Working Women: The Transition’s Impact on Female Labor Force Participation in Former Communist Countries

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Working Women: The Transition’s Impact on Female Labor Force Participation in Former Communist Countries

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
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Dedication

I dedicate this project to PopPop, Bubbie, and Uncle Mel.
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Abstract

In the late twentieth century, Central and Eastern European countries went through a transformation from a command economy to a market economy. Under the command economy there was virtually no unemployment, and most citizens were employed by the government. Women experienced high labor force participation and received generous family benefits. During the transition from a planned to market economy, labor force participation rates for women dropped significantly and the benefits families received were no longer universally assured. The dismantling of social family benefits in a post-socialist economy resulted in a low female labor force participation rate, hindering a full potential for economic growth and reducing living standards. The transition experiences of Hungary and Poland are presented as case studies to demonstrate that “market establishment” is not a sufficient condition for a successful transition for an average citizen.
Introduction

From the late 1980s to the early 2000s, Central and Eastern Europe went through a political and economic transition from a command economy to a market economy. This process involved a significant restructuring, as the Communist state sector that provided the majority of jobs had to accommodate for the developing private sector. The restructuring of family benefits in post-socialist economies resulted in a reduced female labor force participation rate, leading to hindered economic growth and a decrease in societal wellbeing. In order to verify this claim, I look specifically at the transitions of Poland and Hungary. While the international community of multilateral institutions recognized these countries’ success in establishing market economies, the detailed analysis of their transition outcomes revealed rising poverty rates, low female employment rates, and limitations on women’s health care access.

Under a command economy, unemployment was virtually eliminated, and all citizens (regardless of gender) worked for the public sector. Women under the command system had the highest labor force participation rate in the world. Communist thinkers, such as Marx, Engels, and Kollontai, believed that when women entered the workforce they earned their emancipation through economic independence (Buckley, 1981, p. 79). Communist states provided family benefit policies such as family allowances, paid family leave, return to work promises after childbirth, publicly provided childcare, and paid leave to care for sick children (Sipos, 1994, 227). The establishment of strong social security systems and communal support under Communism meant that women could devote themselves to the labor market as well as the
nuclear family. Therefore the command market was able to both fully utilize the female population, as well as provide emancipation for women through labor force participation.

As Communism collapsed throughout Eastern and Central Europe, Poland and Hungary began restructuring their labor market. Unemployment from the public sector was necessary in order to provide labor resources for the emerging private sector. However the repercussions of unemployment persisted longer for women than men. Women experienced low employment as a result of the market economy dismantling the generous social programs without adequately replacing them. The benefits that allowed mothers to remain in the workplace, such as publicly provided daycare, family allowances, and guaranteed maternity leave, were not provided in the same manner under the new market economy. Due to the lack of explicit support systems, the market economy exacerbated gender inequities in the domestic sphere that previously existed under the command model. Women were more likely to drop out of the labor force completely than they were to find new employment (Lauerová and Terrell, 2007, p. 144).

In chapter one, I review the existing literature on women’s participation in the labor market under the command system, and the effects the transition had on female labor force participation. I focus on how the dismantling of family benefits policies led to rising rates of unemployment after the collapse of Communism. I touch upon the lack of women-run enterprises in the newly established market economies and the rise in unemployment and poverty for women and children.

In chapter two I analyze how women’s low labor force participation rates hinder economic growth and damage societal wellbeing. This low female participation rate showcases
an underutilization of available skilled labor resources, ultimately resulting in an economy not performing at its full potential. Additionally low female labor force participation resulted in households facing a loss of income, increasing the risk of entering poverty. Low employment rates, for both men and women, saw damage to societal well being; increased health issues, lower educational attainment in younger populations, and low fertility rates. This societal issues combined with household economic uncertainty meant that Central and Eastern Europe saw the emergence of generational poverty cycles throughout the transition period.

In chapter three, I examine the transition paths of Poland and Hungary to show how market success did not “trickle down” to the average citizen. Poland and Hungary were pioneers in establishing an industrialised market economy in Central and Eastern Europe, creating one similar to that of the West. This made many regard their transitions as successful. However, the poor privatization of state-owned enterprises resulted in low employment rates across both countries. Polish and Hungarian women faced disproportionately low employment rates in comparison to their male counterparts. To conclude the paper, I address the contemporary political, economic, and social impacts that the transition had on Poland and Hungary. The current low employment of women in both countries display how little has improved since the start of the transition; this stagnancy is partially due to the rise of conservative governments and restrictions on women's rights issues.
Chapter One: Women’s Labor Force Participation: A Story of Two Systems

Central and Eastern Europe experienced significant changes in terms of labor participation, especially for women, after the fall of Communism and the establishment of a private sector. Under Communism, the unemployment rate was virtually zero; the operations of the command market allowed for the public sector to continually provide jobs and adjust for new production demands (McAuley, 1991, p. 95). However, the “endless” public sector jobs disappeared after the fall of Communism. From 1989 to 2006 the average employment rate in former Eastern Bloc countries ranged from 50-65% (European Bank for Reconstruction and Development, 2007, p. 65). This rate was significantly lower compared to the employment rates of the United States (72%) and Western Europe (67%). Unemployment unevenly affected some more than others; it was estimated that throughout all transitioning countries women lost 14 million jobs (UNICEF, 1999, p. 27). Because the capitalist labor market did not provide the same benefit structure that the Communist labor market did, women faced a higher risk to be forced out of the labor market during the transition period. Dismantling the “mother-worker” benefit structure of the socialist order created a cycle of poverty, affecting not just women workers directly, but also the prosperity of future generations.

This chapter introduces the workings of the command economic system and the role of women. The transition restructuring led to low employment for all citizens, but women were especially vulnerable during this time. The emerging employment opportunities were seldom
available to women. Limited universal family benefit programs negatively affected women’s ability to participate outside the domestic sphere, pushing women out of the labor market.

**Employment Under Socialism**

Socialist planned economies were traditionally characterized by very low unemployment rates (essentially full employment) for both women and men. Administrative command economy was controlled by the Politburo of the Communist party of the U.S.S.R., as the Politburo determined the direction of the economy; because of the highly interventionist nature of the government under Communism, the state involvement can be largely credited for establishing a labor market that promoted women’s high participation in the labor force. The legal foundations of the Communist state (the constitution) promoted full employment, so the administrative structures of the Communist state embedded the idea of full employment (which included women’s participation). The government controlled the labor market and provided employment options for both male and female citizens. Workers received formal and informal benefits through this system, and these aids were most beneficial to women workers. Such perks were family allowances, paid family leave, return-to-work promises after childbirth, publicly provided childcare, and paid leave to care for sick children (Sipos, 1994, p. 227). Additionally the external factor of population loss further contributed to the high employment rate of women under socialism.
The Functions of a Centrally Planned Economy

As the state economic planning committee, the Gosplan’s main goal was to achieve a labor balance between labor demand and labor supply. The Gosplan created policy and incentives to manipulate the labor supply to align with the demands needed to reach the goals of fulfilling gross output (Gregory and Stuart, 1998, p. 114). Planners were able to manipulate the labor supply by incentives to join the labor market, controlling education and career paths, and service requirements to relocate in order to balance the demands of the market (Gregory and Stuart, 1998, p. 117).

The command market required, both economically and politically, that citizens were obligated to participate in the labor force. The state set fixed low wages and fixed product prices to obligate all able workers in each household to enter the labor market (regardless of gender). Household members could choose where to work and in what occupation. However planners used wages to manipulate and incentivize individuals to work in certain occupations and relocate to where labor was needed. Wages not only incentivized workers to enter the labor market, wage setting allowed planners to encourage growth in job sectors that aligned with the larger economic goals (Gregory and Stuart, 1998, p. 118).

Education, similarly to wages, allowed planners to place students into “tracks,” investing in particular human capital to reach long-term goals. Education under the command economy was geared toward specific skills that could be applied to occupational work. The human capital investments achieved under the command system was remarkable compared to similar countries at the same levels of economic development as Eastern and Central Europe (Gregory and Stuart,
2014, p. 585). The reliance on specialized secondary schools that taught special professional skills allowed planners to know the future labor supply in certain sectors. Foreseeing an increase in a certain sector, planners were able to encourage highly skilled graduates (with high wage promises) to move to specific locations to fill labor shortages (Gregory and Stuart, 1998, p. 119).

In further managing labor supply and encouraging certain populations to enter the workforce, planners established specific policies. Women under Communism were expected to hold the role as workers and mothers; to encourage this dual role, worker-mother policies were enacted. These policies were used by the Gosplan to incentivize women into the labor force and maintain a high female labor force participation rate. Benefits under these policies included family allowances, paid family leave, return-to-work promises after childbirth, publicly provided childcare, and paid leave to care for sick children (Sipos, 1994, p. 227). These policies enabled women under Communism to have the highest labor force participation in the world. Ninety percent of the population under command market economy were employed, thus the system utilized all citizens as available labor resources (Gregory and Stuart, 1998, p. 122).

**Legal Framework**

The fundamental principles of Communist countries upheld the workings of the centrally planned economy and were enforced through legal frameworks. These legal frameworks were found within constitutions under Communist rule. While different Communist countries had various constitutions, the foundations of each constitution relied upon that of the U.S.S.R. Within the Constitution of the Union of Soviet Socialist Republics (U.S.S.R.) there were three articles...
that established the legal requirements for providing work. Articles 118, 122, and 131 indicated how the Communist system encouraged female participation in the workforce (as opposed to a free-market capitalist system). Article 118 states that “Citizens of the U.S.S.R. have the right to work, that is, are guaranteed the right to employment and payment for their work in accordance with its quantity and quality” (U.S.S.R. Constitution, 1936). In the context of women workers in the Soviet Union, Article 122 states that “Women in the U.S.S.R. are accorded equal rights with men in all spheres of economic, state, cultural, social and political life.” (U.S.S.R. Constitution, 1936). Article 131 states that “It is the duty of every citizen of the U.S.S.R. to safeguard and strengthen public, socialist property as the sacred and inviolable foundation of the Soviet system, as the source of the wealth and might of the country, as the source of the prosperous and cultured life of all the working people” (U.S.S.R. Constitution, 1936). This article shows just how the participation of every citizen is essential in maintaining the success of the Soviet Union, and that it is “the duty of every citizen” to engage in the production process. The Soviet Union, through their constitution, made it clear that the objective of full employment was going to be reached with a mandate for all citizens to participate in work, regardless of gender.

*External Factors*

The population loss after World War II became an external factor that influenced the enactment of “worker-mother” policies. The low supply of male workers available after World War II created a demand for women in the labor market, while the need of higher birth rates shaped policy that encouraged women to become mothers. The demand for women workers due
to the labor shortages post World War II accelerated the percentage of women’s participation in the labor market.

Centrally planned economies required full employment; after World War II the available labor force shrank as a result of war casualties. To remedy the labor shortage, women’s participation was essential to reach full employment levels. The shortage of male workers brought women into the paid labor sector much faster than the rate prior to the war (Buckley, 1981, p. 81). Between 1922-1932 the percentage of women employed was 27.4 percent; by the mid-1940s the percentage had jumped to 56 percent (Buckley, 1981, p. 81). The immediate need for a higher percentage of women’s participation in the labor market came from the male labor shortage, which was due to population losses from World War II.

The occupations that women held shifted with the need to “fill up” the labor market. Prior to the 1950s, women were “crowded” into the agriculture and care sector occupations (2 out of the 17 sectors), however, by 1966 women accounted for over half of those employed in 10 out of 18 industries (Scott 1976, as cited in Pollert, 2003, p. 334). The rapid economic growth post World War II coupled with the shortage of male labor provided external encouragement towards the high participation rates of women.

