemployment rate 15-64 ys.o.	17.2	11.5	9.5	10.4	12.3
	Youth unemployment rate 15-24 ys.o.				24.5	
	Share of long-term unemployment>12 months	9.34	6.39	3.30	3.52	4.66
PR	Unemployment rate 15-64 ys.o.	13.8	9.5	5.5	6.4	9.3
	Youth unemployment rate 15-24 ys.o.				16.2	
	Share of long-term unemployment>12 months	6.78	4.00	1.51	1.20	2.35
LT	Unemployment rate 15-64 ys.o.	5.6	4.3	5.8	13.7	17.8
	Youth unemployment rate 15-24 ys.o.				29.2	
	Share of long-term unemployment>12 months	2.49	1.38	1.23	3.18	7.38

After years of unemployment declining, with an exception for Mecklenburg-Vorpommern which is keeping such positive evolution, an overall rise of unemployment rates has been observed since 2008 in other regions with a steep increase in Lithuania. All South Baltic regions suffer from higher rate of unemployment than the European average which in 2009 for the EU-27 was recorded at 8.9%. The highest unemployment level of the worker group aged 15-64 appears in Lithuania (17.8%), in Zachodniopomorskie (12.3%) and in Mecklenburg-Vorpommern (12.4%). Although the rate of employment in Pomorskie has raised recently, the region still enjoys the lowest unemployment rate compared to other regions at a level of 9.3%. Polish regions surprisingly have so far a relatively low share of long-term unemployment. On the opposite Lithuania has exhibited recently a steep rise in long-term unemployment till 7.38% while in Mecklenburg-Vorpommern it was significantly (almost by half) reduced to 6.27%.

Regions of South Baltic area record high youth unemployment rates at range from a minimum of 13.9% in Mecklenburg-Vorpommern, to maximum of 24.5% and 29.2% in case of Zachodniopomorskie and Lithuania. Almost one out of three/four (Lithuania, Zachodniopomorskie) and one out of six/seven (Pomorskie, Mecklenburg-Vorpommern) young people in the labour force was not employed and was actively seeking for available jobs.

The main findings and selected features of trends in the labour markets of the South Baltic regions are as follows:

- Mecklenburg-Vorpommern records relatively high rate of employment also in terms of women's and older workers employment. Although unemployment in the region is declining, it still remains at the high level of 12.4%. One of the main concerns of the region's labour market is the high rate of unemployment within a group of young people.
- Zachodniopomorskie experiences a complex situation on its labour market with an employment rate at a low level of 53.7%, falling males' and females' employment rates as well as low working engagement from older workers. Unemployment rate stands at the high level of 12.3% but the main problem relates to the high and recently risen rate of youth unemployment to 24.5%.
- With 59.1% employment rate, raising employment for both men and women and relatively low unemployment (9.3%) also within a group of young workers, the labour market of Pomorskie Region all in all shows positive trends. The employment of young people is the key problem of its labour market.

- Labour market in Lithuania has been much affected by the economic crisis which hit both employment (contradicted to 57.8%) and unemployment (the highest rate of 17.8%) and broke the trends of the previous years' growth. Problems experienced with finding jobs by men and young people are getting more complex and challenging.
- The cross-regional in-depth analysis of the current state of labour markets brought the following results (Table 7).

Tab.7. Contemporary state of labour markets in the regions of South Baltic area

Region	Employment rate 15-64 y			Employment rate 55-64 y			Unemployment rate 15-64 y			Youth unemployment rate (15-24 y)	L-term unemployment share
	T	M	F	T	M	F	T	M	F		
M-V	70.6	72.3	68.8	56.4	60.7	52.2	12.4	14.0	10.7	15.1	6.27
ZR	53.7	59.3	48.3	30.7	41.0	21.6	12.3	13.0	11.5	24.5	4.66
PR	59.1	66.5	52.0	38.3	50.7	27.0	9.3	9.2	9.4	16.2	2.35
LT	57.8	56.8	58.7	48.6	52.3	45.8	17.8	21.2	14.4	29.2	7.38
EU-27 average (2009)	**68.6**	**70.7**	**58.5**				**8.9**			**19.9**	**33.5**

T-total, M-males, F-females

The analysis confirms that besides Mecklenburg-Vorpommern (and except key problems with region's de-population and high unemployment of young people), labour markets of other regions are experiencing a challenging situation with labour force in almost all aspects of employment and unemployment, lagging behind the relevant average labour trends of the EU-27 regions. The worst situation and the most complex issues relate to labour markets of Zachodniopomorskie and Lithuania.

