

**COMPARATIVE ANALYSIS OF UNEMPLOYMENT RATES BETWEEN  
THE REPUBLIC OF MOLDOVA AND EU-27: CHALLENGES AND PERSPECTIVES**

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*The comparable trends of the unemployment rates in the Republic of Moldova and EU-27 during the period 2000-2011 are analyzed in the paper. The main challenges of this phenomenon and further perspectives for the Republic of Moldova and EU-27 are outlined. The measures for the perfection of the politics for increasing the employment rate and decreasing the unemployment rate in the Republic of Moldova and EU-27 are offered.*

*În acest articol este prezentată în dinamică analiza comparativă a ratei șomajului în Republica Moldova și UE-27 pentru perioada 2000-2011. Sunt evidențiate principalele probleme a șomajului în Republica Moldova cât și în UE-27. Sunt redată un șir de măsuri pentru ameliorarea politicilor de creștere a nivelului ocupării forței de muncă și reducerea șomajului în Republica Moldova și UE-27.*

*В статье представлен сравнительный анализ динамики уровней безработицы в Республике Молдова и ЕС-27 в период 2000-2011. Выявляются основные проблемы такого явления как безработица и ее перспективы в Республике Молдова и ЕС-27. Предлагаются меры по совершенствованию политик по повышению уровня занятости и снижению уровня безработицы в Республике Молдова и ЕС-27.*

**Key words:** *unemployment rate, Republic of Moldova and UE-27, comparative analysis, challenges, perspectives.*

**Cuvinte cheie:** *rata șomajului, Republica Moldova și UE-27, analiză comparativă, probleme, perspective.*

**Ключевые слова:** *уровень безработицы, Республика Молдова и ЕС-27, сравнительный анализ, проблемы, перспективы.*

**Introduction.** The market outcomes – for example employment, unemployment, vacant posts, wage levels, labour cost – heavily affect not only the economy, but directly the personal life of virtually every citizen. The unemployment rate is an important indicator with both social and economic dimensions. Rising unemployment results in a loss of income for those individuals affected, increased pressure with respect to government spending on social benefits, and a reduction in tax revenue. From an economic perspective, unemployment may be viewed as unused labour capacity. Besides the unemployment rate, indicators such as employment and job vacancies also give useful insights into labour market developments.

Globalization and technological progress have an ever-increasing effect on daily life, and the demand for different types of labour and skills is changing at a rapid pace. While enterprises try to improve their productivity and become more competitive and innovative, they may well seek to pass on risk to the labour force through greater flexibility – both in relation to those already in employment, as well as those searching for a new job.

Many prominent scientists-economists, investigating sources of this phenomenon, put forward various concepts of the unemployment and searched the ways and methods of its regulation. At the end of a XVIII-th century, English economist-priest T. R. Malthus, the author of “An essay on the principle of population” supposed that rates of the population increase outrun the rates of the production increase that generates unemployment. But the unemployment problem exists and in the development countries with very low birth rate [4].

In the second half of the XIX-th century K. Marx had presented two hypotheses of the source of unemployment in “Capital” [5]. In the first one he connected unemployment with the process of capital accumulation at which the requirement for real labour (the variable capital) grows slower than for machinery and equipment (the constant capital). In the second one he took into account the cyclic development of market economy and supposed that a certain part of the labour force (the “reserve army of labour”) is doomed to unemployment at the recession of economy. The process is cyclical; unemployment increases at recession and decreases at lifting. The Marx’s conclusion that the source of unemployment is the cyclic development of market economy became steady tradition in the economic theory.

J. M. Keynes, the author of “The general theory of employment, interest and money”, noticed that the economic instability leads to decrease of production, causing the mass unemployment [3]. English economist A. C. Pigou in “The theory of unemployment” considered that imperfect competition on the labour market leads to overestimation of the price of labour. The employer always operates by a benefit principle: it is better to have one highly paid specialist, which is capable to increase output, than to have many less capable employees. However, not all the unemployed are workers with low level of wages [6].