The need to increase low birth rates (especially following a period of high population loss) forced the government to make maternity policies that supported women with their work (both paid labor and domestic labor) to encourage the growth of population and of national wealth (Einhorn 1993, as cited in Pollert, 2003, p. 333). The high mortality rate after World War II pushed for more incentive on “rebuilding the nation” by birthing a new generation. The
external force of ensuring the birth of a new nation meant that the Communist countries had to focus on protecting women as both mothers and workers.

**The Role of Women Under Communism**

*Safety Net for Working Women*

Women under communism were first and foremost mothers, but they were also considered valuable to society as workers. Working mothers balanced both domestic unpaid work along with their paid work. I will refer to this concept as double burden.¹ Alexandra Kollontai (an active member of the international Socialist Women’s movement) addresses her fellow women comrades in a speech on liberation through paid labor:

> For many centuries woman was oppressed and had no rights. For many centuries she was just an appendage to the man, his shadow. The husband provided for his wife, so long as she obeyed her husband’s will, meekly endured her own powerlessness, her own domestic and family slavery….Now the peasant woman has the same rights as the peasant man, the worker woman has the same rights as male worker has. (Kollontai, n.d.).

Kollontai calls on her peers to recognize how Communism will provide a liberation from the exploitative nature of industrial capitalism, and there will be equal working rights for men and women. When women earn their own wages they gain economic power and autonomy and shift away from the “breadwinner” model. The breadwinner model emphasizes the division of spheres: women as the homemakers, and men in the labor force, earning the means for their families (Mutari and Figart, 2003, p. 37). When women simultaneously become wage earners

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¹ Others have referred to it as double day, second shift, and double duty (Suzana Smith and Diana Converse. *Double Day Work: How Women Cope With Time Demands*. University of Florida, IFAS Extension).
themselves, they no longer depend on their husbands or fathers to provide for them and their children. Even though women were viewed as workers, first and foremost, they rebuilt and ensured the survival and growth of the nation since new generations of Communist citizens cannot be born without the presence of Communist mothers.

Francine du Plessix Gray in her book *Soviet Women: Walking the Tightrope* offers a look into the lives of different women as the transition was emerging. Gray’s work provides various first-hand experiences of what life was like for Soviet women. The topics she covers range from career and education to marriage and motherhood, interviewing women from various nationalities and classes. Gray’s interview with the rector of Moscow Lenin State Pedagogical Institute provides context for what was expected for women under the command economy; “the most important duty of a woman, along with her work, is to have children, far beyond the duty of being a wife” (Gray, 1989, p. 61). In her interviews, Gray illustrates that women felt as though their husbands were useful as workers, but were useless as fathers. Communist society allowed men to not have to assume parental responsibilities because the expectations of men were only to serve the country as workers. While women were regarded as workers *and* mothers, men were not subjected to the same definitions of combined parent and worker roles (Metcalfe, 2005, p. 399). To relieve the uneven allocation of household duties and encourage mothers into the workforce, the government established “worker-mother” state policies.

Given the financial need for households to have two incomes (the product of setting low wages) states needed to provide financial assistance to women in order to encourage the Communist worker-mother ideal. The policy ensured that once a woman became pregnant and
needed to leave the labor market she was guaranteed employment upon her return to the paid labor force. This encouraged families to have children by offering a wage to keep living standards the same (while one member of the household was out of the labor market). While this “worker-mother” policy ensured that women would be reabsorbed back into the labor market with a job similar to that they had left, it did not guarantee that the job upon return would be of the same pay grade (Metcalf, 2005, 399). When women returned, they were allowed to return on a part-time or flexible basis to account for taking sick leave to care for their children. This differed for men, as men were expected to be full-time employees. The absence of paternal leave benefits only reinforced women’s primary role as the caretakers (Metcalf, 2005, p. 399).

Additionally, with the right to return to work women received paid maternity leave (examples: Czechoslovakia: 28 weeks; Hungary: 24 weeks; Poland: 16 weeks first child and 18 weeks second child; and U.S.S.R.: 18 weeks [Metcalf, 2005, p. 399]). The paid maternity leave was either full net wage or nearly full net wage. (Examples: Czechoslovakia: 98 percent of net wage; Hungary: full net wage; Poland: full net wage; and U.S.S.R.: full net wage [Metcalf, 2005, p. 399]).

To relieve burdens of around-the-clock demands of caring for younger children, state childcare facilities (nurseries and kindergartens) were available for working mothers. The support that childcare centers brought to worker-mother’s helped maintain women’s participation in the workforce (Sipos, 1994, p. 247). Childcare centers offered women a place to take care of their children during work hours, allowing women to return to the workforce.
Occupational Segregation

Women often found employment in sectors that provided child care, education, and health care. Jobs, such as care work, were considered feminized or “female dominated” so long as 70 percent of occupants were female (Figart, Mutari, Power, 2002, p. 50). Gendered occupational crowding\(^2\) left women confined in low-status employment; this occurred both in and out of the care sector. These low-status jobs were “respectable” women’s jobs and required “feminized skills” such as marketing, human resources, and public relations (Figart, Mutari, Power, 2002, p. 51). Planners along with societal expectations created occupational gaps between males and females.

Prior to the transition, women made up about about half of participants in 10 out of 18 sectors (Scott, 1976, as cited in Pollert, 2003, p. 334). The access to many sectors did not eliminate the gender inequities in types of jobs held. Women still faced discrimination in the sectors they worked, and occupied jobs that were of lower status and pay than of those in heavy industries (Bialecki and Heyns, 1993, as cited in Pollert, 2003, p. 334). Slowly women began to enter into sectors that were traditionally associated with males, such as professors or doctors. As more women entered these jobs, the perspective of these jobs shifted as feminized occupations, resulting in negative shifts in wages and status of these occupations (Peer 1985 as cited in Lafont, 2001, p. 206). Planners used wages to incentivize men back into newly feminized jobs, like doctors, while simultaneously crowding women out of these occupations. An example of

\(^2\) Based on Bergman’s (1971) work regarding black men being crowded into low-wage occupations as the result of descrimination, but now applied to women in low wage/status occupations.
occupational segregation was seen with medical occupations, incentives were aimed specifically at men to study at medical schools. It was revealed that men were accepted into medical studies with lower grades than their female peers, a way planners could manipulate women out of the medical field (Doletskii 1970 as cited in Buckley, 1981, p. 88). Men occupied the highly esteemed skilled jobs in the heavy industries, which provided them the opportunity to occupy the best paying jobs in comparison to the sectors that women occupied (Watson 1993, Gal and Kigman 2000, and ILO 2001 as cited in Metcalfe, 2005, p. 229).

After the transition, the crowding of women into these lower status jobs did not change. What did change was the privatization of industries and jobs, and it was the lower status jobs that did not “cross-over” into privatization. The diminishing role that the state played in supplying jobs and the growth in the public sector led to restructuring of employment options. The public services sector (example: health care, education, social services, and public administration) had the largest concentration of women workers prior to the transition, and faced the most uncertainty when it came to the new free-market. The share of private sector job opportunities in fields such as health care, education, social services, and public administration was very low, creating high competition and little opportunity for women to get private sector jobs in these industries (UNICEF, 1999, p. 30). Sectors that were largely composed of men, such as heavy industry and construction, were better equipped to undergo privatization than the care sectors that women were largely situated in. It was believed that new private firms emerged due to the savings and capital that heads of firms had (McMillan and Woodruff, 2001, as cited in Iyer et al., 2013, p. 6). Since prior to the transition, the high paid jobs were heavy industry and construction,
this sector held the most prosperity in private firms emerging with the highest capital rates earned under Communism.

**Restructuring: The Results of the Transition**

The sectors and occupations highly populated by women did not transition to privatization smoothly. During the transition period, it was found that men in the post-Soviet economy in Eastern and Central Europe were able to find work at a rate 3 times higher than women (Lafont, 2001, p. 209). This statistic highlights how the sectors that had high concentrations of women employees found themselves most sensitive with the transition to privatization. Women often found employment in sectors that provided child care, education, and health care. These occupations were supplied through the large-scale state enterprises, which were challenging to privatize due to their size and the working capital required for acquiring associated property rights. The absence of universally provided support systems disincentivized mothers from participating in paid labor. Additionally women lost the occupational opportunities that were tied to these programs.

**Creative Destruction**

Under the command economy the goal of production is output-oriented, while the goal under the market economy is profit maximization. Each market’s different practices and goals required that resources used under the command economy had to be reallocated to the market economy. The resources that were used in production under the command economy were altered
to fit the market economy’s production model. The occupations available decreased as the public sector transitioned from being the main provider of employment, leaving many unemployed.

Joseph Schumpeter formulated the concept of creative destruction in relation to capitalism’s constant need for product evolution, “Capitalism, then, is by nature a form or method of economic change and not only never is but never can be stationary” (Schumpeter, 1943, p. 82). Creative destruction refers to the cycle under Capitalism of new production replacing older-outdated production. The evolutionary nature of Capitalism conveys that there must be loss before there is gain, thus creative destruction. The transition from Communism to capitalism required those employed under the public sector to be absorbed by the new private sector. This process required unemployment from the public sector before being absorbed back into the private sector. This resulted in occupational losses for both women and men, as unemployment was part of the creative destruction brought about by the transition. The further along the process of the transformation went, the free market’s abilities would grow to reabsorb those that were unemployed back into a workforce (Gray and Karp, 1994, p. 6).

The speed of restructuring these labor markets varied from country to country, as well as the speed that each industry privatized resulted in the difference in men and women when it came to absorption back into the labor market. Unemployment did not shrink as the transition went on, rather unemployment grew and more people left the labor market completely. In chapter three I’ll discuss further how the failure of the private sector to absorb the jobs under the

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3 Paid work is how labor resources are used as a production of goods or service ("Factors of Production," 2017).
command market led to political and economic unrest in Poland and Hungary. Governments introduced unemployment benefits in an effort to reduce the complications of privatization. However, these efforts were found to have no real significant impact on resolving the issues that households now faced under the new system (Gregory and Stuart, 2014, p. 589). For women, specifically mothers, unemployment persisted, creating a discouraged worker effect leading women to fully exit the labor market. The sustained unemployment that women experienced increased the threat of poverty throughout communities (Gregory and Stuart, 2014, p. 589).

*Labor Market Restructuring*

Not every industry experienced the shift to the private sector to the same extent. Privatization policy indicated what sectors would privatize and which would remain under the public sector; this affected the type of jobs that were most stable during the restructuring (Gregory and Stuart, 1998, p. 259). Not all large state-owned enterprises would properly function without public intervention. The rate of movement out of the public sector and into the private sector was slower for women than males, the occupations that women were concentrated in had an attachment to the public sector that made it difficult to privatize. Specifically, the way in which care work and other feminized sectors were structured under the command economy made privatization more difficult. Low-status jobs were not protected by privatization policies increasing the female unemployment rate. The public sector’s budget shrank with privatization, specifically the section allocated for care work. Reduction in government budgets, as well as universal public access to family benefits policies and programs, created a loss of jobs supplied
under these programs. Public health providers and childcare centers were “feminized” careers that provided jobs for women. Not only were the women who were directly employed through these sectors affected by these cuts, but women who relied on these care services, such as daycare, no longer had the support system that let them enter the workforce.

Mothers are often viewed by firms as being less attached to the labor force in comparison to their male counterparts. Women are viewed as being expensive due to the time off they will want to be with their children or to have children. Women have a “biological” association with domestic tasks historically (Levin, p. 159). Mothers are expected to constantly leave the labor force to tend to domestic duties and have more children. Newly privatized firms viewed mothers as employees for whom they will constantly have to find coverage, as mothers may leave and enter the market to take care of their children. Firms don’t want to invest training and human capital into their employees if they’re going to be leaving the workforce frequently. Even for women who are not mothers, but could be, firms may be hesitant to invest human capital resources into them. For similar reasons to mothers, women who may become mothers are viewed as a potential “flight risk” from a firm. Firms do not want to constantly look for new employees, they want employees who will stick with a company in the long-run.