IV. RECOMMENDATIONS FOR THE WORKFORCE MOBILITY IN THE CONTEXT OF ECONOMY AND LABOUR MARKETS OF THE SOUTH BALTIC REGIONS

1. Remedy for unemployment and solving labour problems depend on numerous factors and measures of which the most important are EU/national/regional policy for economic growth, global trends within economy, restructurings in business (traditional versus emerging industries), investments in human capital and social policy in the context of the long term phenomenon of ageing populations. Consequently, fostering interregional workforce mobility, however important practical measure for easing tensions at the regional labour markets, is the only supplementary activity to the interrelated and coordinated actions implemented within mainstream economics and social development.

2. Incentives for labour force mobility may originate both from disparities and complements of the socio-economics of the regions. When searching for feasible incentives for labour force mobility, considerable differences between Mecklenburg-Vorpommern and other regions in labour costs and in remuneration come into play.

3. Cross-regional analysis of salaries payable in business sectors as well as relevant labour costs and working time give the grounds for two main conclusions as regards mobility of workforce within the South Baltic area. The main driving force for mobility of employees between Polish regions and Mecklenburg-Vorpommern are the expected economic gains out of the work performed benefited by Polish workers. At the other end of the range, the workforce mobility between Polish and Lithuanian regions might be less aimed on gaining direct economic benefits but might be driven by the need of acquiring an interesting and longer lasting job performed within social friendly conditions.

4. Having in mind outlined disparities and similarities among relevant regions, the potentials for activating workforce mobility between regions are in the labour intensive industries as for example:

- hotels and restaurants, accommodation and food services and other supporting services,
- agriculture manufacturing activities which involve both the primary processing stages of agriculture products and food manufacturing industry,

- construction activities accommodating high share of workforce,
- computer and telecommunications services, information and technology sector,
- services to tourism like recreational, cultural and sporting activities, travel agency, transport, hotel, accommodation and restaurant service,
- healthcare sector (medical treatment and nursing) and social care sector, personal service to elderly people included,

5. All regions are bordering the Baltic Sea. The coastal nature of regions makes them the main beneficiaries of the upswing in the domestic and inbound tourism of different nature. Labour intensive activities as well as the ever increasing demand for diversified services in quality and scope create great potentials for inter-regional exchange of qualified personnel dealing with spa and nature tourism services, medical treatment, maritime tourism and yachting. All relevant regions enjoy high reputation in coastline tourism, health care and maritime spa services and may benefit from clustering and synergy effects of these activities.

V. QUALITATIVE ASPECTS OF REGIONAL LABOUR MARKETS IN THE CONTEXT OF CROSS-BORDER WORKFORCE MOBILITY

1. Mecklenburg-Vorpommern.

The main specifics of the labour market of Mecklenburg-Vorpommern are depicted in Fig.4. and Fig.5.

Fig.4. Employment rate of the age group 15-64 at the labour market of Mecklenburg-Vorpommern (%)

