

# ACTIVE LABOR MARKET POLICIES IN THE REPUBLIC OF MOLDOVA: IMPLICATIONS FOR INCREASING EMPLOYMENT

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## **Abstract**

*In this scientific endeavour, the issue of active labour market policies (ALMPs) is addressed, as an essential element in increasing employment. ALMPs have been a concern for several researchers, with several aspects of them being addressed, as well as their impact on different workforce categories. In the case of long-term unemployment, the ALMPs come to financially and logistically support the respective persons for a faster integration into the labour market. At the national level, ALMPs have demonstrated their effectiveness and purpose pursued by government institutions in several countries. Starting from the content of ALMPs at the EU level, we analysed those services and measures that have been implemented for several years in the Republic of Moldova. In order to carry out the research, we performed an analysis of the annual statistical reports prepared by NEA from the Republic of Moldova. Indicators reflecting the content of ALMPs were identified from the annual statistical reports. Also, the dynamic analysis of the selected indicators allowed us to ascertain certain trends regarding the implementation of ALMPs in the Republic of Moldova.*

**Key words:** labour force, labour market, active labour market policies, disadvantaged groups, employment services, active measures.

**JEL Classification:** E24; J21; J48.

## **1. Introduction**

Labour market policies are defined as policies that provide income replacement and labour market integration measures for job seekers (the unemployed), but also for the underemployed and employees looking for better jobs. If passive policies aim to financially support the unemployed, active policies support the faster integration of jobseekers into the labour market.

Active labour market policies (ALMPs) aim to increase the employment level and reduce unemployment both at the national and local or regional levels. Over the years, the national governments of the world's states have been concerned with the development and implementation of various policies that have targeted the workforce, on the one hand, and employers, on the other.

ALMPs have evolved as a means by which national governments seek to reintegrate the unemployed and others outside the labour market into work. Encompassed in various employment programmes, job placement schemes and policies aimed at the most disadvantaged groups in the labour market, ALMPs have usually been viewed as „supply-side measures” [23]. Later, ALMPs began to be “demand-side” oriented, by engaging employers in various programs to provide jobs to disadvantaged people in the labour market [15]; [24].

The implementation of ALMPs can generate a more effective match between job vacancies and registered unemployed by adjusting the skill mix of job seekers or improving job search efficiency [8]. ALMPs also contribute to increasing labour productivity, as a result of vocational training programs or direct subsidies for job creation. This increase in productivity would change the demand for labour and increase employment and wages [8].

ALMPs have a history of including targeted measures for both unemployed and employed people. Initially, ALMPs were mainly directed at employed people to deal with regional imbalances, migration assistance and upward job mobility [21]. The concern of ALMPs changed significantly and became almost exclusively oriented towards the unemployed. The first systematic

conceptualization of the distinction in active and passive labour market policies, in an internationally comparable manner, was established in the 80s of the 20th century.

ALMPs were developed in Sweden as a crucial component of the social democratic strategy, which aimed to combine the competitiveness of an open economy with the security of full employment and social justice [22]. Although it started as a truly social-democratic policy, the concept of ALMP was also accepted by liberal and conservative politicians, as well as by liberal economists [1].

At the EU level, the Europe 2020 Strategy was approved in which one of its objectives consisted in the creation of efficient and competitive ALMPs, to help people reduce periods of unemployment and facilitate the transition to new jobs [9].

## 2. Literature review

ALMPs can be defined as policies aimed at helping the unemployed return to work [11]. The OECD defines ALMPs as follows: "Active labour market programs include all social expenditure (except education expenditure) intended to improve or increase the beneficiaries' chances of finding gainful employment ability to earn a living. This category includes expenditures intended for:

- government employment services and institutions;
- vocational training adjusted to the labour market;
- special programs for young people in the process of transition from the school to the work;
- labour market programs aimed at providing or promoting jobs for the unemployed and other people (except for young people and people with disabilities);
- special programs for people with disabilities" [19].

Theoretically, the traditional justification for implementing ALMPs has been to reduce imbalances in the labour market and counteract rigidities and distortions. This comes from the recognition that governments cannot sustainably address unemployment by expanding demand alone [4]. Improving the matching process by reducing skill mismatches or increasing participant search efficiency is considered among the most important channels for how ALMPs exert direct effects [25]. Improving the matching process by reducing skill mismatches or increasing participant search efficiency is considered among the most important channels for how ALMPs exert direct effects [25]. Improved labour market matching policies aim at raising the probability, efficiency and quality of labour market matching by supporting job seekers and employers as well as by taking an intermediate and brokerage role to overcome informational deficiencies [14].

