

## **ANALYSIS OF THE CHANGES TO THE LABOUR MARKET AND UNEMPLOYMENT IN REPUBLIC OF MOLDOVA FROM THE PERSPECTIVE OF SIGNING THE ASSOCIATION AGREEMENT WITH THE EU**

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**ABSTRACT:** *Issues regarding future and employment represent some of the most important problems facing the economy. Work and all productive activities aimed at increasing the wealth of nations and thus create a better life for all people. In terms of labour market restructuring of the economy has accumulated a large number of social issues, including the emergence and growth of unemployment. Republic of Moldova is facing a real crisis of employment in the economic downturn installed recently. Involution occurred in the economy have restricted opportunities for employment working as a reduction lead this active population and chronic unemployment.*

**KEY WORDS:** *unemployment, job control and prevention measures, employment, labour, employers.*

**JEL CLASIFICATION:** *J62, J64 J81, K31, K33.*

### **1. INTRODUCTION**

Employment is in any society, including in developed countries a prerequisite to ensure macroeconomic balance and socio-political stability. It is a dynamic process of interest to all economic and social partners, present and future society, with different implications: economic, psychosocial, educational, cultural, etc.

Decrease unemployment and increase employment of labour are now essentials of economic policy objectives of all countries, made possible by the balance between supply and demand for labour in the labour market. The problem of ensuring jobs and unemployment phenomenon represented to me an area that requires more attention because of its timeliness. Global crisis is that economic fundamentals "shaken" even

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countries with a high economic level, in favour of increasing unemployment and reducing the number of jobs.

For these reasons I think that we need be carried out a thorough analysis of both the causes and processes that gave rise to this situation as well as the consequences it has on the population. Unemployment is leading to significant loss of production and income of the company, damage skills, individual impulsion, loss of income and social status, the discouragement and motivation.

The labour force is the "commodity" which is owned by the possession and use of any person. This person appears on the market as a seller of resource which holds that the ability to work.

According to the definition, the labour market is the confrontation between demand and supply of labour in a particular time and in a certain space, and finally the sale - purchase labour for a price called wages, working in each country, different groups of countries worldwide.

On a macroeconomic scale, the economy is in the form of a system of interconnected markets.

The labour market is influenced by various socio-economic, demographic, social. The most important of the factors influencing the labour market are: technical progress and social productivity of labour emigration-immigration demographic processes; cultural and behavioural characteristics of the population; education and skill level of the workforce; production and capital;

This last involves the following elements: workers, employers, employment, employment (transactions between workers and employers), networks (communication links between the possible occupants of jobs and different companies) and contracts (agreements on tasks, effort filed, working conditions, salary level).

The labour market is a system of economic relations on all employment and labour utilization and to ensure the protection and welfare of the owners of this special commodity.

Low mobility of labour to its holder; people are attached to socio-economic environment in which it formed and where they live; economic benefits to other areas (cities) do not exercise unlimited role in the people's movements for new jobs;

Offer of employment depends on factors such as age, health, psychology people outside the business. The heterogeneity of demand and supply of labour, the disparity between their structures make them substitution between different components is reduced.

The main components of the labour market are supply and demand. Demand for labour is actually the need for employed labour, expressed through the number of jobs actually falling all relationships, relationships and connections on the volume and structure of employment in occupations and skill levels, so each component of the economy national, as well as a whole. Satisfying the need for work involves working due to available use in society that the workload can be made of the working population. We must keep in mind that not all labour availability is considered the offer, but only those to be paid. The application contains the necessary labour force of workers in various trades and professions, in a certain geographical area and time period.

Demand for workers is based a lot on quantitative aspect and qualitative one, that the qualification skills. In this respect there is a tendency content intellectualization activities by the growing number of professions. The ability to practice under performer economic conditions a larger range of crafts is generated by changes in demand for products and services and manufacturing techniques and technologies. Depending on the duration of the work or temporary work distinguished (here fall part-time or seasonal work).

The owners of labour have relatively low mobility; people do not move from one place to another and do not change easily work but are attached to economic and social environment, even if they have economic advantages.

