

Garbuz, Veronica; Bercu, Ana-Maria

Article

The Labour and Economic Competitiveness of Republic of Moldova in the European Context

CES Working Papers

Provided in Cooperation with:

Centre for European Studies, Alexandru Ioan Cuza University

Suggested Citation: Garbuz, Veronica; Bercu, Ana-Maria (2015) : The Labour and Economic Competitiveness of Republic of Moldova in the European Context, CES Working Papers, ISSN 2067-7693, Alexandru Ioan Cuza University of Iasi, Centre for European Studies, Iasi, Vol. 7, Iss. 2a, pp. 464-471

This Version is available at:

<https://hdl.handle.net/10419/198396>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

THE LABOUR AND ECONOMIC COMPETITIVENESS OF REPUBLIC OF MOLDOVA IN THE EUROPEAN CONTEXT

Veronica GARBUZ*
Ana-Maria BERCU**

Abstract: *The economic competitiveness of a country is analyzed from several perspectives, including through the labor of the land available, gifted people's skills and abilities, the level of employment, the standard of living and the level of population welfare. Currently, according to international hierarchies on competitiveness drawn up by the World Economic Forum (WEF), Republic of Moldova is in the second half of the league, failing, than with some small exceptions, to move towards more favorable positions. This is due to a set of factors whose action is felt for a long time, and improve prospects hierarchical position requires major revisions mentalities, policies, strategies and means of action. This article aims to analyze the theoretical and practical aspects on the role of labor, along with other factors in ensuring economic competitiveness of Republic of Moldova in the process of pre-accession to the European Union and integration into European economic structures. Efficient investment in human capital through education and training system should be an essential component of the country's strategy to ensure a high level of sustainable economic growth and employment knowledge-based workforce that provides both personal fulfillment and increased welfare and national competitiveness.*

Key words: economic competitiveness; employment; work relationships; European Union

JEL Classification: J21; J53; M54

Introduction

"There is no single nation in the world that has succeeded in a sustainable way without preserving the prosperity of its people. Competitiveness refers to such objective: it determines how countries, regions and companies manage their competencies to achieve long-term growth, generate jobs and increase welfare. Competitiveness is therefore a way towards progress that does not result in winners and losers: when two countries compete, both are better off." (Arturo Bris, Director IMD World Competitiveness Center, *n.a.*).

Our paper analyze issues concerning the labor and economic competitiveness of Republic of Moldova in European context, starting from a short overview of literature in the field of competitiveness and economic efficiency, also taking into consideration the points of view offered by the World Economic Forum in its official reports, concluding about the necessity to increase the force of human resource, as strategic element for the economic development (Bercu, 2012).

* PhD. Researcher, National Institute of Economic Research, Chisinau, Republic of Moldova, email: garbuz_veronica@yahoo.com

** Associate Professor, PhD., Alexandru Ioan Cuza University of Iasi, email: bercu@uaic.ro

1. Literature Review

Although in recent decades the concept of competitiveness has become a widely discussed topic in the circles of scientists, so far there is no clear definition of it, and no model has been developed to formalize its contents. At the same time, it is important to understand its essence to identify determining factors and therefore intervention levers to be used by the State and the private sector to maintain and increase competitiveness, both on the national and internationally. In order to create a broad vision on this concept, we will expose some of its definitions:

- Competitiveness is a complex phenomenon which refers to the ability of a country compared with others, to form and to ensure a level economic, social, and political, to support the accelerated creation of added value (Stratan, 2011).

- More broadly, the competitiveness can be addressed in terms of economic performance and the standard of living; in the narrow sense, it is the ability to sell products on the market in terms of cost and price differences (Durand *et al.*, 1998).

- Competitiveness is a potential that is characterized by an edge over competitors in the market your access. Competitiveness is often confused with so financial indicators such as profitability and productivity, not only some partial measures of competitiveness (Ternisien and Diguët, 2001).