New Employment Opportunities

The new market economy and introduction of wide scale privatization led to self-employment to emerge as a new option of employment. Governments post-transition, to ease the instability of the transition, started offering policies which promoted entrepreneurship
These new policies did not promote gender equality of new entrepreneurs, as women were found to be less likely to become entrepreneurs than men. As displayed in figure 1, men have a higher percentage of self employment compared to their female counterparts.\(^4\)

![Own-account Workers by Sex, as % of Total, 2003](image)

**Figure 1 Self Employment for Men and Women in 2003 (Women and Employment, 2006, p. 44)**

For those women who were able to become self employed the wages they earned did not meet a subsistence living wage. In the regions where women’s self-employment was highest, private family farms played a role in providing women self employment opportunities (UNICEF 1999, p. 31). Since these opportunities arose from small family farms, there were no opportunities of large profit gains, thus most women who were self employed had the lowest wages in the market.

\(^4\) This graph shows figures for 2003, over 10 years since the start of the transition. Showing that little improvements had been made in terms of closing the gender gaps in self employment as the transition progressed.
Tamar Khitarishvili’s research on inequality in Central Asia and Western Commonwealth of Independent States (CIS) highlights the inequality between men and women in starting entrepreneurship. She found that on average in these former Soviet Union countries 18.22 percent of firms in these countries had female top managers (Khitarishvili, 2016, p. 16). Women faced the constraint of lacking training and inability to obtain credit, which was needed in order to enter the field of entrepreneurship; their male peers did not face these issues. Given the jobs which women held during the pre-transition labor market were unskilled or semi-skilled and low-status jobs, women never received business training during this employment. The gendered gap in human capital investments in business training contributes to the low number of female entrepreneurs (Khitarishvili, 2016, p. 17), leaving women’s occupation opportunities dependent on the success of large scale state-owned enterprises to transition to the private sector.

*Worker-Mother Policies in Transition*

Women’s options to participate in the limited paid work available during the transitions were minimized by the restructuring of worker-mother policies. During the transition period, countries spent less and less of their GDP on direct universal family benefits: the Czech Republic spent 0.8 percent of GDP on family allowances, half what it had spent before transition; Bulgaria spent 0.6 percent of GDP on allowances in 1997, compared to 2.2 percent in 1991 (UNICEF, 1999, p. 50). The transition into a capitalist economic model led to privatizing and decentralizing

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5 While her research specifically focuses on Central Asia and Western CIS (countries such as Armenia, Azerbaijan, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Tajikistan), her findings regarding women’s human capital investments under Communism can be applied to the larger experiences of women during the transition.
many of the public services that women workers relied upon. The move away from “worker-mother” state policies made trying to even balance the double burden of paid labor and family labor more difficult. The full support women previously had with the right to return, paid leave, flexible time, and provided childcare were now burdens to the new privatized market.

Welfare benefits and services were expected to be distributed through the workplace; this responsibility shifted from the public sector to the emerging private sector. Women, especially mothers, were viewed as costly employees due to the welfare programs they relied on. “As the state begins to shift the economic burden of social entitlements to private industry, women, as potential mothers, become expensive to employ” (Lafont, 2001, p. 209). Private sector firms began to recruit only younger women in order to avoid having to pay social costs of maternity leave and childcare for their working mothers (Metcalfe, 2005, p. 404). Private companies did not want to provide the same benefits that once were provided by the state, many of which directly supported working mothers.

Under the new economic system social benefits did not disappear fully, rather there was a restructuring of how benefits were received. Benefits programs that were to continue to be publicly provided were to be done so by the local government rather than the central government. These local governments didn’t have the budget to keep up these public programs in the same way the state government was able to (Laporte & Schweitzer, 1994, 281) or just simply cut the programs. Any programs which did survive were only offered to those facing the highest poverty levels (Pollert, 2003, p. 337). A means-testing system was established; the system required that recipients of welfare benefits “demonstrate need” for the benefit services based on
the pre-set determinants. Creating a welfare system that limits who is able to receive benefits, risks that only a proportion of those who need these benefits will end up receiving them (UNICEF, 1999, p. 50). A means-testing systems rely on income reporting to determine if applicants fall into the category of receiving public benefits, however during the transitional period income reporting was largely absent (Gregory and Stuart, 1998, p. 114). Those who needed these benefits, ”qualified” or not, were now at risk of not receiving benefits. This loss of family social benefits became especially burdensome for families in poverty who were not able to qualify for the means-based benefits. The significant changes in the family benefits that were once received after the transition affected certain women more than others. Dismantling worker-mother policies took away the support system that allowed mothers to remain both in the workforce and in the domestic sphere.

Publicly provided child care allowed women to physically be away from their children and focus on work, while the children were well looked after. Publicly provided childcare centers supported mothers in balancing paid work and household labor. The privatization of childcare would potentially lead households to allocate a percentage of their income to cover these costs. The cost of privatized child care was not affordable for most families, increasing the amount of time mothers would be needed to provide work in the household. As expressed previously, women’s participation in the labor force was positively affected by these public childcare options, as it relieves some of the double-burden duty they were placed with (Sipos, 1994, p. 247). Women without the support system of public childcare are more likely to have to leave the job market for a longer period of time in order to care for their children.
Employment Trade-Offs

A woman’s decision to participate in the labor force is largely determined by two factors; the wages she will receive and the effect that leaving the domestic sphere has on the others around her (Winkler 2016 as cited in Worldbank, 2018, p. 13). Under the market economy mothers had new trade-offs to consider, whether or not it was cost-effective for them to try and enter paid labor or devote their time fully to domestic and childcare work (Bovino and Gold, 2017, p. 4).

Under Communism, women were facing a total workload (paid and unpaid labor) of 70 hours per week, which was 15 more hours of work than women did in Western Europe (UNICEF 1999, as cited in Pollert, 2003, p. 332). The burden placed upon women caused an attitude shift to believing in emancipation through traditional gender roles. The resurgence of “traditional” views on the domestic roles of women was a form of resistance against the idea that the paid work women participated in was “liberation,” given the reality of the double burden they were facing (Musilová 1999, as cited in Pollert, 2003, p. 345).

Women expected liberation with the transition; the transition an opportunity to choose to stay or leave the labor force inline with their personal preferences. The transition was viewed as an opportunity for women to reduce time spent in the labor market and increase their time spent in the domestic sphere. Most women had a desire to remain attached to the labor force, but have the opportunity to switch from full-time to part-time when domestic duties became burdensome (UNICEF, 1999, p. 44). However, women lost their jobs in the transition and the dismantling of
worker-mother policies affected the ability to balance paid and unpaid work. Women may have had the choice to stay in or leave the labor market under the new transition economy, however the lack of worker-mother policies forced women out of the labor force without real choice. Women, especially mothers, had a lower share of the labor force and economic activity during the transition period (as shown in figure 2 and 3). The labor force participation for women decreased with the removal of worker-mother policies.

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*Data for 1990 refer to 1993 (Bulgaria), 1992 (Poland), 1991 (Slovenia, Czech Republic, Croatia), or 1989 (Lithuania, Moldova, Latvia, Russian Federation, Ukraine). **Data for 1995 refer to 1997 (Lithuania), or 1996 (Latvia). ***Data from 2000 refer to 1999 (Belarus). Source: UNECE Gender Statistics Database

Figure 2 Share of Women and Men in the Labor Force (Women and Employment, 2006, p. 25)
Figure 3 Economic Activity Rates for Women and Men (Women and Employment, 2006, p. 23)

Low Female Labor Force Participation Rates

Through labor force surveys conducted in Poland during the 1990s, the data collected showed that married women remained unemployed for longer periods of time compared to their male counterparts and unmarried female counterparts (UNICEF, 1999, p. 29). Married men were two times more likely to find work than their married female counterparts. The assumption was that married women represented the proportion of the population that were mothers. The
women’s responsibility as mothers and home caretakers affected their time spent job hunting and limited their options for employment (UNICEF, 1999, p. 29). In addition to unemployment, women were exiting the labor force at higher rates than men. Lauerová and Terrell (2007) found that women in Poland had a 2.4% higher rate of outflows from unemployment to outside the labor force. The shift from unemployment to out of the labor force meant that these women were no longer actively seeking employment opportunities and thus considered out of the labor force completely. These Polish women were experiencing a discouraged worker effect⁶, causing them to fully drop out of the labor force. The privatization of child care along with the discouraged worker effect had women shifting roles from paid labor to unpaid domestic work. Without worker-mother policies women, especially mothers, were no longer explicitly supported to enter the workforce and stay there.

**Chapter Conclusion**

The stark difference between the support systems provided for women offered by the centrally planned economy and the free market contributed to the difference in employment participation rates by women under each of these systems. Women lost the benefit support that the centrally-planned system provided them for participating in the workforce. There was a limited safety net set into motion with the new economic system during the transition which no longer promoted women’s participation in the workforce. The centrally planned economy of the Soviet Union established social benefits such as paid leave, occupation guarantee, and public

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⁶ The discouraged worker effect is when unemployed workers find it almost impossible to find jobs and simply give up their job search and drop fully out of the labor market (Borjas, 2008, p. 76).
childcare that allowed women to participate in the labor force while also being mothers. The changes in the demographic structure during the Communist era post World War II further incentivized the government to encourage women’s participation in the labor force to reach full employment.

Restructuring of social benefits systems left most women without the support that allowed them to reduce the double burden of domestic and paid labor. The expectation of distribution of welfare benefits shifted from the universally provided model under Communism to the responsibility of the private sector. The shift away from a universal program to a means-based benefits system meant that only certain mothers and families would be able to receive these benefits. The expectation that benefits would be received through the workplace was meaningless when unemployment was high (especially for mothers). Women relied on worker-mother policies when balancing the double burden of paid labor and household and childcare work. Shifting social attitudes and lack of available job opportunities left women out of the labor market with few opportunities to re-enter.

The goal of transitioning the large state-owned enterprises as they were, proved too great of a task for the agencies put in charge of the transition process. The failure of state-owned enterprises privatization resulted in high unemployment during the transition period. While unemployment was high for the general population, for women (due to the nature of their labor distribution) the shocks of privatization affected their labor participation more. The employment sectors that were highly feminized depended on the structures of remaining as large state-owned enterprises. Occupations such as teaching, childcare, and healthcare were harder for individuals
to leave the dying state-owned enterprises and start their own small scale businesses based on these occupations. The lower status jobs that women traditionally held were not equipped in the same way like heavy industry and construction, which contributed to the unemployment of women. Married women remained out of the labor force longer than their male peers (both married and unmarried), causing a discouraged worker effect on married women. Women kept out of the workforce held back the economy, as the human capital resources these women had were going unused as long as they were out of the workforce.

The resulting loss of women’s participation in the labor market stifles the full extent of economic success of a country. Supporting women, who make up a higher population percentage in the former Soviet bloc (Gao 2015), will be how post transition economies will find growth in both the market and society’s well being.
Chapter Two: The Impact of Low Female Labor Force Participation on Economic Growth

Women were an underutilized labor resource in post transition economies. From 1990 to 2004 women’s labor force participation compared to their male counterparts was significantly lower. The removal of worker-mother policies, occupational crowding, and gender biases produced a visible gender gap in employment.

Worker-mother policies were first introduced in order to encourage women to enter the workforce to offset the low supply of male workers after World War II and improve and increase the output levels. The erasure of these policies and the rise in discrimination kept women out of the labor force. This resulted in a loss of potential economic growth. For the most efficient use of labor resources, women must be utilized in the labor force at a much higher percentage than they were. The low labor force participation for women in Hungary and Poland meant that over $\frac{1}{4}$ of the population was not working, and this population was women.