In recent years, employers' interest in ALMPs has become increasingly high [24]. This is because greater employer involvement in ALMPs creates a win-win-win situation [17]. McCollum's claim is explained by the fact that job seekers are employed in existing vacancies as a result of their participation in vocational training programs. In turn, employers receive work-ready employees, and service providers offer jobs to clients.

Employment plays a key role in the formation of individual identity, mental health and well-being [26]. Therefore, several researchers have been concerned with evaluating the effects of ALMPs on the mental health and well-being of individuals, proving their positive effect as a result of individuals returning to work [20]; [7]; [2]. Therefore, the involvement of employers and employers' organizations in the policy process is necessary to make ALMPs effective and responsive to labour market demands [16].

At the national level, increased spending on ALMPs leads to decreased unemployment-related suicides [18]. In this context, some research aimed to evaluate the impact of ALMPs on disadvantaged groups [5], while others analysed the impact of ALMPs on the unemployed [12]. Some authors have analysed the competitiveness of ALMPs at the level of some EU states [3].

The significance of ALMPs is more noticeable in situations of crisis or economic imbalances. Brown & Koettl (2015) identified five objectives that a country should focus on in times of crisis. The first objective is to provide incentives to maintain the existing job. The second objective is to

provide incentives for the creation of new jobs. The third objective is to provide incentives to increase knowledge, and the last two objectives are to increase the level of employment to increase the productivity and skills of employees.

### 3. The content of active labour market policies

ALMPs are included in the services and measures promoted on the labour market, at national level.

Services refer to labour market interventions where the main activity of the participants is related to job search and where the participation usually does not result in a change in the labour market status. In addition, the services cover the functions of the Public Employment Service (PES) that are not directly related to the participants, such as: job placement services, services for employers, administrative functions, overheads and other activities [10]. The measures refer to labour market interventions where the main activity of the participants is other than looking for a job and where the participation results in a change of labour market status.

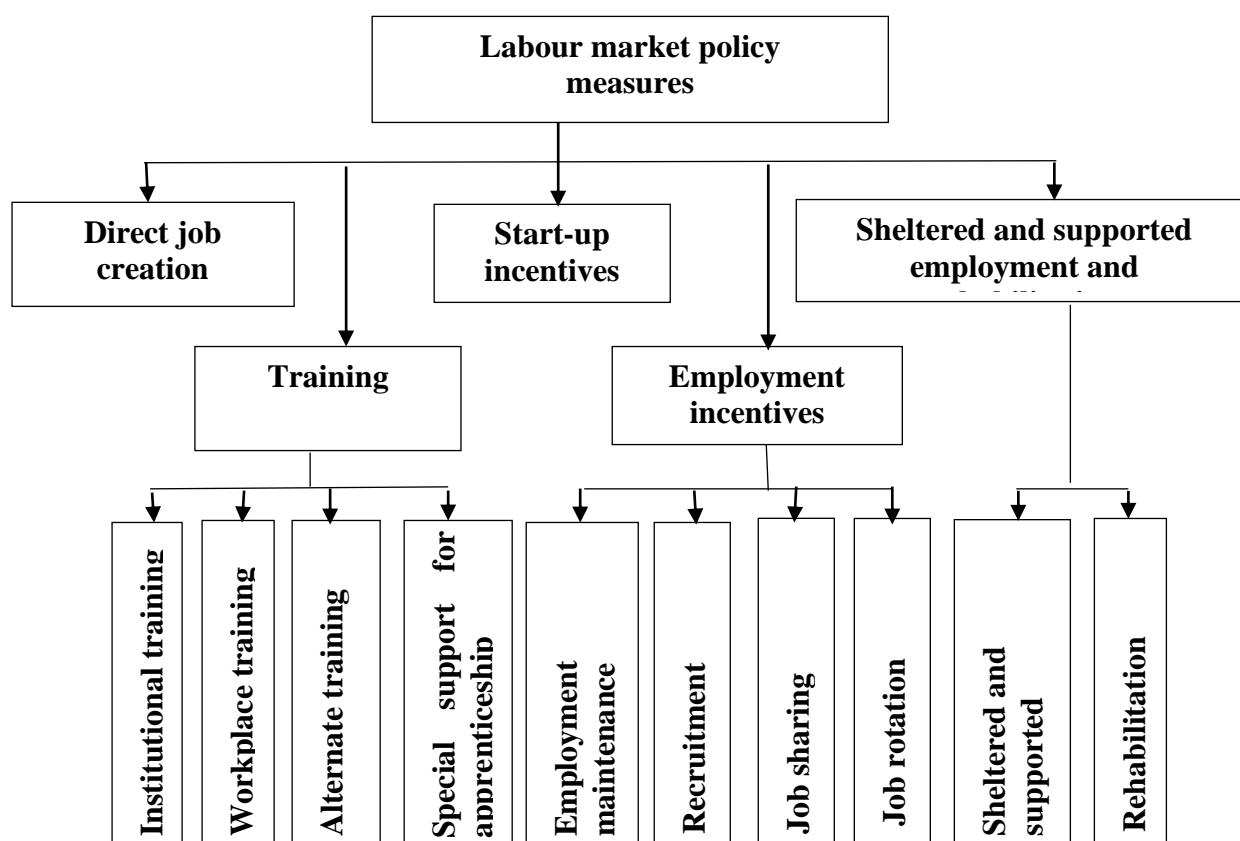
Services represent the first category of interventions on the labour market and include all the actions and activities undertaken by the SPO together with the activities provided by other public agencies or any other bodies that facilitate the integration of the unemployed and other people looking for a job or that assist employers in the staff recruitment and selection process. EC classifies services in several categories, most of them being present on the labour market of the Republic of Moldova (Table 1).