In the literature, competitiveness is seen either at company level or at the level of national economy. The competitiveness of a nation that represents the country in free and fair market conditions, produce goods and services that meet international market tastes simultaneously maintain and increase the real incomes of the population in the long term (Chartrand, 2002).

The Competitiveness Advisory Group appointed by the European Commission, the concept of competitiveness implies elements of productivity, efficiency and profitability and is an important means of increasing living standards, social welfare and income levels of individuals in a non-inflationary manner (Ciampi, 1995).

In another sense, competitiveness is a way of increasing employment and eradication of poverty (Ciampi, 1995). The main factors of competitiveness at national level are:

- Comparative advantages and benefits competitive
- Provision of resources (natural, material, informational, human etc.)
- Systems research and innovation;
- The level of entrepreneurship;
- Infrastructure and transport services and communications;
- The existence of functional markets (financial, currency, labor etc.);

- Competent human resources.

2. European Competitiveness of Romania and Republic of Moldova

According to the IMD World Competitiveness in 2014 (IMD, 2014), Romania recorded an increase in national competitiveness position, ranking it 47th (against 55th in 2013). Top places in the ranking are occupied by the US, Switzerland, Singapore, Hong Kong and Sweden. The analysis is performed based on 60 countries worldwide.

Figure 1 – Overall ranking evolution 2013-2014 according to IMD World competitiveness

IMD WORLD COMPETITIVENESS YEARBOOK 2014 - OVERALL RANKING							
Country	Rank			Country	Rank		
	2014	2013	Change		2014	2013	Change
USA	1	1	—	Chile	31	30	→
Switzerland	2	2	—	Kazakhstan	32	34	→
Singapore	3	5	→	Czech Republic	33	35	→
Hong Kong	4	3	→	Lithuania	34	31	→
Sweden	5	4	→	Latvia	35	41	→
Germany	6	9	→	Poland	36	33	→
Canada	7	7	—	Indonesia	37	39	→
UAE	8	8	—	Russia	38	42	→
Denmark	9	12	→	Spain	39	45	→
Norway	10	6	→	Turkey	40	37	→
Luxembourg	11	13	→	Mexico	41	32	→
Malaysia	12	15	→	Philippines	42	38	→
Taiwan	13	11	→	Portugal	43	46	→
Netherlands	14	14	—	India	44	40	→
Ireland	15	17	→	Slovak Republic	45	47	→
United Kingdom	16	18	→	Italy	46	44	→
Australia	17	16	→	Romania	47	55	→
Finland	18	20	→	Hungary	48	50	→
Qatar	19	10	→	Ukraine	49	49	—
New Zealand	20	25	→	Peru	50	43	→
Japan	21	24	→	Colombia	51	48	→
Austria	22	23	→	South Africa	52	53	→
China Mainland	23	21	→	Jordan	53	56	→
Israel	24	19	→	Brazil	54	51	→
Iceland	25	29	→	Slovenia	55	52	→
Korea	26	22	→	Bulgaria	56	57	→
France	27	28	→	Greece	57	54	→
Belgium	28	26	→	Argentina	58	59	→
Thailand	29	27	→	Croatia	59	58	→
Estonia	30	36	→	Venezuela	60	60	—

Source: IMD World Competitiveness Yearbook 2014

And the European Union has been progress by Member States to improve the competitiveness of their economies, but many challenges still remain.

Competitiveness Report prepared in 2014 shows that the EU has seen a recovery in exports and a rise in productivity in most countries. However, many factors still hamper competitiveness developments namely: lack of investment, poor access to finance and access to markets, especially for SMEs, high energy prices etc.

In this respect, as the competitiveness of member states are categorized into four groups:

1. High competitiveness, growing trends - Netherlands, Germany, Denmark and Ireland.
2. High competitiveness, with decreasing trends - Belgium, United Kingdom, Austria, France, Italy, Luxembourg, Sweden and Finland.
3. Average competitiveness, growing trends - Estonia, Spain, Latvia, Czech Republic, Hungary, Poland, Portugal, Romania, Slovakia and Greece.
4. Competitiveness average with decreasing trends - Slovenia, Bulgaria, Croatia, Malta and Cyprus.