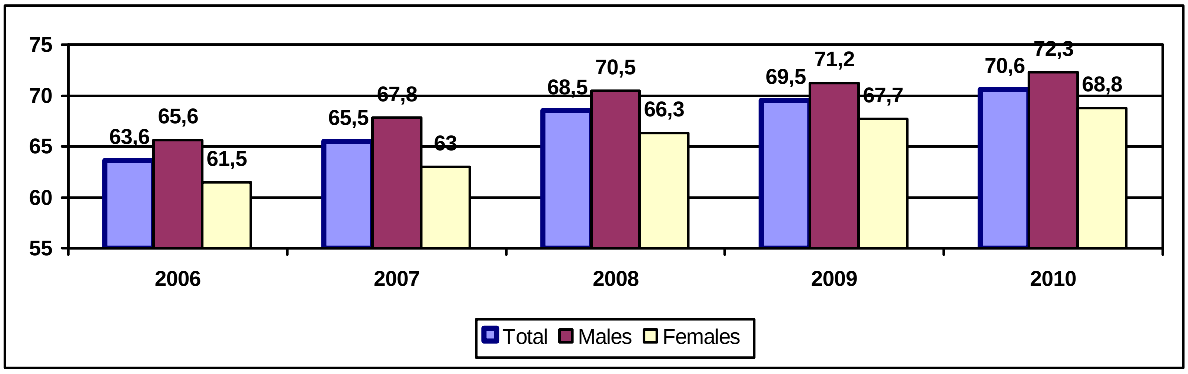
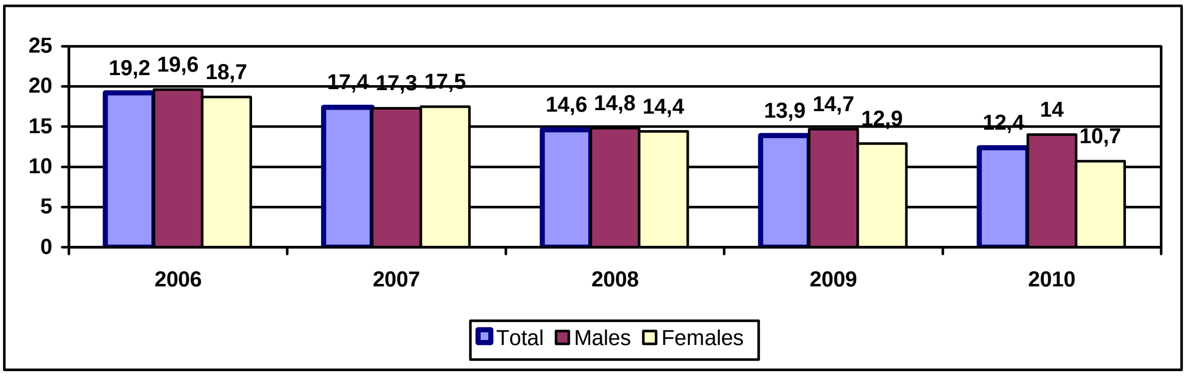


Fig.5. Unemployment rate of the age group 15-64 at the labour market of Mecklenburg-Vorpommern (%)



Employment rate of people aged 15-64 years old is at the level of 70.6% with males and females employment rate respectively 72.3% and 68.8%. Cross-data analysis confirms slight but steady improvement in terms of employment. Labour market of Mecklenburg-Vorpommern records also the highest, in comparison to the other regions, rate of older (group of the age 55-64 years old) employment at 56.4%. Unemployment in the region reaches 12.4% and it affects to a greater extend males than females.

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The key labour force problems are region's de-population and the high, estimated in 2010 at 15.1%, rate of youth unemployment. De-population of the region and labour force outflow refers mostly to younger generation and it is driven not because of lack of jobs offered in the region but for the first it comes out of economic reasons and search for the better paid jobs in the western parts of Germany. Some Germans seeking the better paid jobs emigrate abroad. The unique and the only available data (2008, Eurostat 2011) confirms that the most popular destinations for Germans in searching for jobs within Baltic Sea Region are Sweden (4129 persons as emigrants), Denmark (3150), **Poland (669)**, Finland (447), Latvia (209), Estonia (123) and **Lithuania (60).**

On the other hand, Germany is the most popular destination for labour force from **Poland (immigration of 119 867 seasonal workers and some 43 500 persons having long-term jobs in Germany)**, **Lithuania (3453),** Denmark (2188), Sweden (2192), Latvia (2066) and Finland (1836).

Labour force cross-border mobility is especially strong between the neighbouring regions of Mecklenburg-Vorpommern and Zachodniopomorskie Region.

Seasonally, at the coastal area of Mecklenburg-Vorpommern and especially at Usedom Island, some 500 jobs in the tourism and restaurant sectors for young Polish are available within months of June-August every year.

Some examples of measures against youth unemployment taken recently in Germany are presented hereafter.

Within Germany's dual system of vocational education and training, it is primarily the job of companies to provide an adequate number of training positions so that a sufficient pool of young skilled workers is available. The central focus of labour market policy is thus on **integrating disadvantaged and low-skilled young people** into vocational training and the labour market. One example is experimental schools – of which there are currently around 1.000 – where mentors assist young people experiencing difficulties in achieving the grades they need to obtain a school-leaving qualification. This assistance is available to pupils from their penultimate school year onwards. The pilot scheme is complemented by the ***Berufseinstiegsbegleitung*** **action programme**, part of the ***Bildungsketten – Abschluss schaffen – Anschluss finden*** initiative at a further 1.000 *Hauptschulen* (lower secondary schools) and special schools. In addition, the Federal Employment Agency is ramping up its **careers guidance** services and has extended the period for implementing additional careers guidance services to at least 2013.

