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Concept for a modernised employment record system in Moldova

Ulrike Bechmann, Jörg Radeke

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About the German Economic Team Moldova

The German Economic Team Moldova (GET Moldova) advises the Moldovan government and other Moldovan state authorities such as the National Bank on a wide range of economic policy issues. Our analytical work is presented and discussed during regular meetings with high-level decision makers. GET Moldova is financed by the German Federal Ministry for Economic Affairs and Energy under the TRANSFORM programme and its successor. Our publications are publicly available at our website (www.get-moldova.de).

German Economic Team Moldova

c/o Berlin Economics

Schillerstr. 59

D-10627 Berlin

Tel: +49 30 / 20 61 34 64 0

Fax: +49 30 / 20 61 34 64 9

E-Mail: info@get-moldova.de

<http://www.get-moldova.de>

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Roadmap to modernising Moldova's employment record system

Executive Summary

The Moldovan Labour Code requires employers and employees to maintain a paper-based labour book (Carnet de muncă / Трудовая книжка). In the past – before central electronic system existed - this document was used to record and provide proof of social insurance contributions and tracked income and bonuses. It also provides – similar to a CV – an official detailed employment and education history. Finally, it served alongside the labour contract as proof of employment when companies are inspected by the relevant authorities.

While an important document in the past, most of their original functions have been overtaken by other instruments. Indeed, information on both social insurance contributions and incomes are nowadays submitted and stored electronically. Despite their declining role, the legal obligation to maintain labour books persists resulting in considerable administrative burden and cost to employers and employees alike.

At the same time the books are prone to falsification and make the exchange information between relevant state bodies all but impossible. They do not meet the basic requirements of a modern labour record system and thus there is clear need to replace them by a modern, electronic and centralised labour record system.

Step one in this process is the so-called database design: Stakeholders need to agree on the data required for the new system. This has to ensure that it does not merely replace the old labour books but also provides additional functions such as exchange of information between state bodies. The database design should be developed by a specialised database professional in close cooperation with the future users. The new database should make use of existing information where possible and thus should ideally be included in the existing database maintained by the National Insurance House (CNAS). Indeed, it may well turn out that most of the required data exists already and merely new queries and data reports have to be created to allow using the data for additional purposes.

Second, the government needs to modify the labour code. Among other things, it should define which data needs to be submitted by employers and which deadlines apply. It should also establish a transition period during which the new labour record system exists alongside the old labour books.

Finally, it also makes sense to digitalise the information contained in the old labour books. This process which may take several years has to be defined, organised and resourced in order to cover as many labour book holders as possible.

A modern labour record system will reduce the administrative burden for employees and employers. Additionally, it facilitates the exchange of information between state bodies reducing the likelihood for fraud. Moreover, employees can easily track if social insurance contributions made by the employer are correct. Combined, these factors represent an important step to reduce informal employment. Therefore the modernisation of the employment record system represents a low cost reform which will quickly translate into visible benefits for all stakeholders.

Authors

Ulrike Bechmann	bechmann@berlin-economics.com	+373 78 86 99 51
Jörg Radeke	radeke@berlin-economics.com	+49 30 20 61 34 64 0

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1 Moldova's employment record system – Introduction and background

The labour code of Moldova requires employers and employees to maintain a paper-based labour record book (Carnet de muncă / Трудовая книжка). It has been introduced during the time of the Soviet Union and remains in place until today.

When a modernised version of the labour books was introduced in 1998, the question of its necessity was brought up. Since then, it is discussed if and how to replace the labour books and to introduce an electronic register instead. In 2007, a working group under the Ministry of Justice has been established to deal with that issue, but so far no agreement on how to modernise the employment record system has been found.

However, there seems to be general agreement among the main stakeholders to move forward to a modern labour record system which would replace the paper-based labour record. Therefore, the two main objectives of this policy paper are:

- 1) To assess the existing labour books against the requirements of a modern labour record system
- 2) On that basis to provide recommendations and a concept on how to modernize the current labour record system.

In the first section, the paper presents the purpose of the existence of the labour book and describes the information provided by the document. Secondly, it analyses the relevance of the labour book nowadays. How the current system fulfils the requirement of a modern labour record system shall be assessed and the need for modernizing the system shall be discussed. The final chapter offers a detailed concept for introducing a modern employment record system.

