

## WORKFLOW IN THE REPUBLIC OF MOLDOVA

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**Abstract:** *The economic development of a country is closely linked to the creation of well-paid jobs that support the population for a high standard of living.*

*In the Republic of Moldova the process of transition to the market economy has produced a longer period than in other countries. Due to the poor job offer, many citizens of the Republic of Moldova chose to go to work abroad or move to more developed regions. These events have resulted in the depopulation of the rural environment and the decrease in the workforce.*

*The main challenge for Moldovan authorities is to attract investors and support the business environment for SME development both in urban and rural areas.*

**Keyword:** unemployment, labor, salary, migration, economic development

**JEL classification:** F5, P2, J43, J11, J31

### Introduction

The transition of the Republic of Moldova to a market economy generated a state of insecurity and imbalance on the labor market, both by increasing unemployment and deteriorating the social protection system on the labor market, as well as by the inefficient use of the labor force accompanied by the decrease in labor productivity and substantial reduction of salaries.

In rural areas the employment situation is much more difficult than in the urban environment. More than 50% of the population of the Republic of Moldova is situated in the rural area and most of them carry out agricultural activities or work for the public sector (education, health, social assistance). The low supply of jobs in rural areas has led to a massive migration of the economically active population<sup>22</sup>.

### Methodology

In order to investigate the evolution of the labor force flow in the Republic of Moldova during the period 2000-2016, I chose as the research method the statistical analysis, which interpreted the influence of the application of the European Neighborhood / Eastern Partnership instruments (the Association Agreement and the Deep Free Trade Agreement and

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<sup>22</sup> Active population - From an economic point of view, all persons supplying available labor for the production of goods and services during the reference period, including employed and unemployed people

Comprehensive between the European Union and the Republic of Moldova) on the labor force flow.

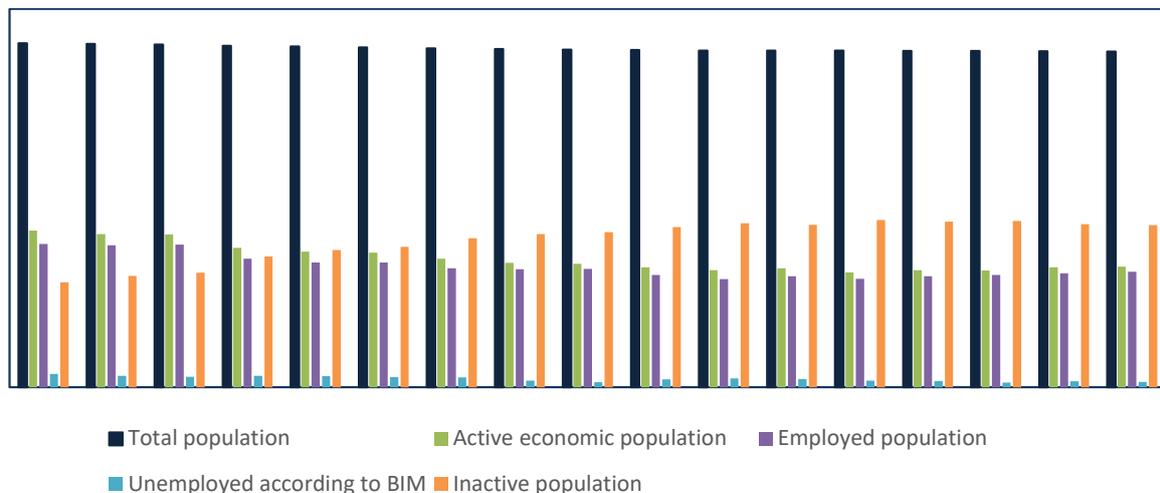
I have also used the analysis of documents (reports, studies, analyzes carried out by European and national institutions) to investigate the political and economic determinants that influence the flow of labor force in the Republic of Moldova.