Many cooperation programmes between schools, social partners and the authorities concentrate explicitly on improving cooperation between the parties involved at the local level. The ***JUGEND STÄRKEN* initiative** aims to ensure continuous support by closing current service gaps and by bringing together the parties concerned, regardless of their legal system. The ***Perspektive Berufsabschluss* programme** aims at better coordinating various existing assistance programmes and support services to make the transition from school to vocational training easier. Collaboration on vocational training between the German Federal Government and central business associations is promoted particularly strongly within the **National Pact for Education and Vocational Training**, which has been extended to run until 2014. Among other things, the partners set targets for the creation of new training positions and also for the provision of subsidised long-term company internships for young people who, for various reasons, cannot immediately embark upon professional training after leaving school. Due to demographic developments, in the future the partners within the pact will focus more on better exploiting the potential on the training market – among both high-performing and under-performing young people.

2. Zachodniopomorskie Region.

The main specific of the Labour market of Zachodniopomorskie are depicted in Fig.6. and Fig.7l

Fig.6. Employment rate of the age group 15-64 at the labour market of Zachodniopomorskie Region (%)

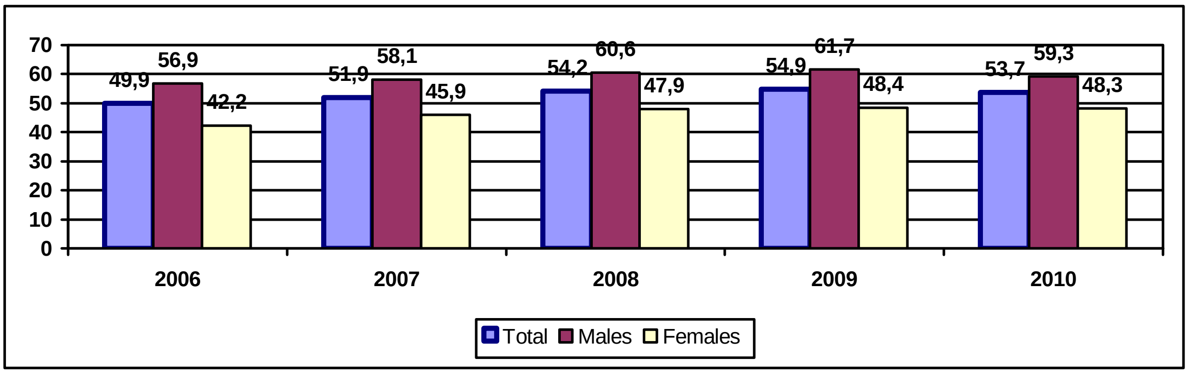
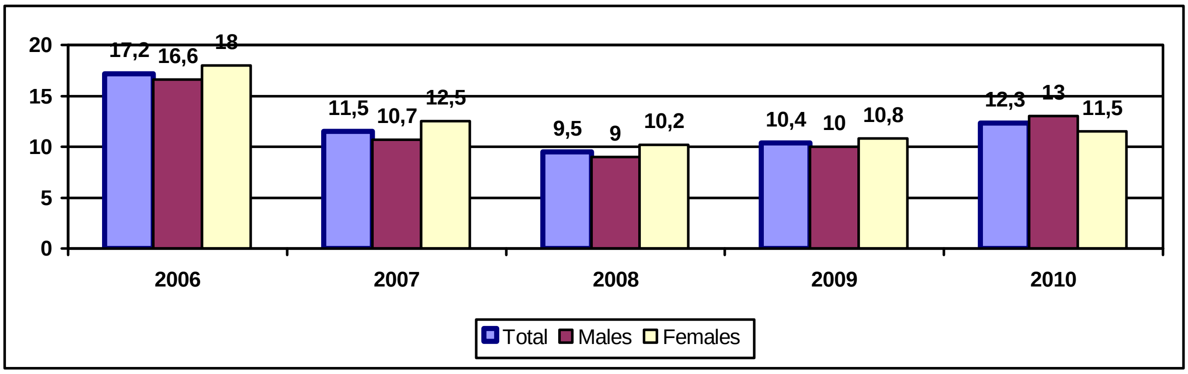


Fig.7. Unemployment rate of the age group 15-64 at the labour market of Zachodniopomorskie Region (%)



Zachodniopomorskie with the employment at low level of 53.7%, falling males and females employment rates also low working engagement of older workers experiences a complex situation at the region´s labour market. Unemployment rate stands at high level of 12.3% but the main problem relates to the high and rose recently to 24.5% rate of youth unemployment.