1.1 Original purpose and function of the labour books

When the labour book was introduced during the Soviet era, its main purpose was to record the work experience and the seniority of an employee as a basis for granting special rights (days of vacation) and salary payments, as well as for the calculation of social security entitlements.

Additionally, the labour book contained all information on an employee's educational and professional experience and therewith provided a certified record of education and employment to new employers.

It, finally, functioned as a legal document for all aspects regarding the employer-employee relationship. For labour inspections, the labour books were the basic proof of the employment contract of an employee. Furthermore, in case of ceasing an employment contract, the employer was obliged to provide a reason for dismissal in the labour book.

1.2 Data collected in the labour book

The information given in the labour book is determined by the labour code. According to that, it contains personal data of the employee, like name and date of birth, as well as family related data, e.g. marital status or the name of spouse and children.

Table 1. Overview on data of labour book

Personal data
<ul style="list-style-type: none">• Full name• Date of birth• Marital status• Full name of spouse• Full name of children• Changes relating to marital status
Educational record
<ul style="list-style-type: none">• Name of schools attended for primary and secondary education• Name of University• University degree• Time of enrolment• Trainings
Employment record
<ul style="list-style-type: none">• Title of enterprise which issued the labour book• Date of issuance of the document and the signature of employer• Job skills• Information about relations between employer and employee (job starting and ending dates, company name, job title, promotions, reason for dismissal) confirmed by the stamp and signature of HR responsible
Other data
<ul style="list-style-type: none">• State identification number of the employee (IDNP)• State identification number of the company where he works (IDNO)

Source: Own research

Furthermore, the company that first handed out the labour book to the employee has to indicate the date of issuance, the name of the company and the employee's personal number, and has to enter the educational record and work description. From then on, every employer is responsible for updating the book with all information about the employer-employee relation.

Previously, the salary and bonuses were also stated in the labour book. This has been reformed in 2008. Since then, all income data is saved electronically

1.3 Legal basis and obligations

The Moldovan Labour Code from the year 2003 is the legal basis for the use of the labour book (Labour Code of the Republic of Moldova, No. 154-XV from 28.03.2003, Article 66). It determines the obligations of employers and employees, the required data to be entered, as well as all processes related to the handling of that document. Moreover, the law specifies the right of the labour inspections to access and control the labour books when inspecting a company.

Employers' obligations

The major load of obligations is on the employer's side. He is obliged to issue the document within five days of the working contract and enter all the data related to the employment, e.g. job position, promotions and so on. During the employment period, the employer is responsible to ensure the security of the document according to the strict regulations amended by the government.

Upon dismissal of an employee, the employer has to state the reason for dismissal in the labour book and return the document to the employee. If he fails to do so, he is obliged to continue paying the average salary until the book is finally handed back. The reason for this compensation payment lies in the fact that the employee can only be employed by another entity, if he can present his labour book for the conclusion of the labour contract.

Employee obligation

The employee, on the other hand, has to buy the labour book when being employed for the first time and has to take care of the document while being unemployed.

2 Assessment of the current labour record system

Following the description of the existing employment record system, we now assess whether the labour books is still needed to fulfil its original purposes. We also analyse where problematic issues in the use of the paper based labour records lie.

2.1 Current usage of the Labour Book - Coexistence of two systems

While the labour book has fulfilled important functions in the past its relevance has declined significantly with the existence of modern electronic databases. Thus, there is increasing evidence that most of the purposes of the labour book are overcome as new instruments have been introduced.

Function 1: Record of payments and social insurance contributions

A main purpose of the labour books was to record payments and work years as a basis for social insurance and pension calculations. However, in 1999, an electronic register of social insurance contributions has been introduced under the supervision of the National House of Social Insurance (CNAS). All social security entitlements, including payments for pension, sick leave, maternity leave or unemployment are since then calculated with the information stored electronically. Only for estimating the pension entitlements that have been earned before the year 1999, the data from the labour book is still used.

In addition, the labour book was long used to determine seniority of a member of staff in order to set the person's salary. The indication of salary and bonuses in the labour book has been abolished in 2008 and replaced by an electronic register. It contains all salary information starting from the year 1999. Additionally, as in every modern economy, salaries in the private sector are negotiated and not derived from previous income statements or seniority status.

Conclusion: The labour books are not used anymore to record pension and social insurance contributions. However, they are still used to proof pension contributions and seniority for the period before 1999.