### Workflow in the Republic Of Moldova

According to the Labor Force Survey conducted by the National Bureau of Statistics of the Republic of Moldova<sup>23</sup> in 2016 over 70% of the declared persons working abroad come from rural areas.

Between 2000 and 2016, according to the information published by the Labor Force Survey of the Republic of Moldova, the number of unemployed calculated according to the BIM<sup>24</sup> methodology and the unemployed registered at the labor offices has been steadily decreasing. Also, the number of the economically active population and of the employed population<sup>25</sup> was also reduced.

**Figure 1.** Evolution of the labor force in the Republic of Moldova in the period 2000 - 2016 expressed in thousands of persons



*Source:* Created by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>26</sup>

<sup>23</sup> National Statistics Bank of Moldova - [www.statistica.md](http://www.statistica.md) - page accessed on 25 April 2018

<sup>24</sup> Unemployed according to BIM recommendations - are people aged 15 and over who meet the following conditions at the same time: they do not have a job and do not work for income, are looking for a job and are available to start work the next 15 days, if they immediately find a job.

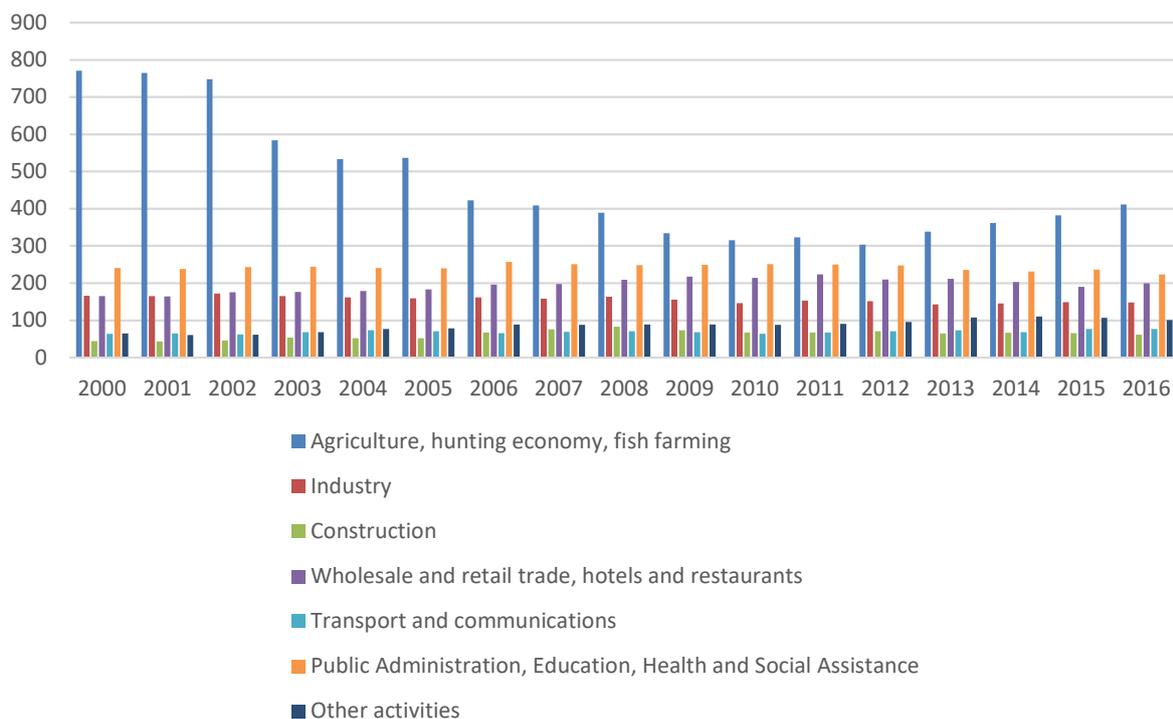
<sup>25</sup> Occupied population - includes all persons aged 15 and over who have been engaged in an economic or social activity producing goods or services for at least one hour during the reference period in order to obtain income in the form of wages, benefits.

