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Labor market efficiency as one of the pillars of the global competitiveness of an economy – conclusions for the labor market regimes of the EU countries

Abstract

Labor market activity may have an effect on global economy competitiveness. This issue has been described as "labor market efficiency" (LME), which is a constituent of The Global Competitiveness Index published by The World Economic Forum (WEF). The article's purpose is to clarify the phenomenon of LME and explain the mechanisms which help the constituents affect economy competitiveness. The structure of LME points at the meaning of labor market regime, especially after considering the fact that European Union countries operate within various models of regime. The analysis of the LME diversity may help determine what type of labor market regimes are most efficient in enhancing economy competitiveness.

Keywords: labor market efficiency, global competitiveness, labor market regime.
JEL Classification: E020, J500, J850.

Introduction

Nowadays, not only entrepreneurships, as participants of markets, but also domestic economies compete with one another, however, such an approach stirs up controversies. Not only political leaders, but also journalists and international institutions are interested in economy competitiveness. One of the most frequently cited definitions of economy competitiveness is the one proposed by WEF. It constitutes a multifaceted and comprehensive proposal towards its measure. One of the elements of economy competitiveness in such a definition is

"labor market efficiency". The goal of this paper is to clarify this category (as it is one of the competitiveness pillars of the economy) and to present the mechanisms with which help LME influences the level of economy's productivity and therefore its competitiveness. Despite various elements constituting LME in the approach of WEF, this value appropriately describes the theoretical relation between the labor market in a given economy and its competitiveness. It may be helpful for the evaluation of any labor market regime used in a given economy in order to determine which one favors high economies competitiveness. In this article, such evaluation has been made on the basis of arithmetic mean of the LME index and its constituents for given the EU countries.

1. The notion and measurement of economy competitiveness in the approach of The World Economic Forum, the value of "labor market efficiency"

In literature, there are many different definitions of economy competitiveness (macro- competitiveness). In some books, the performance of a given economy in the international exchange, especially in export, has been emphasized and such competitiveness is known as competitive position (Piotrowski, Zenka 2009, p. 130). In others, such results are usually combined with the level of wealth developed in a particular economy and are understood as a constant improvement of life standards or the growth of real gross income (Olczyk 2008, p. 14).

The competitiveness on the macro-economic level may be identified with the country's competitive power, which is the ability to maintain long-term economic development, enabling the economy to enjoy profits from the international economy's cooperation. It is also known as factor competitiveness (Bossak 2006, p. 81; Gorynia 2009, p. 70). The improvement of competitiveness in such an approach is connected with the factors that decide about enterprise, investments, technology progress, production factors efficiency and the quality of management (Bossak 2006, p. 81). While discussing the core of national economies' competitiveness, it has been stated that productivity is the basis and the process of competitiveness takes place mainly on production factors' markets where the country's policy plays the main role (Brocka-Palacz 2008, p. 35).

Some organizations developed their own definitions of economy competitiveness. One of them is the one proposed by WEF. The competitiveness of economy in the approach of WEF is defined as: "[…] set of institutions, policies, and factors that determine the level of productivity of a country" (Sala-I-Martin, Artadi 2004, p. 51). The level of productivity which has been reached by a given economy assumes that such an economy is able to develop an appropriate level

of prosperity. The more competitive economy, is the one that manages to provide its citizens a higher level of income. Productivity and the possibility to enlarge it are key issues in the analysis of economy competitiveness. The definition offered by WEF is an example of such an approach to competitiveness in which factors with the elements of result-based approach play a great role. This kind of interpretation is present within research on competitiveness that are conducted on the basis of the growth theory (Olczyk 2008, p. 15).

The Global Competitiveness Index (GCI) is published in the yearly Global Competitiveness Reports (GCR). It is the basis for many analyses, comparisons and conclusions which apply to the position of particular countries in the economies competitiveness' ranking. However, less attention is paid to the constituents of the previously mentioned index and economic content conveyed by them. The idea of GCI presented in 2004 as the proposal of a new index, was to change two existing indexes: Growth Competitiveness Index and The Business Competitiveness Index. The idea of the new index sprang from the belief that the proper level of productivity and competitiveness may be reached only by the connection and strengthening of economy's micro and macroeconomic characteristics (Sala--I-Martin, Artadi 2004, p. 51).

