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## Article

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## THE EMPLOYMENT LEVELS IN THE EUROPEAN UNION AND IN THE REPUBLIC OF MOLDOVA: A COMPARATIVE ANALYSIS

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**Abstract:** *This article addresses the issue of employment. Employment policy was and still is a rather important issue that has always drawn economists' attention and has always been on the business agenda of central public bodies. The global economic crisis in 2008 influenced the employment rate of the workforce in most countries, including the EU Member States. Employment has been a problem for the Republic of Moldova since its independence. In order to increase the employment levels of the workforce, many countries have undertaken a series of active measures that have brought good results. The European Union itself, in the 2020 strategy aims at increasing the level of employment of the workforce up to 75% for people 20-64 years of age. This article describes the employment situation in the European Union and in the Republic of Moldova by highlighting the current disparities.*

**Keywords:** labour market; employment; labour force; employment rate

**JEL Classification:** F15; F16; J62; J64

### Introduction

Employment is an issue that triggers the most serious consequences in the economic and social development of a country. Respect for people, for the value that they bring should become a priority for the public central authorities. The labour force that fails to preserve their professionalism, at a level required by the transformations that are taking place in a competitive economy, is a primary issue of concern for the Republic of Moldova, in particular, and for the EU countries, in general. The employment problem has become an even hotter issue in the Republic of Moldova as a result of the relatively low employment rate compared to EU countries.

To have a competitive economy and a high quality level of life, it is necessary to have a high level of employment for all categories of people. The new requirements imposed by the competitive economy have forced some categories of people, especially those with a low level of professional training, to exclude themselves from the labour market. In these circumstances, state intervention

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through the implementation of active labour market measures which would maintain the labour force in the professional field, is becoming essential. When referring to the EU member countries in terms of employment, they are guided by the policies and strategies adopted and implemented at EU level. As for the Republic of Moldova, it must "borrow" and implement more firmly active employment policies and measures, which have proved their efficiency in EU countries.

This work is aiming at highlighting the discrepancies that exist between EU countries and the Republic of Moldova as concerns the employment of labor. Whist the aspiration to join the European Union, we wanted to highlight the gap that should be refilled by the Republic of Moldova as regards employment.

### **1. Literature review**

Employment is one of the most important issues facing society in general. However, we know that the level, structure and efficiency of employment show the macroeconomic performance and the ability of an economy to develop the human resources.

Since ancient times, many economists have addressed the issue of employment both directly or indirectly. Referring to the classical liberals - A. Smith, D. Ricardo, and J.B. Say - they dealt with the issue of employment in relation to unemployment. In their opinion, if unemployment appears and increases at a certain time, wages fall, the labour force cheapens, the cost goes down, which allows the manufacturer to increase production and employ a growing number of workers, thus leading to the disappearance of unemployment (Chiriac, p. 42). Meanwhile, J. B. Say considers supply and demand in the labour market and other markets are self-regulating and there is no need for state intervention in this area, and imbalances that arise between supply and demand in the labour market as well as the appearance of unemployment are temporary. This point of view is no longer valid in the current conditions because the state is increasingly getting involved by implementing different tools that will lead to the increase in employment levels.

In the view of the neoclassics, the labour market is subject to the same rules of competition as other markets, and labour demand freely faces labour supply based on a real wages level, which allows full employment of the labour force and, therefore, a general equilibrium in the labour market. (Causan, p.21). Classical liberals' views regarding employment are challenged by J. M. Keynes who claims that unemployment is not an absolute evil to a certain point, it can even be a positive factor by encouraging people to work better?. At the same time, Keynes says that in a capitalist society there is no mechanism that would ensure full employment of labour force (Keynes, p. 59).

Further research conducted in the field of employment highlighted the role of professional qualifications which has a great impact on the development of a modern economy and led to the emergence of two new theories - the theory of *dualism of the labour market* and *human capital*. If the first theory is based on the difficulties of hiring low-skilled labour, then the second theory reflects the role of education and vocational training in economic development. Both theories have had a great impact on the development of new employment policies of the workforce.

Currently, employment is being determined by important qualitative changes, related to the rapid increase in the level of education in developed countries, changes in the entry conditions of young people into the labour market, implementation of new requirements for hiring staff in their full professional career, but having low professional skills, who are facing increased competition from young people.