<sup>26</sup> National Bureau of Statistics of the Republic of Moldova - [www.statistica.md](http://www.statistica.md) - page accessed on 23 April 2018

Statistical data provided by the National Bureau of Statistics of the Republic of Moldova shows that from 2000 to 2016 the number of unemployed calculated according to BIM methodology decreased from 140 thousand in 2000 to 53.3 thousand persons in 2016, decrease of 38%. At the same time, it decreased by 23% and the number of active population, from 1,654.7 thousand persons in 2000 to 1,272.8 thousand persons in 2016. The number of the employed population decreased by 19.5%, from 1,514.6 thousand in the year 2000 to 1219.5 thousand people in 2016. The share of the active population in the total population has also decreased from 45.3% in 2000 to 35.83% in 2016.

The decline of the economically active population was caused by the continuous increase of the inactive population. According to data published by the Labor Force Survey, between 2000 and 2016 the share of the inactive population increased by 54.38%, from 1,109 thousand persons in 2000 to 1,713 thousand persons in 2016, which leads to an increase in the economic dependency ratio and may cause difficulties for the social protection system of the Moldovan population. In 2016, the ratio of economic dependency, expressed as the number of unemployed, inactive or unemployed persons, to 1000 employed persons, was 1447,7850 / 00.

**Figure 2.** Evolution of the employed population of the Republic of Moldova by types of economic activities in the period 2000 – 2016



*Source:* Created by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>27</sup>.

People from the Republic of Moldova who are 15 years old and older, working or looking for a job abroad are also among the inactive people. Some of the income earned by

<sup>27</sup> National Bureau of Statistics of the Republic of Moldova [www.statistica.md](http://www.statistica.md) - page accessed on April 23, 2018

them arrives in the Republic of Moldova for to support the family members. Between 2000 and 2016, the number of people looking for a job abroad grew from 138 thousand in 2000 to 319 thousand in 2016, representing 18.62% of the total inactive population aged 15 and over.

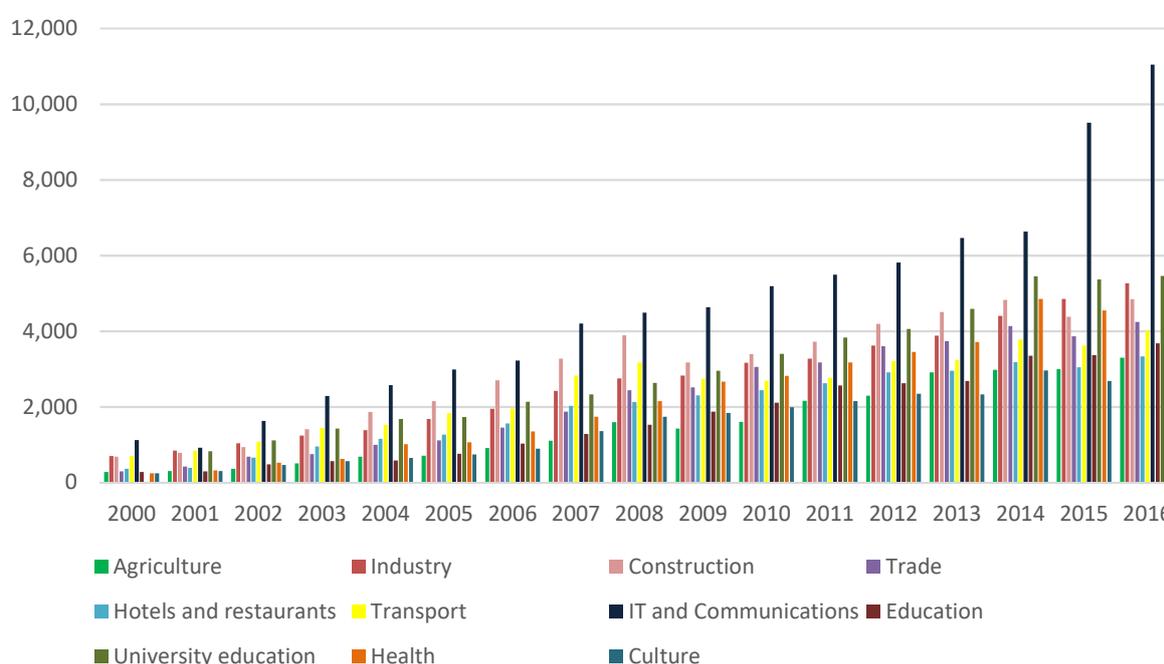
The economic and legal reforms applied by the Moldovan Government have had an impact on the structure of the employed population, both in urban and rural areas. The evolution of the employed population by type of economic activity shows that all areas of activity in the Republic of Moldova were affected.