Function 2: Education and employment record

Full documentation about the educational and professional experience of an employee is provided in the labour book. Therefore, it is often seen as a certified (legal) document and therewith employers trust in the recorded information. However, it becomes more and more common, especially in modern or foreign companies, to present detailed curriculum vitae when applying for a new job. That way, the employee has the possibility to better show his qualification by emphasizing the relevant experience and to provide an individual impression.

Conclusion: The labour book is sometimes still requested by employers as official document to prove education and employment experience.

Function 3: Proof of employment contract

The basic document for concluding an employer-employee relation is the employment contract. This agreement contains all relevant information related to the new assignment. The employer is obliged to issue this contract and provide a copy for the employee. In addition, however, the employer must enter the same contract details also in the labour book. So in the end, the contract details are specified in two different documents.

Conclusion: Requiring companies to keep labour books as a proof of employment is a redundant procedure. The labour contract could serve this purpose.

Table 2. Functions of the labour book

Original function of labour book	Relevance today
Record of payments and social insurance contributions	
<ul style="list-style-type: none"> • Until 1998: provided all information for calculating the pension entitlements • Until 2008: provides information on Salaries and bonuses 	<ul style="list-style-type: none"> • Since 1999: electronic register of social insurance contribution under the supervision of CNAS • Since 2008: Salaries and bonuses are registered electronically
→ Calculation of pension payment based on labour book and electronic register	
Education and employment record	
<ul style="list-style-type: none"> • Provides documentation on education and employment record 	<ul style="list-style-type: none"> • Increasing role of CVs reduce importance of labour books
→ Labour book is sometimes still requested by employers as official document to prove education and employment experience	
Proof of employment contract	
<ul style="list-style-type: none"> • Verify that legal employment contract exists • Lack of electronic registers 	<ul style="list-style-type: none"> • Other documents could serve this purposes • However, legal obligation persists
→ Redundant information: Labour book contains same information as labour contract and electronic registers of CNAS, etc.	
Reason for dismissal	
<ul style="list-style-type: none"> • Dismissal reason provided in labour book • Possibility to address the court if dismissal is not justified 	<ul style="list-style-type: none"> • In addition to labour book entry employer has to provide a dismissal agreement
→ Same information in two formats	
→ For court disputes the information from the labour book is taken	
Basic documentation for labour inspections	
<ul style="list-style-type: none"> • Important basis for labour inspection esp. to check on informal employment 	<ul style="list-style-type: none"> • Remains main document • But plans for an electronic register of employment contracts
Additional relevance	
<ul style="list-style-type: none"> • Receiving Visa at the embassy • Getting bank loans • Solving labour disputes in court 	

Source: Own analysis

Function 4: Reason for dismissal

A similar practice is used when ceasing a labour agreement. The employer is obliged to provide a dismissal agreement based on an order of the company. This agreement contains the final date of the work contract and the reason for dismissal. The labour code also obliges the employer to indicate the reason for ending the work contract in the labour book. That gives the employee the right to address the court, if the stated reason is unjustified. In general, courts nowadays accept either document for following a case.

Conclusion: The requirements to state a reason for dismissal in the labour book is also obsolete. The already mandatory dismissal agreement contains the same information and there is no need to duplicate this information in the labour book.

Function 5: Basic documentation for labour inspections

In contrast to the previous aspects, the labour book remains until today an important document for labour inspections in order to check a company for informal employment. Inspectors are entitled to collect the labour books from the human resources department and match them with the employees present in the company. However, already today the Labour Inspectorate has some access to the CNAS database in order to compare the data stored electronically with companies' records and staff present. Given that the CNAS database was not designed with labour inspections in mind, a modern labour record system could help to improve effectiveness of the inspections.

Conclusion: Labour inspections still rely to some extent on the labour books while also making use of the existing CNAS database. With an electronic register this process can be optimised.

Overall assessment

Most of the original purposes of the labour book were replaced by new instruments. However, the legal obligation to maintain labour books persists, creating double work for employers with little extra benefits. Indeed, only labour inspections (to some extent) still use the labour books. However, here also an electronic data exchange with CNAS in place which is used to inform inspections. Finally, while using the labour book as a proof of employment for purposes like obtaining a visa or receiving a bank loan is still common practice, documents like employment contract and income statements are also equally accepted.