The concept of employment is quite complex and cannot be viewed just economically. A sociological approach to the concept of employment led to the creation of "a system of employment" (Christiansen *et al.* 1999), defining employment as any type of activity: work rewarded by salaries, entrepreneurship and self-owned businesses, volunteering and any other activities outside the labour market (Koistinen, 2001).

Employment policies are economic policies that can be implemented nationwide. The objectives of employment policies are to provide employment opportunities to all those who desire to work and to keep the unemployment rate to the possible minimum. The achievement of the employment policies objectives depends on active or passive tools and measures, promoted on the labour market. The tools used by employment policies are as follows: fiscal policies (taxes, subsidies); monetary policies (interests, foreign exchange rates); pay policies (minimum wages, wage indexing); social policies (retirement age, benefits for children) etc.

The active measure taken in the labour market, aim at increasing the attractiveness of the unemployed among employers. These measures maintain the existing competitiveness and reduce the loss of competitiveness. These measures usually target those at the risk of redundancy. They are called "active" because it is assumed they have a greater effect than paying the unemployed "passively" a compensation to replace the lack of income. Active measures in the labour market include a range of tools and services: mediation services/placement in the labour market; information services and career counselling training; labour market information services; promoting professional training; promoting territorial mobility in the labour market; promoting training in the techniques of finding a job; promoting the creation of self- owned businesses, etc.

Passive measures indirectly influence the volume and structure of employment on the one hand, and unemployment on the other. These include: contributions to the unemployment fund, subsidies for employment, when subsidies are not temporary in nature and are not intended to improve one's skills.

## **2. European Union concerns about employment**

Through *the employment policy*, the European institutions promote the policy of a highly skilled workforce, realizing that only in this way a higher level of global competitiveness can be provided for.

Both the European Union and the Member States, being aware of the fundamental social rights such as those set out in the European Social Charter signed in Turin on 18 October 1961 and the Community Charter of fundamental social rights of workers, adopted in 1989, set the objectives of promoting employment and improved living and working conditions. These will lead, given improvement, to ensuring adequate social protection and the development of human resources to enable a high and sustainable level of employment, and combating exclusion.

Right from the beginning of its formation, the European Union has been concerned with employment policy. An important role in promoting employment policy at EU level had the Amsterdam Treaty (1997) which formed the basis for the European Employment Strategy and led to the creation of a Standing Committee on Employment, having an advisory role, promoting cooperation between the policies of Member States in the field of employment and the labour market. The same year the European Employment 1997-2004 strategy dedicated to employment was launched, at the Summit in Luxembourg, aimed at achieving higher rates of employment at the same level with the macroeconomic objectives of growth and economic stability.

In 2000, the Lisbon European Council agreed on the new strategic goal of making the EU "the most competitive and dynamic knowledge-based economy in the world". According to the Lisbon Strategy (2000-2010), full employment was a major objective of the employment and social policies, therefore, the aim was to achieve the targeted objectives by 2010. To ensure a sustainable standard of living for all EU citizens, EU policies in the area of employment are aimed at:

- improving the working environment to protect the safety and health of employees;
- security and social protection of employees;
- protection of employees in the event of termination of the employment contract;
- collective representation and defence of employees' and employers' interests;

- integration of people excluded from the labour market;
- equality between men and women regarding job opportunities and treatment at work;
- avoiding social exclusion etc.

Lately, the labour flexicurity policy, which stipulates that in an increasingly dynamic labour market the employers' needs for flexibility and employees' security of their jobs can be satisfied simultaneously, has been extensively promoted at EU level (Birca, 2015). The implementation of EU labour flexicurity policy is based on four core elements:

- flexible and reliable contractual arrangements;
- strategies for lifetime learning;
- active and effective measures in the labour field;
- modern systems of social security.

These elements are applied by the Member States according to the principle of gradual implementation, starting from the initial situation of each Member State in this area.

