



## THE INCREASING OF LABOUR FORCE EMPLOYMENT THROUGH ACTIVE LABOUR MARKET POLICIES

Bîrcă Alic

Prof. PhD doctor habilitatus

The Academy of Economic Studies of Moldova, Republic of Moldova

*e-mail: alicbir@yahoo.com*

### **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.

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' (Valizade et al., 2022). Later, ALMPs began to be "demand-side" oriented, by engaging employers in various programs to provide jobs to disadvantaged people in the labour market (Liechti, 2020; Wang et al., 2020).

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 (Estevão, 2007). 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 (Estevão, 2007).



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 [Schömann, K. 1995]. 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 [Toft, 2003]. 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 [Armingeon, 2007].

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 (EC, 2013).

## 2. LITERATURE REVIEW

ALMPs can be defined as policies aimed at helping the unemployed return to work (Fernandez-Urbano & Orton, 2020). 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" [OECD, 1996].

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 (Bellmann and Jackman 1996). 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 (Wapler et al., 2022). 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 (Wapler et al., 2022). 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 (Lehmann & Kluge, 2010).

In recent years, employers' interest in ALMPs has become increasingly high (Van Berkel et al., 2017). This is because greater employer involvement in ALMPs creates a win-win-win situation (McCollum, 2012). 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 (Wood and Burchell, 2018). 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 (Sage, 2015; Crost, 2016; Ayala & Rodriguez, 2013). Therefore, the involvement of employers and employers' organizations in the policy process is necessary to make ALMPs effective and responsive to labour market demands (Martin & Swank, 2012).

At the national level, increased spending on ALMPs leads to decreased unemployment-related suicides (Niedzwiedz et al., 2016). In this context, some research aimed to evaluate the impact of ALMPs on disadvantaged groups (Bonoli & Liechti, 2018), while others analysed the impact of ALMPs on the unemployed (Fervers, 2019). Some authors have analysed the competitiveness of ALMPs at the level of some EU states (Bánociová & Martincová, 2017).

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 [European Commission, 2018)]. 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).