2.2 Requirements of a modern labour record system

In order to overcome the problematic issues of the old paper-based labour books, a modern and well-functioning employment record system should follow simple principles:

- Ease of administration for all stakeholders
- Minimise data redundancy
- Data and information exchange between government bodies
- Data security and data privacy
- Protection against fraud

- Allow timely registration of employment contracts
- Inform employees about changes to their labour records to be checked against information provided by the employer

In order to **reduce the administrative burden for all stakeholders** the system should be lean, transparent, and cost efficient. The mechanism for entering and retrieving data must be easy to follow. For the employer it is necessary to quickly submit the required data to reduce his administrative burden. For transparency reasons, the employee should be able to check his personal data and have the possibility to act in a timely manner, if data is wrong or missing.

Related to this aspect is the principle of **avoiding data redundancy**. That means that only the absolutely relevant information should be collected and saved, in order to avoid a bloated database and discrepancies between the various electronic data sources. In the current system, neither of these aspects is considered.

Avoiding data redundancy will only be possible if there is an **easy exchange of data between authorised institutions**. Instead of each institution keeping its own records the data should be centrally stored while allowing access for the various state bodies. However, data access rights have to be specified and strictly limited to data needed to fulfil the specific function of the state body.

Another important requirement of a modern employment record system is **data security and data privacy**. As mentioned above data access rights have to be defined carefully. Only authorised persons and institutions should be able to view and retrieve data merely to the extent it is required for their work purpose. Employers, for example can only check and change information on the current employee-employer relation.

In comparison, the existing Labour Books offer very little data protection. Detailed and partly redundant information on the employee are saved in the labour books. That gives employers the possibility to check all previous information given in the document regarding previous employment contracts, including for example dismissal reasons or personal data concerning changes of marital status. Access to the labour book is restricted by the labour code, but controlling the access in an analogue system is complicated.

Protection against fraud and abuse is a third principle that has to be followed in this regard. An electronic and central register of employment data with well specified access rights facilitates the information exchange between the authorities and government bodies, and therewith significantly increases the chances to timely detect and trace discrepancies in data provision and attempts of fraud. Moreover, the practice of possessing several copies of the document can be excluded. At the moment, such protection does not exist. Fake copies of labour books are in circulation and entries in the document e.g. on salary statements or employment status can easily be falsified, with a low chance of being detected.

Conclusion: The paper-based labour record system does not even remotely fulfil the requirements of a modern employment record system and is in dire need of modernization.

2.3 Opinions of employers on Labour Book

In order to inform this research, we carried out a survey among human resource managers of companies operating in Moldova. The survey results reflect the facts described above. The large majority of the respondents are in favour of modernising the employment record system and introducing an electronic register. In their opinion, this would help to effectively monitor individual contributions of compulsory social insurance contributions and simplify the process of granting pensions and benefits. A centralized system would help to circumvent discrepancies of work related data and fraud. Finally, a modernisation is an important step towards less bureaucracy and less administrative costs related to issuing and updating the labour book.

However, respondents also quote possible risks and problem connected to changing to a new electronic and centralised labour record system. Specifically, some were concerned about the risk of insufficient data security. A responsible data handling and a decentralized back-up system are therefore crucial. The respondents are also concerned that their access to the electronic register might be too restrictive and hinders them in their work process. Others mentioned the positive aspects of the labour book including the detailed information about the educational and professional experience of the employee which is certified by stamp and signature. Respondents also mentioned the convenience of using the labour books as a legal confirmation of employment of a person with local authorities, banks and embassies, etc.

Nevertheless, on balance the survey results show that businesses expect considerable advantages from replacing the labour book with an electronic register.

2.4 Overall assessment and recommendation

Modernising the Moldovan employment record system and replacing the labour books by an electronic register has been discussed for a long time. Indeed, in the face of technological change and centralised electronic records, labour books represent an outdated concept. During the past years, the importance of the Moldovan labour books has significantly declined, as new instruments have been introduced to fulfil the functions of this document. As a result, most information provided in the labour book is redundant and holding on to this old concept leads to additional bureaucratic burden for employers and employees and therewith unnecessary costs for the economy.

In addition, the old paper-based employment record system does not meet the requirements of a modern labour record system.

Main recommendation

Consequently, our main recommendation is to gradually replace the labour book by an electronic register of employees.

In the next section we outline which tasks are needed to implement this recommendation.

3 Shifting to a modern employment record system

With the introduction of the database for social insurance contributions, Moldova has already taken a major step on the way to replacing traditional labour books. The experience gained and data collected with this database will surely help to avoid difficulties in creating a database for the registration of employment.

