



## THE INFLUENCE OF TAX BURDEN ON EMPLOYMENT RATE

Narcisa ISĂILĂ<sup>1</sup>, Andreea Monica PREDONU<sup>2</sup>

<sup>1</sup>Faculty of International Business and Economics, „Dimitrie Cantemir” Christian University, Bucharest, E-mail: [narcisa.isaila@ucdc.ro](mailto:narcisa.isaila@ucdc.ro)

<sup>2</sup>Faculty of International Business and Economics, „Dimitrie Cantemir” Christian University, Bucharest, E-mail: [monica.predonu@yahoo.com](mailto:monica.predonu@yahoo.com)

**Abstract** *The purpose of this paper is to present the influence of the tax burden on employment rate of labor starting from the comparison made between the 28 member states of the European Union.*

**Key words:**

Labor market, taxes, taxation, employment rate

**JEL Codes:**

JEL: J62, J64, J65

### 1. Introduction

During the period of economic crisis, the labor market suffered a major imbalance represented by massive reduction of employment, increase of unemployment, reduced consumption, reduced investment and savings. All this leads to lower living standards and quality of life.

### 2. Employment rate and neet indicator

The proper functioning of labor market expressed by full employment can be achieved by combining experienced people (aged) with the dynamism and vitality of young people and thus it can ensure the transfer of knowledge from one generation to another. For example, in analyzing regarding young employment, must be considered the number of young people not engaged in any form of education, work and training (NEET indicator). The NEET indicator (youth

not in employment, education or training), which is into a constantly increasing, expresses the fact that a large number of young people working in the informal economy, illegal work, doing undeclared work.

Increasing the employment rate among young people can be achieved by meeting specific conditions of the labor market that facilitates the promotion, remuneration on principles of competitiveness, social dialogue, bargaining power of wages, access to specialization and training programs tailored to current requirements and future of the labor market, quality standards on social insurances, coverage in terms of professional risks and unemployment insurances consistent with the principles of flexicurity labor.

In Table 1, it can be seen the evolution of the employment rate (2007-2014), for the medium age group, 15-64 years, in all 28 European Union member states. Also in this table there are the targets set by the EU for 2020 to this indicator.

Table 1. Employment rate by age group 15-64 years (%)

EU Member States	2007	2008	2009	2010	2011	2012	2013	2014	2020
UE-27	65,3	65,8	64,5	64,1	64,3	68,0	68,0	68,2	75
Belgium	62,0	62,4	61,6	62,0	61,9	67,2	67,0	67,0	73,2
Bulgaria	51,7	54,0	52,6	59,7	58,5	63,0	62,3	63,0	76
Czech	66,1	66,6	65,4	65,0	65,7	71,5	71,6	71,9	75
Denmark	77,0	77,9	75,3	73,3	73,1	75,4	75,4	75,7	80
Germany	69,0	70,1	70,3	71,1	72,5	76,7	77,2	77,7	77
Estonia	69,4	69,8	63,5	61,0	65,1	72,1	72,5	73,4	76
Ireland	69,2	67,6	62,2	60,1	59,2	63,7	64,0	64,8	69-71

EU Member States	2007	2008	2009	2010	2011	2012	2013	2014	2020
Greece	61,4	61,9	61,2	59,6	55,6	55,3	53,4	53,8	70
Spain	65,6	64,3	59,8	58,6	57,7	59,3	57,3	57,3	74
France	64,3	64,8	64,0	63,8	63,8	69,3	69,3	69,6	75
Italy	58,7	58,7	57,5	56,9	56,9	61,0	60,4	60,2	67-69
Cyprus	71,0	70,9	69,9	69,7	68,1	70,2	65,0	62,5	75-77
Latvia	68,3	68,6	60,9	59,3	61,8	68,2	69,6	71,4	73
Lithuania	64,9	64,3	60,1	57,8	60,7	68,7	69,7	70,8	72,8
Luxembourg	64,2	63,4	65,2	65,2	64,6	71,4	71,5	71,2	73
Hungary	57,3	56,7	55,4	55,4	55,8	62,1	62,2	62,5	75
Malta	54,6	55,3	55,0	56,1	57,6	63,1	64,6	66,4	62,9
Netherlands	76,0	77,2	77,0	74,7	74,9	77,2	76,0	76,0	80
Austria	71,4	72,1	71,6	71,7	72,1	75,6	75,9	76,4	77-78
Poland	57,0	59,2	59,3	59,3	59,7	64,7	64,5	64,3	71
Portugal	67,8	68,2	66,3	65,2	64,2	66,5	63,9	63,7	75
Romania	58,8	59,0	58,6	58,8	58,5	63,8	64,2	64,8	70
Slovenia	67,8	68,6	67,5	66,2	64,4	68,3	67,0	66,4	75
Slovakia	60,7	62,3	60,2	58,8	59,5	65,1	64,9	64,9	72
Finland	70,3	71,1	68,7	68,1	69,0	74,0	73,9	74,3	78
Sweden	74,2	74,3	72,2	72,7	74,1	79,4	79,1	79,2	80
Britain	71,5	71,5	69,9	69,5	69,5	74,2	74,3	74,9	-
Croatia	57,1	57,8	56,6	54,0	52,4	-	-	-	-

Source: Eurostat, 2014: [tsdec420]

Therefore, it is noted that there are many countries that have a lot of recovering to reach the targets set by the European Union. There are also countries like Germany, which has already exceeded the target employment rate for 2020 in 2014. The forecasts for 2020 are not exaggerated and are available for each member state. The most difficult is for Greece, which has a rate of 53.8% and wants to reach 70% in 2020.