The occupational sectors that women participate the most in are sectors that benefit society as a whole: such as education, health and social service (Winkler, 2016, p. 2). The low rates of employment and lack of public social security programs created a decrease in societal well being during the transition period. This begs the question, are the worker-mother policies that were lost in the transition worth reinstating under the new market economy? In this chapter,
I analyze how women’s low labor force participation rates -- as a result of no worker-mother policies -- contributed to the lost economic growth and a decrease in social wellbeing.

**Economic Consequences of Unemployment**

Before addressing the societal consequences of high unemployment, understanding the economic consequences that contributed to low societal well-being is vital. The high unemployment rates during the transition period led to a significant increase in the percentage of the population living in poverty (as illustrated below in Figure 4). The universal family benefits that once promoted female employment, additionally worked to reduce poverty and unemployment traps during the command system (Sipos, 1994, p. 245). The gender inequality of unemployment rates during the transition and additional policy restructuring generated greater relative poverty in post transition states (Flemming and Micklewright 1999, as cited in Pollert, 2003, p. 337). A cycle of poverty arose from this, keeping the large scale economic growth unsuccessful. The reintroduction of supportive social policy (specifically aimed to get mothers back in the workforce) would reduce poverty and unemployment traps and better a country’s GDP. High post-transition poverty levels that were sustained, resulted in the emergence of poverty cycles. This emergence proved how the support of mothers directly impacts an economy’s success and future growth.
Low Female Labor Force Participation Consequences on Economic Growth

In the 20th century economists and policymakers agree upon the importance that inclusion plays in the role of economic growth for developing countries (Badgett et al., 2019, p. 1). Women made up over 50% of the population in transition countries; when discrimination keeps women out of the labor market there is a loss in the potential talent pool, causing a reduction in the average ability of the workforce (Esteve-Volart as cited in Klasen and Lamanna, 2009, p. 94). The work of economists such as Badgett (2020), Klasen and Lamanna (2009), and Esteve-Volart (2004) prove how countries lose a potential percentage of GDP gains when specific demographics are kept out of the labor force.
Lee Badgett in her work on discrimination\textsuperscript{7} states how a country’s GDP loses a potential percentage of gains due to discrimination that keeps specific groups (in this case women) out of the labor force (Badgett, The Business Case for LGBTQI Inclusion, 2020). Badgett points to the use of discriminatory actions limits the utilization of existing human capital in the labor market. The underutilization of available human capital resources causes economies to operate below the full potential of production (Badgett et al., 2019, p. 2). This exclusion was seen in post-Communist countries due to the absence of worker-mother policies. The emerging market economies saw lower economic growth as a result of women being outside the labor market and their human capital resources going to waste.

Esteve-Volart conducted similar research with her 2004 study on gender discrimination and growth. Esteve-Volart theorizes how gender gaps in the labor market leads to lower economic growth and lower per capita GDP. Her study is focused on how discrimination against women in developing countries (specifically India) has a negative impact on economic growth. She theorizes that three factors contribute to the role of allocation of talent determining economic growth. If women are not included in the following factors of growth, then full growth potential cannot be achieved.

The first factor she discusses is how the average talent of managers directly affect the innovation process depending on if their ideas are either good or bad (Esteve-Volart, 2004, p. 22). Under the new market economy of Central and Eastern Europe self employment became a

\textsuperscript{7} Badgett’s work specifically relates to anti-LGBTQ policy, but the theory applies to all discrimination against marginalized groups, including but not limited to women.
viable option of employment. Self employment opportunities and promotions to managerial positions were virtually nonexistent for women during the transition period.

Her second assumption (based on Acemoglu et al., 2002) is the positive relationship between economic growth and the average productivity of all workers, not just managers (Esteve-Volart, 2004, p. 22). The more productive workers are, the more able they are to follow instructions and to adapt to innovation. The average productivity of all workers decreases when discrimination occurs, as workers with productive capacities are kept out from the labor market. In the absence of women in the labor force there is a decrease in the talent pool available for firms to choose from. This limitation impacts the average productivity of workers. The reduction of women in the labor market during the transition period indicates that the average productivity rate of workers in the labor force is below the full potential.

The last assumption is the positive effect that education has on economic growth, even when those who are educated are outside the labor market. More education reduces the health risks of a community; the healthier a community the greater the economic growth they will experience (Esteve-Volart, 2004, p. 22). Education gaps appear when unemployment persists, specifically higher unemployment rates for women lead to educational gaps for girls compared to boys. For transition countries, this factor of economic growth (when underutilized) will contribute to future economic growth loss.

In testing these factors and their impact on economic growth, Esteve-Volart runs a model to test what labor markets lose when they discriminate completely against women entering the
market. She proposes that total discrimination against women entering the labor force implies lower economic growth and lower per capita GDP. She defends her hypothesis,

As some individuals (half the population—all females in the economy) who were previously working outside the home and hence investing in some positive level of education in the existence of discrimination optimally decide not to get any education… (the) population is the same as without discrimination while women who were managers or workers without discrimination have to engage in home production. (Esteve-Volart, 2004, p. 35).

Women who shift solely into the domestic sphere, but had previous human capital investment (schooling, job experience, etc.) are less productive in the domestic sphere than in the labor market. Women under the command economy, such as Hungarian and Polish women, obtained education and prior work experience. During the transition women found themselves relocated out of the labor force and solely into the domestic sphere. The human capital resources women achieved under the command system go unused when these women are kept outside the labor market, and full potential of GDP is lost (Esteve-Volart, 2004, p. 31). Women who have an education and prior work experience, provide resources for firms, making them valuable employees. When these women are not incentivized to join the workforce, their valuable resources go unused, holding firms back from their production possibilities and economic growth.

It is this wasted use of human capital that can be formulated to show losses financially. The loss in human capital wealth from gender inequality is measured by;

\[(hc_m-hc_w) \times POP_w\]
Hc_m denoting a country’s human capital wealth from men, hc_w denoting the human capital wealth of women, and POP_w denoting the working-age population of women in a country (Wodon et. al. 2018 as cited in Worldbank, 2018, p. 5). If the human capital wealth earned by men is larger than that of women, then there will be an amount of wealth lost. That amount of wealth is then multiplied by the amount of working-age women in that population. In the case of transition countries, there were more women than men. The amount of wealth lost would be quite high, as the human capital of women was being wasted outside the labor market.

Developing Economies

For the former command economies, the goal was to enter the global market and be able to have a competitive advantage; this means that all available resources must be used. These emerging market economies wanted to successfully participate in the international market, and find economic success both domestically and abroad. If a competitive export industry is to not only emerge but also grow, women need to be actively utilized as a labor resource to increase productivity (World Bank 2001; Busse and Spielmann 2006, as cited in Klasen and Lamanna, 2009, p. 94). When firms discriminate against a large group, in this case half the population, firms will fail to improve to a position as profit-takers as they prioritize discriminatory practices (Bergmann, 1974, p. 110). Because discrimination against women causes firms to underutilize the available resource of labor, firms work inefficiently in producing products and are not maximizing profits. Additionally, given the lower wage position of women, women’s participation in the labor market has a potential positive impact on production. The higher
production at a lower wage cost that comes from a higher female labor force participation rate, allows net exports to increase at a competitive lower cost (Badru, 2020, p. 9). Countries who keep women out of their labor markets lose out on the labor services that women supply at more competitive wages (Klasen, 2000, p. 8). Developing countries that are able fully utilize women as labor resources will experience a higher level of international competitiveness.

*Innovation*

There are social hesitations when it comes to integrating innovative fields. The feelings of discomfort, lack of trust, and less cohesion are some stigmas that keep people from working together in diverse groups (Phillips, 2014). Even contemporary work on innovation has highlighted how innovation has been expressed in masculine terms, keeping women out of the picture when it comes to innovation (Belghiti-Mahut et al., 2016, 163). For innovation to occur successfully, workers must enter the labor force with human capital investments that will contribute to the success of where they work. The unique experiences and human capital investments that only women hold, are viable assets to firms if they hope to bridge new innovation. Diversity enables firms to be more creative; leading to better decision making and problem solving (Phillips, 2014). When people are brought together they each provide different approaches, opinions, and perspectives. Women bring new perspectives and skills to their workplace when they participate in the labor force, generating innovation in the sector they work (Lagarde & Ostry, 2018). Initially differences will appear when working in a diverse group, the result from this pays off in the long-run.
Damage of Cutting Social Policy

Employment encourages economic growth, and each contributes to maintaining the wellbeing of society. As discussed previously, there was high unemployment for both men and women following the transition; this was considered necessary when transitioning from a command economy to a market economy. This high unemployment had grave societal consequences. As unemployment grew and universal family benefits disappeared, poverty levels began to rise. Mothers no longer had access to universal benefits and had to rely upon social assistance entitlements; the loss of universal benefits was especially burdensome on impoverished families in terms of financial and social well-being.

Health Risks of Unemployment

Studies on the effects of unemployment have shown that as high unemployment is sustained in a community, those who are unemployed are more likely to suffer from symptoms of distress, depression, anxiety, psychosomatic symptoms, subjective well-being, and self-esteem (Paul and Moser 2009, as cited in Tcherneva, 2017, p. 10). Men and women both saw a rise in health care issues during the transition period; women experienced sickness and poor health while rates of premature death were higher among men (UNICEF, 1999, p. 59).

The problems associated with unemployment affected women and children in both direct and indirect ways. Women faced their own direct burdens from losing their jobs, but additionally suffered when male family figures lost their jobs as well. During the transition period, rates of
alcoholism, drug use, and early male mortality rose, connected to the effects of sustained unemployment.

The rise of health risks associated with unemployment were worsened by the depleted health sector. The amount of health care services available were reduced during the transition. Those who were once occupied were now unemployed, and those who required healthcare services had limited options. The newly privatized market of health care in conjunction with low employment meant that receiving healthcare was costly. The inability to access adequate health care intensified poor health conditions in communities. Poor mental and physical health reduces the motivation to reenter the labor force, creating a large scale discouraged worker effect.

Women being pushed out of the labor force led to households experiencing an income loss from two wage earners to one. Families felt the effects of losing this second income, but with the lack of universal benefits, they had few options. In conjunction with female income loss, a high male mortality rate contributed further to household income difficulties. The rising rate of early mortality for males during this period would leave women spouseless or fatherless, and an additional loss of income was brought upon families. The loss of male family members negatively impacted the emotional well-being of the community and increased financial concerns for households. The loss of one or both incomes steadily led to rising rates of families living in poverty during the transition period (Flemming and Micklewright 1999, as cited in Pollert, 2003, p. 337).

The rise in domestic abuse faced by women saw a direct correlation with the rise of alcoholism and stress in the unemployed male population (UNICEF, 1999, p. 70). Women who
were out of the workforce lost their economic autonomy that came with having their own wages. These women became dependent on their husbands, creating a power differential that kept women from being able to leave potentially dangerous situations. Women were physically restrained to the household, without paid labor opportunities. The lack of employment opportunities for women and social security systems made it difficult for women to leave dangerous situations without income and care help. The effects of unemployment are not contained directly to those experiencing unemployment; unemployment affects families at large.