Any of the presented concepts cannot offer full explanation of sources of unemployment.

As the Republic of Moldova aspires to become an official European Union (EU) candidate country, it is interesting to analyze the unemployment rate with the same indicator of EU-27.

Labour market statistics are at the center of many European Union policies following the introduction of an employment chapter into the Amsterdam Treaty in 1997. The European employment strategy seeks to create more and better jobs throughout the EU. The European Union 2020 Strategy has now replaced the outgoing Lisbon Agenda. It was made public at the beginning of March 2010. The EU 2020 strategy is oriented primarily towards 'activating' various aspects of economic growth. It is based on three mutually reinforcing economic growth models and socially oriented priorities: smart growth, sustainable growth and inclusive growth. The target for the labour market in the EU 2020 strategy is: 75% of 20-64 year-olds to be employed.

The main source of regional labour market information is the Labour Force Survey (LFS). This is a quarterly household sample survey conducted in all 27 Member States of the EU and Candidate countries and the Republic of Moldova. The LFS survey follows the definitions and recommendations of the International Labour Organization. To achieve further harmonization, the Member States and the Republic of Moldova also adhere to common principles when formulating questionnaires.

According to the International Labour Organization definition, the unemployed persons comprise persons aged 15-74 (16 to 74 in Spain, United Kingdom, Iceland and Norway) who were (all three conditions must be fulfilled simultaneously):

1. without work during the reference week;
2. available for work at the time (i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week);
3. actively seeking work (i.e. had taken specific steps in the four-week period ending with the reference week to seek paid employment or self-employment), or who found a job to start within a period of at most three months.

The European unemployment figures for 2000-2011 were presented by Eurostat, the European Statistics Institute [2]. The Moldovan unemployment figures were presented by the National Bureau of Statistics of the Republic of Moldova [1].

**Table 1. The comparable trends of the unemployment rates in the Republic of Moldova and EU-27, 2000-2011, %**

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Republic of Moldova</b>	<b>8.5</b>	<b>7.3</b>	<b>6.8</b>	<b>7.9</b>	<b>8.1</b>	<b>7.3</b>	<b>7.4</b>	<b>5.1</b>	<b>4.0</b>	<b>6.4</b>	<b>7.4</b>	<b>6.7</b>
EU-27	8.7	8.5	8.9	9.1	9.2	9.0	8.3	7.2	7.1	9.0	9.7	9.7
Belgium	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3	7.2
Bulgaria	16.4	19.5	18.2	13.7	12.1	10.1	9.0	6.9	5.6	6.8	10.2	11.2
Czech Republic	8.7	8.0	7.3	7.8	8.3	7.9	7.2	5.3	4.4	6.7	7.3	6.7
Denmark	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.4	6.0	7.5	7.6
Germany	7.5	7.6	8.7	9.8	10.5	11.3	10.3	8.7	7.5	7.8	7.1	5.9
Estonia	13.6	12.6	10.3	10.0	9.7	7.9	5.9	4.7	5.5	13.8	16.9	12.5
Ireland	4.2	3.9	4.5	4.6	4.5	4.4	4.5	4.6	6.3	11.9	13.7	14.4
Greece	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.5	12.6	17.7
Spain	11.1	10.3	11.4	11.4	10.9	9.2	8.5	8.3	11.3	18.0	20.1	21.7
France	9.0	8.3	8.3	8.9	9.3	9.3	9.2	8.4	7.8	9.5	9.8	9.7
Italy	10.1	9.1	8.5	8.4	8.0	7.7	6.8	6.1	6.7	7.8	8.4	8.4
Cyprus	4.9	3.8	3.5	4.1	4.6	5.3	4.6	3.9	3.7	5.3	6.2	7.8
Latvia	13.7	12.9	12.2	10.5	10.4	8.9	6.8	6.0	7.5	17.1	18.7	15.4
Lithuania	16.4	16.5	13.5	12.5	11.4	8.3	5.6	4.3	5.8	13.7	17.8	15.4
Luxembourg	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.6	4.8
Hungary	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.4	7.8	10.0	11.2	10.9
Malta	6.7	7.6	7.4	7.7	7.2	7.3	6.9	6.5	6.0	6.9	6.9	6.5
Netherlands	2.8	2.2	3.1	4.2	5.1	5.3	4.4	3.6	3.1	3.7	4.5	4.4
Austria	3.6	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8	4.4	4.2
Poland	16.1	18.3	20.0	19.7	19.0	17.8	13.9	9.6	7.1	8.2	9.6	9.7
Portugal	4.0	4.1	5.7	7.1	7.5	8.6	8.6	8.9	8.5	10.6	12.0	12.9
Romania	7.3	6.8	7.5	6.8	8.0	7.2	7.3	6.4	5.8	6.9	7.3	7.4
Slovenia	6.7	6.2	6.3	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2
Slovakia	18.8	19.3	18.7	17.6	18.2	16.3	13.4	11.1	9.5	12.0	14.4	13.5
Finland	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.2	8.4	7.8
Sweden	5.6	5.8	6.0	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.4	7.5
United Kingdom	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.0