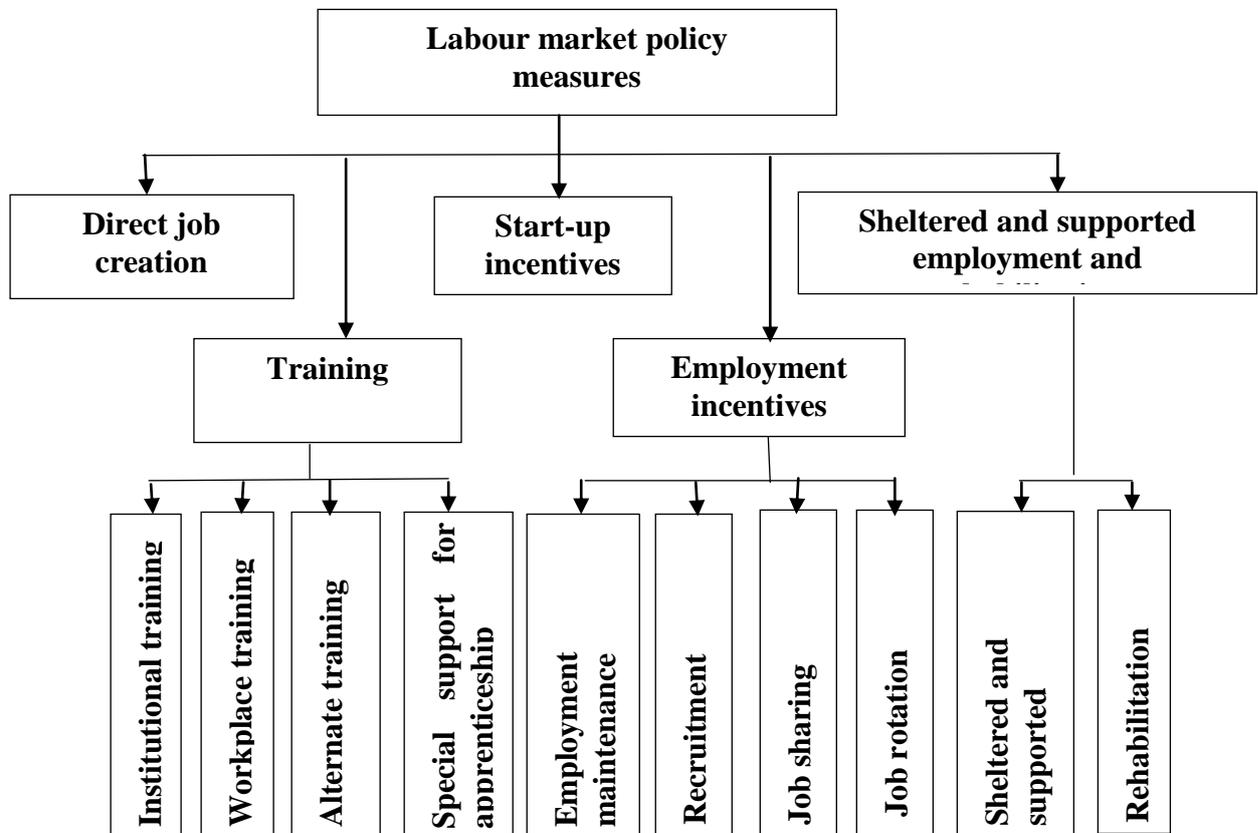


**Table 1. Classification of labour market services**

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 [European Commission, 2018].

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 [European Commission, 2018].

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. 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.

## 5. ACKNOWLEDGEMENT

This paper was developed within the research project "Development of labour market policies to increase employment", code: 20.80009. 1606.09, provided in the State program for 2020-2023 and funded by the Government of the Republic of Moldova.

## 6. BIBLIOGRAPHY

- [1.] Armingeon, K. (2007). Active labour market policy, international organizations and domestic politics. *Journal of European Public Policy*, 14(6), pp. 905–932.
- [2.] Ayala, L. and Rodríguez, M. (2013). Health-related effects of welfare-to-work policies. *Social Science & Medicine*, 93, pp 103–112.
- [3.] Bánociová, A., Martincová, S. (2017). Active Labour Market Policies of Selected European Countries and their competitiveness. *Journal of Competitiveness*, 9(3), pp. 5–21.
- [4.] Bellmann L, Jackman R (1996) Aggregate impact analysis. In: Schmid G, O'Reilly J, Schömann K (eds) *International handbook of labour market policy and evaluation*. Edward Elgar, Cheltenham, pp 143–162.
- [5.] Bonoli, G., Liechti, F. (2018). Good intentions and Matthew effects: access biases in participation in active labour market policies. *Journal of European Public Policy*, 25(6), pp. 894–911.
- [6.] Brown, A. J. G., Koettl, J. (2015). Active labor market programs-employment gain or fiscal drain? *IZA Journal of Labor Economics*, 4(12), 36.
- [7.] Crost, B. (2016) Can workfare programs offset the negative effect of unemployment on subjective well-being? *Economics Letters*, 140, pp. 42–47.
- [8.] Estevão, M. (2007). Labour Policies to Raise Employment. *IMF Economic Review*, 54, pp. 113–138.
- [9.] European Communities [EC], 2013. Flexicurity in Europe. Administrative Agreement JRC N°31962-2010-11 NFP ISP - FLEXICURITY 2. Final Report. Luxembourg: Commission of the European Communities. 82.
- [10.] European Commission (2018). Labour market policy statistics. Methodology 2018, Directorate-General for Employment Social Affairs and Inclusion, Luxembourg: Publications Office of the European Union. Available at: [file:///C:/Users/user/Downloads/KE041868\\_7ENN.en.pdf](file:///C:/Users/user/Downloads/KE041868_7ENN.en.pdf).
- [11.] Fernandez-Urbano, R. & Orton, M. (2021). No voice, no choice: Assessing Danish Active Labour Market Policies using sen's capability approach. *Work, Employment and Society*, 34(4), pp. 587–604.
- [12.] Fervers, L. (2019) Healing or deepening the scars of unemployment? The impact of activation policies on unemployed workers. *Work, Employment and Society*. Available at: <https://journals.sagepub.com/doi/10.1177/0950017019882904>