Labour supply depends on age, sex, health, psychology, working conditions and so on, things that are not necessarily economic. Size and population dynamics are determined economic, biological and demographic, which causes some peculiarities of labour supply and demand.

## **2. ANALYSIS OF THE STRUCTURE OF UNEMPLOYMENT AND EMPLOYMENT IN MOLDOVA DURING 2000-2012**

Unemployment is a major labour market dysfunction defined by a labour surplus in relation to labour demand. In this context, unemployment is linked to the labour market and hence wage work. This suggests that in relation to the labour market, labour supply consists of the employed and unemployed.

International Labour Office defines an unemployed person as someone who has reached the age of 15 years and satisfies all the following requirements:

- Is able to work (it is able to work);
- Is deprived of a job;
- Is looking for a paid job;
- Is available for an employee or otherwise.

Unemployment is a negative for the economy consequences which refers to the allocation of part of the working population by failing jobs.

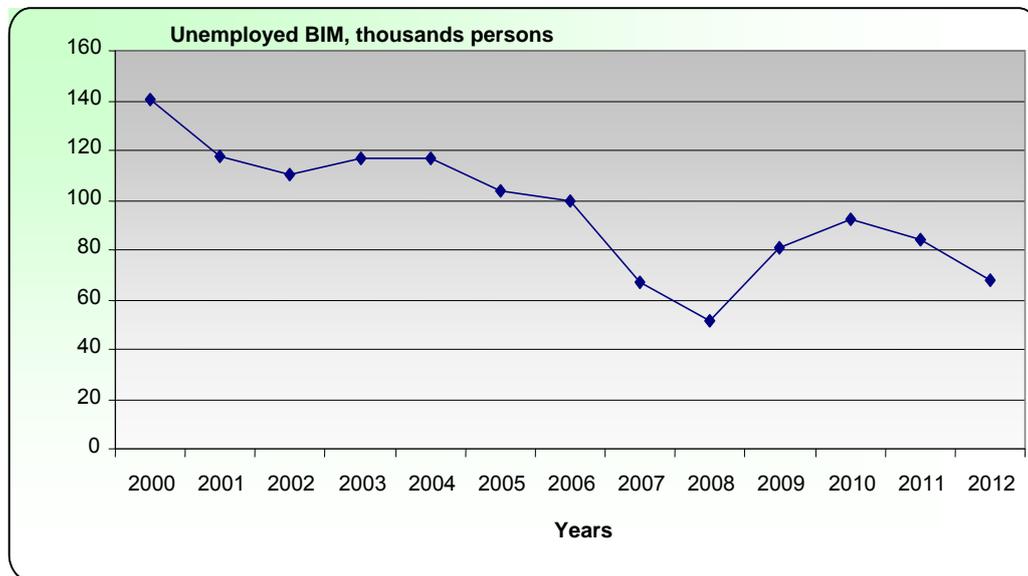
Unemployment is in the vacancy of the incomplete use of the "labour" of that group of persons available who are willing to work for lower wages than the existing real, so that when the actual demand labour force they will also increase employment increases.

Official unemployment refers to a situation in which the unemployed person has submitted an application to the office of workforce demand unresolved and unofficial unemployment highlights the fact that people looking for a job have not submitted an application to the institutions State dealing with job placements.

Unemployment structure is given by the classification by different criteria. Included in these criteria are: the after life environments, where the duration of unemployment by age groups, by level of education, unemployment by gender, by region (north, centre and south).

Unemployment, as a characteristic element of the economy in transition accounted for Moldova, as well as post-Soviet country, a new phenomenon, whose appearance was due to slowing down economic activity and stable economic crisis,

followed by changes industry structure (reducing public sector), agriculture (land reform), in services (targeting the private sector).