### 3. Employment rate and neet indicator factors influencing employment rate

Regarding the employment rate of older workers, the majority of population which gets older records the declining activity rates. Therefore, the employment rate among older people is as important because there is a continuing aging of the population, and experts believe that the most devastating effects will be felt only after 2020. Demographic aging requires raising the retirement age, thus as many more older people to work for to support themselves, considering that, at present, a person in the labor market financially supports four elders. For the active older people the most difficult problem will be in terms of intellectual and

their ability to activate into a more complex society. Another major factor that influences the employment rate is the level of taxes from a state. The higher tax burden on citizens greater, the employment rate will be lower, as they prefer to be part of the underground economy (undeclared work). The higher tax burden on citizens is greater, the employment rate will be lower, as they prefer to be part of the underground economy (undeclared work).

In Table 2 is shown the factor which influences the labor market and the quality of life.

### 4. Conclusions

We can say that the European labor market and that our country is strongly influenced by its cost, ie the share of taxes employers and employees. This explains the fact that an increasing number of people choose to work illegally and thus belong to the the underground economy with all the consequences of this situation.

Table. 2. The level of labor costs in EU Member States

EU Member States	2005	2006	2007	2008	2009	2010	2011	2012
UE (27 countries)	:	:	:	16,5	16,9	17,2	17,6	17,9
Belgium	22,2	22,7	23,2	23,9	24,8	25,6	26,3	27,0
Bulgaria	1,2	1,4	1,6	2,1	2,4	2,6	2,8	3,0
Czech Republic	4,6	5,1	5,6	6,7	6,7	7,1	7,6	7,7
Denmark	27,7	28,3	29,2	30,2	31,1	32,1	32,7	33,3
Germany	20,5	20,8	21,2	21,8	22,3	22,4	23,0	23,8
Estonia	3,6	4,2	5,0	5,8	5,6	5,5	5,8	6,1
Ireland	21,6	22,7	23,7	24,8	25,3	24,9	24,7	25,0
Greece	12,6	12,6	13,1	13,5	13,7	13,7	13,1	12,2
Spain	12,7	13,2	13,8	14,3	15,1	15,3	15,6	15,5
France	:	:	:	20,9	21,1	21,7	22,3	22,7
Croatia	:	:	:	7,7	7,3	7,3	7,3	7,4
Italy	16,8	17,3	17,6	18,2	18,8	19,4	19,6	19,9
Cyprus	12,4	13,0	13,3	14,1	14,6	14,8	15,1	15,3
Latvia	2,4	2,9	3,8	4,6	4,5	4,3	4,5	4,8
Lithuania	2,5	3,0	3,6	4,2	4,0	3,9	4,0	4,2
Luxembourg	24,2	25,0	25,8	26,6	27,8	28,5	29,4	30,0
Hungary	4,4	4,5	5,2	5,5	5,1	5,2	5,4	5,5
Malta	9,5	9,7	10,1	10,4	10,6	11,1	11,3	11,7
Netherlands	20,8	21,5	22,3	22,9	23,5	23,9	24,2	24,5
Austria	:	:	:	19,5	20,3	20,6	21,3	22,4
Poland	4,3	4,7	5,3	6,3	5,4	6,0	6,1	6,2
Portugal	9,2	9,2	9,6	9,9	10,2	10,2	10,1	9,4
Romania	1,8	2,2	2,9	3,2	3,1	3,2	3,2	3,4
Slovenia	9,4	9,9	10,4	11,6	12,2	12,4	12,6	12,7
Slovakia	4,3	4,7	5,0	5,4	5,6	5,7	5,9	6,1
Finland	18,2	18,8	20,0	20,9	21,9	22,4	23,0	23,9
Sweden	:	:	:	21,2	19,7	22,5	24,3	26,0
United Kingdom	18,1	18,9	19,7	17,7	16,0	17,0	17,1	18,3

Source: Eurostat, 2015: [lc\_lci\_lev]

## References

- Aceleanu, M.I. and Crețu, A.Ș. (2010) *Strategii și politici de ocupare în contextul pieței actuale a muncii*, București, Editura ASE
- Eurostat (2014), Code: tsdec420, available on-line at <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdec420&plugin=1>
- Eurostat (2015), Code [lc\_lci\_lev] available on-line at [http://appsso.eurostat.ec.europa.eu/nui/show.do?datas=lc\\_lci\\_lev&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?datas=lc_lci_lev&lang=en)
- Giarini, O. and Liedtke, P.M. (2001) *Dilema ocupării forței de muncă și viitorul muncii*, București, Editura All Beck
- Lawrence, B.Z. (2000) *A Vision for the World Economy*, Washington DC, The Brookings Institution
- Preda, D. (2002) *Ocuparea forței de muncă și dezvoltarea durabilă*, București, Editura Economică