

## **DEVELOPMENT OF THE LABOUR MARKET IN THE REPUBLIC OF MOLDOVA: PROBLEMS AND OPPORTUNITIES FOR EMPLOYMENT**

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**ABSTRACT:** *The present article refers to the current situation of the labour market of the Republic of Moldova. It comprises the SWOT analysis of the labour market, including the opportunities to increase the employment of population. To overcome the weaknesses identified on the basis of the SWOT analysis we have proposed two measures: the implementation of the temporary work, organized by temporary employment agencies and stimulating job creation in Free Economic zones. The article presents arguments for the benefits from these two measures.*

**KEY WORDS:** *labour market, employment, temporary work agency, public employment services.*

**JEL CLASSIFICATIONS:** *J0, J2, J5, J6.*

### **1. INTRODUCTION**

The efficient functioning of the labour market is one of the conditions for increasing the competitiveness of the national economy.

The article provides a SWOT analysis of the labour market of the Republic of Moldova and the weaknesses as well as the threats can serve as an argument for directions of improvement.

Two of the main suggestions described in the article regard promoting temporary work through specialized recruitment agency (as an alternative form of employment) and a closer collaboration of National Agency of Employment with residents of Free Economic Zones.

The adaptation of the labour force to the market requirements implies efforts of the economic agents to co-operate with the governmental institutions, which would result in the elucidation of the ways to overcome the identified problems and prevent the occurrence of distortions in the labour market.

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## 2. SWOT ANALYSIS OF THE LABOUR MARKET OF THE REPUBLIC OF MOLDOVA

In order to provide a description of the current situation of the labour market in the Republic of Moldova, we decided to perform a SWOT analysis. Its results are given below.

### **Strengths:**

- Population possesses good knowledge of foreign languages;
- The presence of specialists for new and emerging positions - IT specialists, commercial representatives of pharmaceutical companies, call centre operators etc.;
- Continuous strategic development of the National Agency for Employment (NAE) and subordinated territorial agencies;
- Improvement of the unemployment situation (downward trend in unemployment, reduction of long-term unemployment);
- The number of vacancies registered by employment agencies is increasing;
- The legislative base is constantly adapting to the reality of the labour market.

### **Weaknesses:**

- Reducing the number of active and employed population;
- Changing age structure of the active and employed population as a result of demographic aging;
- Increasing number of inactive population;
- High unemployment unreflected in official statistics;
- The high share of informal employment;
- Limited propensity for self-employment;
- Low employment rate of young people;
- Lack of work experience in case of young people;
- Lack of correlation between labour supply and demand;
- Difficult integration into the labour market of people with disabilities;
- Limited access of employees to vocational training courses;
- Relatively low share of people with vocational secondary education;
- The unequal distribution of the active and employed population, both by gender and by the geographical area;
- The persistence of short-term unemployment, especially among young graduates, as well as among the rural population;
- The wasting of human potential by engaging the population in occupations below the qualification held.

### **Opportunities:**

- The emergence and development of high salary jobs - information technology specialists, commercial representatives of pharmaceutical companies, call center operators etc.;
- Implementation of human resources management practices providing a better perspective over employees' careers, higher investment in their professional training, etc.;

- Measures to improve the salary situation - indexation of salaries of employees from public institutions, increasing the minimum wage;
- Remittances contribute to raising the standard of living and education.

**Threats:**

- A model of economic development based on consumption and less on the development of production, capable of generating new jobs;
- Massive external labour migration, especially between 25 and 44 years of age;
- Insufficient exploitation of the opportunities for obtaining grants in order to develop the infrastructure and create new businesses in rural areas;
- Increasing disparities in population employment in rural and urban areas;
- The imperfect labour remuneration system;
- Increasing the economic dependency ratio with impact on the social protection system;
- Narrow spectrum of professional activities required in rural areas;
- Negative demographic processes - aging population, natural growth with negative values;
- Low salaries compared to wage levels in European countries;
- The sharp decrease in the share of wages in the total incomes of the population has a demotivating role for the employment;
- Lack of employment opportunities in rural areas;
- Secondary vocational education system is unpopular;
- Reduced number of students enrolled in higher education institutions.