Assuming that productivity has a comprehensive character, GCI has been created on the following 12 pillars: 1) institutions, 2) infrastructures, 3) macroeconomic stability, 4) health and primary education, 5) higher education and training, 6) goods market efficiency, 7) labor market efficiency, 8) financial market sophistication, 9) technological readiness, 10) market size, 11) business sophistication, 12) innovation[1]. Since 2007, LME has been existing as one of the 12 independent pillars of GCI. It is one of the few pillars that take labor market attributes in account as they are factors conditioning international economy competitiveness. That is why, it is worth knowing the specificity and context of this value.

In the report of 2012-2013, LME consisted of 8 basic elements, whereas in the subsequent year, there were 10 (Table 1)[2].

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[1] The interpretation was used since the publication of GCR 2007-2008. In the primal version, i.e. in the idea of X. Sala-I-Martin, the following pillars were used 1) institutions, 2) physical infrastructures, 3) macro stability, 4) security, 5) human capital, 6) goods market efficiency, 7) labor market efficiency, 8) financial market efficiency, 9) technological readiness, 10) openness and market size, 11) business sophistication, 12) innovation (Sala-I-Martin, Artadi, 2004, pp. 52-55). GCI was published since GCR 2005-2006. Furthermore, measurements were carried out on 9 pillars because goods market efficiency (including market size), flexibility and efficiency (labor markets) and sophistication and openness (financial markets) constituted subpillars of one pillar, i.e. of market efficiency (The Global Competitiveness Report 2006-2007).

[2] The structure of LME according to GCR 2012-2013 and 2013-2014. Additionally, the constituent of ½ "extent and effect of taxation" which belongs to "goods market efficiency" has been present in "labor market efficiency pillar" from 2012-2013. In the further editions of the report, there had been some changes in the structure of the index. The index accepted 10 variables in

Table 1. The structure of LME pillar

Component	Source	Type of data (question or calculation)	Scale
The structure according to GCR 2012-2013			
A. Flexibility:			
Cooperation in labor-employer relations	Executive Opinion Survey, WEF	How would you characterize labor-employer relations in your country?	1 (Generally confrontational) – 7 (generally cooperative)
Flexibility of wage determination	Executive Opinion Survey, WEF	How are wages generally set in your country?	1 (by a centralized bargaining process) – 7 (up to each individual company)
Hiring and firing practices	Executive Opinion Survey, WEF	How would you characterize the hiring and firing of workers in your country?	1 (impeded by regulations) – 7 (flexibly determined by employers)
Redundancy costs	Doing Business, World Bank	Authors calculations	In weeks of salary
Pay and productivity	Executive Opinion Survey, WEF	To what extent is pay in your country related to productivity?	1 (not related to worker productivity) – 7 (strongly related to worker productivity)
B. Efficient use of talent:			
Reliance of professional management	Executive Opinion Survey, WEF	In your country, who holds senior management positions?	1 (usually relatives or friends without regard to merit) – 7 (mostly professional managers chosen for merit and qualifications)
Brain drain	Executive Opinion Survey, WEF	Does your country retain and attract talented people?	1 (no, the best and brightest normally leave to pursue opportunities in other countries) – 7 (yes, there are many opportunities for talented people within the country)
Female participation in labor force	International Labour Organization, national sources	Calculation	Ratio of women to men in labor force
Changes introduced in GCR 2013-2014			
Additional component A:			
Effect of taxation on incentives to work	Executive Opinion Survey, WEF	In your country, to what extent do taxes reduce the incentive to work?	1 (significantly reduce the incentive to work) – 7 (do not reduce incentive to work at all)
"Brain drain" was substituted by two components:			
Country capacity to retain talent	Executive Opinion Survey, WEF	Does your country retain talented people?	1 (the best and brightest leave to pursue opportunities in other countries) – 7 (the best and brightest stay and pursue opportunities in the country)
Country capacity to attract talent	Executive Opinion Survey, WEF	Does your country attract talented people from abroad?	1 (not at all) – 7 (attracts the best and brightest from around the world)

Source: Based on The Global Competitiveness Report 2012-2013 and 2013-2014.

the reports from 2007-2008 and 2008-2009 and despite the ones enumerated in the table, there were also some others such as non-wage labor costs, rigidity of employment, ½ "extent and effect of taxation" as well as " ½ total tax rate". In the reports from 2009-2010 and 2010-2011, there were 9 variables (non-wage labor costs were rejected) and two additions. In the report from 2011-2012, 9 variables, ½ "extent and effect of taxation" were taken into consideration. That is why, the pillar is unstable and it springs from the need for its constant improvement. The values of LME from the subsequent years are not fully comparable.