Therefore, cross-border labour markets (Mecklenburg-Vorpommern - Zachodniopomorskie) contribute to the vast extend in improving employment opportunities and to a dynamic regional development, which benefits the economy, business and employees. Here commuters are defined as employees commuting on a daily or weekly basis or working for several weeks and months in another country. The recent data[5] revealed that the most frequently used border points by the cross border workers (rough estimate) are as follows:

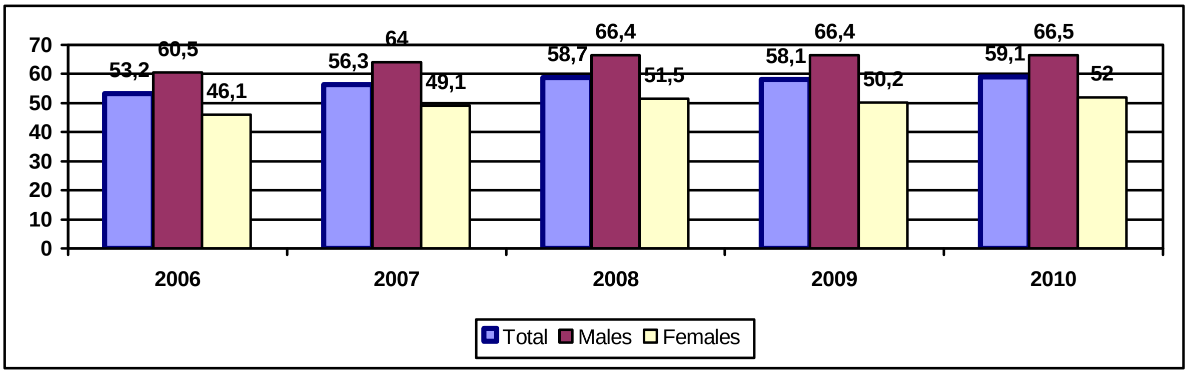
- Pommellen-Kolbaskowo, where the total cross-border workers are estimated at 2000, of which 400 commute to Poland and 1600 commute to Germany,
- Linken-Lubieszyn, where the total cross-border workers are estimated at 300, whereas 50 commute to Poland and 250 commute to Germany,
- Albeck-Świnoujscie, where the total crossing border workers are estimated at 100, of which 10 commute to Poland and 90 commute to Germany.

Totally it is estimated that 2400 workers are commuting through border-crossings of Mecklenburg-Vorpommern and Zachodniopomorskie, of which 460 commute to Poland and 1940 commute to Germany.

3. Pomorskie Region.

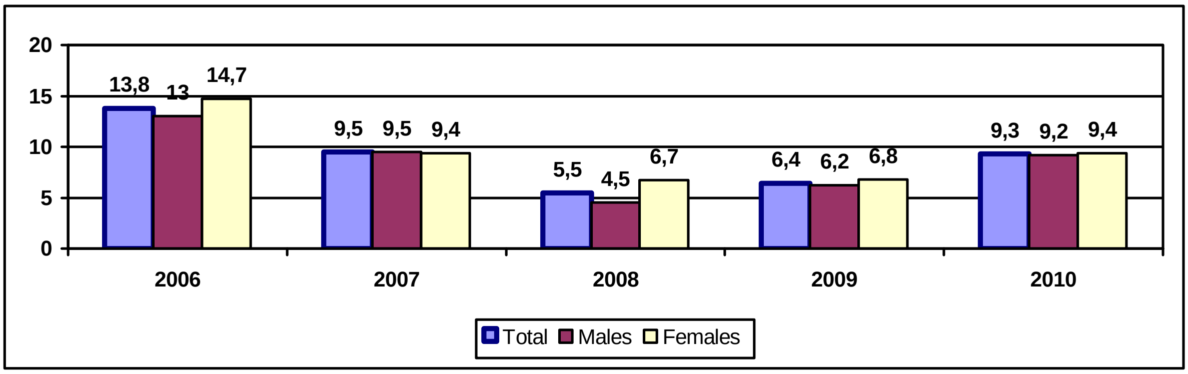
Main specifics of the labour market of Pomorskie are depicted in Fig.8 and Fig.9.