The Next Generation

Worker-mother’s social policies promoted the future, supporting children to develop cognitive and social skills at a younger age through public childcare. Children’s access to education, healthcare, and childcare affects the economic development of a country. Studies in the United States have found that in states where high school and college attainment rates are high, those states have a stronger economy compared to other states (Berger and Fisher, 2013, p. 9). The wellbeing of a country is dependent on how the next generation is raised; citizens who are highly educated and motivated will contribute to a positive overall welfare of a country and result in larger economic growth. The high levels of poverty that occurred during the transition period reveal how significant social policies are to the current and future economic success of a country.
Direct Contributions of Working Mothers

Mothers, when they participate in paid labor, are more likely than fathers to directly invest their wages into their children regardless of their gender (Bovino and Gold, 2017, p. 4). For the next generation of women, fathers are far less likely to invest in their daughters compared to their sons (Winkler, 2016, p. 2). If women are not earning their own income, then there is less motivation to invest in the next generation (especially girls). This lack of human capital investments in daughters, when only their fathers are wage earners, discourage these women from entering the workforce. This generational poverty and lack of wage earning will continue so long as their mothers are not able to directly provide financial resources for their daughters.

Childcare Centers

Government provided child care systems contribute to investing in female labor force participation and promote investments for the future by providing children with education and well-being (Pignatti, 2016, p. 2). These childcare centers positively affected women’s participation in the workforce. The result of unemployment and high costs of privatized childcare led to a sharp reduction of enrollment rates in nursery schools during the transition period (as seen below in figure 5). Countries that once had these well-developed childcare systems with high attendance rates saw a decline in enrollment (Laporte & Schweitzer, 1994, 281). Childcare not only positively impacts mothers, but additionally positively impacts the children who attend these facilities. Preschools offer children education and social skills, which will serve them later
in life (UNICEF, 1999, p. 54). It is this preschool attendance that provides child development, setting them up for further education success and human capital investments as they grow older (Laporte and Schweitzer, 1994, p. 281).

![Figure 5 Nursery School Enrolment Rates (UNICEF, 1999, p. 55)](image)

**Low Fertility**

The transition brought about low rates of fertility for all transition countries, as shown in figure 6. Prior to the transition low fertility rates had been an issue in the Communist countries of Central Europe. For some countries fertility rate was below the replacement rate, creating a sense of urgency to prompt women to have children. Lower fertility rates are associated with higher education and employment for developing countries. For women during the transition, even though their fertility rates were low, they were not employed. These lower fertility rates rather evoked the conservative and traditional political movements that were emerging in the wake of
the transition. Pro-natalist policies and the advocacy of conventional family models\(^8\) aligned with nationalist movements, all in hopes to increase fertility rates (UNICEF, 1999, p. 46). The low fertility rates in post transition countries raised nationalist concerns for the future of these countries. Fertility rates needed to increase to ensure that there would be future members of society in these countries, and the next generation of workers would contribute to economic success. The issues of equality among the next generation, if not addressed, would still hold countries back from the full potential of their economic performance.

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<td><strong>Crude marriage rate</strong> (per 1,000 population)</td>
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<td>Caucasus</td>
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<td>Central Asia</td>
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Source: MONEE project database.

Note: Rates are unweighted national averages. Marriage and divorce rates calculated using the 15-59 population show larger variations across regions due to different population structures, but the levels of change over the period are similar. Former Yugoslavia excludes Bosnia-Herzegovina. Southeastern Europe excludes Albania. End year is 1995 for Central Asia. Starting year is 1991 for former Yugoslavia. See Glossary for the definition of total fertility rate.

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\(^8\) These traditional family models resembled a breadwinner model, males were the wage earners of the families, while women were to stay solely in the domestic sphere and care for children.
Children are the future, the more that is invested in them at a young age the more return society will see, in economic growth as well as societal well being. Economist Nancy Folbre refers to children as a public good as a way to show how investing in children benefits everyone in the long run,

“Children are also public goods in the larger sense of representing a stock of human capital—a set of capabilities for future innovation, work, and care” (Folbre, The Caring Economy: Well-Being and the Invisible Heart, 2017).

Folbre regards children as a public good because all of society benefits from investing in the next generation. She also emphasizes that just because children are public goods it does not mean that adults are not also public goods. Rather, investing in the care, education, and health of children has greater impacts on the future. Referring back to Esteve-Volart’s study (2004), her third assumption on factors of economic growth is applicable here. The more educational investments made in the next generation, future generations will be healthier and observe a greater economic growth.

In their model on gender inequality in education and the relationship to economic growth, Klasen and Lamanna (2009) analyze the effects of education both indirectly and directly related to economic growth. Their findings suggest that when there are gendered differences with initial education there is an indirect impact on economic growth, (seen through lower human capital investment, higher population growth, and low labor force growth for women). Direct impact on economic growth arises from gender gaps in continued education (Klasen and Lamanna, 2009, p. 108). Not equally investing (through education) in the next generation will cause, on a macro
level, a reduction in economic growth and, on a micro level, exacerbate generational poverty. Children who grow up in poverty and do not obtain a strong education have less likelihood of moving out of poverty later in their lives. Lack of human capital investments leads to a higher rate of unemployment, as they are viewed as undesirable workers. Education (and the level of that education) contributes to the work opportunities one will have when entering the labor market.

Generational Unemployment

Unemployment is not contained only to parents; when young adults cannot find employment societal well being suffers. Similar to their parents, young adults who are unemployed have lower motivation the longer they stay out of the labor force, contributing to sustained generational poverty. There is less motivation for someone to exit poverty when they grow up around poverty and have not received investments (such as education and job experience) that would allow them to leave their economic situation. Young adults who grow up impoverished are less likely to find paid work than their peers who did not grow up in poverty. Studies have found a connection between a rise in violent and nonviolent right-wing extremist crime with young adults who are unemployed (Falk and Zweimüller 2005, as cited in Tcherneva, 2017, p. 11). Increased rates of violence, associated with unemployment, produces unsafe environments endangering all those who live in that community. Another hazard arising from poverty and generational unemployment is participation in dangerous informal employment opportunities. When parents lack an income source or young adults themselves cannot find
formal employment opportunities, alternative hazardous opportunities may be taken. The drug usage that rises with unemployment, creates the informal jobs associated with making and selling drugs. These jobs are physically dangerous, but have harsh legal consequences. If someone is caught participating in these illegal activities, the chances of entering the formal employment sector shrink and the chances of staying in poverty increase. In extreme cases, human trafficking and forced child labor has been connected when poverty levels and unemployment are high (Tcherneva, 2017, p. 12). Blocking poverty cycles from occurring prevents the societal concerns that occur from sustained levels of high unemployment. Reducing childhood poverty and increasing human capital investment at a young age reduces the extreme harmful effects of poverty (such as drug use, human traffic, child labor, and premature mortality).

Societal well being increases when the next generation is well supported with public programs such as childcare and education. Women and their contributions to paid labor (through care work and other work) contribute to economic growth and societal wellbeing. For the next generation of children, jobs in care work are fundamental for supporting the subsequent generation. Eradicating unemployment (especially for mothers) and simultaneously establishing public childcare programs ensures that the next generation of citizens are on the path to success.

**Chapter Conclusion**

So long as the current working-age population and the future generation are supported by employment opportunities and social security, social wellbeing rises and economic growth occurs. The rigid nature of the command economy provided the ability to make full use of a
country's population as a labor resource, regardless of gender. The transition to a market economy required the restructuring of employment and benefits; these aspects to move out of the responsibility of the public sector and to the private sector. The expectation was that the period of unemployment would be short, as the private sector would absorb back these workers and continue to grow in the new market economy. The reality of the transition did not reflect this.

The resulting loss of women’s participation in the labor market stifled the full extent of economic success for transition countries. Exclusion of population groups results in markets operating beneath their full potential. Women must be regarded as the valuable labor resource they are. Women bring human capital resources and largely occupy jobs that promote social well being. Women under the command system received education and had human capital investments that made them valuable labor resources. The worker-mother policies of the command system enabled women to balance paid and unpaid work, resulting in population and economic growth. Without these policies women’s valuable resources were pushed outside the labor market and went to waste.

Family benefits support workers and families, the availability of stronger family benefits allows parents more choice in family planning and labor force participation. When the “mother-worker” benefit structure was dismantled a cycle of poverty was created, affecting not just women workers directly, but also the prosperity of future generations. Women’s high employment reduces household poverty and sets the next generation up for success.

Employment opportunities for women contribute directly to solving care related issues.
Dismantling the “mother-worker” benefit structure of the socialist order created a cycle of poverty, affecting not just women workers directly, but also the prosperity of future generations.

The low employment percentage had negative social impacts on the whole of society, but directly and indirectly affected the female population most severely. With higher rates of unemployment, mental and physical health are seen to deteriorate in communities. When social wellbeing is low, the motivation to innovate and work towards larger economic growth is diminished. A cycle emerges of the current working age population remaining in poverty and their children never feeling motivated to leave. The cuts to social welfare programs and care oriented careers obstructs the chance of resolving the roots of poverty.

Programs and jobs which support the next generation generate economic growth in both the long and short run. The lack of societal benefit programs and sustained unemployment created a poverty cycle from one generation to another. A new generation that had low education rates and lived in poverty, impacts the future growth potential of the economy at large. The absence of the benefits that worker-mother policies provided, both in promoting women’s employment and in childcare investments, resulted in transition economies performing under the full potential. Societal well-being suffered during this period, and transition countries had issues asserting themselves competitively in the larger global economy.
Chapter Three: Female Labor Force Participation: Hungary and Poland

In terms of establishing an industrialised market economy, Poland and Hungary were regarded the most successful former Communist countries. Their previous free-market experience, geopolitical position, and a sense of strong national identity greatly contributed to the success of the transition process, more so than other formerly socialist countries. Poland and Hungary are unique examples of transitioning Communist countries as they practiced a less rigid form of a planned model and began their transition process earlier than other countries. However, to call the economic transition of these countries successful would be inaccurate. Employment rates and non-market indicators such as poor living conditions illustrate a different, more grim reality for the average citizen.

The transition reforms did not prioritize the allocation of labor resources, and cut spending on social security programs. This resulted in low employment rates across Hungary and Poland and a decrease in living standards. The poor allocation of labor, specifically of female labor, resulted in Poland and Hungary underperforming economically. As discussed previously, cutting funding and limiting access to worker-mother policies further reduces women’s employment opportunities. The erosion of public service programs, like worker-mother policies, went so far that western European countries with no prior Communist experience had stronger social security programs (Bohle and Greskovits, 2001, p. 18). Women were the first to be let go from their jobs during the transition period and their benefits were the first to be cut. Today these effects are still seen in both Hungary and Poland, where there is a significant gender gap between
the employment of men and women. That is why the “achievements” of Poland and Hungary in establishing industrialised market economies are misleading and are overestimated.

**Poland and Hungary’s Communist Context**

*Pre-Command Economy Climate in Hungary and Poland*

Before World War II, Poland and Hungary operated as free-market economies. Poland’s economy was largely dependent on the agricultural sector, with additional industries such as manufacturing and mining contributing as well (Poland - Economy, n.d.). Due to the land redistribution reform after World War I, Hungary’s economy fell behind in comparison to the rest of Western Europe. It was only during World War II, under the Nazi rule, that Hungary participated in market activities and began exporting products (On the Industrial, n.d.).

*Post World War II Communist Countries: Poland and Hungary*

Unlike other Communist countries, which had been reformed before World War I, Poland and Hungary were transformed into Communist states after World War II. Communism was regarded in a favorable light after the destruction of World War II and Nazi rule. Poland and Hungary had a successful framework to follow, given that the U.S.S.R. had operated as a command economy for over a decade before the former countries were established as command economies.

After World War II, Communism was relatively popular within Poland, as it was associated with fighting the Nazis, as well as the Soviet land reforms that gave land to peasants
Land reforms provided low-income citizens with the opportunity to participate in the production process as they now had access to the resources necessary. The Polska Zjednoczona Partia Robotnicza, or the Communist Polish United Workers’ Party, won the first parliamentary election, held in 1947. The Communist Party continued its rise in power, eventually gaining a monopoly of power in the Polish People’s Republic (Polish Academic Information Center, University at Buffalo, 2000). In 1952, the new Communist constitution was established, officially renaming the Republic of Poland “The Polish People’s Republic” and establishing Poland as a Soviet Satellite State.