During the analyzed period, 2000 - 2016, the largest share of the employed population by field of activity was recorded in agriculture and forestry. It represented over 50% in 2000 and fell to 33% in 2016.

The Republic of Moldova ranks first in Europe as regards the population employed in agriculture, far exceeding the share of the employed population in agriculture in the European countries. For example, in Belgium, the employed population in agriculture accounts for only 2.5% of the total employed population, in Denmark - 4.4%, in France - 4.7%, in Germany - 3.2%, in the Netherlands - 3.6 %, in Portugal - 11.6%, in Greece - 20.4%<sup>28</sup>.

A large number of the employed population of the Republic of Moldova work in agriculture, which is why extensive structural re-adjustment measures of the Moldovan economy are needed to attract and re-employ the employed population from agriculture to the other economic sectors producing goods and services.

**Figure 3.** Average salary earning in the Republic of Moldova between 2000 and 2016



*Source:* Created by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>29</sup>.

<sup>28</sup> Ion Dona "Rural Economy", Economica Publishing House, B., 2000.

<sup>29</sup> National Bureau of Statistics of the Republic of Moldova [www.statistica.md](http://www.statistica.md) - page accessed on April 23, 2018

One of the main factors determining occupational structure is the average monthly salaries, which directly influences the attractiveness of jobs. Analyzing the evolution of the average monthly salary according to the field of activity we observe that there is a close link between the increase of the employment level and the level of salary (Figure 3).

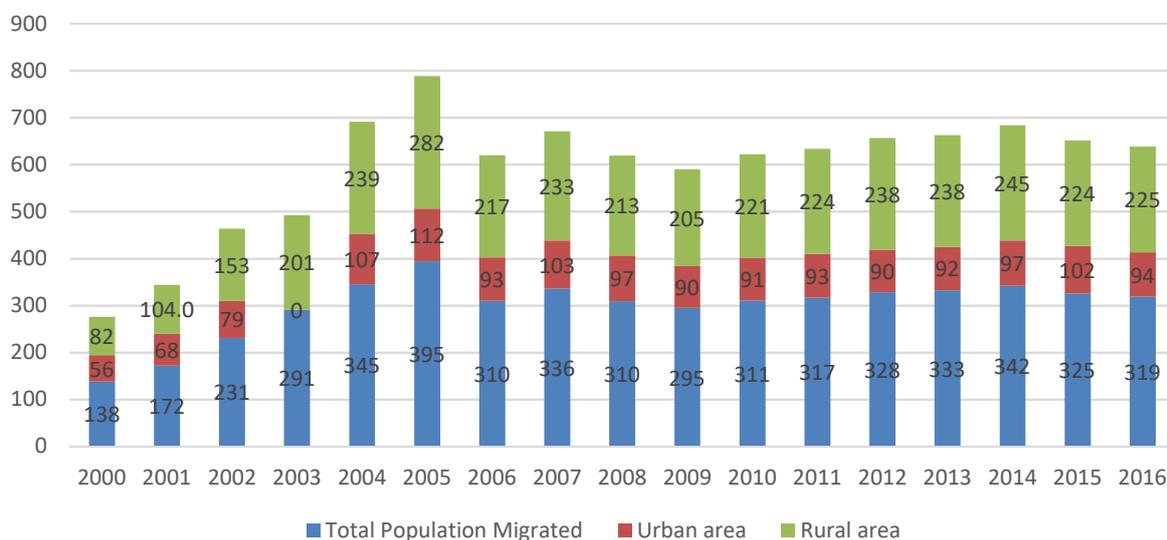
Between 2000 and 2016 the average monthly salary in the economy increased from 492 Moldovan lei to 4,669 Moldovan lei. The highest increase of the salary was registered in health from 246 Moldovan lei in 2000 to 6,056 Moldovan lei in 2016 and in trade up to 4,248 Moldovan lei.