3.1 International experience - Romania as an example for changing to an electronic register

Labour books have been replaced and abolished in all countries of the European Union. Estonia, Lithuania and Romania just recently replaced the document with an electronic database. In contrast, the labour book is still widely used in the countries of the CIS. However, the discussion of modernising their systems and aligning it with international standards is ongoing with for example Russia and Armenia planning to phase out of the books.

Modernising the employment record system is not a small undertaking; however the example of Romania shows how it can be successfully accomplished. It is important to highlight that Romania decided not only to replace the labour books with an electronic register but also to digitalise the old data contained in the labour books. In the Romanian Labour Code from the year 2003, a gradual replacement of the labour book by an electronic register has been initiated. It was planned to replace the labour books step by step over a period of five years until 2008. Due to some delays, this period had to be prolonged for two more years. During that transition period, employers had to continue to use the old labour books while already submitting information on employee's activity and time worked to the electronic database.

At the same time, the regional labour inspectorates were responsible for transmitting the data from the labour book to an electronic database. The books were collected successively from the companies, the data was retrieved and in the end the books were returned to the companies. During the first half year of 2011, with two years delay, the employers handed back the labour books to the employees who from then on kept the labour books individually.

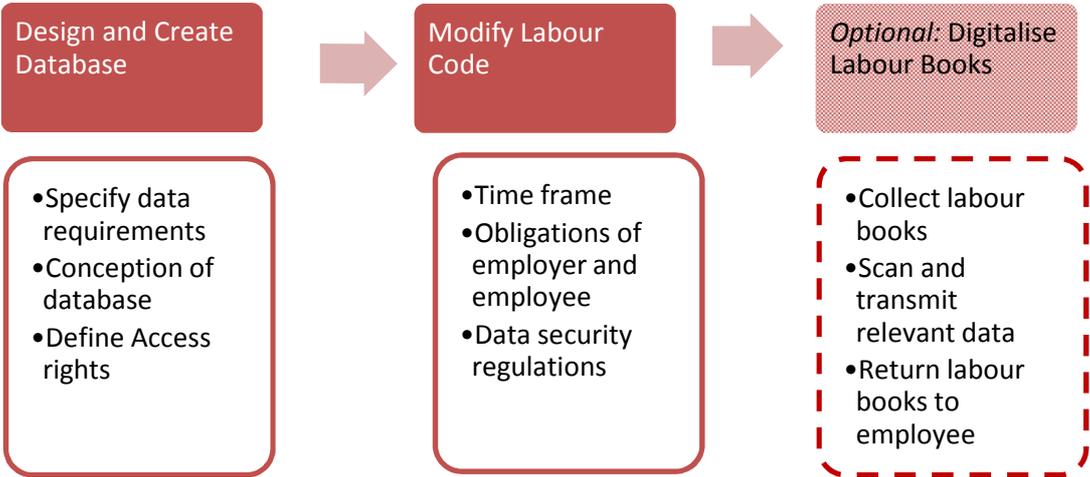
The data on the employee's activity and time worked has been stored electronically in the already existing central Pension Funds Database. Beginning in 2011, the employers are obliged to only transmit the data to the electronic register and no longer update the labour books. This change has not only relieved employers from administrative burden, but most importantly facilitated the calculation of the pension entitlements, as all information can be retrieved from the electronic register

3.2 Main tasks required for modernising Moldova's employment record system

In order to abolish labour books, it is enough to create an electronic register to which companies would submit the relevant data which were previously logged in the paper based books. The already existing database of the CNAS can function as the basis for this task and can be extended or modified

according to the requirements of the new electronic register. As soon as this database is functioning, the obligation to maintain labour books can be phased out. However, the government may also want the historic data contained in the labour books to be transferred to the new electronic register. This would then require an additional task of digitalising the historic data.

Figure 1. Overview of tasks involved in shifting to an electronic employment record system



Source: Own display

In a first step, the database design has to be determined. That includes decisions on which data should be stored, how data can be submitted to the database and how data can be accessed. Moreover, the responsible agent for creating and maintaining the database has to be identified. This step also includes to the decision of where to locate the electronic register, e.g. to submerge with existing database or to be operated independently.

Second: Modify labour code

Second, it is necessary to adjust the labour code so it contains transition periods, access rights, obligations of employers, etc.

Three (Optional): Digitalise labour books

If the government also decides to update the new database with the old information contained in the paper-based labour books, this would result in another major task. To achieve this, government would have to organise the process of copying the existing information contained in the labour books into the new database. In this context, the responsible authority, their obligation and course of action must be identified.