Communism had a turbulent path to success in Hungary during the late 1940s. The Magyar Kommunista Párt, or the Hungarian Communist Party, first gained a political majority via the 1945 election. Similarly to Poland, land reform bills were introduced that redistributed land from large estate owners to peasants and provided low-income citizens with new opportunities (Hungary Timeline, n.d.). In follow-up elections that same year the party lost its majority, but regained the political majority in 1947. This second success of the Communist party was sustained, and in 1948 Hungary was officially declared a Socialist Workers Republic (Soviet Rule, n.d.). In 1949, Hungary joined the Council for Mutual Economic Assistance⁹, a Soviet economic organization (U.S. Department of State, n.d.). Between 1948 and 1953, a reorganization of the Hungarian economy took place, creating a command economy model that reflected that of the U.S.S.R.

⁹ Also referred to as Comecon.
The political apparatus of Communism was shaky in Hungary, with social unrest building around the strict nature of Communism. In 1956 a national uprising began, demanding the withdrawal of Soviet troops. The Hungarian Revolution of 1956 lasted for a month, and resulted in over a thousand casualties. In the end, the Soviets gained control and Communism was left intact. János Kádár became the head of the government. It is under Kádár that economic reforms begin to take place, reducing the strict nature of the Soviet command economy. Communism remained in Hungary until 1989.

**Transition Path for Hungary and Poland**

*The Privatization Process: Poland*

In Poland, the privatization process was regulated by the Office of Ownership Transformation, later known as the Ministry of Ownership Transformation, created by the newly-established Solidarity government (Watkins, n.d.). The Minister of Finance Leszek Balcerowicz, with the help of the American economist Jefferey Sachs, created and implemented the transition plan, now referred to as the Balcerowicz Plan. This plan followed “shock therapy” instead of gradual policy implementation. The central bank was no longer allowed to finance the state budget, so subsidies to enterprises were eliminated, and privatization of small firms was initiated (The Evolution, 2020). The disturbances of these drastic reforms, along with the speed at which they were implemented, caused many industrial plants to be on the verge of bankruptcy almost overnight, resulting in worsening unemployment rates and wage declines (The Evolution, 2020).
Through the Privatization Act of 1990, Poland was expected to take the path of privatization referred to as *corporatization, capitalization, or commercialization*. This process converted state enterprises into state-owned corporations. Because the states now owned these corporations they were able to sell all or part of their ownership of firms. Poland took two main methods in their privatization process; “capital privatization” and “privatization through liquidation.” The capital privatization process required that workers give up the control of the firm but were granted 20% of the shares of the firm under new ownership (Aghion and Blanchard, 1994, p. 288). Only 100 out of the 8,000 state firms were sold after the first five years using this method, nevertheless it seems important to mention. The privatization through liquidation process was more widely used, with 850 firms using this method of privatization. This method is traditionally preferred by workers, as it allows workers and management to buy their firms. Overall these two methods, combined with sale of insolvent firms, only accounted for the sale of 2,000 firms, or 25% of state firms, by the end of 1993.

The failures of the Balcerowicz Plan and the lack of state owned firms resulted in labor allocation failure and increased social unrest. The social benefit programs that could be used to alleviate issues of high unemployment faced large funding cuts due to reforms. Social benefit programs were viewed in a negative light as they were associated with Communism. The president of Poland during the transition, Lech Walesa, repeatedly stated how Poles must change their mind frame of being dependent on social welfare systems as it made the nation passive, lethargic, and suffer from helplessness (Butler, 1995, p. 2). The population that was largely dependent on the success of privatizing these large-scale firms were women, who were further
pushed out of the labor force with no hope of returning. Johnson and Loveman (1995) found that the only new private businesses (often smaller scale) were able to create new jobs and establish themselves under the new market. However, as discussed in Chapter 1, Polish women forming private small businesses was not a viable option.

*The Privatization Process: Hungary*

During the final years of the command economy, Hungary began implementing laws preparing a framework that would make the country successful in undertaking privatization (Gray and Karp, 1994, p. 5). Unlike Poland’s “shock therapy” approach, Hungary preferred a gradualist approach. Even during the Communist regime, the form of Communism practiced in Hungary was less rigid and had market elements. This practice became known as Goulash Communism\(^\text{10}\). In 1981, almost a decade before the official transition from Communism, economic reform was passed legalizing the existence of small private firms. This allowed people to gain employment outside of the large state-owned enterprises, making Hungary the most market-like Communist market in Eastern and Central Europe (Hare et. al., 1992, p. 233).

The branches of government that oversaw the transition process in both Poland and Hungary focused largely on austerity measures and liberalization of trade and banking. In 1990 Állami Vagyonügynökség, also known as the State Property Agency was established to administer the privatization process and oversee the sale of state enterprises. The State Property

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\(^\text{10}\) This is a reference to the dish goulash that originated from Hungary; goulash is a dish mixed with many ingredients and Goulash Communism operated as a mixture of command market and free market elements.
Agency established formal and informal privatization programs to integrate state enterprises into the private sector. The formal private sector programs established by the State Property Agency failed within the first three years of being established, with about only 18% of state-owned enterprises privatizing (Gray and Karp, 1994, p. 7). The failures in state-owned enterprises privatizing resulted in the hardships of Polish and Hungarian citizens, with low employment rates and a reduction in living standards.

Before privatization, living standards were increasing in Hungary, however, the failures of privatization reversed this. Ordinary people do not care about the fine workings of debt burdens, what they care about is employment and access to consumption (Hare et. al., 1992, p. 230). The failure to focus on labor resources and living standards is what contributed to the low economic performance of Hungary in the post-transition period.

Factors for Assumed Success

As the fall of Communism spread throughout Europe, Poland and Hungary were expected to have a smoother transition to a free-market economy than their Soviet counterparts. This was on account of three factors: geopolitical position, historical precedence of the free-market experience, and a strong sense of national identity.

Poland and Hungary are situated between Western Europe and Eastern Europe; Poland along East Germany, and Hungary along Austria. This location made it possible for Poland and Hungary to participate with the established free-market of Western Europe. Hungary used this location to its advantage, importing goods from the West and opening up trade. Poland relied less
on free-market activities from the West compared to Hungary; eventually, foreign companies began to establish themselves in Poland due to the proximity to the rest of western Europe and the promise of cheaper available labor.

The economic models of pre-World War II Hungary and Poland provided each country with previous free-market experience. Former U.S.S.R. states did not have this “market memory” in the same way that satellite states did. Hungary’s command economy had market elements pre-established through economic reforms before 1989, such as the 1981 law legalizing small private firms and the 1985 law introducing self-governing companies (Hare et. al., 1992, p. 233).\textsuperscript{11} Poland and Hungary were among the first to start the transition process, allowing themselves a headstart in establishing a successful privatized market. Poland and Hungary’s previous experience with market elements prior to World War II, and their early start in privatization set expectations for a comparable smooth and successful process. Anna Klimina’s (2012) work asserts how non-Baltic states had limitations when it came to their transition because of their historical backwardness. Klimina defines this historical backwardness as the result of having no memory of a formalized market economy (Klimina, 2012, p. 383). While Klimina’s focus is on the shortfalls of the non-Baltic states, her rationale can be used to show why Baltic states, such as Hungary and Poland, should have had successful transitions. In non-Baltic states, the lack of market memory coupled with the missing memory Soviet Republics lack regarding independent legal making led to a “filling the vacuum in the rule of law via authoritarian means” (Popov 2007 as cited in Klimina, 2012, p. 388).

\textsuperscript{11} For further examples reference figure 11 in the appendix.
Poland and Hungary’s subsequent adoption of Communism, compared to that of the former Soviet Union’s, constituted them as satellite states. Satellite states, unlike the states within the U.S.S.R., were granted political independence while remaining Communist countries.

Hungary and Poland had market memory and political independent experience, thus they did not face the same economic and political constraints of Soviet Republics during their transition. Poland and Hungary were able to keep the national identity of being Polish or Hungarian along with being Communist, a privilege U.S.S.R. nations did not have. Thus, the fall of Communism brought about political instability for former U.S.S.R. countries as they had to nationally (re)establish themselves. As a result, the process of privatization for the former U.S.S.R. republics was more painful and radical than that of Poland or Hungary (Klimina, 2012, p. 388).

Due to these three factors, it was expected that Poland and Hungary were to have the most successful transition of the former command economies, and to an extent they did. The European Bank for Reconstruction and Development (EBRD) collaborated with former Communist countries in establishing market economies, specifically in areas of “banking systems reform, the liberalisation of prices, privatisation (legislation and policy dialogue) and the creation of proper legal frameworks for property rights, all vital ingredients for change” (The History, n.d.). The EBRD developed transition indicators to track the progress of former command economies in their progress in establishing market economies. The indicators of progress were based on market indicators compared with the standards of industrialized market economies. The scale of their indicator ranges from 1 to 4+; 1 representing no change from the command model and 4.33 representing an industrialised market economy (How We Assess, n.d.).
The EBRD emphasized that there was no unique end-point for transitions countries nor a “pure” market economy. As illustrated in Figure 7 below, Hungary and Poland rank the highest in their transition indicator scores not only for their region, but of all transition economies.

Figure 7 Regional Indicators of Market Success (European Bank for Reconstruction and Development, 1998, p. 29)

**Aghion-Blanchard Model**

Transition policy makers believed that a newly established private sector would absorb the labor force smoothly. As unemployment rose in Poland and Hungary, no urgent concern arose as transition theories demonstrated that unemployment was an important prerequisite for job creation to occur in the emerging private sector (Gabrisch & Hölscher, 2005, p. 84).

Philippe Aghion and Olivier Jean Blanchard transition model (1994) is regarded as the most influential transition theory linking unemployment to private sector job creation. In their model they proposed the optimal speed of transition is based on the dynamics of job destruction...
and creation.\textsuperscript{12} They focused specifically on Poland, as it was one of the first countries to begin transitioning, but also addressed the application of their model to other transitioning Central European countries.

Prior to transition, the formal economy only comprised the state sector.\textsuperscript{13} As the transition began, job destruction took place in the public sector, resulting in a decrease in employment rates. Simultaneously, jobs were created in the new private sector. The model states that unemployment from the public sector is necessary in order for the growing private sector to have labor resources for production. Private sector job creation is made available as unemployment lowers the wage rates, increasing the private sectors profitability encouraging demand for hiring more workers (Gabrisch & Hölscher, 2005, p. 85). However issues arise, seen in both Poland and Hungary, from too much job destruction in the public sector, and not enough job creation in the private sector. The “appropriate” amount of unemployment is dependent on the initial speed of transition. Countries face two dilemmas when it comes to the speed of restructuring: going too quickly or too slowly. Poland and Hungary provide good examples as they each took different speeds of restructuring, as mentioned prior.

If a country’s restructuring process is too fast and exceeds the rate of private-sector job creation, the unemployment rate will become too high. When the unemployment rate gets too high, the effect is seen in an increase in taxes and the demand for labor in the private sector

\textsuperscript{12} It is important to note that this paper was published in 1994, around 5 years after the official start of the transition in Poland and Hungary.

\textsuperscript{13} This sector is also referred to as the public sector.
decreases. Unemployment has the potential to get so high that job destruction does not stay contained to the public sector, but begins to spread into the private sector.

Performing a successful slow transition is dependent on the initial rate of unemployment. If the initial unemployment rate is too large, the private sector is not able to create enough jobs. This insufficient job creation leads to further increases in unemployment, eventually leading to a collapse of the private sector (Aghion and Blanchard, 1994, p. 289). If the initial rate of unemployment is not too high, then the unemployed are absorbed by the private sector. From this lower initial rate, the private sector is able to steadily grow from restructuring and private job creation.

