

## **Abstract**

We show that business education/occupations have expanded and that technical education/occupations have contracted in the Czech Republic and Poland since 1990. We interpret these changes as an adjustment necessary for their transition to a market economy. We do not find the same pattern in Hungary, which we attribute to the earlier timing of its transition. We construct an aggregate model in which labour reallocates in response to changing demand structure. When calibrated with the Czech and Polish data, the model generates a large movement of workers with technical education and experience into business occupations in the early 1990s. The discounted sum of output loss due to the gap between the demand structure and the composition of existing human capital amounts to between 8 and 40 percent of 1990 GDP.

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