The variables have been grouped into two: the ones which described labor market flexibility and the ones which characterized the efficiency of using human factors. However, their context is very wide because it encompasses the character of employment relationships, adequacy of remuneration towards productivity, professionalism of the management board as well as care about resources of appropriately qualified workforce and its use by means of sex criterion. This index is very diverse in its nature. Seemingly, the variables apply to various dimensions of labor market activity and are incomparable. However, it should be remembered that according to the accepted definition of economy competitiveness, the before mentioned constituents are evaluated by means of their role played in the shaping and growth of productivity.

2. The mechanisms of LME constituents' impact on productivity – theoretical approach

This part of the article compounds the constituents of LME and mechanisms which help labor market enhance the economy's productivity and competitiveness.

X. Sala-I-Martin, relating to "cooperation in labor-employer relations" claims that confrontational labor relations lead to disadvantageous business environment (Sala-I-Martin, Artadi, 2004, p. 54). In literature, 3 types of collective work relationships can be distinguished: 1) adversarial relations- conflict, 2) dialogue relations – negotiations, 3) cooperation relations – cooperation (Towalski, 2006, p. 251). The cooperation within labor-employer relations postulates the domination of the sense of joint responsibility for the entrepreneurship's performance and the need of employees' participation in making decisions and labor organization. Simultaneously, employers have a strong feeling that labor innovativeness is significant and the participation of employees in making decisions brings business profits. Hence, it positively influences productivity. If parties are able to communicate on an adequate business level and cooperate effectively the processes of matching run faster and are more effective. If the conditions of management change quickly, individual agreements are the most efficient way to reach compromises. The cooperation may also be seen as a way of reaching individual profits owing to calculation, however, the internalization of a social norm will be meaningful for the economy's competitiveness – "we do things because they are the right thing to do, not because we have reckoned all consequences" (Solow 1990, pp. 42-43). When a conflict prevails in employee – employer relations, employees and trade unions are guided by their own business which is supported by the belief of the efficiency of pressure, e.g. they

threaten with strike. The employers see employee-employer relations in the categories of cost, which has its consequence in negative attitude towards labor organizations. In such a situation, productivity may be endangered.

"Flexibility of wage determination" strongly applies to the level of wage bargaining centralization. While creating the index, it has been stated that negotiations which are recognized as the most decentralized, i.e. led on a level of entrepreneurship can bring the highest flexibility of wage. In such circumstances, it is much easier to reach negotiations or renegotiations and employees do understand the cause of previously stated amount of salary. It all conduces the efficiency of the usage of labor factor. However, the ability of bargaining and willingness to reach a compromise by both parties is essential. While taking into consideration the source of information on this subject, a doubt arises: Do all respondents have enough knowledge? Since the knowledge may be restricted only to the entrepreneurship (branch) in which they work. In practice, more detailed data about the level of centralization of wages bargaining may be gained by a more objective source[3]. However, the basis of the previously mentioned constituent has one advantage i.e. it expresses actual perception of wage determination flexibility. Even in conditions of considerable bargaining centralization, there is a possibility of open clauses which in certain circumstances (e.g. in a firm's tough situation) enable withdrawal from agreements on higher-rank level. It is described as organized decentralization (*Industrial Relations in Europe...* 2004, p. 39; Hayter, ed. 2011, p. 6).

The evaluation called "hiring and firing practices" is connected with assessing the presence of regulations that are treated as obstacles in the scope of hiring and firing employees. In other words, it concerns the level of employer's freedom in shaping the number of the employed (so called quantitative flexibility). Such restraints may have a form of noticing trade unions or employment offices about the future dismissals, the necessity of explaining each case of dismissal or employing temporary contracts of employment. The presence of such detailed regulations in this scope slows down the processes of matching entrepreneurships with the changes that happen on the market and because of this, it may be perceived as the one that lowers productivity. In such case, possible effects of employee legal security activity (e.g. higher functional flexibility) on productivity and the possibility to impair the parties' balance of powers when an employer owns full freedom of setting conditions of hiring and firing, shall not be taken into consideration. As a result, it may damage cooperation.