Aghion and Blanchard regard labor leaving unemployment as an indicator of a successful transition. Five years in, the exit rate from unemployment to employment in the private sector was extremely low for both Poland and Hungary, refer to figure 8 below.

<table>
<thead>
<tr>
<th>PRIVATE / STATE WAGE RATIOS AND EXIT RATES FROM UNEMPLOYMENT</th>
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<tr>
<td><strong>Wage ratio</strong></td>
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<tr>
<td>Poland</td>
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<tr>
<td>Hungary</td>
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<td>CSFR</td>
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<tr>
<td>Czech Rep</td>
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<td>Bulgaria</td>
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Figure 8 Unemployment Exit Rates (Aghion and Blanchard, 1994, p. 314)
The indicator of unemployment exit rate reveals the poor quality of Poland and Hungary’s labor markets five years into the transition. Based on their model, Aghion and Blanchard advise that Poland not speed up their transition process, as it will only result in worsening unemployment rates that may ultimately destroy the private sector. In Aghion and Blanchard’s model, unemployment is shown as necessary, and the available labor is expected to be absorbed by the private sector. However, it depends on the speed of restructuring and initial unemployment rates.

What Aghion and Blanchard don’t specifically mention is the difference between men and women’s unemployment exit rate into employment. Women’s employment rate remained low the entirety of the transition period, so meeting the success Aghion and Blanchard envisioned would only occur if that population saw employment opportunity growth. While unemployment was understood by economists as a necessary feature during transition, the average citizen did not care about balancing debt and “necessary” unemployment. For the average Pole or Hungarian, employment opportunities did not improve, and for women employment opportunities diminished drastically.

The Misleading Nature of Poland and Hungary’s “Success”

Poland and Hungary were considered successful by the West in comparison to other transformation countries. The EBRD’s indicators of success only relied on market activity success, not assessing the standards of living or population employment rates. A corrupt nature

14 Once again refer to the 1998 transition report by the EBRD, ranking Poland and Hungary not only the highest in the region, but of all transition countries.
arose, starting class division among citizens in Poland and Hungary. The transition of
government-owned large scale enterprises failed, leaving many without a job. Small-scale
privatization did occur, but this was not a viable option for most citizens. The large-scale
employment that was provided previously left many dependent on finding similar occupations
under the privatized economy. However, there was a lack of occupational opportunities in the
private sector. The average employment rates compared to population size from 1991 to 2004 for
Poland and Hungary were 49.03% and 45.69% respectively. The employment opportunities
provided under the new market economy were few and provided low wages and little benefits.
Labor unions, those whose goal was the protection of workers, were kept out of the transaction
process and slowly these unions deteriorated. Women especially had little to no mobility in
entering the new private sector. Inside the market, the role women once had as just another labor
resource changed. While outside the market structures that upheld women’s participation
deteriorated resulting in lost employment and lower living standards of all citizens. It is for this
reason that the concept that Poland and Hungary were successful in their transition should be
understood as misleading.

Women’s Labor Force Participation

Concerning population size, the lack of employment for women in Hungary and
Poland contributed largely to the national low employment rates. During the transition period,
1989 to 2004, Polish women made up on average 51% of the Polish population. In Poland, the

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15 Averages Calculated from World Bank Data.
average employment rate of the male population during the transition was 65%, while the female employment rate was 49% (tradingeconomics). During the same period, Hungarian women made up an average of 52% of the Hungarian population. In Hungary, the average employment rate of the male population during the transition was 60%, while the female employment rate was 43% (tradingeconomics). The employment rate for women in proportion to their population size indicated that for both Hungary and Poland, the gendered employment gap led to over $\frac{1}{4}$ of the population residing outside the labor market. As I conclude in chapter 1, robust family policies that reduce domestic burdens are necessary for enabling women’s participation in the labor force. Reduction in family policy in Hungary and Poland kept women, specifically mothers, out of the labor force.

*Family Policies in Transition: Poland*

Family allowance programs supplied during the command economy in Poland provided families with financial support in raising children. The program benefited the government and command planners as it was a tool they used in promoting full labor force participation, as Polish mothers were able to join the workforce because of these programs. As mentioned previously, the privatization process of the Balcerowicz Plan resulted in drastic changes to the state budget as the central bank was no longer allowed to finance the state budget. This led to the state budget allocation devoted to family allowance programs to remarkably shrink. The eligibility of these programs dropped by 40% between 1990-1994, and continued to worsen as the budget continued to shrink as privatization moved forward (Balcerzak-Paradowska 2002, as cited in Inglot et al,
There was little hope for Trade Union bargaining to repair the damage left by family allowance program budget cuts. General trade unions were weakened by privatization and low employment rates and had little bargaining power as a result. The sections of trade unions that were focused on women’s issues had been abolished in the early stages of Communism and shifted to becoming Communist women’s leagues. These programs that had explicitly promoted child welfare and female employment were now gone with little hope of resurrection.

Nonfinancial programs that promoted Polish women's employment such as childcare centers and child planning had reforms after the fall of Communism. Childcare centers before the transition were facing a development issue, with a shortage of physical spaces for nurseries and childcare systems. Under the command economy, the central government could have produced jobs to build these spaces, but the government no longer had this ability with the push for privatization. The childcare centers accessible were only usable by mothers who were employed full time, which was an issue during the transition period when most mothers were no longer employed. These childcare centers promoted employment, but limited availability and restrictions on use during nationally low rates of employment for women meant these centers were no longer providing support for women in entering the workforce.

In 1956 abortion was legalized in Poland; for Polish women this was their means of contraception and family planning. Access to abortions allowed Polish women control over the timeline of their career and family path, establishing a career before motherhood. During the transition, Catholicism in Poland had a revitalization, and in 1993 an anti-abortion law was passed that made Poland one of the most restrictive countries in the world in terms of abortions.
(Williams, 2011). There were no other forms of contraception available at the time, thus women could no longer decide if they wanted to become mothers. This lack of control affected labor force participation rates, as motherhood limited access to the labor market without worker-mother policies.

**Family Policies in Transition: Hungary**

The austerity packages initiated by Finance Minister Lajos Bokros in Hungary during the early part of the transition had a detrimental effect on policies that supported women, specifically mothers (Inglot et al, 2011, p. 35). Government-provided parental leave support was abolished while extended maternity leave and child-raising benefits were further reduced through stricter means-tested eligibility. At the end of the 1990s, after a change in government, there was an increase in budgetary transfers allocated to allowances and birth grants in the hope to solve the issues of low fertility. The new government, controlled by the Federation of Young Democrats party, commonly referred to as Fidesz, looked to distance itself from the traditional family views of the previous party. Fidesz promoted part-time work for mothers, however, there were no publicly granted maternity leaves, which excluded women from the labor force (Inglot et al, 2011, p. 37). In 2002 Fidesz lost the election, and at the end of their term the lack of universally provided social benefits, especially for mothers, kept low-income households in poverty and childhood poverty rates on the rise\(^\text{16}\) (Gábos&Tóth 2001 as cited in Inglot et al, 2011, p. 38).

\(^{16}\) It is relevant to add that Hungary had high childhood poverty levels for Western Europe, but was still quite low in comparison to Eastern European standards.
The Problem with Gender Mainstreaming New Policy

In chapter one I conclude that the restructuring and removal of worker-mother policies during the transition caused a discouraged worker effect, resulting in these low employment rates for Polish and Hungarian women. The two countries differed in worker-mother policies offered and social expectations of women before 1989, resulting in a variation in the experiences women had post-transition in each country. For both countries, there was a resistance to gender mainstreaming social policy, as it was a reminder of the Communist and Stalinist systems they were moving away from (Pollert, 2003, p. 346). Additionally there were negative attitudes towards Western feminism and what it was understood to represent. There was a hesitance from women in using the term feminism and following the gender equity goals of the West, and all of feminism was associated with the extremes of Western feminism. The association was that Western feminism was stereotyped as women who hated men and wanted full dominance (Lafont, 2001, p. 214). The liberation that Western feminism was actually after aligned more with those also of former Communist countries such as: obtaining higher education, achieving economic independence, and valuing their careers. The negative attitudes towards equality and the inaccurate perceptions of Western feminism created difficulty in producing gender specific policies during the transition.

Contemporary Influences of the Transition

The impacts of the transition continue to be felt over 30 years since the collapse of Communism and start of the transition. The freedom that Polish and Hungarian citizens received
with the fall of Communism came with individual economic costs, as shown by this personal
testament:

Zoltan Rezsnyak was 52 when the Iron Curtain collapsed. He worked as a machine fitter
in a large textile mill in Budapest. Rezsnyak, a committed Communist, says he misses the
security of those days. He says Hungary's new freedoms have come at the expense of the
homeless and unemployed….Hungary today no longer subscribes to the idea of an
eight-hour workday, followed by eight hours of play and eight hours of rest. He says
people are working instead for 12, 14 and 16 hours, if they are working at all. There are
600,000 unemployed in Hungary. (VoaNews, 2009).

This quote from a Hungarian citizen encapsulates how citizens of transition countries still have
nostalgia for the job security felt under Communism. In a survey conducted 20 years after the
collapse, it was found that for a majority of Hungarians they felt as though they had lost more
than they have gained since the fall of Communism, leaving the transition aspirations of many
unfulfilled. Employment aspirations and opportunities for women have remained limited 30
years after the collapse of Communism. Polish employment rates have only recently surpassed
those from the beginning of the transition (refer to Figure 9). In Hungary the numbers have
increased since the beginning of the transition (refer to Figure 10) but are still low for European
standards.¹⁷

¹⁷ The decreases seen in both figures are contributed by the Early 2000s recession and the 2008 global
financial crisis. Additionally I did not include any data from 2020 and onward in my data, as I wanted to
control for the effects of Covid-19 on the labor market.
Figure 9 Employment Rate in Poland (Employment to Population, 2021).
In 2019 the employment rate for women in both countries was under 50%, while men in both Hungary and Poland saw employment rates of above 60%\(^\text{18}\). The gender gap in employment has not improved since the start of the transition.

\(^\text{18}\) I use 2019 as the most recent year regarding employment percentages for this section to avoid the impact of Covid-19 on the labor market.
Low Female Employment in Poland: Abortion Rights on the Rocks

It is no surprise as women’s rights are consistently challenged in Poland that the gender employment gap continues to widen between men and women in Poland. The 1993 policy restricting abortion was not the end of abortion restrictions in Poland. In 2015 the right-wing national-conservative party Prawo i Sprawiedliwość, also referred to as PiS, gained majority and since has further restricted abortion laws, limited access to sexual and reproductive health information and care, inadequate services and support in the face of violence, and further perpetuation of traditional and prescribed gender roles (Margolis, 2019). PiS along with the Catholic Church have continue to impress the importance of traditional gender values, placing women in the domestic sphere and demonizing abortion and other women’s rights issues.

With the impact the Catholic church has on politics, pro-family policy defending the rights of the “traditional” family structures have increased. As mentioned prior, abortion accessibility quickly changed in Poland in 1993. Since 1993, restrictions on abortion have only become stricter. Prior to October 2020 abortions were only available in Poland under three circumstances; fetal abnormalities, pregnancies resulting from rape or incest, and threats to a woman’s life. However, in October 2020 a new policy was proposed banning abortions due to fetal abnormalities (Kwai et al., 2021). There were delays in implementing this law, but it officially went into effect January 2021. The newest restrictions on abortion are the long-term results of the family budget cuts and rise in traditionalism seen after the fall of Communism.