In accordance with the general criteria used by the Global Competitiveness Report - GCR published by the World Economic Forum, Moldova is placed in the transition from an economy based on inputs to one based on efficiency (2014-2015). Based economies competing factors based endowment with production factors - primarily natural resources and low level of qualification of labor (mainly fertile arable land in the Republic of Moldova) - and compete based on price, market products and raw materials; low productivity reflected in low wages. For such economies, maintaining competitiveness depend primarily to the operation of public and private institutions, a well-developed infrastructure, a stable macroeconomic environment and an effective and competent workforce.

In the process of transition to a new economy based on efficiency development stage, it must develop more efficient production processes and improve product quality (because wage growth may lead to higher prices for basic goods, typically based economies the factors of production).

Now, national competitiveness is increasingly driven by quality in higher education and training, efficient goods markets, dynamic labor markets, developed financial markets, the ability to exploit the benefits of existing technologies and a large market internal or external. These considerations are reflected in the Competitiveness Roadmap (2014-2015)¹, which pays special attention to the pillars that have greater relevance for economies based on factors of production (primarily institutions that appear in many of the proposed measures, infrastructure and education) and those based on efficiency (higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness and market size).

¹ More information available at <https://www.imd.org/uupload/.../Roadmap.pdf>

According to the ranking of economic competitiveness compiled annually by the World Economic Forum (WEF), Moldova has experienced in the last year, an advance of 7 positions, from 89th to 82nd place (Global Competitiveness Report – GCR, 2014-2015).

If we talk about the three general criteria of analysis, namely basic requirements, efficiency and innovation, the Moldovan economy is the best in Chapter efficiency, ranked 88 in the world, and quite poorly in terms of innovation position 131.

When referring to each criterion of classification in detail, we see that our country has arrears on innovations for business (131) soundness of banks (124) clusters (144), anti-monopoly policy effectiveness (133) Road infrastructure (140) etc.

The most important factors that impede business development in Moldova are high levels of corruption, better regulation of the currency market, unskilled labor, inflation and instability legislative policy.

3. The Workforce - Increasing the Competitiveness in Republic of Moldova

In order to assess the competitiveness of Moldova in the process of pre-accession to the European Union and integration into European economic structures we analyze the role of the labor force. It is known that education and training is the key driver of national competitiveness. However, we must recognize that the advancement of international competitiveness rankings in Moldova in 2010-2013 at 94-87 place has not been determined human capital because in this reference period was characterized by demographic decline and exodus labor and talent. By 2050, they expect a 25% decrease in overall workforce in the country. Investing in quality education cannot be dealt with only through the means allocated, or education budget is only one factor in the equation transforming knowledge into growth. For the immediate prospect is a need to develop a strategic framework for skills development sectorial competitiveness, development of effective mechanisms for ensuring the quality of education, creating intelligent information system and labor market analysis skills required, ensuring access to lifelong training life, appreciation and promotion of best practice. Following the identification of the main challenges for national competitiveness has identified a series of reforms that are to be made immediately and medium perspective (Ministry of Economy of Republic of Moldova, 2013).

According to OECD (2011) estimates the estimated cost of skills shortages may constitute about 7% of GDP or may impact the productivity annual decrease of about 1%. The problems and

constraints faced by Moldova on the transition from education to working life today are well reflected in the reports of international competitiveness evaluation, namely:

- Low quality of the education system with the deepening downturn trend (GIC 2012/2013, 103/144 instead of countries downgrading by 7 positions compared to 2010/2011)
- Irrelevance of education: the mismatch between supply and demand for skills;
- Inability to respond quickly to market needs and there is a structural imbalance of specialization graduates;
- Insufficient skills and abilities to use new technologies and communication techniques, entrepreneurial culture, managerial and financial knowledge poor foreign languages;
- Lack of a public-private partnership on educational and professional training of human resources in the labor market;
- Limited access to skills development programs to reintegrate the unemployed;
- Inadequacy of education and science impact on economic growth and welfare.