Fig.8. Employment rate of the age group 15-64 at the labour market of Pomorskie Region (%)



[5] Baltic Sea Parliamentary Conference, August 2011, Helsinki.

Fig.9. Unemployment rate of the age group 15-64 at the labour market of Pomorskie Region (%)



With 59.1% employment rate, raising employment for both men and women and relatively low unemployment (9.3%) also within group of young workers (16.2%), labour market of Pomorskie Region, all in all, exhibits positive trends. Employment of the young people is the key labour problem in the region.

The most popular destinations for migrating Polish workers are **Germany (119 867 people**), Sweden (6970), Finland (562), Latvia (85), **Lithuania (64)** and Estonia (31). Another study estimates there are some 200 Polish, who commute for employment to Lithuania[6].

Labour force incoming to Poland originates mostly from **Germany (669 persons)**, Sweden (108), **Lithuania (104)**, Finland and Denmark (resp. 64 and 55 persons), Latvia and Estonia (resp. 21 and 4 persons).

Analysis of international migration of Pomorskie population indicates noticeable changes recorded in the recent years. In 2010 number of immigrants, i.e. people who came from abroad for permanent residence in Pomorskie amounted to 1296 persons (738 males and 558 females). In the same year outflow of population resulted in 1396 of emigrants (626 males and 770 females) leaving region for permanent residence abroad. Absolute net international migration balance (inflow less outflow) was still negative but only 100 persons while in 2005 this negative value amounted to 1197 persons.

Examples of actions taken recently in Poland against youth unemployment are outlined below.

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[6] Report of the Working Group "Labour Market and Social Welfare" of the Baltic Sea Parliamentary Conference for the 18th Baltic Sea Parliamentary Conference (BSPC) in Nyborg, 2009.

Young people can benefit from the labour market measures, which enable them to obtain professional experience and broaden their professional qualifications, i.e. professional preparation for adults, internships and workshops covering free-of-charge trainings, financing of post-graduate studies or licence/certificate costs and the possibility of obtaining interest-free training loans.

In 2010, almost 300.000 people in this age group were covered by labour market activity programmes. Almost 190.000 of them were granted placements which enabled them to obtain the necessary professional experience.

In 2010 was activated an additional Labour Fund target reserve allocations towards the implementation of the **Professional Activation Programme** for people aged under 30, with a view to increase financial support for labour offices with regard to youth assistance. The allocation of additional funds from the Labour Fund target reserve towards the implement-tation of special programmes should lead to a substantial increase in the level of professional activation of unemployed persons and persons seeking employment, including among the youth.

4. Lithuania (Klaipeda Region incl.)

Main specifics of the labour market of Lithuania (Klaipeda Region incl.) are depicted in Fig.10 and Fig.11.

Fig.10. Employment rate of the age group 15-64 at the labour market of Lithuania (%)

