

## Moldova's labour market framework (2006-2011): challenges, opportunities and scenarios

### Abstract

*This article provides an overview of recent labour market trends, challenges and employability in the Republic of Moldova. Substantial structural changes have been seen in the labour market, resulting from a pronounced demographic crisis over the last twenty years caused by a decrease in fertility and by high infant mortality. These demographic transition effects have been aggravated by the difficult times of the transition to a market economy and by migration of the population, while an increase in the coefficient of aging has had an effect on changes in the structure of the labour market. The article examines distinctive features of the labour market, such as employment and unemployment, and current trends in active and passive policies, etc. Many developing countries face rapid aging transitions, while Moldova has to strengthen the economic contribution of older workers. The article also reviews the evidence of official sources on employment and the job market, such as demographic trends, and the gender dimensions of agricultural and rural employment.*

**Keywords:** participation rates, women employees, equal pay, population aging, migration, young people, unemployment, people with disabilities, labour market policies, rural de-population

### Employment policies in Moldova: trends, challenges and scenarios

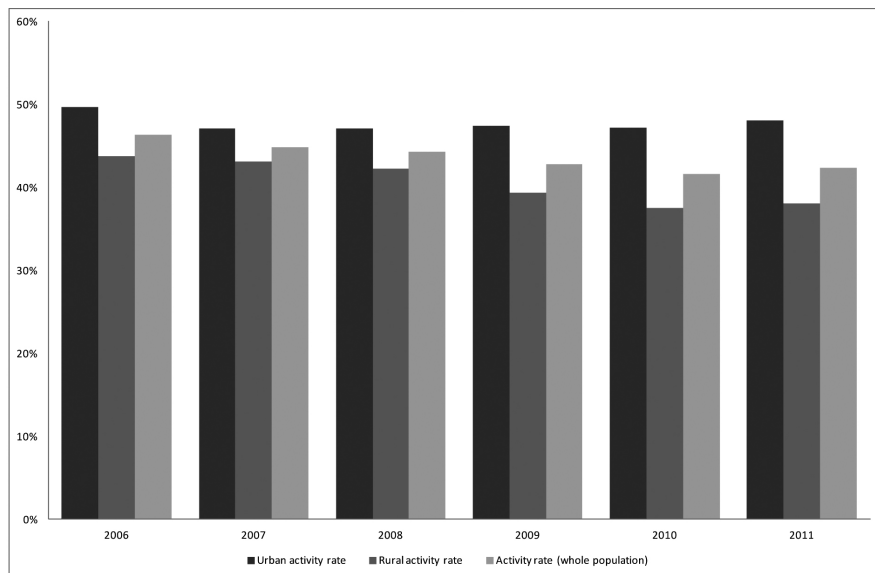
#### *Participation in economic activity<sup>1</sup>*

Over the last decade, participation in economic activity has changed substantially. Data from 2007 show that agriculture was no longer the main sector of employment: it had a participation rate only of 32.8 %, having been replaced by the service sector with 48.5 % (12.7 % were in industry, followed by the construction sector with 6.1 %). In 2010, the situation showed a greater discrepancy between the four dominant sectors: the rate in agriculture had dropped to 27.5 %, and risen to 59.7 % in services, while for industry it remained at 12.8 % and the construction sector was insignificant.

Having a look at the population by participation in economic activity by geographical location, in rural areas the employment rate was 5.8 percentage points lower in 2010 than in 2006. Consequently, this provides evidence of a substantial disparity between urban and rural employment rates since 2006. The key distribution data can be shown in Chart 1:

1 The lack of credible statistical data covering the Trans-Dniester region means that this analysis will refer only to right-bank Moldova.

Chart 1 – Population by participation in economic activity, 2006-2011



### Activity rate of the population

There have been some fluctuations regarding the activity rate of the population for the period since 2006 (see Chart 2). Due to the economic and political factors that have led to an intensive growth in the migration of the population, it is mainly employment-based indicators that have been affected. In 2011, the activity rate of the population aged 15 and over was 42.30 %, reaching values highest among the male population (45.60 %), compared with the rate for women (39.30 %). The activity rate of the population in 2011 has risen on the 2010 level but has still, over the wider period, decreased substantially, i.e. by 4.0 points compared to 2006 (see Table 1). Furthermore, if we compare 2011's data with that for 2000, then we can observe even more major changes in employment issues: the employment rate of the population in 2011 (41.6 %) was lower by 17.6 percentage points than it was in 2000 (59.90 %).