**Table 1. Classification of labour market services**

Service name	Service type	Service description
Customer Services	Information services	They are provided to jobseekers in the form of ad hoc information on employment opportunities, training and other forms of assistance, together with job placement services for employers.
	Individual case management services	It represents individualized assistance services (intensive counselling and guidance, job search assistance, individualized action plans) and targets the unemployed as part of a planned path to sustainable (re)employment.
Other services provided by the PES	Administration of labour market policy measures	It covers the activities of the PES related to the implementation of labour market policy measures.
	Administration of labour market policy support	It includes the activities of the SPO related to the administration and payment of unemployment benefits and other payments regarding labour market policies, as well as its supervision of other bodies that carry out the payment function (National Social Insurance House in the case of the Republic of Moldova).
	Other services/activities	It covers all other services, activities and general expenditures of the PES that are not found in the other categories.

Source: Prepared by the author based on [10]; [13].

Employment measures represent another type of intervention on the labour market, responsible for their implementation being a government institution (National Employment Agency in the case of the Republic of Moldova). Employment measures are aimed at both jobseekers to support them to gain employed status and employers. Figure 1 shows the classification of measures regarding labour market policies, according to the EC.



**Figure 1. Classification of labour market policy measures, according to the European Commission**

Source: Prepared by the author based on [10].

As Figure 1 shows, there are several active measures covering labour market policies, classified into five categories: vocational training, employment stimulation, job creation, business start-up stimulation, job rotation and job sharing.

#### **4. Active labour market policies in the Republic of Moldova**

The objective of ALMPs is to support certain categories of labour force that encounter difficulties in the process of finding a job. The Republic of Moldova does not have enough experience in the process of implementing ALMPs. National Employment Agency (NEA), being the government institution responsible for managing the implementation processes of active employment policies, is looking for optimal solutions to ensure their effectiveness. Until 2019, when the new law on the promotion of employment and unemployment insurance entered into force, NEA together with the territorial subdivisions, was more involved in the provision of employment services, vocational training being the only active measure administered. Since 2019, the spectrum of active measures on the labour market has been expanded, for which the NEA staff has also been forced to diversify their work tasks and assume additional responsibilities. Taking this finding into account, some policies on the labour market were implemented more quickly, others with a delay, as a result of the lack of the methodological framework necessary for their implementation.

Information and professional counselling is the service most frequently used by the territorial subdivisions of NEA. It is offered to jobseekers, including the unemployed (Table 2).