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[3] Data of this kind for EU countries is published by the European Commission (Industrial Relations in Europe 2012, p. 29).

"Redundancy costs" mean such costs that shall be covered by an employer who decides on the dismissal of an employee. The higher they are, the more limited the employer is in his decisions about matching the number and structure of employment in a firm with the needs that are required by the market. He then refrains from dismissals, but makes decision about hiring new personnel very cautiously. Some research results prove that high redundancy costs lead to the fall of production factors' productivity by restraining the tendency of entrepreneurs to implement new technologies (Betcherman 2013). Implementing innovations requires matching the size and structure of employment with costs of implementation that are magnified by reduction costs and may impair the profitability of the enterprise.

"Pay and productivity" refers to the level connected with the relation salary – productivity. In this case, statistics on a macroeconomic level have been rejected in favor of the opinion of the respondents (business leaders), i.e. people who have knowledge about the system of paying remuneration in businesses (Browne, Geiger, Gutknecht 2013). It may be considered as justified, in that statistics cover values average for the whole economy or a branch, whereas practitioners evaluate adequacy of salary to job productivity.

"Effects of taxation on incentives to work" is used to evaluate the level in which taxes weaken a particular country's tendency to take up a job. The problem may apply to unemployed people or economically inactive ones and is connected with the generosity of unemployment benefit systems and social security system. A person who considers a job offer, e.g. at minimum wage, will compare the salary after taxation with the amount of benefit they receive. Effects of taxation will be dependent on household types. In this case, calculations have also been rejected in favor of respondent opinions concerning the influence of taxation on the motivation to take up a job.

"Reliance of professional management" means the evaluation of the management board choice according to the criterion of professionalism. In such cases, the respondent's opinion was truly significant and objective data portraying such information as education, competences and experience of the management board have not been included either. This data does not show whether the contest for a given position was won by the best candidate or the one who solely met the formal requirements for such post. The criterion of management board professionalism shall be considered as the key one bringing effectiveness of the productive factors usage in an entrepreneurship.

Table 2. LME and it's components (mean scores)*

Country	LME – mean	Cooperation in labor-employer relations (2007-2013)	Flexibility of wage determination (2007-2013)	Hiring and firing practices (2007-2013)	Redundancy costs (number weeks of salary) (2007 and 2012)	Pay and productivity Dane z lat (2007-2013)	Reliance on professional management (2007-2013)	Brain drain (2007-2013)	Female participation in labor force (2006-2011)
Denmark	5.40	5.93	4.47	5.68	0	4.37	6.02	4.55	0.92
the United Kingdom	5.32	4.98	5.72	4.23	22-8.4	4.67	5.87	5.20	0.84
Ireland	4.90	5.10	3.82	3.82	24-6.8	4.22	5.82	4.74	0.79
Estonia	4.86	4.80	6.07	4.12	35-12.9	5.02	5.25	3.48	0.91
Finland	4.84	5.25	3.18	3.78	26-10	4.12	6.20	4.99	0.95
the Netherlands	4.80	5.68	3.57	3.03	17-8.7	3.87	6.07	5.10	0.85
Sweden	4.77	5.75	3.23	3.00	26-14.4	3.95	6.33	5.14	0.93
Latvia	4.66	4.37	5.65	4.08	17-9.7	4.47	4.48	3.10	0.90
Luxembourg	4.65	5.30	4.47	3.18	39-21.7	4.18	5.45	4.86	0.80
Austria	4.64	5.68	2.47	3.45	2-2	3.95	5.47	4.49	0.84
the Czech Rep.	4.60	4.45	5.38	3.23	22-20.2	4.67	4.88	3.48	0.80
the Slovak Rep.	4.56	4.35	5.33	3.47	13-11.6	4.93	4.68	2.59	0.81
Germany	4.51	5.13	3.02	2.78	69-21.6	4.28	5.70	4.58	0.86
Lithuania	4.49	4.40	5.92	3.33	30-24.6	4.68	4.57	2.63	0.93
Cyprus	4.46	4.92	4.35	3.90	n.a.-5.7	3.97	3.95	4.00	0.82
Poland	4.45	4.05	5.45	3.45	13-18.8	4.15	4.45	2.91	0.82
Bulgaria	4.40	3.92	5.35	4.22	9-7.5	4.25	3.57	2.17	0.86
Belgium	4.40	4.32	3.68	2.90	16-7.2	3.68	5.52	4.66	0.83
Hungary	4.35	4.22	5.25	4.05	35-13.4	4.03	4.08	2.68	0.81
France	4.27	3.42	4.98	2.65	32-11.8	4.02	5.12	3.94	0.89
Slovenia	4.26	4.08	4.13	2.60	40-11.4	3.90	4.23	3.53	0.89
Romania	4.12	3.48	4.90	3.83	8-4.0	4.07	4.05	2.36	0.80
Malta	4.11	4.77	5.05	3.48	n/a-7.3	4.13	4.28	4.04	0.54
Croatia	4.10	3.47	5.15	3.37	39-15.1	3.72	3.87	2.48	0.82
Spain	3.99	4.05	3.92	2.82	56-17.4	3.35	4.80	3.68	0.77
Portugal	3.96	4.13	4.42	2.63	95-33.9	3.60	4.30	3.30	0.88
Greece	3.71	3.60	3.32	3.10	24-15.9	3.20	3.90	2.78	0.72
Italy	3.64	3.60	3.18	2.65	2-7.2	2.97	3.57	2.81	0.70