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19 In 2019 the employment rate for women was 46.85% (Employment to Population, 2021) while for men the rate is 63.91% (Employment to Population, 2021).
The relevance of abortion laws and employment gaps are not the laws themselves, but the implications of these laws. As PiS has gained the political majority, advocacy for women’s rights issues\textsuperscript{20} has become restricted as the government has excluded female-focused advocacy groups from opportunities to shape dialogue and policy (Margolis, 2019). Proposing women’s rights policies and/or gender mainstreaming working women labor policies, has proven difficult with the conservative government sustaining the employment gap between men and women. A reintroduction of robust family policies that can close the employment gender gap for Polish women will require political restructuring that leverages women’s rights advocacy in policy.

\textit{Orban and Fidesz Maintain Dominance}

As mentioned earlier the political party Fidesz rose to power after the early transition government failed in their privatization process. The founding member of this party is Viktor Orban, who served as the Prime Minister of Hungary during Fidesz 1998 to 2002 term. Fidesz and Viktor Orban rose to power once again in 2010, he has held the office of prime minister since. Orban has used the transition and its failures to promote his own nationalistic motives and gather support from Hungarians who are dissatisfied with the transtion process. Orban believed the failures of the first Fidesz term were due to the foreign involvement in Hungary’s transition process, as a result he implemented high taxes on foreign investors and other anti-foreign involvement policies referring to this practice as Orbanomics.

\textsuperscript{20} These issues range from supportive working mother policy to abortion rights.
In an attempt to attract Hungarians to supporting the Fidesz party, family policies are being slowly reinstated in the country. In 2019 Orban announced that women who have four or more children will never pay income tax again. Additionally the country has launched a new fertility program, offering Hungarian women the opportunity to get IVF treatment for free.\textsuperscript{21} These programs at first seem to signal a positive future for women, specifically mothers, in Hungary. However, the motive behind these policies are just as nationalistic as Orbanomics. The same year these pro-natalist policies were introduced, the employment rate for women was 46.75\% \textsuperscript{(Employment to Population, 2021)} while men had a 64.21\% employment rate \textsuperscript{(Employment to Population, 2021)}. Family policies that lack employment support policies will continue to widen the employment gap between men and women in Hungary.

\textbf{Chapter Conclusion}

Poland and Hungary’s transitions are viewed as successfully transitioned economies by market indicators. Organizations such as the EBRD view success as moving away from the command economy and establishing an industrialised market economy. Poland and Hungary were prepared to transition compared to other transitioning countries, so it was unsurprising that these two countries “led” in the transition process. However, the perception of Poland and Hungary’s success is based solely on market activity and not on what is happening outside the

\textsuperscript{21} Both family policies are limited to who can apply; requirements are: heterosexual couples where the woman is younger than 40 and at least one spouse has never been previously married. Unlike the family policies under Communism, these policies reward only middle and upper-middle-class families (Hopkins, 2020).
market. The failures in transitioning medium to large state-owned enterprises into the private sector produced low employment rates and a poor allocation of available labor resources.

The poor allocation of labor resources into the private sector affected women’s employment opportunities more than their male counterparts. Women were especially dependent on the occupation that large scale state owned-enterprises provided. The new private sector was reluctant to hire women, and shoulder the responsibility of providing them with the same level of social benefits they were provided under Communism. As the private sector did not want to hire women, the universal social benefits women were used to receiving disappeared. In both countries, family benefits policies were the first to go as a result of the restrictions in the government’s budget. In Poland, new non-market policies that restricted abortion affected women’s planning opportunities in balancing paid work and domestic life. The negative association of Communism, the increase in conservative religious following, and negative attitudes towards Western feminism affected the potential of creating policy that specifically increased female labor force participation.

The gender gaps in employment rates and other women’s rights issues currently in Poland and Hungary can be traced back to the failures of the transition and dismantling worker-mother policies. In Poland the rise in Catholicism coupled with early anti-abortion laws seen during the transition period have resulted in restrictions in advocacy for women’s rights issues and large gaps in female-to-male employment ratios. In Hungary, as well as Poland, far-right nationalism has risen as a result of transition failures being blamed on foreign involvement. In addition to restrictive nationalist economic policy, Hungary implemented nationalist pro-natal policy.
Without offsetting this new policy with labor force support, these new mothers will drop out of the labor force, resulting in further employment gaps between men and women.
Conclusion

In my work I aimed to reveal that post-transition low female labor force participation was the result of dismantling worker-mother policies, which then hindered the economic performance of the transition. The transition brought about employment difficulties for all, but the destruction of worker-mother policies only increased domestic burdens on women and reduced chances for employment opportunities. The worker-mother policies instituted under the command system, allowed mothers a security net that promoted their participation in labor market activities. Gendered occupational crowding situated women’s employment to be largely in industries such as education and health, which did not shift smoothly into the private market. The failures of transitioning state-owned large scale enterprises into the private sector, coupled with the dismantling of worker-mother policies, resulted in low labor force participation by women. The failures in properly allocating women as labor resources for the private sector held back the transition economies from reaching their full economic potential.

Women’s participation in the labor market impacts the large scale economic growth of a country, but also affects the wellbeing of a community. When certain populations are held back in some capacity from participating in the labor force, the full potential of an economy is not met. Women under the command market gain human capital investment of schooling and job experience, in the transition economy these women and their human capital sat outside the market and went unused. The reduction of women’s employment opportunities along with the dismantling of worker-mother policies had consequences outside the market. Low employment created social wellbeing concerns, and the lack of social policies (such as worker-mother) further
reduced societal well being. As children were raised in poverty, poverty cycles emerged keeping future generations within poverty. Employment of women benefits the larger scale economic growth, while promoting societal wellbeing and family income support. The worker-mother policies had provided domestic support and labor market support. Without these policies, economic and societal damage was seen.

In my application of my thesis to specific transition countries I focused on Poland and Hungary due to their unique nature of the Communist history and the recognition by Western market indicators of “successful” transitions. I believed the notion that these countries had successful transitions were misleading, as solely using market indicators do not fully represent the transition experience, especially that of the average citizens. These countries had prior advantages (geopolitical position, historical precedence of the free-market experience, and a strong sense of national identity) that set these countries apart from other transitional economies.

Poland and Hungary focused their transitional policy on creating market mechanisms, and less on ensuring a successful transition of labor resources from the public sector to the private sector. The eradication of worker-mother policies and other family benefit programs hurt women’s employment opportunities. The overall failure of the successful employment during the transition process along with gendered employment gaps have affected the economic, political, and social nature of Polish and Hungarian societies today.
Where to Go From Here?

There are various approaches that could be made to further the research conducted in my project. The three routes of research I advocate for beyond my own paper are the following; further research into non-Baltic/European former Communist countries, analysis on GDP lost from gender inequality, and discrimination within the labor market through wages.

I believe that additional exploration on the effect of the transition on women’s labor force participation, with a focus on former U.S.S.R. countries would be beneficial. In my research I found these countries were low performers, with even higher gendered employment gaps, and overall lower living standards after the transition. I mentioned Anna Klimina’s (2012) work in chapter 3 and the limitations that non-Baltic states had with their transition. I believe that cutting social policies led to poor labor allocation, and with no market memory the private sector was even more exclusionary towards women. Further exploration of labor force gender inequality within these countries would be beneficial.

I provide an equation from the World Bank, in chapter two, that measures the financial loss in human capital wealth from gender inequality. There were limits in acquiring appropriate data needed to apply the World Bank’s equation to 1989-2004 Poland and Hungary. The World Bank does supply the needed data, but only starting in 2009. I show in chapter three that the effects of the transition are still widely felt when it comes to gender gaps in employment. However, with external factors such as the 2008 Great Financial Crisis, I find it most beneficial to try and calculate the gender inequality prior to 2004 to see the direct effects of the transition on female labor force participation. I consider future research valuable in measuring the GDP
lost to low female labor force participation, to present incentives in closing gender gaps within the labor market.

I believe that looking at discrimination within the labor market has future potential. While I focused mainly on how the abolishment of worker-mother policies has affected women’s ability to participate in the labor force, there is no doubt that discrimination occurs within the labor market. I would suggest for that future research applying the Blinder-Oaxaca Decomposition\textsuperscript{22} to post transition countries. The presence of gender wage earning gaps within the market further reduces motivation to enter the workforce, as the dismantling of worker-mother policies increased the double burden if women were to enter the workforce. Understanding the extent of wage inequality in the labor market after the transition would prove the discriminatory practices under the new private market.

The worker-mother policies provided under the command system offers an understanding as to how to support high female labor force participation. The dismantling of these policies and the effects seen on female labor force participation and social wellbeing confirms the importance of supportive social policies. Both Western and former Communist countries can apply country appropriate updated versions of worker-mother policies to increase labor force participation of women.

\textsuperscript{22} While this statistical method is most known as the Blinder-Oaxaca method, in the nature of this paper and sexism within the economics field I would like to acknowledge that it was first discovered by Evelyn M. Kitagawa. Kitagawa's work was not acknowledged by Blinder and Oaxaca who published the same results twenty years after Kitagawa.
### Additional Figure

**Table 1. Economic reform in Hungary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>1956</td>
<td>End of delivery obligations for farmers and cooperatives</td>
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<tr>
<td>1962*</td>
<td>Formation of trusts and large enterprises; agricultural collectivization completed</td>
</tr>
<tr>
<td>1964</td>
<td>Introduction of resource taxes (wage-related tax, and capital charge)</td>
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<tr>
<td>1968</td>
<td><em>The New Economic Mechanism</em>: Plans no longer broken down to enterprise level; partial autonomy of SOEs in making contracts, distributing profits, choosing product mix, foreign trade, investment. Start of private agriculture</td>
</tr>
<tr>
<td>1971*</td>
<td>Partial recentralization, especially for large enterprises</td>
</tr>
<tr>
<td>1972</td>
<td>Start of 'wage-fund control' for enterprises, an incentive to limit or reduce employees</td>
</tr>
<tr>
<td>1980</td>
<td>Price reform simulating 'world prices'</td>
</tr>
<tr>
<td>1981</td>
<td>Small private firms legalized</td>
</tr>
<tr>
<td>1982</td>
<td>Closer links to international financial institutions and EC. Unified tourist and commercial exchange rate, start of bond market</td>
</tr>
<tr>
<td>1985</td>
<td>Introduction of self-governing companies (enterprise councils)</td>
</tr>
<tr>
<td>1986-87</td>
<td>Operation of commercial banks separated from the National Bank</td>
</tr>
<tr>
<td>1988</td>
<td>Tax reform (PIT and VAT), extensive price liberalization</td>
</tr>
<tr>
<td>1989</td>
<td>Import liberalization, export licences extended to companies; the communist party removed from workplaces; trade union privileges restricted; open unemployment acknowledged</td>
</tr>
<tr>
<td>1990</td>
<td>Communist factions lose parliamentary and local elections, their privileges gradually withdrawn; some enterprise leaders lose jobs; autonomous local councils set up; privatization begins</td>
</tr>
<tr>
<td>1991</td>
<td>Price import and export liberalization almost complete; drastic cuts in subsidies to firms and households; rouble trade stops</td>
</tr>
</tbody>
</table>

*Sources:* See main text; also, on price reform see Hare (1976), Swaan (1989); on banking and financial reforms see Blejer and Sagan (1991).

*Note:* * Denotes a period of retreat from reform.

*Figure 11* (Hare et. al., 1992, p. 233).
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https://data.worldbank.org/indicator/SL.EMP.TOTL.SP.MA.ZS?locations=PL

Employment to population ratio, 15+, male (%) (national estimate) - Hungary [Chart]. (2021, January 29). World Bank.
https://data.worldbank.org/indicator/SL.EMP.TOTL.SP.MA.NE.ZS?locations=HU


Employment to population ratio, 15+, total (%) (modeled ILO estimate) - Poland [Chart]. (2021, January 29). World Bank.


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Between 1945 and 1949 Stalin, like satellites round a planet.


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