Source: <http://www.statbank.statistica.md>

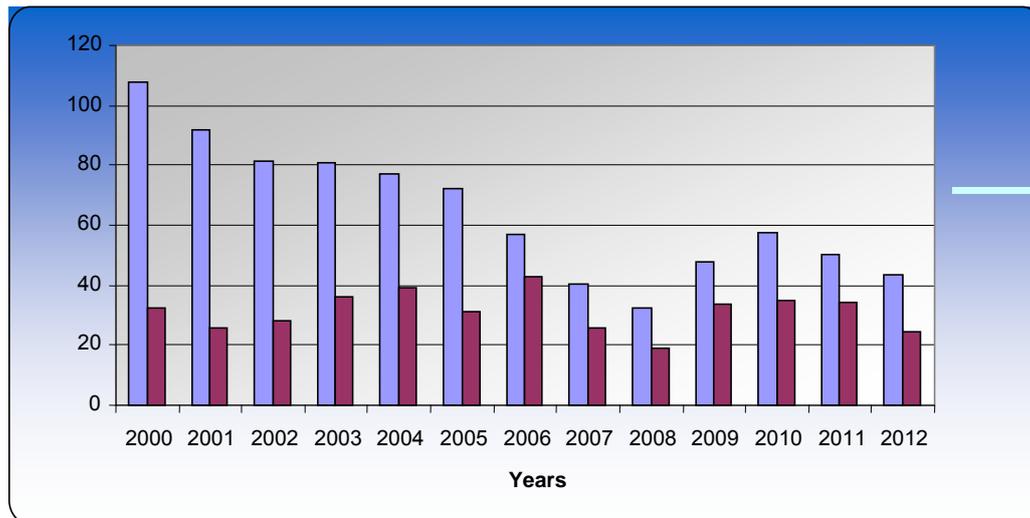
**Figure 1. Unemployment Moldova determined according to the methods BIM**

In Moldova, during 2000-2012, unemployed, calculated according to the methodology of the International Labour ranged from 51-140000 people. It is noted that the lowest level of unemployment falls in 2008 was 51.7 thousand, and in 2011 and 2012 the number of unemployed has a tendency to decrease it with the values of 84.0 thousand, ie 67, 7000 people.

According to Figure 1 can be found most urban unemployed, even if they have more job opportunities, a situation reflected in 2012 when urban 43 600 people were registered respectively in rural areas - 24 , 2000 people. During 2000 - 2012, the highest number of unemployed persons was registered in 2000 (140 thousand), and the lowest - in 2008 (51 700 people). In terms of urban unemployed in 2000 was dotted maximum of 107 600 people, the relative size is 76.80% of total unemployment for the year. In 2008, the urban unemployed registered the lowest level, ie 32.7%, the relative size is 63.13% of the total unemployed. Rural unemployed registered the highest number in 2006 (43 100 people), which constituted 43.14% of total unemployment and the lowest number in 2008 (19.1 thousand), representing 36 87% of total unemployed for this year. After unemployment duration 12-23 months unemployed registered the highest level in 2000 (30.8 thousand), and the lowest - in 2008 (7000 persons).

Unemployment phenomenon has a major impact on the population, this argument is supported by the large number of people unemployed for 24 months or more, in 2000 he recorded the highest value of 53 800 people, and by a decrease considerable, in 2008, reached the lowest level (9200 people).

In terms of unemployment duration of less than three months, official statistics communicate the fact that the highest number of unemployed enrolled in 2003 (29 600 people), and the lowest - in 2008 (14, 7000 persons). If we refer to the "distribution" unemployment by age when we can say with certainty that the age group most affected by unemployment is in the range 15-24, which records the highest point in 2000 (37 000 people), and the lowest - in 2008 (15 600 people).



Source: <http://www.statbank.statistica.md>

**Figure 2. Unemployed after living environments**

The age group 25 - 34 years recorded in 2000 the highest number of unemployed - 32 500 people and in 2008 the lowest - 11 700 people. During 2000 - 2012, according to the age group of 35-44 years is highlighted in the early period, the highest level of unemployment (39 200 persons), and in 2008 - the lowest (9000 people ).

Unemployed people aged between 45-54 years have included 27 400 persons in 2000 and in 2012 they represented the equivalent of 11 900 people.