**Table 2. Beneficiaries of the professional information and counselling service in the period 2015-2021**

Indicators	Years						
	2015	2016	2017	2018	2019	2020	2021
Beneficiaries of information and professional counselling services, persons	96324	100852	88603	77679	65433	78902	70844
Unemployed beneficiaries of professional information and counselling services, persons	65392	70647	63022	52782	45827	63399	55696
Share of the unemployed in the total number of beneficiaries of professional information and counselling services, %	67,9	70,1	71,1	67,9	70,0	80,3	78,6

Source: Developed by the author based on the annual reports of NEA.

In the last 7 years, the beneficiaries of the information and professional counselling services were both the unemployed and other categories of people. Analysing the information in Table 2, we notice that until 2019 there was a continuous decrease in the number of beneficiaries of professional information and counselling services. We also note an increase in the number of beneficiaries of professional information and counselling services in 2020. Compared to 2019, their number increased by over 13 thousand people. This is largely due to the pandemic crisis in which more people lost their jobs or were at risk of losing their jobs. At the same time, in 2020 the share of the unemployed registered with NEA in the total number of beneficiaries of this service increased. If in the period 2015-2019, the share of the unemployed in the total number of beneficiaries was approximately 70%, then in the years 2020-2021, their share increased to 80% in 2020, respectively – 78.6% in 2021.

Labour intermediation is the next service offered by the territorial subdivisions of NEA on the labour market. Like the professional information and counselling service, the work intermediation is decreasing during the analysed period (Table 3).

**Table 3. Beneficiaries of the employment intermediation service in the period 2015-2021**

Indicators	Years						
	2015	2016	2017	2018	2019	2020	2021
Beneficiaries of employment mediation services, persons	30264	32381	29492	26489	22999	25118	27667
Unemployed beneficiaries of employment mediation services, persons	25935	28052	26178	23245	19454	22563	24453
Share of the unemployed in the total number of beneficiaries of employment intermediation services, %	85,7	86,6	88,8	87,7	84,6	89,8	88,4

Source: Developed by the author based on the annual reports of NEA.

If in the period 2016-2019 the number of beneficiaries of the employment intermediation service was decreasing, then in the years 2020-2021 their number had an increasing evolution caused, in large part, by the pandemic crisis. The share of the unemployed among the total beneficiaries of the employment intermediation service was over 85%, in the analysed period, with

the exception of 2019. In contrast to 2019, the number of people who benefited from employment intermediation services increased by over 2 thousand people, in 2020. An almost similar increase was also recorded in 2021.

The next service managed and implemented by NEA on the labour market is related to career guidance. Although the number of beneficiaries of career guidance services is much lower than that of professional information and counselling services, an upward trend of this service can be registered in recent years (Table 4).

**Table 4. Beneficiaries of the career guidance service in the period 2015-2021**

Indicators	Years						
	2015	2016	2017	2018	2019	2020	2021
Beneficiaries of career guidance services, persons	4686	4500	2600	8200	10100	13402	8634
Unemployed beneficiaries of career guidance services, persons	1906	2087	900	3900	4600	12354	7849
Share of the unemployed in the total number of beneficiaries of career guidance services, %	40,7	46,4	34,6	47,6	45,5	92,2	90,9

Source: Developed by the author based on the annual reports of NEA.

The increase in the number of beneficiaries of career guidance services is also determined by the extension of this service in all territorial subdivisions of NEA. At the same time, we note that in the years 2015-2019, the share of the unemployed in the total number of beneficiaries of the career guidance service was less than 50%, then starting from 2020, it was more than 90% (Table 4). Compared to 2015, the number of beneficiaries of the career guidance service increased more than 2 times in 2019 and almost 3 times in 2020. In the case of the unemployed, this increase is even higher - approximately 2.4 times in 2019 and more than 6 times in 2020. However, in 2021 there is a decrease in the number of beneficiaries of the career guidance service.

The measures aimed at labour market policies are addressed to both the unemployed and employers, being achieved through: vocational training; jobs subsidizing; financial support for the jobs creation or adaptation; labour mobility incentives; advice and financial support for start-up; incentives for local projects. Some active measures have become traditional, having been implemented for several years, while others are just beginning, which requires more attention in the implementation process. Vocational training through training courses is the active measure implemented by NEA for several years (Table 5).