Flexicurity is also a key element of the 2020 Europe strategy which aims at reforming and modernizing labour markets, processes which consists of four aspects. The first aspect focuses on the development of flexible and reliable contractual arrangements both from the employee and employer perspectives, presented by certain laws and institutions that regulate the labour market. The second aspect relates to the inclusion of specific measures for vulnerable people in the labour market (unqualified, unemployed, older workers or young people with disabilities, minorities, etc.). The third aspect relates to the development of active labour market policies that allow EU citizens to cope with rapid changes, periods of unemployment, reintegration and transition to new jobs. For this purpose, an important role is attributed to the European Employment Service (EES). The main objectives of the EES consist of, on the one hand, informing, guiding and providing advice to potentially mobile employees about available jobs and living and working conditions in the European Economic Area. On the other hand, the EES aims at assisting employers willing to recruit employees from other countries. The fourth aspect of the 2020 Europe strategy refers to ***modern protection systems of social security*** that will provide adequate financial support and facilitate mobility on the labour market.

At the same time, the Parliament and the European Council have taken serious measures to ensure the implementation of the principle of ensuring equal opportunities and equal treatment of men and women in matters of employment and at the working place, including the principle of equal pay for the same job or work. To really ensure full equality between men and women at work, the

principle of equal treatment does not prevent a Member State from maintaining or adopting measures that would stipulate specific advantages in order to facilitate a professional activity by the underrepresented sex or to prevent or compensate for disadvantages in professional careers.

In order to improve the opportunities for the employment of the human resources in the EU market, thus contributing to raising living standards, the European Social Fund was created, which aims at promoting within the European Union facilities for employment of the labour force, geographical and professional mobility of employees, and facilitating the adaptation to industrial changes and developments in production systems, particularly through training and retraining.

### **3. The issue of employment in the Republic of Moldova**

The labour market in the Republic of Moldova is still in a transitional stage, it is rigid and it generates strong structural, territorial, occupational and professional imbalances. It includes both mechanisms inherited from the socialist economy and specific elements of a market economy. In recent years, the labour market has witnessed steady trends in certain employment indicators.

Currently, the labour market in the Republic of Moldova has been facing problems related to the social security system, inefficient use of the labour force and reserves available for organizing the payroll system, increased migration of the population able to work abroad, the practice of "under the table" salaries, underemployment and economic discouragement of the working population, etc. The employment problem in the Republic of Moldova is primarily determined by the aging population that will significantly influence the future of the labour market and, secondly, the international migration of labour.

Although the problems of employment in the Republic of Moldova are quite big, state institutions have made efforts to review and adjust the laws related to the labour market to EU standards. Thus, along with the aspiration of the Republic of Moldova to integrate into the EU, several conventions that regulate employment have been adopted. Some of them are listed below: the ILO Convention No. 122 of 9 July 1964 on employment policy, the Convention No.111 of 25 June 1958 concerning discrimination in respect of employment and occupation, and Convention No. 100 of 29 June 1951 on the equal remuneration of males and females for carrying out a job of equal value.

In order to improve the employment situation in the Republic of Moldova, they periodically develop strategies for the employment policies of the workforce. The last strategy for employment was developed and adopted in 2007, covering the period of 2007 - 2015. The main objectives of the strategy were:

- strengthening long-term economic growth and the creation of new jobs;
- increasing the competitiveness of the Republic of Moldova in the international market in terms of labour costs, mobility, qualifications and adaptability of human resources to the requirements of flexible labour markets;
- harmonization of the labour law between the Republic of Moldova and the European Union;
- ensuring as full, durable and productive employment of the workforce as possible and achieving a decent level of remuneration. According to 2007 - 2015 Employment Strategy, this goal was to be achieved by accomplishing three tasks in common agreement with the European Employment Strategy and namely:
  - > increase the number of jobs;
  - > improve quality and increase labour productivity;
  - > strengthen social cohesion and inclusion by combating all forms of discrimination in the labour market, reducing gender disparities and differences between regions in terms of employment.

Although the 2007 - 2015 employment strategy objectives were quite clear and ambitious, especially those related to increasing the levels of employment, in this paper we show that this objective has not been achieved.

Currently, the employment level in the Republic of Moldova is determined by numerous problems that require finding solutions for both the medium and in the long term. They mostly refer to:

- the large number of low productivity jobs and insufficient wage levels, which become unattractive for the working population;
- the high share of informal activities in a number of sectors of the national economy;
- the high share of population involved in agriculture;
- migration of skilled labour abroad;
- insufficient involvement of economic agents in the professional training of the workforce without taking into account the requirements of the labour market etc.