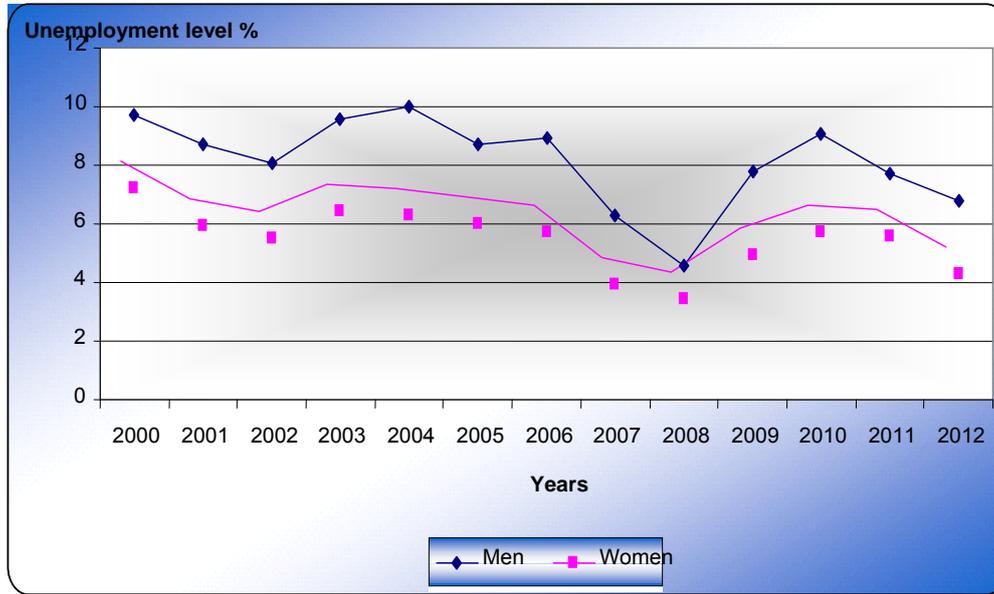
People belonging to the age group 55-64 years have the highest level in 2005 (5.6%) and 2009 (5.6%) and the lowest - in 2001 (3.4%).

The less significant the unemployed are persons 65 years and above, normal situation also, because people in this age group can not be classified were employed, because of advanced age and health of young and which eventually fall into the category of inactive population.

### **3. THE EVOLUTION OF UNEMPLOYMENT BY GENDER**

Unemployment among men, although decreased from 9.7% (in 2000) to 6.8% (in 2012), is higher than that for women (this has been matched by unemployment 7.2% in 2000, ie 4.3% each in 2012) because women who accept jobs paid more

modest and vacancies for unskilled labour, compared with men whose pay is 30% higher than the female part and prefer management posts.



Source: <http://www.statbank.statistica.md>

Figure 3. The evolution of unemployment by gender

#### 4. THE UNEMPLOYMENT LEVEL BY REGION

Throughout the 2000-2012 period, the unemployment rate in Chisinau is higher than in other regions, it has the highest value in 2010 (10.4%) and the lowest - in 2008 (8.6%).

In the northern region of Moldova, marking the highest rate in 2010 (5.7%) and the lowest - in 2008 (3.1%).

In the centre of the country has emerged the highest rate in 2010 (6.8%) and the lowest - in 2008 (3.2%).