- [13.] Legea nr. 105 din 14. 06. 2018 cu privire la promovarea ocupării forței de muncă și asigurarea de șomaj. Disponibil la: [https://www.legis.md/cautare/getResults?doc\\_id=105474&lang=ro](https://www.legis.md/cautare/getResults?doc_id=105474&lang=ro)
- [14.] Lehmann, H, Kluge, J (2010). Assessing active labour market policies in transition economies. Available at: <https://www.econstor.eu/bitstream/10419/159487/1/wp0646.pdf>
- [15.] Liechti, F. (2020). Connecting employers and workers: can recommendations from the public employment service act as a substitute for social contacts? *Work, Employment and Society*, 35(1), pp. 178-188.
- [16.] Martin, C. J. & Swank, D. (2012) *The Political Construction of Business Interests: Coordination, Growth and Equality*, New York: Cambridge University Press.
- [17.] McCollum, D. (2012) The sustainable employment policy agenda: what role for employers? *Local Economy*, 27(5), pp. 39–69.
- [18.] Niedzwiedz, CL., et al. (2016). Social protection spending and inequalities in depressive symptoms across Europe. *Social Psychiatry and Psychiatric Epidemiology*, 51(7), pp. 1005–1014.
- [19.] OECD, (1996). *Growing into work: youth and the labour market over the 1980s and the 1990s*, OECD Employment Outlook 1996. Organisation for Economic Cooperation and Development, Paris. Available at: <https://www.oecd.org/employment/emp/2080559.pdf>.
- [20.] Sage, D. (2015) Do active labour market policies promote the subjective well-being of the unemployed? Evidence from the UK National Well-Being Programme. *Journal of Happiness Studies*, 16(5), pp. 1281–1298.
- [21.] Schömann, K. (1995). *Active Labour Market Policy*. Discussion Paper FS I 95-201 Berlin : Wissenschaftszentrum, Berlin. Available at: <https://www.econstor.eu/bitstream/10419/43928/1/043517897.pdf>
- [22.] Toft, C. (2003). Evidence-based social science and the Rehnist interpretation of the development of active labour market policy in Sweden during the golden age: a critical examination. *Politics & Society* 31(4), pp. 567 –608.
- [23.] Valizade, D., Ingold, J., & Stuart, M. (2022). Employer Participation in Active Labour Market Policies in the United Kingdom and Denmark: The Effect of Employer Associations as Social Networks and the Mediating Role of Collective Voice. *Work, Employment and Society*. Available at: <https://journals.sagepub.com/doi/full/10.1177/09500170211063094>
- [24.] Wang, S. et al. (2020), Can active labour market programmes emulate the mental health benefits of regular employment? Longitudinal evidence from the UK. *Work, Employment and Society*, 35, pp. 545–565.
- [25.] Wapler, R., Wolff, K. & Wolff, J. (2022). Do active labour market policies for welfare recipients in Germany raise their regional outflow into work? *Journal of Policy Modeling*, 44(3), pp. 550-563.
- [26.] Wood, AJ. & Burchell, B. (2018). Unemployment and well-being. In: Lewis A (ed.) *The Cambridge Handbook of Psychology and Economic Behaviour*. Cambridge: Cambridge University Press, 234–259. Available at: <https://journals.sagepub.com/doi/full/10.1177/0950017020946664>



## THE IMPACT OF DIGITAL ECONOMY ON THE ECONOMIC GROWTH AND THE DEVELOPMENT STRATEGIES IN THE POST-COVID-19 ERA

Cernăianu Matei A. D

Faculty of Law and Economic Sciences Târgu Jiu,  
Titu Maiorescu University of Bucharest, Romania

### **Abstract**

*The digital economy is considered an effective measure to mitigate the negative economic impact of the coronavirus disease 2019 (COVID-19) outbreak. However, few studies have assessed the role of the digital economy on the economic growth of countries along the Belt and Road and the impact of COVID-19 on their digital industries. This study constructs a comprehensive evaluation index system, and applies a panel data regression model to empirically analyze the impact of the digital economy on the economic growth of countries along the "Belt and Road" before COVID-19. The main mechanism of action is to promote the modernization of industrial structure, overall planning of employment and adjustment of employment structure. In addition, COVID-19 has boosted the demand of the digital industry in general, and the impact on the demand side is much greater than that on the supply side. Propose a development strategy to bridge the "digital divide" of the countries along the "Belt and Road", and strengthen the role of the digital economy in the post-COVID-19 era on industrial modernization, employment and trade*

**Keywords:** digital economy, coronavirus disease, development, strategy, industrial modernization.

### **Conclusions and Policy Implications**

This study constructs a comprehensive evaluation index system, and uses principal component analysis to measure the maturity of digital economy development in countries. A panel data regression model is then applied to empirically analyze the impact of the digital economy on its pre-COVID-19 economic growth. The digital economy has a significant positive impact on the economic growth of countries along the "Belt and Road". It can stimulate economic growth by promoting the modernization of industrial structure, overall planning of employment and adjustment of employment structure. COVID-19 has generally stimulated the demand for digital industries in countries along the "Belt and Road", and its impact on the demand side of the digital industry is far greater than that on the supply side.