The lowest monthly average salary is registered in agriculture, 3,300 lei in 2016, 30% lower than the average monthly salary in the Republic of Moldova. The low level of income has led to the lack of attractiveness of jobs in agriculture and the employed population in other areas of activity. The share of people employed in agriculture has fallen from 50.56% in 2000 to 33.68% in 2016.

A lower level than the average salaries was recorded in education, health and social care, trade, hotels and restaurants.

The highest level of salary is recorded in IT and Communications. The salary in this economic sector is 236% higher than the average salary in the economy. Over-average salary increases in this sector are due to the staff shortage caused by emigration of qualified specialists from the Republic of Moldova. The lack of specialized labor force has prompted employers to compete with each other in the struggle for candidates by providing better working conditions, investing in the professional development of employees by organizing trainings, employing young and inexperienced specialists and to offer a higher salary.

**Figure 4.** Migration of the population aged 15 and over from the Republic of Moldova between 2000 and 2016 - expressed in thousands of persons



*Source:* Created by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>30</sup>

<sup>30</sup> National Bureau of Statistics of the Republic of Moldova [www.statistica.md](http://www.statistica.md) - page accessed on April 23, 2018

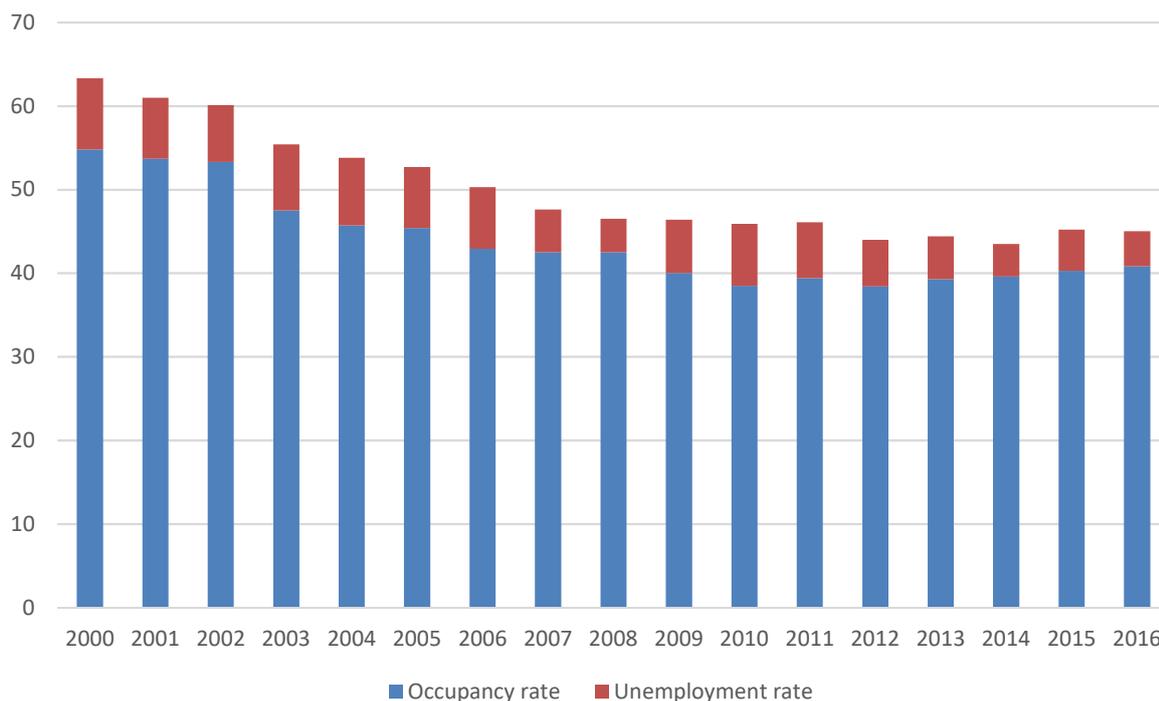
The low level of salaries and the reduced opportunities on the labor market have led to lower living standards, which has led Moldovan citizens aged over 15 to emigrate abroad to earn a decent income that allows them a higher living standard, both for them and for to support of the remaining families in the Republic of Moldova.