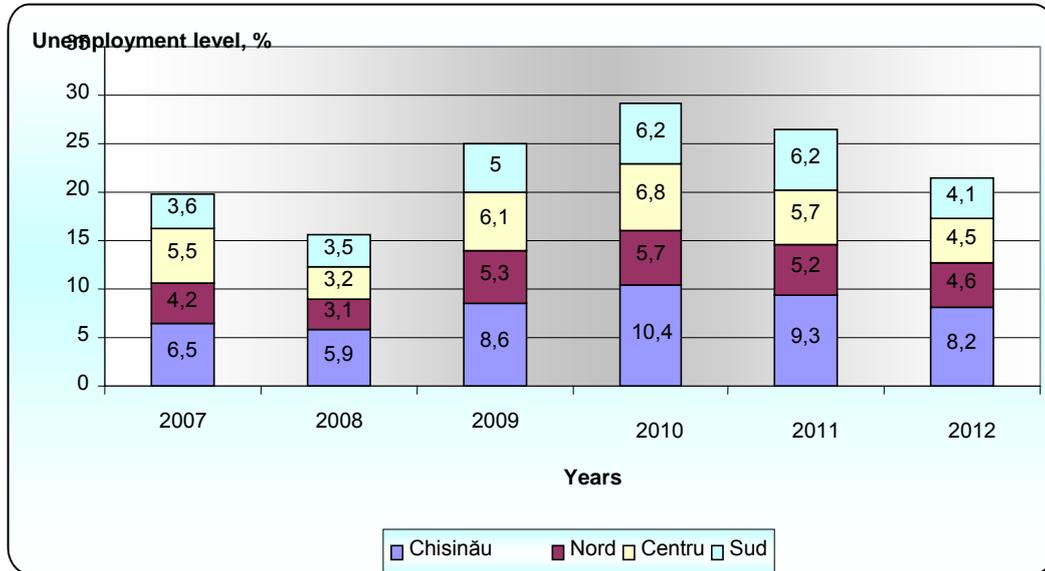
The southern region was dotted the major rate (6.2%) in 2010 and 2011 and the lowest - in 2008 (3.5%).

In 2012, the unemployment rate in the region the following values:

1. Chişinău – 8.2%;
2. North – 4.6%;
3. Centre – 4.5%;
4. South – 4.1%.

In Moldova, as well as in Romania, employment has become a very serious problem with the transition to a market economy. This dilemma is of significant importance as it pertains to each individual. Layoffs and intensification of unemployment occurred due to changes in the labour market caused by the

privatization and restructuring of the economy and employment opportunities employment consequences of the economic downturn.



Source: <http://www.statbank.statistica.md>

Figure 4. Unemployment rate by region

In order to simplify access to information to those affected have been outlined some measures:

- Labour Mediation provides interaction between potential employers and people looking for a job in order to establish employment reports and employment vacancies. Types of services offered by the National Mediation refers to information free work stations and their employment requirements, access to the database of vacancies, preparation of individual mediation plan to increase employment opportunities employment, involvement in seminars to the unemployed and employers, as well as attending job fairs.
- Job Fair is a service that helps people looking for a job to be included as participants in various job fairs thus having the opportunity to meet with a potential employer and negotiate direct employment opportunities.
- Public works. ANOFM supports helping the unemployed to engage in paid work in community, on a temporary basis, provided and financed by the government of localities. These public works relate to public services and construction work for restoration and maintenance of local public institutions, roads, greening works also works Utilities (participation in conducting the census, statistical surveys, etc.). These works also include social services, which consist of home care activities and specialized agencies of the sick, children, old people, people with disabilities, large families, etc.. To accomplish these tasks, the unemployed person is paid by the

Unemployment Fund grant a monthly allowance equal to 30% of average salary for the previous year, according to the time actually worked.

- Outplacement services are provided to persons to be dismissed due to changes in the organization, including liquidation, reorganization or readjustment unit. These services are provided in order to not let the unemployed off people and also to inform about the law on social protection of persons seeking employment location.

Employment assistance is helping employers on choosing candidates from the database of the National Agency for occupying vacancies, including training in public works. For a business to thrive, the human factor plays a significant role and issues of selection, motivation and retention of employees are increasingly important, as employees become more demanding requirements in a continuously changing professional.

Workforce benefits from the protection of the National Agency for Employment and giving it the financial support materialized in unemployment benefits and allowances integration or reintegration.

Aid or unemployment benefits are a form of material support and social protection of those left temporarily unemployed and consists of a fixed amount of money, tax-free, to be determined and paid monthly, for a certain period of time, differentiated categories of persons and length of service, and taking into account the minimum gross wage per country, in force at the time to its

National Agency granted unemployment benefits for a period of 6 to 12 months, all the people left without a job in order to support and stimulate to get back into work as close future.