In the analyzes carried out on the labor market have been identified following key issues in current conditions, requires the search for new solutions both in the medium term as well as long term and the involvement of consolidated efforts and significant resources:

- The large number of jobs with low productivity and wage levels insufficient, unattractive working population;
- Large share of the population employed in agriculture;
- High unemployment among young people;
- Migration abroad of skilled labor;
- Economic agent's un-specialization in the training of the workforce;
- Passive participation of traders to declare vacancies state structures;
- Unfavorable demographic trends manifested in the decrease and population aging, intensified labor migration;
- Lack of a proper system of monitoring and forecasting labor market;
- Lack of interest and limited access to training;
- Moonlighting and unattractive working conditions;
- Lack of occupational standards and occupational classifier existence of outdated etc.

Conclusions

In order to develop human resources and efficient use of them, in the following years, the Ministry of Education will achieve vertical reforms throughout the system. Some of these are already

approved or to be developed in a number of sectorial strategic policy documents namely: Development Strategy of vocational / technical for the years 2013-2020, 2020 Education etc. The new legal framework of education provides for the creation of national institutions responsible for ensuring the quality of professional education at all levels. On some segments of problems in human resources development will connect the Ministry of Labor, Social Protection and Family, Ministry of Economy and line ministries to ensure the development of specific competences of each sector. Largely efforts to reform and modernize the education system will be geared towards enhancing the competitiveness of human resources and to achieving the goal of European integration that is contained in the EU-Moldova Action Plan, sub-priority 3.2.4 "labor market and education reform".

References

- Bercu, A.M. (2012), "Trends and Challenges in Human Resource Management and Organization Performance", *Revista Economica*, No. 2, pp. 3-11.
- Bris, A. *n.a.* World Competitiveness Center, available at: <http://www.imd.org/wcc/>
- Chartrand, H. (April, 2002), "The Competitiveness of Nations in the Global Knowledge-Based Economy", available at: <http://members.shaw.ca/compilerpress1/Anno%20Garelli%20CN%20Fundamentals.htm>
- Ciampi, C. (1995), "Enhancing European competitiveness. Competitiveness Advisory Group. First report to the President of the Commission, the Prime Ministers and Heads of State. June 1995", available at <http://aei.pitt.edu/2866/>
- Durand, M., Madaschi, C. and Terri F. (1998), "Trends in OECD Countries' International Competitiveness: The Influence of Emerging Market Economies", Economics Department, 'Working Papers', no.195, ECO / WKP (98) 8, OECD, 1998.
- IMD (2014) "IMD World Competitiveness Yearbook 2014", available at: <http://www.imd.org/news/2014-World-Competitiveness.cfm>.
- Ministry of Economy of Republic of Moldova (July 2013), "Roadmap for improving the competitiveness of Moldova", available at: www.mec.gov.md/.../foia-de-parcurs-pentru-ameliorarea-competitivitatii/ .
- Organization for Economic Co-Operation and Development (2011), "Towards an OECD Skills Strategy", 12 – 17, available at: www.oecd.org/edu/47769000.pdf
- Stratan, A. (coord.) (2011), *Analysis of national competitiveness through the dependable performance indicators exports*, Chisinau.

Ternisien, M. and Diguët, A-F. (2001), “Les facteurs et des entreprises indicateurs from compétitivité de services à l'industry”, PriceWaterhouseCoopers, available at: <http://www.industrie.gouv.fr/biblioth/docu/dossiers/sect/pdf/compet.pdf>

World Economic Forum (2014) “Global Competitiveness Report 2014–2015”, available at: <http://reports.weforum.org/global-competitiveness-report-2014-2015/economies/#economy=MDA>