Each of the three tasks outlined above will be specified in more detail below.

3.3 Create an electronic register of employees

Specify data requirements and concept of database

The first step is to define the data requirements and develop a concept for the data base. The data required depend on which institutions will use the database and for which purpose (so-called user cases). For example, what are the requirements of the Labour Inspectorate as a future user of the database? The data queries have to be programmed so they match the needs of the different users. As mentioned, the new labour record system should not merely replace the old labour books but should be based on the requirements of a modern labour record system.

Defining the user cases, data requirements and developing the database design, should be carried out by a specialised IT professional experienced in setting up databases for such purposes. The specialist should consult closely with the existing and future users of the labour record system.

Please note that the new labour record does not have to include all the data that is currently collected in the existing labour books. Only data that is strictly needed to fulfil the purposes of a modern employment record system and is not yet collected elsewhere should be gathered.

Indeed, the data items required should be compared with the data items that are collected already electronically – especially as part of the CNAS data base. It may well turn out that there is no or very little need to extend data collection. The employment record system could simply make use of the data stored in the CNAS data base (see table below). Rather the main tasks of the database specialists will be to ensure that the different institutions can run queries and create reports of the data stored according to their needs.

Table 3. Data items currently stored by CNAS

Personal data
<ul style="list-style-type: none">• ID number and name of employee• Address of employee
Work related data
<ul style="list-style-type: none">• ID number and name of company• Period of employment (monthly data)• Number of working days per week• Category of insurance (e.g. civil servant, employee in private company, etc.)• Function of employee• Monthly salary• Sick leave• Social insurance contribution of employee (calculated and de facto)• Social insurance contribution of employer (calculated and de facto)

Source: Own analysis

We recommend including the new employment register into the existing CNAS database on social insurance contributions. This would keep the system simple and take advantage of the knowledge of creating and maintaining a similar database. For that, it is necessary to increase the capacity of the IT and database specialists at the CNAS.

Define data access rights

Please note, integrating the new employment register into the existing CNAS database does not mean that other institutions do not have access to the register. CNAS is merely the institution which would be tasked with maintaining the employment register. During the database design phase it should be clarified which institutions and to what extent should have access to the data contained in the new database.

In general there is a need for a clear definition of who has the right to enter and change the data of the employment record system.

For the system to work, *employers* have to be obliged to enter the specified data within a specified time period. At the same time, the employee should be notified about changes made in the database. That gives him/her the possibility to check the validity of entries made and take action in case of untrue or missing entries.

CNAS as the agency maintaining the data has to be granted full data access as this is necessary to calculate social entitlements based on the electronic register.

Employees should have full reading access to their stored data. Upon an employee's request, they should be provided with a standardised sheet which provides them with an overview of the data stored about them. That gives them the opportunity and also the responsibility to check the entries of the employers.

On the other hand, employer's access should be limited to the data of their current employees and the entries made by the human resource department during the time of employment. Previous and future data entries of the employees cannot be accessed by them, since that information is not related to the respective employment contract.

Finally, the labour inspectorates shall have the right to retrieve data on the current work contracts of a company. This includes name and ID-number of employees, position and type of contract, e.g. full or part-time. With access to that data, it can be ensured that the labour inspectorates can meet the obligation to control the companies and detect informal employment.

Additionally, it can be considered to grant limited access rights to the fiscal authorities. This would provide the opportunity to cross-check the fiscal revenues received from income tax with the income registered in the database.

Data access rights should be specified in the labour code (see below).

3.4 Modify the Labour Code

The second task is to modify the labour code to ensure that the new electronic register can replace the existing paper-based labour books.

Transition periods

A transition period is needed in order to allow testing the new labour record system once it has been set up. During this transition period labour books and the new system would exist in parallel: Employers would be required to submit relevant data electronically to the new system while also maintaining the old paper-based labour books. That way the new system can be tested and if there are some initial problems, labour books could still be used as a back-up. Once everything works fine, the legal obligation for employers to maintain labour books will be abolished. We recommend allowing six months for this transition and testing period.

Possible transition period for digitalisation of labour books

Should the government decide to also digitalise the old information contained in the labour books, the labour code should also specify a period during which the labour books will be collected for digitalisation. Depending on the capacity of the labour inspectorates and the CNAS, we recommend a period of three years for this purpose, with the possibility of a prolongation by two years. Within these three years, the labour inspectorates have to collect and digitalise the labour books and the CNAS has to update the database of social insurance by adding the data retrieved from the documents. After the period of three years, the labour books shall be returned to the employees within a period of six months.