The number of citizens of the Republic of Moldova who left to work in other countries increased alarmingly during the analyzed period. In 2000 there were registered 138 thousand Moldovans working or looking for a job abroad, their number increased almost 3 times between 2000 and 2016.

In the year 2016 there were 319 thousand people working or looking for a job abroad. Unofficial sources claim that the number of Moldovans working abroad is over 1 million people, which represents almost half the population of the Republic of Moldova.

Most citizens of the Republic of Moldova who are working or looking for a job abroad come from rural areas. The high share of migration of people from rural areas abroad is due to the fact that over 50% of the population of the Republic of Moldova is in rural areas where jobs are low.

**Figure 5.** Employment and unemployment rate in the Republic of Moldova between 2000 and 2016



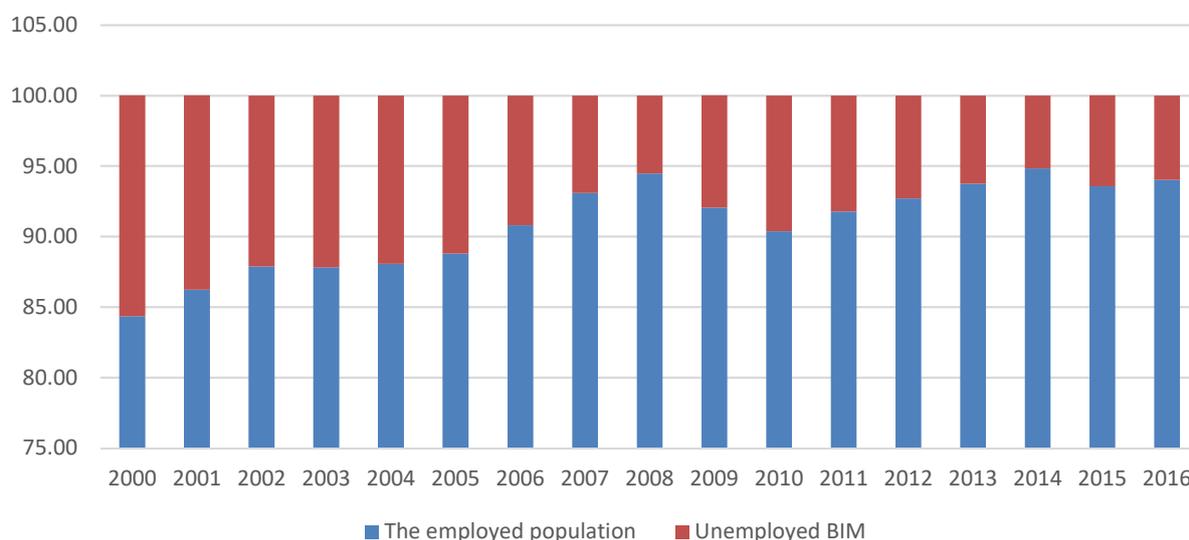
*Source:* Developed by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>31</sup>.