Source: Created by the author according to the EU-27 data from Eurostat Database [2]; Moldova's data

from NBS RM Database [1].

In early 2000, just less than 20 million persons were unemployed in the EU-27, slightly below 9% of the total labour force. This figure fell to around 19 million (or 8.5%) in early 2001 before rising back to around 21 million persons by the middle of 2002, where it remained through until the middle of 2005. From middle 2005 there was a period of several years of steadily declining unemployment within the EU-27. By the first quarter of 2008, EU-27 unemployment had hit a low of 16 million persons (equivalent to a rate of 6.7%) before rising sharply in the wake of the financial and economic crisis [2].

The data from Table 1 confirm that the unemployment rate in the Republic of Moldova is comparable with the situation in some EU countries and it is lower than in another. In 2000, the unemployment rate in the Republic of Moldova was around 8.5%, considerably lower than in the EU-27. It remained much lower until 2008, when unemployment started to increase in the Republic of Moldova. In 2011, the unemployment rate in the Republic of Moldova was also lower than in the EU-27.

At the beginning of the researched period 2000-2011, the annual average unemployment rate in EU-27 (all members of the European Union) was 8.7%. In 2000, the dispersion of unemployment rates between Member States was quite high in Slovakia 18.8% (maximum value in EU-27 in 2000), Bulgaria 16.4%, Lithuania 16.4%, Poland 16.1%, Latvia 13.7%, Estonia 13.6% and was low in Luxembourg 2.2% (minimum value in EU-27 in 2000), Netherlands 2.8%, Ireland 4.2%, Denmark 4.3%, Cyprus 4.9%.

Nevertheless, some variations between countries exist. On the one hand, in the researched period, the most countries as Denmark, Ireland, Greece, Spain, Cyprus, Hungary, Portugal, Slovenia, Sweden and United Kingdom registered significant increases in the unemployment rate between 2000 and 2011. On the other hand, the unemployment rates decreased in Bulgaria, Germany, Italy, Poland, Slovakia and Finland.

Table 1 shows that in 2011, the annual average unemployment rate in EU-27 was 9.7%. The dispersion of unemployment rates between EU countries was quite high in Spain 21.7% (maximum value in EU-27), Greece 17.7%, Estonia 15.5%, Latvia 15.4%, Lithuania 15.4%, Ireland 14.4%, Slovakia 13.5%, Portugal 12.9%, Hungary 10.9% and was low in Austria 4.2% (minimum value in EU-27), Netherlands 4.4%, Luxembourg 4.8%, Germany 5.9%, Czech Republic 6.7%, Romania 7.4%.

In 2011, the unemployment rate in the Republic of Moldova was 6.7%. This level is comparable with the situation in this year in such countries as: Czech Republic, Romania, Denmark, Cyprus, Malta, Sweden and Finland.