The identification of the threats of the external environment and the weaknesses of the labour market was used to identify the directions to which the efforts of the Republic of Moldova should be oriented at the present stage. The general objective formulated in the National Strategy for Labour Force Employment for the period 2017-2021: to increase the level of formal employment based on economic competitiveness, adequate skills and qualifications, under conditions of sustainable and inclusive development (Proiect Strategia Națională privind Ocuparea Forței de Muncă pentru perioada 2017-2021, 2016, p.4) corresponds to the created socio-economic conjuncture, following the European standards. Under the conditions of the Republic of Moldova's association with the EU, the basic pillars of the labour market management, allow to achieve a higher level of labour market competitiveness and a more rational use of the labour force.

### **3. OPPORTUNITIES FOR THE INCREASE IN EMPLOYMENT**

As the central institution of the public employment service, National Agency for Employment exercises attributions in the field of job mediation, in order to correlate and approach labour supply and demand, to inform the labour market situation, to realize and supervise the implementation of active and passive employment measures. "The increase of employment opportunities for individuals in search of a job is mainly done by: information and professional counselling, work mediation; professional training, work mediation, professional training, consulting and

assistance for initiating an independent activity or of starting a business; completing the employee' salary incomes; stimulation of labour force mobility" (Popp, 2012, p. 224).

### **3.1. Promoting temporary work through specialized recruitment agency as an alternative form of employment**

Taking into account the desideratum of integration into the European Union, the alignment of Moldovan legislation with European standards implies the regulation of an aspect of population occupation, which at present is not found in the national legal framework, namely temporary work agency. Temporary work agency is widespread in European countries. According to Eurostat Database (2017) over the last 5 years, this type of employment accounted for about 11% of the total number of employees in the European Union in Poland, the share of temporary staff in total employees was 21.9%, in Spain 20.7% and in Portugal 18.3%. In Romania, the number of temporary employees reached 78,000 in 2015, accounting for only 1% of the number of employees (Eurostat, 2017).

Work through specialized temporary work agencies is also called personnel leasing. The individual is hired by the specialized recruitment agency. The user pays the recruitment firm a fee for the requested service / work, and the temporary worker is remunerated by the recruitment agency. This remuneration may not be less than the salary received by the basic employee who performs the same or similar work. Between two missions, the temporary agency pays the salary of persons employed by the agency, the level of this remuneration cannot be less than the gross national minimum wage.

Companies call temporary workers for unexpected orders that require sudden increases in production or serving a higher number of customers, if there is a need for work to be done for a specified period, after which the need for an employee disappears. The employer may hire the temporary employee, who have been tested and who fit the job, on the basis of contractual agreement for an indefinite period of time. Some organizations have repeatedly resort to temporary staff services that have proved competent and performing. Temporary work agency is widespread in areas such as agriculture, hotels and restaurants, construction, real estate, but also a range of seasonal services (photo, video, repair services).

Benefits for the firm that appeals to temporary agency workers include: temporary employment costs are lower compared to hiring permanent staff; avoiding redundancies generated by cyclical economic activity, employers are sheltered by potential labour disputes, because at the expiry of the contract the employee leaves the enterprise easily.

Benefits for temporary workers are: easier employment of students, young graduates and other categories of people without work experience; the opportunity to gain experience, to try various activities and professional backgrounds; the freedom to determine the pace of career development and the alternation of professional breaks; making settlements in the social fund, so the individual benefits from social protection and preserves his / her seniority in work (Niță and Isac, 2016, p.191-198).

The creation of private temporary employment agencies in the Republic of Moldova could be a convenient solution for the mitigation of unemployment. The clients of these agencies would benefit from an optimal working schedule, which would be particularly convenient for students. The problem of employers' reluctance to hire young people without work experience could be solved; at the same time, graduates could get the possibility of acquiring professional experience. "The method is welcome for students looking for a part-time job for graduates without work experience" (Băieșu, 2014, p.290). We consider it opportune to choose this method of occupation by the territorial employment agencies. Thus, within employment agencies could be created departments that would deal with temporary employment. Therefore, the role of employment agencies would be that of the employer, not just the mediator. Of course, in this case, the addition of a new function would also entail changes in the National Agency of Employment regulation, as well as provisions in the labour law.