<sup>31</sup> National Bureau of Statistics of the Republic of Moldova [www.statistica.md](http://www.statistica.md) - page accessed on April 23, 2018

The evolution of rural employment also resulted in a depopulation of the villages. An important role in the depopulation of the villages in the Republic of Moldova was the migration of the labor force both abroad and in the urban environment. People who migrated from rural areas were generally young people who, after graduating from the general school, went to the urban environment to continue their education in the upper and lower secondary education, and after graduation they remained in the urban environment or migrated abroad for looking for a job.

The unemployment rate in the Republic of Moldova decreased between 2000 and 2016 from 8.5% in 2000 to 4.2% in 2016. After signing the Deep and Comprehensive Free Trade Agreement between the European Union and the Republic of Moldova in 2014, the unemployment rate fell sharply to 4.9% in 2015 and 4.2% in 2016. This recovery is due to local business development by opening up access to the EU member states market and by intensifying exports as well as investments made by foreign investors in Moldova's economy.

**Figure 6.** The employment rate of the population of the Republic of Moldova - the urban environment in the period 2000 – 2016

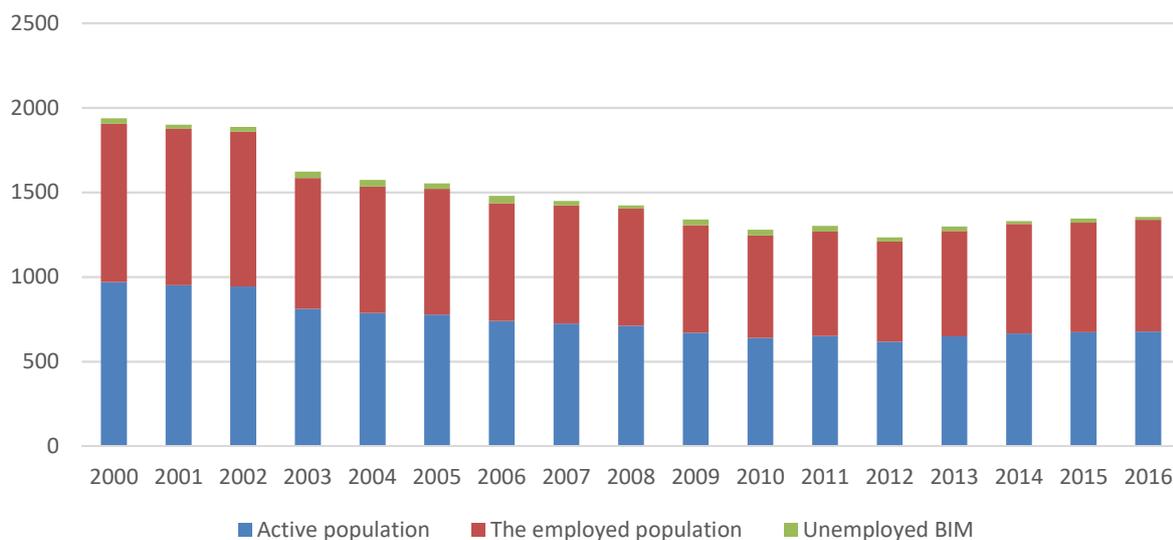


*Source:* Developed by the author on the basis of the data provided by the National Bureau of Statistics of Moldova<sup>32</sup>

Most of the jobs created after the signing of the Deep and Comprehensive Free Trade Agreement between the European Union and the Republic of Moldova were in the urban area, where the occupancy rate of the active population was 94% in year 2016 compared to 84% registered in 2000. The number of economically active persons reached in 2016 to almost 600 thousand people, which was registered only before the global economic crisis.