Given the problems it faces in the employment field, the Republic of Moldova is currently in the process of developing a new 2016-2020 Employment Strategy by taking into consideration the goals set in the 2020 Europe Strategy.



#### 4. The analysis of labour employment in the European Union and in the Republic of Moldova

One of the indicators characterizing the level of employment is the employment rate which determines the employment rate of the working population and also reflects the capacity of the labour market to absorb the labour force. Given the relevance of this indicator in Table 1 we aim at analysing the evolution of the employment rate in the European Union and of each Member State over 2009-2015 for the group 15-64 years of age.

**Table 1 - The rate of employment in the European Union and each Member State in 2009-2015 for the group 15 - 64 years of age**

No.	Countries	Years			
		2009	2011	2013	2015
1.	EU-28	64,5	64,2	64,1	65,6
2.	Austria	70,3	71,1	71,4	71,1
3.	Belgium	61,6	61,9	61,8	61,8
4.	Bulgaria	62,6	58,4	59,5	62,9
5.	Czech Republic	65,4	65,7	67,7	70,2
6.	Cyprus	69,0	67,6	61,7	62,7
7.	Croatia	59,4	55,2	52,5	55,8
8.	Denmark	75,3	73,1	72,5	73,5
9.	Estonia	63,8	65,3	68,5	71,9
10.	Finland	68,7	69,0	68,9	68,5
11.	France	64,1	63,9	64,1	63,8
12.	Germany	70,3	72,7	73,5	74,0
13.	Greece	60,8	55,1	48,8	50,8
14.	Ireland	61,9	58,9	60,5	63,3
15.	Italy	57,4	56,8	55,5	56,3
16.	Latvia	60,3	60,8	65,0	68,1
17.	Lithuania	59,9	60,2	63,7	67,2
18.	Luxembourg	65,2	64,6	65,7	66,1
19.	Malta	55,3	57,9	60,8	63,9
20.	Great Britain	69,9	69,3	70,5	76,9
21.	Holland	77,0	74,2	73,6	74,1
22.	Poland	59,3	59,3	60,0	62,9
23.	Portugal	66,1	63,8	60,6	63,9
24.	Romania	58,6	59,3	60,1	61,4
25.	Slovakia	60,2	59,3	59,9	62,7
26.	Slovenia	67,5	64,4	63,3	65,2
27.	Spain	60,0	58,0	54,8	57,8
28.	Sweden	72,2	73,6	74,4	75,5
29.	Hungary	55,0	55,4	58,1	63,9

Source: Developed by the authors based on European Union statistics

Analysing the information in Table 1 it can be noticed that EU countries that were mostly affected by the economic crisis in 2008, recorded the most dramatic decrease in the employment rate. Over the analysed period, the employment rate in Cyprus for the age group 15-64 decreased from 69,0% in 2009 to 62,7% in 2015, accordingly Greece - from 60,8% to 50,8%, Croatia - from 59,4% to 55,8%, Portugal - from 66,1 to 63,9%. At the same time, we can notice a clear increase in the employment rate in such countries as Estonia, Germany, Latvia, Lithuania and Hungary.

Table 1 reflects the general picture of employment in the Member States of the European Union. In the conducted research, we aimed at analysing the employment rate in the European Union depending on the level of studies. Thus, in Table 2, we present the employment rate according to the 2015 study.

**Table 2 - The employment rate in the European Union and each Member State in 2015 for the group 15-64 years of age, according to studies%**