Romania's example in applying the legislation on temporary agency work could serve as a basis for introducing this practice into the Republic of Moldova as well. In Romania, this form of employment has been practiced for many years, and temporary agency work is regulated in Chapter VII of the Labour Code.

Based on the above mentioned law, we propose the following changes in the Labour Code of the Republic of Moldova, referring to the temporary employment: the possibility of carrying out the personnel leasing activity by the specialized recruitment agencies; the period for which the temporary worker is contracted should not exceed 12 months, with the possibility of extending the contract or signing a contractual agreement for indefinite period; temporary work should constitute a precisely described, fair and real task in the contractual agreement between the user and the agency; the duration of the probationary period should not exceed 30 days; the employee's labour contract is signed between the temporary work agency and the client (the firm requesting the temporary employee) and must include: the duration of the temporary work; the specific characteristics of the job - the required qualification, the place of the mission and the work schedule; working conditions; the protective equipment that the temporary employee must use; salary paid through the agency, and other non-financial rewards etc. (Labour Code of Romania, 2003).

Also, the contractual agreement should stipulate that the client communicates to the employment agency, each month, the number of hours worked by the employee, the way of payment of the salary, the frequency of his payment etc. (Cracea, 2013, p.32-33). It is essential to consider the commission paid to the temporary agency (the basis for calculating the commission is most often the gross salary of the temporary worker). The commission paid to the agency may vary depending on factors such as the number of employees made available, their qualification, the degree of labour market replacement with the respective specialists etc. (Băieșu, 2014, p.292) The temporary employment agency retains and transfers all contributions and taxes owed by the temporary employee to the state budget and pays for it all contributions due under the law.

The temporary employee is provided by the owner of the contracting company the working conditions and the necessary equipment according to the legal provisions. Occupational accidents or illnesses are communicated to the agency. If the employee is

employed in the contracting firm, then the period of temporary assignment is taken into account when determining the financial and non-financial rewards (Labour Code of Romania, 2003).

Promotion of temporary agency work will allow to increase the labour market flexibility in the Republic of Moldova, contributing to the general objective of the National Strategy of Labour Force Employment to "increase the formal employment level based on economic competitiveness, skills and adequate qualifications, under conditions of sustainable and inclusive development." Temporary employment agency will ensure an inclusive labour market by removing barriers to access for the categories of people without experience.

### **3.2. National Agency of Employment collaboration with residents of Free Economic Zones and foreign companies with subsidiaries in the Republic of Moldova**

Since migration to work abroad is still imminent for certain groups of the population, due to the lack of attractive employment opportunities in their community, the efforts of the authorities should be directed towards restricting the stay of migrant labour abroad. In this context, it is opportune to initiate the cooperation between National Agency of Employment with the subsidiaries of the transnational companies.

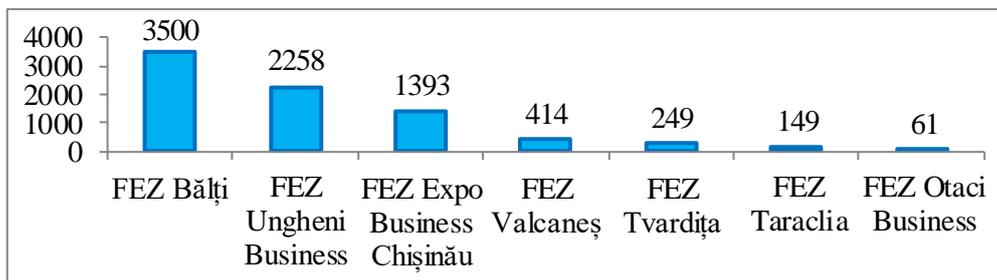
The initiative of National Agency of Employment to hire Moldovan workers in Israel for construction works is welcome. This measure will stimulate the employment of men, especially those in rural areas. At the same time, since (according to the conditions announced) only 75% of the candidates are to be employed, and the decision to hire or reject the candidate is taken upon his arrival in Israel, the risk of financial loss is quite high, bearing the cost of the medical examination and the cost of the trip to Israel and possibly back (National Agency of Employment, 2017). We believe that this could be the reason for the reluctance of potential candidates.