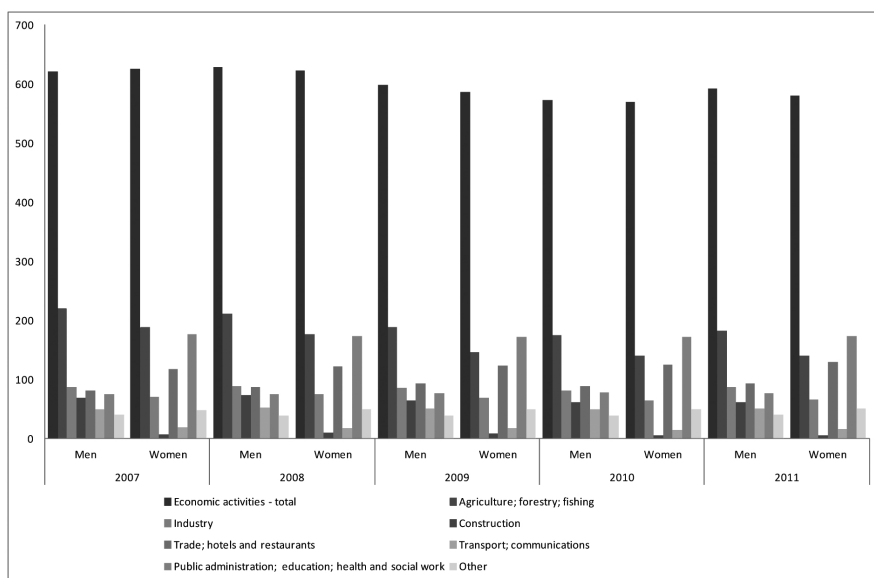
The following table highlights the dynamics of the activity rate of the population for the period between 2006 and 2011:

Table 1 – Distribution of the population by participation in economic activity, by sex and area

	Activity rate (whole population)	Male activity rate	Female activity rate	Urban activity rate	Rural activity rate
2000	59.90 %	63.90 %	56.30 %	57.70 %	61.50 %
2006	46.30 %	50.00 %	43.00 %	49.70 %	43.70 %
2007	44.80 %	47.80 %	42.20 %	47.10 %	43.10 %
2008	44.30 %	47.30 %	41.50 %	47.10 %	42.20 %
2009	42.80 %	46.20 %	39.70 %	47.40 %	39.30 %
2010	41.60 %	45.00 %	38.60 %	47.20 %	37.50 %
2011	42.30 %	45.60 %	39.30 %	48.00 %	38.00 %

Source: National Bureau of Statistics

Chart 2 – Distribution of employment in occupational activities, by gender (000)

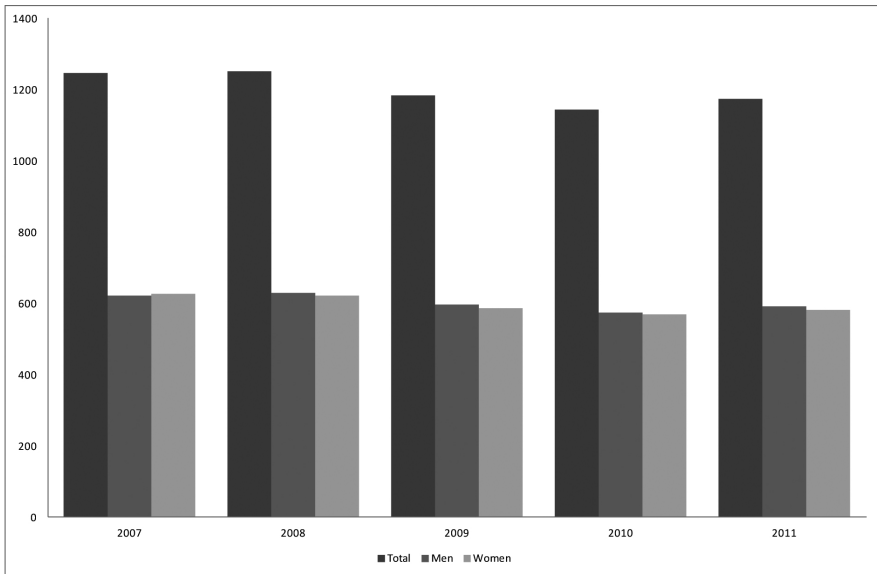


### Employment rates

According to the methodology of the National Statistics Bureau of Moldova, the employed population covers all those aged 15 years and over who carried out an economic or social activity producing goods or services for at least one hour during the

reference period (one week), and in order to achieve a certain income in the form of salary, in-kind remuneration or other. During the period up to 2011, employment rates showed a dynamic change in the direction of a decrease by 83 800, from 1 247 200 people in 2006 to 1 173 500 in 2011. The key distribution data can be seen from the following chart:

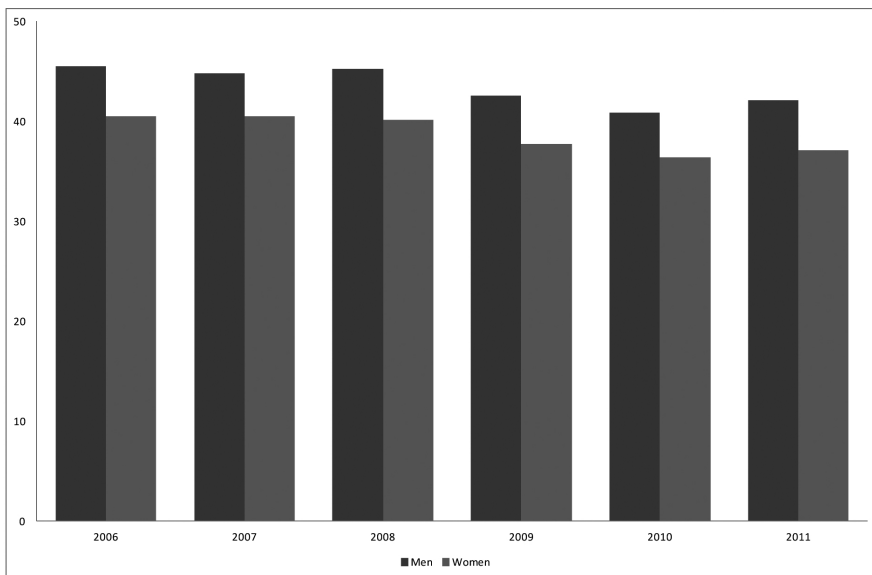
Chart 3 – Employed population by general status (000)



In 2010, the employment rate of the population aged 15 and over was 38.5 %, being lower (by 4.4 percentage points) compared to the value for 2006, and 16.3 percentage points lower compared to that for 2000. The employment rate among men (40.9 %) was higher than that for women (36.4 %). In 2010, the employment rate among men was lower (by 4.6 points) than it was in 2006, while it also dropped over the same period among women (by 4.1 points). There was a difference between urban and rural areas, being 42.7 % in urban areas and 35.4 % in rural ones in 2010. This shows a decrease on 2006 levels of 3.5 percentage points in urban areas and by 5.8 points in rural ones. The employment rate was 42.5 % in 2008, the same as it was in 2007, while it was 10.8 points lower than in 2002. The highest employment rate (58.4 %) was recorded among adults aged between 45 and 54.

A review of employment rates by sex in the total population shows that women have the lower employment rate in each of the years in the recent period: the average gender gap between 2006 and 2011 is 4.8 % (see Chart 4).

Chart 4 – Employment rate by sex (2006-2011)



It should be noted that the structure of the population of working age in rural areas was, between the end-points of 2001 and 2010, relatively balanced and stable, characterised by an average rate of 32.3 % among men and 31.4 % among women. The period between 2000 and 2009 was, however, characterised by sweeping changes in the essential structure of men and women in rural areas who were economically active, which peaked in 2005 (at 7 % in favour of active women), followed by a rapid increase in the share of men who were economically active such that, by 2007, they outnumbered women in the rural economically active population. This was a situation which was caused largely by rising female inactivity due to reduced employment opportunities.