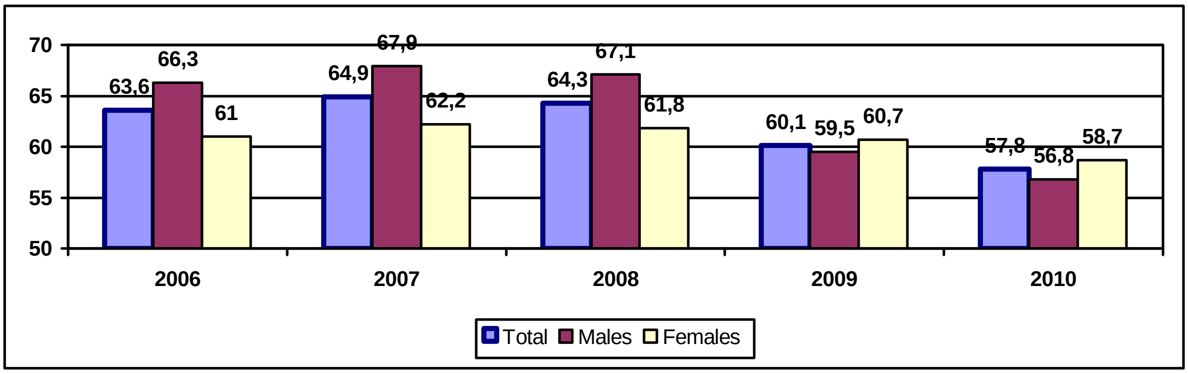

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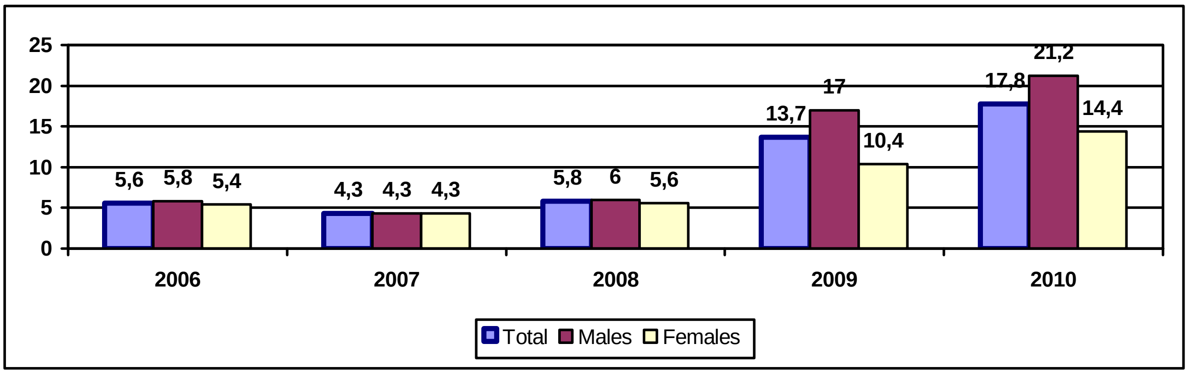
Fig.11. Unemployment rate of the age group 15-64 at the labour market of Lithuania (%)



Labour market in Lithuania has been much affected by the economic crisis which hit both employment (contradicted to 57.8%) and raised substantially unemployment (the highest rate of 17.8%) and broke the positive trends of the previous years growth. Problems experienced with finding jobs by men and young people (in 2010 almost every third young Lithuanian worker remained jobless) are getting more complex and challenging.

Klaipeda Region exhibits great seasonal fluctuation in employment and unemployment[7]. In January 2012 there were registered 4318 unemployed people with only 685 of available vacancies. Situation in the regional labour market used to change drastically in the summer months and for example in May 2012 number of unemployed people decreased to 3082, whereas the number of vacancies raised to 2160. Most vacancies are offered in service sector (68%), in industry (15%), construction (13%) and agriculture (4%). At present (mid-2012) job offers as to required education and professions are as follows:

- employees with higher education: sales manager, administrator, sales agent, business manager, accountant,
- employees with professional education: vendor, cook, welder, lorry driver, decorator, shipyard workers and installers.

Data of labour force mobility in the Klaipeda Region market confirms raise of cross-border emigration of Lithuanians, as from monthly average 220 person in 2011, to over 300 (with

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[7] All information and data relevant to the labour market of Klaipeda Region originate from M.Mankute, Labour market situation in Klaipeda territorial labour exchange, Palanga LT, June 2012.

peak outflow of 460 workers in May) in 2012 and with the most popular destinations to Norway, Germany and United Kingdom.

Youth unemployment rate (workers in range of 15-24 years old) reached in 2010 critical level of 29.2%. The analysis of cross-border workers mobility indicates that for searching jobs Lithuanians migrate (2008) mostly to **Germany (3453 persons)**, Denmark (1113), Sweden (915), Latvia (285) **and Poland (104**). Lithuania is the destination country for commuters (searching seasonal and permanent jobs) originating from **Poland (64 persons), Germany (60**), Latvia (30), Finland (16), Estonia (12), Denmark (9) and Sweden (4).

Measures taken recently in Lithuania for supporting youth employment are as follows:

- Youth (up to 29) became the group of persons additionally supported in the labour market. The ESF Project **"Be Active in the Labour Market"** has been launched which contributes to subsidised employment of young people (average duration is 5 months); or enables the youth to acquire working skills directly in the workplace.
- Youth (up to 29) has a priority to participate in vocational training and supported employment measures.
- Youth (up to 29) is among the priority groups who can get a credit by participating in the EU funded project **"Promoting Entrepreneurship"** and:
  - participate in the training **"Basics of Entrepreneurship"**;
  - obtain free training in one of 6 training models according to individual needs;
  - obtain a free individual consultation on the preparation of a business plan.
- Young people who enter the labour market for the first time benefit from a **lower rate social insurance contribution** (they pay 7.7 % instead of obligatory 31 %).

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