**Table 5. Unemployed beneficiaries of vocational training programs**

Indicators	2015	2016	2017	2018	2019	2020	2021
Total beneficiaries	2980	2902	2629	2214	868	692	886
Male	917	997	951	675	287	241	241
Female	2063	1905	1678	1539	581	451	645
People aged 16-29	1739	1675	1403	1379	621	440	440
People aged 30 and over	1241	1227	1226	835	247	292	446

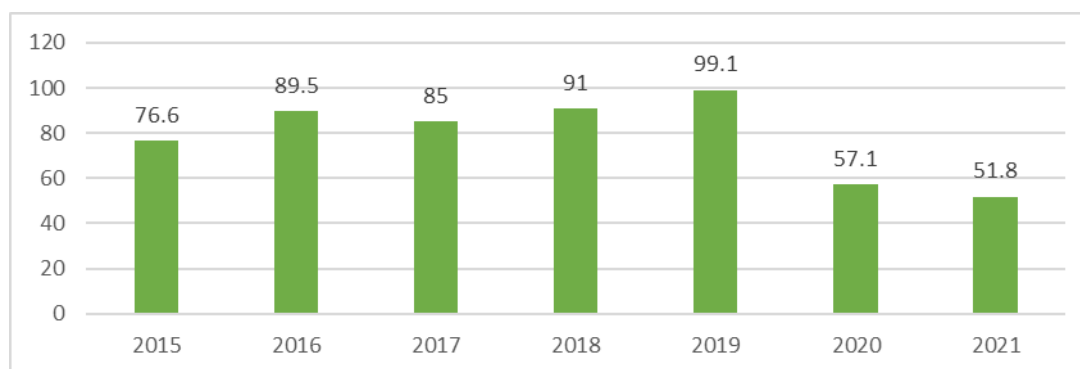
Source: Developed by the author based on the annual reports of NEA.

The information in Table 5 shows a decrease in the number of beneficiaries of professional training courses. If in 2015 the number of beneficiaries of professional training programs was 2980 people, then in 2019, their number decreased to 868 people. The low number of beneficiaries of vocational training programs in the years 2020-2021 may be caused by the pandemic crisis in

which education was carried out online for a period of time, which was not characteristic for some trades that need more practical lessons. In order to avoid an increase in the number of cases during the Covid-19 pandemic crisis, some training programs have been rescheduled for later periods. Also, some educational institutions do not have the infrastructure for conducting e-learning, which is why the educational process of the unemployed has been stopped or postponed for later periods.

Analysing the structure of the beneficiaries of vocational training programs in terms of gender, we find that women have benefited in a greater number of vocational training compared to men. The information presented in Table 5 proves that the number of women beneficiaries of vocational training programs exceeded even 2 times that of men. This may also be caused by the fact that NEA concluded contracts for the purchase of vocational training programs with educational institutions for trades or professions that are more specific to women's work.

However, we note that vocational training programs have already proven their effectiveness, as more than 85% of their graduates have been employed, except for the last 2 years (Figure 2).



**Figure 2. Employment rate of graduates of vocational training programs in the period 2015-2021, %**

Source: Developed by the author based on the annual reports of NEA.

The COVID-19 pandemic crisis has influenced the employment rate of graduates of vocational training programs. In 2020, their share was approximately 57%, decreasing to almost 52% in 2021 (Figure 2). The fact that many companies have ceased or discontinued their activity has caused fewer graduates of vocational training programs to be employed.

## 5. Conclusions

ALMPs have an essential role to support disadvantaged people in the labour market and have been developed and implemented to increase the level of employment among them. Given that some categories of disadvantaged people fail to integrate into the labour market, government institutions, especially the Public Employment Service, implement various services and measures for a faster transition to a job.

The Republic of Moldova does not have a long experience in implementing ALMPs. Over the years, NEA from the Republic of Moldova has provided several services to job seekers. Regarding the active measures, vocational training has been implemented for several years on the labour market, and the beneficiaries were the persons registered as unemployed at the NEA. Starting from 2019, when the new law on employment promotion and unemployment insurance entered into force, the spectrum of active measures was expanded and adjusted, to a large extent, to EU requirements.

Taking into account the short period regarding the implementation of active measures on the labour market, according to Figure 1 of this paper, statistical information is irrelevant to make some findings. The new active measures promoted by NEA on the labour market will be the subject of

research in forthcoming works that will allow us to find out certain trends, as well as their impact on the evolution of employment.

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