Countries along the "Belt and Road" should determine their own advantages and disadvantages based on the results of digital economic development, and formulate effective development strategies and paths. Countries should focus on strengthening research and development support for digital cutting-edge technologies such as artificial intelligence and 5G, strengthen the training of professional talents, and improve the environment for digital economic innovation.

In the post-COVID-19 era, it is necessary to pay attention to the driving role of the digital economy in industrial modernization and employment. On the one hand, it is



necessary to combine economic globalization and informatization construction to further promote the deep integration of the digital economy and traditional primary, secondary and tertiary industries. Countries along the “Belt and Road” need to use ICT technology to improve the digital management and operation level of traditional industries, optimize the efficiency of industrial resource allocation, improve economic benefits, and increase industrial added value. On the other hand, we must make good use of the important role of the digital economy in stabilizing the labor market. In the post-COVID-19 era, the need to live, work and learn digitally will increase significantly. This is a rare opportunity for the development of the digital economy. Therefore, countries along the “Belt and Road” should use the employment boosting mechanism of the digital economy to promote digital employment, thereby improving work efficiency and contributing to the smooth recovery and growth of the economy.

In the post-COVID-19 era, countries along the “Belt and Road” should strengthen cooperation in the digital economy and promote the deep integration of the real economy with the digital economy, industrialization, and informatization. Improve the digital network, promote the construction of informatization, create a "digital silk road", and create new growth points for cooperation. During the COVID-19 epidemic, the demand for digital life, work and study in countries along the "Belt and Road" has increased significantly, providing a rare opportunity for the development of the digital economy. Therefore, these countries should continuously improve their digital economy development strategies and optimize and improve the construction of information infrastructure such as artificial intelligence, Internet of Things, and industrial Internet. In addition, it is necessary to create an environment conducive to the development of digital enterprises and help enterprises increase investment in digital technology.

Countries along the “Belt and Road” should rely on the digital economy to develop a new pattern of service trade and strengthen the coordination of digital trade and e-commerce. COVID-19 has disrupted the movement of people and logistics, forcing a digital transformation of traditional trade in goods and services. In contrast, driven by emerging digital technologies such as big data, cloud computing, artificial intelligence, and blockchain, digital commerce is becoming the dominant form of global commerce. Therefore, countries along the “Belt and Road” need to improve their technological innovation capabilities and expand the scope of cooperation related to trade in services, such as cross-border e-commerce, conference calls, telemedicine, distance education, unlimited payments, etc., to promote the construction of a “digital trade community”.

As the initiator of the “Belt and Road” initiative, China should not only promote the development of its own digital economy, but also focus on the long-term design of the “Digital Silk Road”. China can leverage its technological advantages in digital economic cooperation among countries along the “Belt and Road” through economic exchanges and support. In addition, it is necessary to take effective measures to encourage Chinese information companies to invest and export abroad, and to provide high-quality information technology products to countries along the “Belt and Road”. In addition, China must also help countries that lack the capacity to build their own to upgrade their network infrastructure to achieve the goal of "One Belt, One Road" connectivity.



## REFERENCES

- [1.]Chaklader B, Srivastava K, Rathod H, Banerjee A. Psychological aspect of common people during lockdown. Ind Psychiatry J. (2021)
- [2.]European Commission (EC),. Digital Economy Society Index (DESI) 2020. (2020). Available online at: <https://digital-strategy.ec.europa.eu/en/library/digital-economy-and-society-index-desi-2020> (accessed June 11, 2020).
- [3.]G20, (24),. G20 Digital Economy Development and Cooperation Initiative. Available online at: <http://www.g20chn.org/English/Documents/Current/201609/P020160908736971932404.pdf>
- [4.]Tan SB, Chiu-Shee C, Duarte F. From SARS to COVID-19: Digital infrastructures of surveillance and segregation in exceptional times.