Employer obligations

For the new system to work, the obligations of the employers have to be specified. It has to be determined in the labour code, what data is required to be submitted to the database (e.g. start and termination of employment, wage, bonuses, position, absent times for maternity, sickness, etc.) and what deadlines for updates to the database apply. This process will be similar to the current mode of transmitting data to the database of social insurance contributions of the CNAS. Moreover, the labour code must include the obligation for the employer to issue a copy of the employment contract, the dismissal agreement and a certificate of employment to the employee. While the first two requirements have to be fulfilled already in the current system, the latter one is crucial to provide a reference for the employee when applying for a new position.

Data access and personal data protection

In order to ensure personal data protection, the right of accessing the data has to be regulated by the labour code. It has to be specified what data can be accessed by whom. The challenge in this regard is to find the right balance between data protection and facilitation of work of the different user groups. Specifying data access rights should be based on the recommendations of the database experts who develop the database design (see above).

Data security regulation

The concern about data security has to be taken very seriously. An electronic database is always vulnerable to technological problems or to forced access by not legitimized persons. Therefore, a decentralized back-up system is absolutely essential. Such system exists already for the database of social insurance contributions. It should be ensured that this system is maintained and continuously improved. The labour code has to set the standards for accomplishing this task.

As an additional safety net, the employees registered in the database have to be notified on a regular basis of every change made to their work related data in the system (e.g. on salary/bonuses or job position) and be obliged to securely save this information, individually. Only the combination of both measures can ensure data security at the highest standard and create trust in the new system.

3.5 Optional task: Digitalising labour books

As mentioned above, social insurance contributions are stored electronically already since 1999. The same is the case for data on income and bonuses. However, employees still rely on their labour books in order to proof pension periods and incomes for the time period before electronic storage started.

It is important to highlight that transferring these data is not strictly necessary for the functioning of the new labour record system. The electronic database could be set up and companies relieved from the duty of completing paper-based labour books without the need to transferring all the historic data from each labour book.

However, modernising the employment record system presents a good chance to relieve the majority of employees to have to safe keep their old labour books. Especially, since they would not be needed at their workplace anymore.

The government needs to decide, if the historic information contained in the old labour books should also be included in the new electronic register. If the authorities wish to digitally store the historic data, then this process needs be organised and funded accordingly.

How can this process be organised? In line with the approach in Romania, we recommend to scan and keep an electronic copy of every labour book in the database. This process can be structured into four steps:

First of all, the labour books have to be collected from the companies. This can be done by the local labour inspectorates, as they have the information on the companies registered in their jurisdiction. A temporary provision of additional manpower is necessary to fulfil this task, as the inspectorates at the same time have to carry on with labour inspections.

Second, the most time-consuming step is the scan of the labour books. An electronic copy of each labour book must be coded with the identification number of the employee, in order to match the information with the right person. The scan of the book should only comprise the relevant pages of the labour book.

Third, the inspectorates must transmit the scans to the CNAS to be incorporated in the extended database of social insurance contributions. Until the data is thoroughly registered in the database,

the labour books remain with the local inspectorates so possible queries on the transmitted scans can be answered.

Finally, the labour books are to be handed back to the human resource departments of the respective companies, which are responsible for returning the documents to their employees. The procedure of returning the books follows the regulation in the Labour Code. According to that, the employee has to sign upon receipt and the employer can be charged with compensation payments if he fails to return the labour book. From then on, the employees, as the owner of the labour books, are responsible to take care of the document and to keep it as an additional proof of previous work experience and income.

This procedure described only addresses employees that are currently employed in Moldova. For the remaining labour books, for example of persons working abroad or being unemployed, a different approach has to be specified. We recommend that the CNAS takes over the responsibility to digitalize these documents at a later time. For example, whenever a person addresses the CNAS for an individual matter, he/she will be asked for the labour book to be saved electronically in the database.

3.6 Estimated time line for the modernisation of the employment record system

How long would it take to introduce the new electronic labour records? We estimate a time requirement of around 8-10 month. This would be the time required starting from cabinet approval to introducing the new electronic register alongside the existing labour books. As outlined above, once the new electronic register is functioning we recommend a transition period of six month during which the electronic register would be in use already while companies still maintain the old labour book. This provides time for testing and gaining experience with the new system. Once everything works well, the legal obligation to maintain paper-based labour books will be abolished.