No.	Countries	2015			
		Total	Inclusive of		
			Primary and secondary education	Vocational training and college	Higher education (bachelor, master, doctor degrees)
<b>1.</b>	<b>EU – 28</b>	<b>65,6</b>	<b>43,7</b>	<b>69,0</b>	<b>82,7</b>
<b>2.</b>	Austria	71,1	47,2	73,5	85,0
<b>3.</b>	Belgium	61,8	36,0	64,0	81,8
<b>4.</b>	Bulgaria	62,9	29,6	67,2	84,0
<b>5.</b>	Czech Republic	70,2	22,3	75,4	82,6
<b>6.</b>	Cyprus	62,7	40,6	62,4	78,3
<b>7.</b>	Croatia	55,8	28,2	58,0	78,6
<b>8.</b>	Denmark	73,5	54,3	78,2	85,6
<b>9.</b>	Estonia	71,9	36,9	73,5	85,2
<b>10.</b>	Finland	68,5	37,9	70,2	82,9
<b>11.</b>	France	63,8	39,7	65,9	81,4
<b>12.</b>	Germany	74,0	46,1	78,0	87,8
<b>13.</b>	Greece	50,8	39,7	48,8	67,9
<b>14.</b>	Ireland	63,3	35,0	63,8	81,2
<b>15.</b>	Italy	56,3	42,2	62,9	76,3
<b>16.</b>	Latvia	68,1	34,7	68,8	85,1
<b>17.</b>	Lithuania	67,2	19,9	66,1	88,7
<b>18.</b>	Luxembourg	66,1	46,8	65,8	83,3
<b>19.</b>	Malta	63,9	52,0	69,6	88,7
<b>20.</b>	Great Britain	76,9	56,0	73,3	84,7
<b>21.</b>	Holland	74,1	57,0	76,5	87,4
<b>22.</b>	Poland	62,9	23,3	64,0	85,0
<b>23.</b>	Portugal	63,9	56,3	66,9	80,4
<b>24.</b>	Romania	61,4	42,6	64,9	85,3

## THE EMPLOYMENT LEVELS IN THE EU AND IN THE REPUBLIC OF MOLDOVA

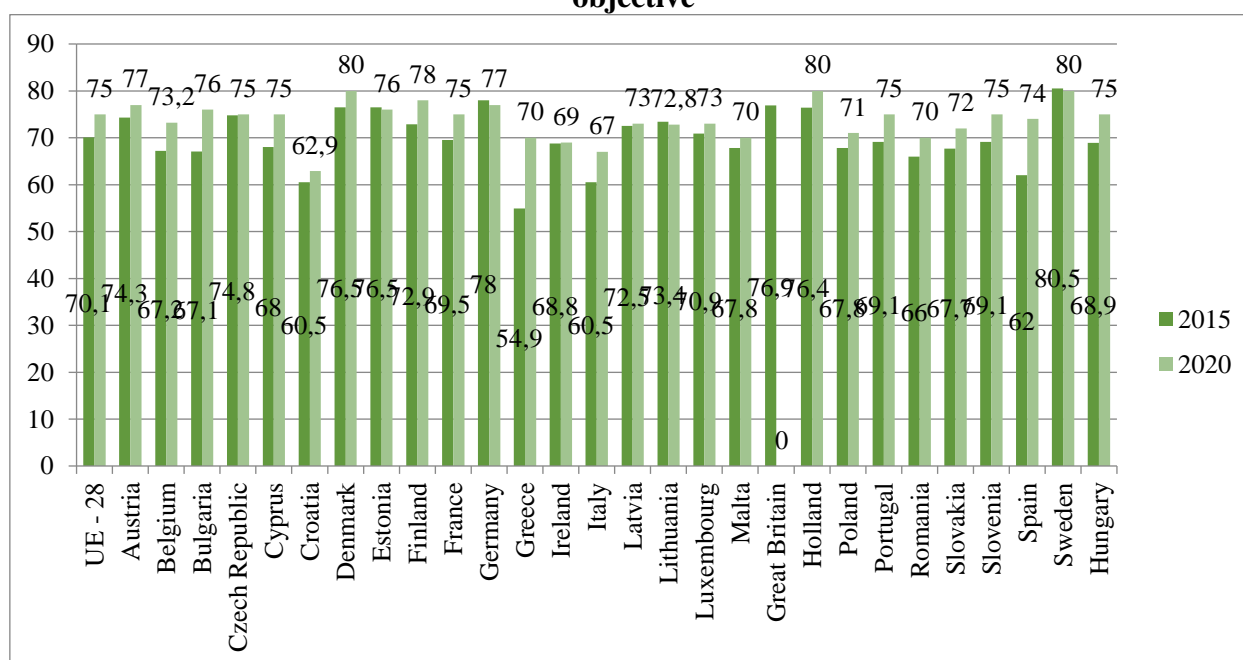
25.	Slovakia	62,7	18,4	68,6	76,5
26.	Slovenia	65,2	35,7	65,9	83,1
27.	Spain	57,8	46,2	57,5	76,7
28.	Sweden	75,5	46,0	80,9	87,7
29.	Hungary	63,9	33,9	68,8	82,1