The amount of unemployment benefits are calculated differently depending on the circumstances in which the person has finally work activity and its payment period is determined differently depending on the length of employment of the applicant. Size that aid can have a value less than the minimum wage for the country and will not exceed the amount of the average wage in the previous year.

Thus, the problems that currently confront Republic of Moldova are:

1. Lack of a detailed analysis of labour market processes that would guide the development of training policies and employment work.
2. Smaller number of jobs available in the national economy. Low wages available high requirements submitted by businesses for employment.
3. Reduced possibilities of employment for women, youth, graduates of educational institutions.
4. Increase the number of people employed in the informal sector and of labour exploitation by traders. Being employed informally, especially young people, work a month or two after they are fired without being paid. 01.01.2002. With the creation of the Labour Inspection, which has already started, this negative phenomenon will disappear.
5. The lower role of the labour management in policy on the labour market.
6. Tendency to reduce employment. Decrease in the number of economically active population and employment in the economy is a relatively normal in terms of substituting an economic system to another. Economically active population

decreased in 2001 by 54 thousand compared to 1997, while employment in the national economy - by 147 thousand people.

7. Insufficient use of human potential in the current period is subject to falling demand for highly skilled labour force, driven by structural changes in the economy, low wages, lack of jobs etc.

Rising unemployment in Moldova is supported by some specific demographic characteristics as:

- Increased density of population (about 128 persons. 1 sq. km), which is a serious restriction territorial mobility of labour;
- Delivered agrarian nature of the economy, most people living in rural areas (54%), the issue of employment and unemployment are here acute and extremely difficult to solve; high percentage of women (52%) of the total population and their level of activity traditionally high.

Unemployment is generated by the action of several factors in the economy. Appearance and its emphasis is due to both objective causes, as well as some subjective. With high labour productivity, economic growth is no longer able to create new jobs, so to ensure full employment, the labour market, the gap between demand and supply of labour is to the latter. There are also subjective reasons, related to the behaviour of economic agents retained to hire young, either because of their lack of experience, or that they do not fall in labour discipline. In youth unemployment appears due to the tendency to seek employment paid a higher salary, which delayed their active integration.

In analyzing the causes of unemployment is necessary to consider several aspects among which the natural growth of labour resources, those of working age population; housewives who want to enter the labour market; availability of part of the population employed, the disappearance of jobs and reclassification of others and lack of suitable sources of raw materials, energy, capital etc.

A controversial role on unemployment it is technical progress. Labour productivity growth through the use of machinery can have three alternative effects: reducing manpower demand and thus unemployment; a neutral impact on the whole economy employment, but may cause unemployment in certain sectors (unemployment occurs in this type frictional case, the balance between labour market regulation) and ultimo effect would be that stimulates eating ethnic progress and guide economy to new investments resulting in overall growth of employment and unemployment decreases.

We can say, then, that in the short term, the program generates ethnic unemployment, a greater or lesser extent, depending on the financial capacity to absorb the news on scientific research, but in the long term generates new needs, which are covered through the products of new activities generating jobs.

Another influential factor that can lead to increased unemployment is the cyclical economic processes. In this category we find the scientific and technical revolution and population movements. "There are opinions that say that one of the biggest defect of modern market economies is their cyclic failure to ensure full employment of labour." Recession, the global phase of the economic cycle, the Republic of Moldova is a cause of unemployment.

Another cause of unemployment is the strongest labour migration. The immigration active part of the population to engage in different countries will increase demand labour force within them. Emigration has an opposite effect, decreasing the supply of labour in the home

Poverty is another cause of unemployment during the transaction and post-transaction. Between the two there is a close relation of independence. On the other hand, generates unemployment and poverty on the other hand poverty, regardless of its cause, causes amplification of unemployment. Manifestation of poverty is the dramatic reduction in revenue breakdown and loss of material goods accumulated over time

There are many effects on employment. In the first place there is a strong narrowing of the internal market. This occurs both at the level of aggregate demand, and at the level of certain products and Services of. An equally important component of poverty is the weakening process of education and training. Lack of money changes the behaviour very much towards the education that leads in time to a lack of adaptation to the labour market.