* Components according to report 2012/2013; brain drain for 2013/2014 was calculated as the arithmetic mean of "country capacity to retain talent" and "country capacity to attract talent. Dates according to reports 2008-2009 – 2013-2014. LME – according to reports 2007-2008 – 2013-2014. Values in brackets show years of collecting the data used in the calculations.

Source: Based on: The Global Competitiveness Report 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014.

"Brain drain" estimates if a given economy creates good conditions for maintaining talents in a country and bringing them into the country. In this case, the public opinion was taken into consideration and statistics concerning the migration of the educated were not employed. Despite the vast size of the unemployment phenomenon, employers all around the world do have problems in finding accurate candidates. Under Manpowergroup 34% of employers report the shortage of talents which is understood as the lack of appropriate candidates for work (*Niedobór talentów…* 2012, p. 5). Hence, their outflow from a particular economy has an adverse influence on prospective productivity, however, the economy's ability to attract candidates gives a chance for the influx of the most effective workers. In the GCR 2013-2014, "brain drain" was divided into two components (Table 1), a thing that seems to be justified as attracting talents from abroad and retaining talents indeed apply to different phenomena. Retaining talents has a significant meaning especially owing to the need of preventing human capital outflow created in a given country constituting a significant part of its potential.

"Female participation in labor force" is such a variable which refers mostly to economic consequences of unfair women participation in job resource i.e. it is one of the manifestations of discrimination. The discrimination being that the allocation of resources is done on the basis of different criteria than abilities and skills of a candidate. It can be said that in countries with low women economic activity, an estimate of a half the talents present in such population are not exploited properly (Sala-I-Martin, Artadi 2004, p. 54). Hence, in countries where female participation in labor force is smaller than 1 the deduction about incomplete usage of talents and actual productivity which is lower than the potential one, is eligible. In practice, women on average constitute the majority of population (e.g. according to Eurostat in the UE as a whole – 51,2% in 2011). Hence, female participation in labor force may accept values larger than 1.

The elements which constitute the labor market efficiency pillar enable distinguishing various and mainly institutional aspects of the influence of domestic labor markets' characteristics on productivity. As it has been stated, the emphasis was laid more on the perception assessment of phenomena than on their objective measurements.

3. LME of the EU countries and their labor market regimes

3.1. Research approach

There are many different institutional solutions on the markets of the EU countries although the countries pursue coordinated but separate domestic mar-

ket labor policies. Since the nineties of the 20th century, there has been a discussion on the typology models of a modern country of wealth and labor market regimes resulting from them (Arts, Gelissen, 2002). In its course, a new division of models encompassing the countries of Western Europe appeared: the British one (also known as Anglo-Saxon, encompassing Great Britain and Ireland), the Nordic one (Scandinavian, encompassing Sweden, Denmark and Finland), continental (Bismarck, encompassing Germany, Austria, Belgium, France and Luxembourg) and the southern one (Spain, Portugal, Italy and Greece). The Netherlands are usually treated as a hybrid case between continental and Scandinavian models (Ferra 1996; Bonoli 1997; Arts, Gellisen 2002; Muffels, Wilthagen, van de Heuvel 2002, p. 10; Hausner 2008, pp. 104-105).