Our proposal concerns the participation of Moldovan workers employed at international companies' subsidiaries, such as Summa, Metro etc., in projects in other countries. In this case, employers have the opportunity to assess the worker's competences and the results of his work in Moldova, and then to transfer him/her to projects in other countries. Thus, companies could benefit from the lower cost of Moldovan labour force, compared to the cost of manpower in other countries, at the same time ensuring the official employment of workers.

Significant direction of stimulating the employment of the population is the cooperation of the territorial employment agencies with the resident companies of the Free Economic Zones. These special economic zones play an important role in providing new jobs. The Report of the Ministry of Economy on the activity of Free Economic Zones in 2016 (2017, p.4) estimated that the 7 FEZ's in the Republic of Moldova provided 8024 jobs on 1 January 2017 and this number has increased by 23.4% compared to 1.01.2016. The total volume of salaries paid to the employees of FEZ amounted to 452.1 million lei, which is 21% more than in the same period of 2015. The above-mentioned Report shows that the average salary of an employee increased by 6% in 2016 and represented 5.6 thousand Moldovan lei (2017, p.4).

Along with financial remuneration, working conditions, non-monetary benefits and social security systems are more attractive than those prevailing outside the zones.

According to the situation from January 1, 2017, the 7 FEZ of the Republic of Moldova registered 181 residents. The number of employees of FEZ residents for the reporting period was 8024 persons, increasing by 23.4% compared to January 1, 2016. Out of the total number of employees, 3500 persons are employed in FEZ "Balti", 2258 persons in FEZ "Ungheni- Business", 1393 persons in "Expo-Business Chisinau" FEZ, 414 persons in "Valkaneş" FEZ, 249 persons in "Tvardita" FEZ, 149 persons in "Taraclia" FEZ and 61 persons in FEZ "Otaci-Business".



Source: developed by the author on the basis of the Report of the Ministry of Economy on the activity of Free Economic Zones in 2016 (2017, p.4)

**Figure 1. Distribution of jobs in FEZ in the Republic of Moldova at 1.01.2017**

We consider necessary to facilitate the activity of FEZ and stimulate their residents to increase the number of newly created jobs, including a closer cooperation between territorial employment agencies and FEZ resident firms. A good example is the on-line job fair "Careers in Information Technology" that took part on the 4-8 December 2014. There were presented 49 companies, including FEZ Balti - "Draexlmaier Automotive" Ltd and FEZ Ungheni - "Moldabella" Ltd and "Lear Corporation" Ltd.

We consider that the stimulation of the Free Economic Zone residents to create new jobs is the solution for those locations, since the employment opportunities are scarce, there is a certain structure of labour force, homogeneous under the type of qualification, so that the emergence of a company contributes to the employment of a significant number of people in that specific geographical area. Creating jobs in Free Economic Zones leads not only to a generation of employment, but also to skill formation (i.e. human capital development) and technology and knowledge upgradation, since a lot of residential firms use high advanced technologies, not found in the local economy. „The professional training should be done with focus both on a short-time perspective, which should meet the immediate requirements of employment and other processes of training, improvement or reconversion, as well as on a medium and long-term perspective which will succeed in combining results in a national or regional policy of human resources development on the labour market” (Popp, 2012, p.213-222). Thus, firms’ residents of FEZ could organize trainings based on their

needs, adjusting the demand and supply of professional skills or, at least, minimizing the gap between them.

#### 4. CONCLUSIONS

The current situation on the labour market in the Republic of Moldova is characterized, on the one hand, by the deficit of attractive employment opportunities and on the other hand, by the fact that employers are reluctant to hire young graduates, because the latter don't possess good professional skills. Solutions proposed are: temporary work as an alternative form of employment and job creation in Free Economic Zones, along with professional training organized by resident firms, contributing to a better correlation between supply and demand of skills and abilities.

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