Another cause is the changes in the structure of industries and sectors. Under the impact of diversification of demand for goods, the energy crisis, which inevitably lead to a long period to reduce the demand for labour. The transition from the centralized economy to a market economy has produced major changes in the economic. Some business units have completely ceased activity, and others have restricted it due to reorganization.

To survive in the market, more and more companies will choose for restructuring. Even though this solution is regarded as one of short-term results, in some cases it is necessary to measure. Organizations need to reduce costs so as to secure forecast cash needed to operate the business and achieve profitability targets. Resorting to this act, companies would be able to withstand the pressure and could be ready for the moment when the market will start to grow again. The difficulty lies in keeping a balance for restructuring too "soft" can produce enough cash flow, and one too "tough" might affect the operational compatibility.

Another factor that leads to the emergence and increasing unemployment is the major economic imbalances. Unemployment is itself an imbalance, the most important, and is powered by other major imbalances. Inflation is one of the biggest influences on unemployment.

The realities of today show that inflation and unemployment coexist with mutual maintain. The statistics confirm the growth period increases inflation and unemployment. Monopolized markets are indeed a source of inflation and budget deficit by nature, no matter it is public or private monopolies. The budget deficit has another great imbalance in the economy that impact on unemployment. Its role is to decrease or increase unemployment by way of adopting of ways to cope. Failure to budget revenues due to tax evasion is likely to generate deficit by redistributing chaotic. It is unlikely that those violating the law increase their income to invest to create new jobs.

However, but one of the most important causes of unemployment and economic crisis that can be seen even in the moment. The shock wave of the economic crisis has spread from developed countries to emerging ones. As such, it is felt in the

activities of companies in Moldova. It caused large decreases in agricultural production, affecting materials market build from; therefore mobile. Also it feels and falling prices in the housing market and banking is also affected. Another issue closely related to the first is the return of Moldovans working abroad.

## **5. CONCLUSION**

Studies conducted in countries that have managed to create in recent years a significant number of jobs revealed the following: the creation of new jobs is achieved while increasing existing activities in the economy; activities that contribute to the creation of new jobs are mostly of industry, although the share of industry in the economy tends to decrease; The more labour market is more flexible, increase and diversify the employment offer in the development of economic activities; there is a reconsideration of employment and non-employment to employment, enhance the ability of small firms to hire older employees effective.

Measures to reduce unemployment and improve the conditions of those affected by unemployment are among the claims of all union organizations and are supported by broader socio-professional groups. Action programs of unions include however other objectives concerning employment: securing jobs, increasing wages and improving conditions for rest, removing the large discrepancy between the average salaries of men and women.

The research results reveal that the labour market in Moldova such reality is when a behaviour most active mostly unemployed and an urgent need jobs, contradict the fact that most passive current employment policy, which makes us consider necessary and appropriate actions to improve policy.

The final effectiveness of employment policy success depends both developed programs and services provided, as well as the efficiency of financial resource, especially as when one of the main limits of data policy in Moldova is namely a lack of funds.

Employment and unemployment are two basic components of the labour market that enjoys great attention nationally in each country as well as internationally. The results of these efforts, however, are highly conjugated increasingly different from one country to another, some succeed more than others, some get less qualitative and quantitative results etc. heating circuit a number of factors including the economic situation, economic and financial possibilities, targeting investments and resources for social protection, the type of labour market efficiency adjustment mechanisms used in the human resources.

Young people have the highest share in unemployment. Often the share of unemployed youth is unemployment resulting from the removal of the active life of persons active elder (retirement, discouraging search). However, among the unemployed youth sizes are actually larger and more threatening. There are countries with low rates of unemployment young (Germany, Austria, Denmark). On the other side, with the highest rates of youth unemployment is Moldova, Romania, Slovenia, Norway, USA and Belgium.

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