It is worth examining in what countries and within what labor market regime the highest LME was reached. The analysis was based on arithmetical means of LME from 2006-2013 for 28 EU countries. Because of this, relatively stable data has been received.

3.2. Research results

The values of the LME index and its constituents are contained within the range from 1 to 7 (except for redundancy costs and female participation in labor force). In order to obtain information about the way in which LME of the EU countries shapes towards the best global results, it is worth adding that the highest LME was recorded for Switzerland – 5,95 (The Global Competitiveness Report 2011-2012), whereas Algeria had the lowest one – 2,79 (The Global Competitiveness Report 2012-2013). In Table 2 the EU countries were put in descending order, commencing as of a country with the highest mean of LME.

The first places in the LME ranking of the EU countries are occupied by countries which pursue contrary labor market regimes – Scandinavian and British models. The differences of LME between the EU countries seem to be little, however, there was a difference of 124 places between Denmark and Italy in the global ranking of 2013-2014 (Denmark was on 13th and Italy on 137th place). The data concerning the constituents of LME show that the Danish market is characterized by highly cooperative relations between employers and employees (the highest evaluation within the EU countries), the choice of employees for managerial positions on the basis of their professionalism, employer freedom of making decision in the scope of hiring and firing employees and at the same time by zero costs accompanying dismissals and relatively high participation of women in the job resource. Denmark, which fits within Scandinavian labor mar-

ket regime, pursues a specific flexicurity model, which is a result of interplay between specific Danish labor market institutions and political compromises and conflicts traditions. Danish flexicurity is strongly dependent on the totality of macroeconomic policy and regulating role of social partners (Bengtsson 2012, pp. 1, 7). The location of the Netherlands points at a closeness of its LME level to the level in Scandinavian countries.

UK takes second place in the ranking and can be distinguished not only by its professionalism within the choice of managers, but also by shaping the amount of remunerations and care about keeping talents inside the country. The level of cooperation between employees and employers was assessed as lower than in all countries within Scandinavian labor market regime. It can be considered as very typical because market regulation wage settings and unregulated employment contracts lead to more conflicts and cooperation difficulties (Olofsson,2006, p. 23).

It is worth adding that the first seven countries (where LME is on average equal to 4.75 or higher) are characterized by cooperative relations within employee-employer relationships. Among the rest of the countries, cooperative relations exist only in Austria, Germany and Luxembourg. What they have in common is professionalism of higher-rank managers and sensitivity towards talents (except for Estonia).

The last places in the ranking were taken by the countries of Southern Europe which obtained the average of LME above 4. To their common features of average LME, we may classify restraints within the scope of dismissals, weak relation of salaries with the work efficiency and little effort from the country's side in keeping talented workers within its borders. The other features are differential.

The placement of post-socialist states which joined the EU in 2004 or later is also interesting, e.g. Estonia reached average LME which is comparable with the Finland's one. First and foremost, the countries have problems with keeping talents inside their territories and this obstacle declines their potential of growth. In Bulgaria and Romania (which do not take care of keeping talents), employers declare that they have difficulties in filling posts because of palpable shortage of talents (51% employers in Bulgaria, 45% in Romania) (*Niedobór talentów…* 2012, p. 5). They do not make use of female work potential either and the evaluation of cooperation between employees and employers was medium or low. However, they are distinguished by flexibility in shaping the amount of remuneration.

Conclusions

The key components of the LME pillar of GCI describes theoretical relationship between labor market and economy competitiveness in a peculiar but useful way. In the WEF approach labor market influences the global competitiveness of an economy by both labor market flexibility and efficient use of talents. According to the before mentioned data and interpretations, it can be assumed that labor markets functioning in Scandinavian or British regimes support global economy competitiveness the most efficiently. It has been proved that in those countries, high labor market effectiveness was reached by different ways. Labor markets functioning in southern regimes reached the lowest level of effectiveness. Post-socialist countries reached the average LME within the range of 4.1-4.65. Hence, it was higher than that of the Southern Europe countries. They were characterized by the flexibility in paying remuneration and employing the professionalism in the choice of higher-rank management board (except for Bulgaria). However, their problem is the threat of the highly qualified educated personnel outflow because they do not create attractive working conditions. Furthermore, it remains unclear whether these countries will work out their own labor market regime in the future or embrace the existing classification.

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