Compared with a year ago, the unemployment rate fell in twelve Member States and in the Republic of Moldova and increased in fifteen. The largest falls were observed in Estonia (16.9% to 12.5% between 2010 and 2011), Lithuania (17.8% to 15.4%) and Latvia (18.7% to 15.4%). The highest increases were registered in Greece (12.6% to 17.7%), Spain (20.1% to 21.7%) and Cyprus (6.2% to 7.8%).

### **Conclusions and perspectives**

The unemployment rate estimated for 2000-2011 in the EU-27 shows the continuing impact of the economic crisis in the EU labour market. This impact is evident in most of the Member States. However, the scale varies from country to country. The overall unemployment rate in the EU-27 reached 9.7% in 2011. After four consecutive years (2005-2008) of declining unemployment, there was a steep rise in the unemployment rate, which gained 2.6 percentage points compared with 2008. The impact of the financial and economic crisis on unemployment almost wiped out the reduction experienced in the EU-27 unemployment rate between 2004 and 2008. In the Republic of Moldova, where the unemployment rate grew from 4.0% to 6.7% between 2008 and 2011, the increase in unemployment associated with the crisis was even less marked.

Labour market policy interventions are generally targeted at providing assistance to the unemployed and other groups of people who face particular difficulties to enter the labour market. In most European Union Member States the primary target group is people registered as unemployed by national public employment services. However, policy objectives aimed at increasing participation in the labour market are increasingly focused on a broader range of persons who are not formally unemployed but are often receiving some other form of social benefit and are believed to be capable of working given the right support and opportunities. As a result, the types of intervention used, and the groups that are targeted, vary between Member States depending on national circumstances and priorities.

Within the context of the European employment strategy, there are a number of measures that are designed to help encourage people to remain in work or find a new job, including: the promotion of a life-cycle approach to work, encouraging lifelong learning, improving support to those seeking a job, as well as ensuring equal opportunities. The integrated employment guidelines encouraged Member States, among others, to:

- work with renewed endeavour to build employment pathways for young people and reduce youth unemployment, in particular, through adapting education and training systems in order to raise

quality, broaden supply, diversify access, ensure flexibility, respond to new occupational needs and skills requirements, and;

- take action to increase female participation and reduce gender gaps in employment, unemployment and pay, through better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependents.

The guidelines also set additional benchmark, whereby Member States were encouraged: to ensure that every unemployed person is offered a job, apprenticeship, additional training or another employability measure (for young person's leaving school within four months, and for adults within no more than 12 months).

The financial and economic crisis has however reversed much of the progress achieved in Europe since 2000. The Europe 2020 strategy sets out a vision of Europe's social market economy for the 21st century; flagship initiatives include 'an agenda for new skills and jobs' and 'youth on the move'.

These are designed to lower (youth) unemployment rates through a range of policies, including proposals aimed at education and training institutions, or measures for the creation of a (work) environment conducive to higher activity rates and higher labour productivity; there are also initiatives aimed at improving the entry rate of young people into the labour market.

The unemployment rate in the Republic of Moldova is not high in comparison with the EU countries. It is not high due to influencing of such phenomena as mass emigration from the country. Many citizens are not officially registered in Employment Agency. Unemployment payments are low. The following measures can be taken among priority directions of the state policy in the Republic of Moldova with the purposes of unemployment prevention or decrease of the unemployment rate:

- 1). Creation of new jobs by opening new or modernizations of the old enterprises;
- 2). Stimulation of development of small and medium enterprises;
- 3). Implementation of balanced investment and tax policy, development of credit system;
- 4). Making the average wages and unemployment benefits equal with the cost of living;
- 5). Introduction the tax benefits to the enterprises granting jobs to the most vulnerable categories of the population;
- 6). Assistance to young specialists in their adaptation and integration on the labour market;
- 7). Creation of the technique of long-term forecasting of a market demand;
- 8). Concentration of efforts in overcoming the unemployment in rural areas;
- 9). Placement in a free press of the information on existing vacancies;
- 10). Creation of active personnel services at the country enterprises.

United efforts of the state, Employment Agencies, personnel services of employers, and public organizations can lead to positive results in this field.

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