When implementing the proposed concept, we recommend cooperating closely with the USAID Business Regulatory, Investment, and Trade Environment (BRITE) Program. The BRITE project aims at reducing the administrative burden for businesses and improving the investment climate. One aspect of their work is a reduction of the reporting burden for businesses. Among other aspects, it attempts to reform employment related reporting requirements for businesses. Therefore, there is a great overlap to the proposals made in this paper. The BRITE project could offer the financial and technical resources of carrying out the concept for a modernised labour record system and embed into a broader reform effort to reduced reporting burden for businesses.

Table 4. Tasks and estimated time requirements

Task	Month	Institution
1 Cabinet approval	1	Ministry of Labour
2 Database design a) Stakeholder consultation b) Development of user cases c) Data requirements	2-3	Ministry of Labour, CNAS, external consultant
3 Set up of new employment register	3-4	External consultant, CNAS
4 Testing of new employment register	5	External consultant
5 Draft of amended labour code and secondary legislation	3-6	Ministry of Labour
6 Training of relevant staff	6-8	CNAS, Ministry of Labour, Labour Inspectorate
7 Information campaign for employers and employees	6-8	CNAS, Ministry of Labour
Contingency	<i>2 months</i>	
Total time requirement	8-10 month	
Transition period (labour books exist alongside new electronic register)	6 months	
<i>Replacement of paper-based labour books with electronic register</i>		
<i>Legal requirement to maintain paper-based labour book abolished</i>		

Source: Own research

3.7 Estimated resource requirements

The resources required for the implementation of the proposed reform can be broadly divided into two categories: (1) staff cost for the tasks which will be implemented within state institutions and (2) funding for external tasks.

We estimate that the project would require altogether staff resources of 15 months of full time staff. This includes the ministerial staff needed for the project management and implementation unit. In addition there is need for personnel to carry out the legislative amendments of the labour code, by

laws and internal procedures. Finally, staff will be needed to train users in the relevant institutions in the use of the new database and reports.

Table 5. Estimated resource requirements

	Resource requirements	Who provides
Project management and implementation unit	1 full-time staff over 12 months	Jointly MMPSF and CNAS
Amendment of legislation and by laws	1 full-time staff over 1 months	MMPSF
Training of staff in relevant public administration	1 full-time staff over 2 months	CNAS
Internal resource requirement	15 month full time staff	
Database specialist to consult on and implement database changes	MDL 0.5 m-1 m	external
Information campaign for employers and employees		
a) Information brochures	a) MDL 0.5 m	printing and layout external distribution by CNAS
b) Information letter to registered employers and employees	b) MDL 4 m	
Funding external tasks	MDL 5 m -5.5 m	

Source: Own analysis

In addition we estimate cost in the range of MDL 5-5.5 m for external tasks. This includes the cost for commissioning an external database consultant and the cost for printing information brochures and sending information letters to registered employers and employees.

Please note that the resource estimate is only indicative at the stage.

4 Benefits of a modernisation of labour record system

The modernization of the employment record system is a major task that has to be well planned and implemented. However, the potential benefits of the new system by far justify the effort. Introducing a modern labour records system, which is in line with best international practice, helps to reduce the administrative burden and the related cost for all stakeholders involved.

Employers are relieved of double work resulting from the coexistence of two systems which improves, among other things, the incentives to employ someone legally.

Employees benefit from a modern system which allows them to regularly cross-check wage and social security contributions their employer claims to make are actually submitted to CNAS. They also get the possibility to better present themselves for a new position, as they can individually design their curriculum vitae and do not have to present all personal employment data like dismissal reasons to future employers. Making use of a new format of job application, in addition, supports the possibility of working in a modern or foreign company.

Collecting the employment data in a one database facilitates the exchange of data between the different authorities. Discrepancies and attempts of fraud can better be detected, which helps a lot to improve the incentives for formal employment.

Additionally, labour inspections can work more independently, as they get the necessary information for the labour inspections directly from the register. Likewise, the calculation of social insurance entitlements can be done straight forward without requesting additional documents.

To sum up, amidst the manifold benefits, replacing the labour books and making use of an electronic employment record system is a low cost reform which should quickly result in visible benefits for all stakeholders. As such it presents an important step towards a modern, transparent and efficiently working economy in line with international best practice.

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