Source: Developed by the authors based on European Union statistics

The information presented in Table 2 demonstrates that people with higher education are most likely to stay active in the labour market. In most EU countries, the employment rate among people with higher education was over 80% in 2015. Meanwhile, the lowest employment rate was recorded among people with primary and secondary education, which shows that this category of people is the most vulnerable in the labour market and is facing the greatest difficulties in finding a job. In 2015, the employment rate among people with primary and secondary education was twice lower than the rate of employment among people with higher education in such countries as Bulgaria, the Czech Republic, Lithuania and Poland. Regarding the employment rate of people with secondary vocational training and college, it falls between 48,8% Greece and 80,9 % - Sweden.

Also, it should be mentioned that by the 2020 Strategy the European Union has set the goals to increase the employment rate for the 20-64 years of age group to 75.0% in 2020, which would represent an increase of nearly 5.0 percentage points at EU level (Figure 1).

**Figure 1 - The employment rate in the EU and each member country set as a 2020 objective**



Source: Developed by the authors based on European Union statistics

According to Figure 1, most Member States have set the target to increase the employment rate for the age group of 20-64. Only in three EU Member States: Germany, Sweden and Lithuania the employment rate of the workforce is to be reduced in 2020 compared to 2015. This situation could be determined by the demographic processes taking place in these countries. Meanwhile, some countries have set the target of raising the employment rate by over 10% in 2020 compared to 2015. Greece and Spain are the countries that have mostly suffered from the economic crisis in 2008 and that have registered the highest unemployment rates.

In order to make a comparative analysis of the employment rate registered in the European Union and in the Republic of Moldova, in Table 3 shows the employment rate in the Republic of Moldova for 2009-2015 including the population aged 15-64.

**Table 3 - Employment rate in the Republic of Moldova in 2009-2015 for the population aged 15-64, %**

No.	Employment rate	Years			
		2009	2011	2013	2015
1.	<b>Total</b>	<b>40,0</b>	<b>39,4</b>	<b>39,3</b>	<b>40,3</b>
2.	Population with higher education	62,2	59,2	59,3	57,0
3.	Population with secondary specialized education	52,1	50,6	46,3	45,7
4.	Population with secondary vocational training	50,4	50,0	45,5	46,9
5.	Population with secondary or high school education	35,8	35,2	35,6	36,8
6	Population with secondary education	26,0	26,2	28,2	30,3

Source: Developed by the authors based on information from the National Bureau of Statistics

Analyzing the information in Table 3, we can notice that the employment rate is much lower than that recorded in EU countries. Making a compared analysis of the employment rate between the Republic of Moldova and the Baltic countries, which withdrew from the same ex-Soviet zone, it can be noticed that in 2015 this indicator was over 1,5 times higher in Estonia, Latvia and Lithuania than that registered in the Republic of Moldova. Making a comparative analysis of the employment rate by the level of education in 2015, it looks almost identical to the global one. However, we have found that, over the analysed period, the employment rate was decreasing among people with higher education, secondary specialized and secondary vocational training but instead it was increasing among the population with secondary and high school education.

