

Abstract:

The authors present a comparative analysis of employment determination in four transition economies as they moved from central planning to a market economy in the early 1990s. They use firm-level panel data sets from the Czech Republic, Hungary, Poland, and Slovakia to estimate dynamic employment equations for the period from immediately before to immediately after the start of transition. For the most part, firms appear to have been quick to adjust employment to wage levels, and there is little evidence of labor hoarding. There were important cross-country variations in the determinants of employment during the reform process, however. Hungarian and Polish firms started the transition already substantially reformed, and became even more responsive to market signals as transition proceeded. In contrast, firms in the Czech and Slovak Republics started in the completely unresponsive mode characteristic of central planning, but rapidly caught up with their counterparts in Hungary and Poland.