<sup>32</sup> National Bureau of Statistics of the Republic of Moldova [www.statistica.md](http://www.statistica.md) - page accessed on April 23, 2018

**Figure 7.** The employment rate of the population of the Republic of Moldova - the rural environment in the period 2000 – 2016



*Source:* Developed by the author on the basis of the data provided by the National Bureau of Statistics of Moldova

Between 2000 and 2016, the employment rate of the active population in rural areas registered significant changes. In 2000 the number of the economically active population was 969 thousand people, which are constantly decreasing. In 2016, the number of economically active people was only 677 thousand people, 30% less.

Also, the unemployment rate in the rural area is higher than the unemployment rate in the urban area. Employing rural people is difficult due to limited business activities in rural areas. In rural areas there are people who have never been officially employed after the restructuring of agriculture, following which colchos (socialist organizations) have been liquidated.

The employment rate of the rural population in the Republic of Moldova is characterized by a high concentration of informal activities. Agricultural reforms, the allocation of land-based agricultural workers and the lack of sustainable market economy mechanisms in agriculture have led to an increase in the self-sufficiency of the population and the spread of some elements of natural economics in rural areas.

The attraction of foreign investments in the rural area is a problem which consists in achieving the objectives of the rural environment regarding the modernization of the infrastructure and the diversification of the employment and in the willingness and the ability of the citizens of the Republic of Moldova to attract them.

The labor market instability in the Republic of Moldova, the discrepancies between the volume of demand and the supply of labor, the demand and labor supply characteristics according to the specialty and the fields of activity, as well as their distribution according to the geographical localities, have determined the inefficient use of the labor force. This is reflected both in the employment of the employed population in activities that do not correspond to their profession or specialization and in the increased territorial mobility of people, to find a job suitable for the profession and specialization or to obtain higher incomes.

For most employed people, salary are the main source of income. Although in rural areas people employed may have other sources of income, such as processing individual land lots, they do not provide income for a decent living standard. Considering that the majority of rural inhabitants work in agriculture and according to statistical data in agriculture there are the lowest salaries compared to those registered in other economic sectors, there is also a lack of motivation of the population to engage in this economic sector.

The most effective way of creating jobs in rural areas is the development of small and medium-sized businesses. A frequent problem faced by entrepreneurs wishing to develop rural businesses is vocational training because most well-trained people opt for a job in the urban area where they have more opportunities for career development or to start a business.

Given that more than 50% of the population of the Republic of Moldova is in rural areas where employment opportunities are very low, generally available jobs are in agriculture, a field where the salary level is well below the average salary in the economy, the possibilities social-economic development are low.

Developing entrepreneurship in rural areas by attracting foreign investors and investors is a good opportunity to create well-paid jobs and raise living standards. To this end, public authorities in the Republic of Moldova should focus on creating the institutional-legislative framework and ensuring sustainable mechanisms for attracting public and private, domestic and external investments in rural areas, necessary to create more attractive jobs, as well as to diversify the occupational structure in order to ensure a more efficient use of the human potential in rural areas, to diminish the role of non-productive agricultural activities in the overall economic activities in the rural area, and to reduce the migration of labor force.

Also, the development of a system for supporting agricultural producers in order to transform agriculture from a subsistence activity into a modern, competitive and profitable economic branch that can cope with the demands of the market economy is an opportunity for improving the living standard of the Republic of Moldova's population and the growth of the economy.

## **Conclusions**

Still a large part of the population of the Republic of Moldova is working in agriculture, a poorly developed field of activity, where salaries are below the average wage.

Chisinau authorities should focus on changing legislation and attracting investors to all regions of the country so that residents of the Republic of Moldova can benefit from skilled and well paid jobs and want to work and live in the Republic of Moldova .

Another method by which the Moldovan authorities can inflate job creation is to support and develop Small and Medium Enterprises, to support local and foreign entrepreneurs for business development and job creation.

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