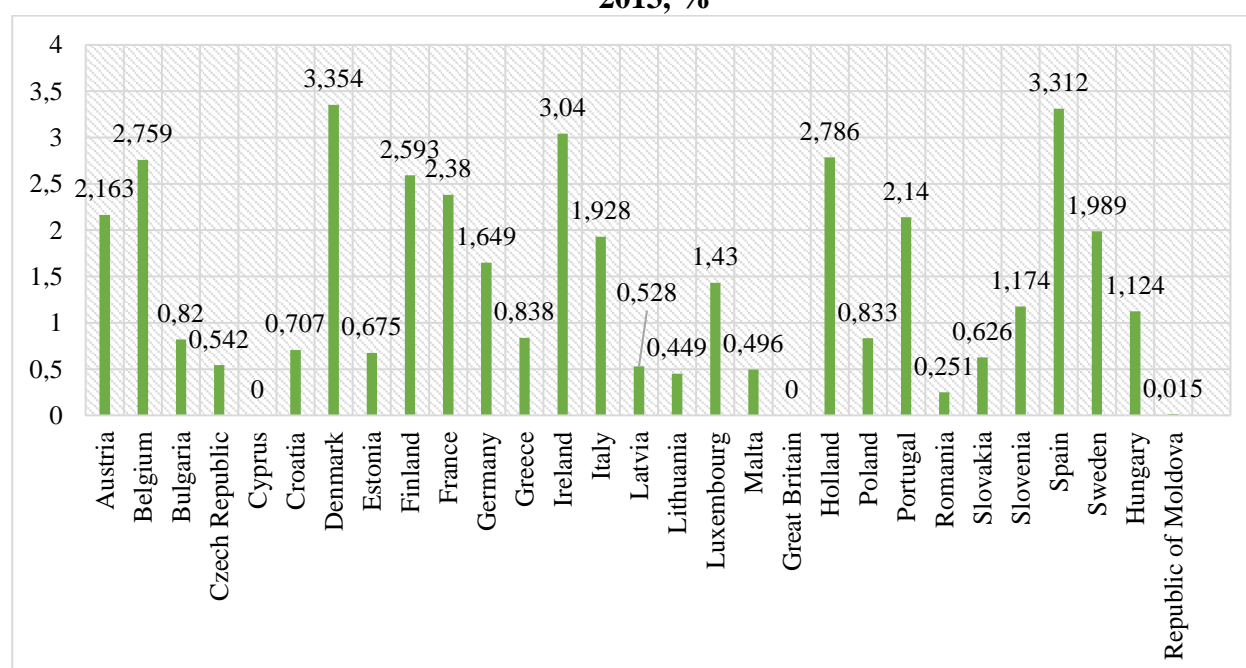
Although the employment strategy for 2007-2015 foresaw an increase in the employment rate to 60% in 2015, this goal was not achieved. Towards the end of the period this indicator stayed at only 40.3%.

## 5. Financial resources allocated for the implementation of the measures related to the labour market

To keep the working population employed is a priority for any state. Therefore, in order to facilitate the employment of people who, at a certain time, are outside the labour market, each country develops and applies its own policies and measures. In order to facilitate the insertion or reintegration of working people on the labour market, various measures can be taken: career guidance services, training services; labour mediation services, support to start their own businesses, etc.

Any labour market related action or policy being implemented requires financial resources which the country has to bear. In relation to the GDP, the financial resources allocated for the policies and actions promoted in the labour market in 2013 were different from country to country (Figure 2).

**Figure 2 - Financial resources allocated for the measures in the labour market as to GDP in 2013, %**



Source: Developed by the authors based on the statistics of the European Union and the Republic of Moldova

Analysing the information in Figure 2, we can see that the Republic of Moldova is far from the EU Member States in terms of the financial resources allocated for the implementation of the measures applied in the labour market. Compared with Romania, the financial resources allocated in this respect are 15 times smaller in relation to the GDP. Denmark is in the first place in this respect. In 2013, the financial resources allocated to Denmark for such measures amounted to 3.354% of its GDP. Spain follows with 3.312% of GDP, in terms of active measures promoted on the labour market. The large volume of financial resources allocated for such measures is determined by the fact that

Spain, in the post-crisis period, has faced and is still facing a high unemployment rate and the active measures taken in the labour market are meant to diminish this rate.

## Conclusions

Employment is a rather important issue that every country is being concerned with. Depending on the employment level we can generally appreciate the level of economic and social development of a country. Thus, the lower the employment rate is, the greater the social problems facing the country are. Analyzing the statistical data presented in this paper, we have found that the employment rate of the labor force in the Republic of Moldova is much lower compared to that of the EU Member States. Given that the employment rate in the Republic of Moldova remains unchanged, if we refer to the statistics in the last five years, then by 2020 the employment will be nearly two times lower than the rate in the European Union.

The employment level depends on the level of professional training of the working population. Statistics show that the employment rate of people with higher education is the highest both in the EU and the Republic of Moldova. Meanwhile, the employment rate among people with vocational education is the smallest, being considered the most vulnerable in the labor market. Therefore, the labor force must have professional training and be able to maintain its competitiveness and lifetime learning.

The low level of employment in the Republic of Moldova compared to that registered in EU Member States is also determined by insufficient financial resources allocated for this purpose. This state of affairs limits the actions of central public authorities from taking serious actions on the labor market that would increase employment.

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