### *Women's employment*

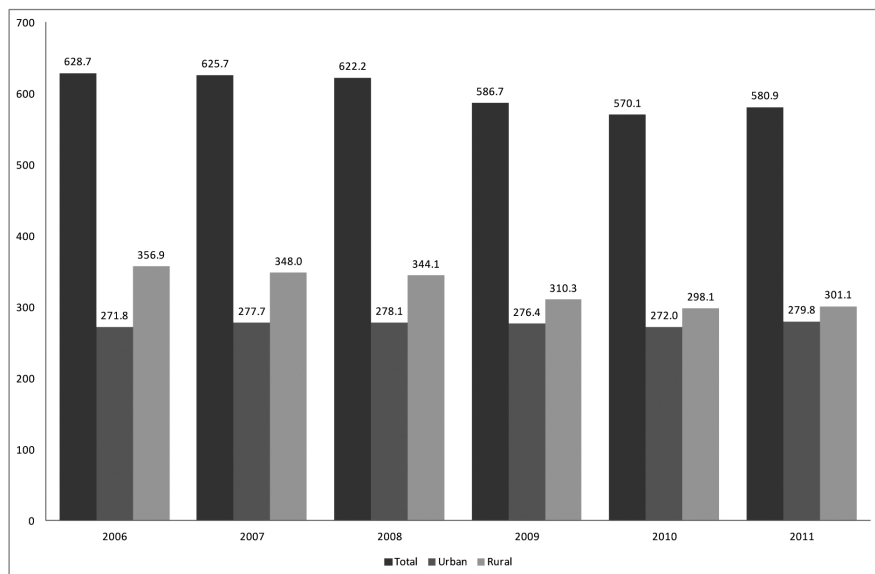
Regarding the employment of women in the labour market, we can notice a decrease in recent years. Of the total employed population in the country in 2011, 580,900 were women: this was higher than in 2010 but lower than in each of the four years before that, decreasing in total by 47 800 compared to 2006 (see Chart 5). This decline is due to essential social and economic factors, such as:

- an increase in the proportion of women who earn a living from agriculture
- an increase in social and economic risks for single mothers
- an increase in cases of domestic violence
- industrialisation requiring a skilled labour force, where women are represented less because of family reasons and not because of a lack of education; etc.

In 2010, of the 570 100 women then involved in employment, 145 500 were highly educated, this was 28 200 more than the figure for men (117 300) at the same point.

However, the employment rate of women was, in that year, significantly smaller compared both to previous years and to the employment rate of men.

Chart 5 – Women’s employment by years and area



The low figure for the employment of women is not only due to a lack of well-paid jobs but was also because of a lower quality of working conditions for women, which might affect their health and safety at work. The female employment rate recorded high levels in areas such as agriculture (24.5 %); trade, hotel and restaurants (21.8 %); and in public administration, education, health and social assistance (30.2 %). Indeed, as we have reported, the female employment rate in 2010 (36.4 %) was the lowest rate recorded in recent years, having reached a value of 40.13 % in 2009 and 40.5 % in 2008.

In general, women’s employment in rural areas presents more challenges than in urban areas, due to the lack of social facilities and public services. For instance, employment is possible if public transport is provided to urban areas on a regular basis. Also, it is necessary to have access to social services, such as nurseries and primary schools for children, and health or medical centres for parents, if necessary. Unfortunately in many Moldovan villages such services are seriously lacking.

So, how a woman can be employed in the workforce, where she has young children and elderly people within her care at home, is a puzzle which must be resolved by local authorities. In conditions of the transition to a market economy, it is difficult to create an infrastructure in a rural community where most people work seasonally in urban areas, or else leave the country.

There are differences in pay between men and women. These discrepancies can be explained by several factors. The main factors that make up the differences in the wages

of men and women are horizontal and vertical segregation. Almost one-half of rural women are engaged in agriculture, where they have the least skilled jobs and a lower salary than men, who hold jobs with certain qualifications. Another factor in the wage gap between women and men is that there are areas where women predominate – so-called 'feminised' activities (education, health and public services), where wages are lower than those of men in the same sectors and also lower than in sectors where there are more men (construction, transport). Lower wages among women are also explained by maternity leave and child care.

The result is that women earn, on average, 23.9 % less than men, even though the principle of equal pay for equal work has been legislated for in Article 128(2) of the Labour Code of the Republic of Moldova, which does not permit discrimination between salaries on grounds of sex. According to Article 247, reducing wages on the grounds of pregnancy or having children up to the age of six (for all employees) is prohibited; however, this is not respected by all employers.

### *Rural employment*

The situation of the employed population in rural areas is unsatisfactory. For instance, between 2001 and 2009 the economically active population decreased considerably, i.e. from 950 300 people to just 669 600 (a drop of 280 700 people). This registered a reduction in employment from 924 500 to 636 100, as well as a reduction in the number of employees, from 424 600 to 349 700. Also, the share of the economically active population in rural areas decreased from 45.1 % in 2000 to 34.1 % in 2009.<sup>2</sup>

The indicators of economic activity among the rural population show a decline. This has caused a significant increase in the inactive population aged 15 years and over. Thus, during 2001-2009 the number of inactive people increased from 680 900 to 1 032 500 (an increase of 351 600 people), a relative increase of approximately 1.5 times. The result has been that the share of the inactive population in the total rural population increased substantially, from 31.8 % in 2001 to 48.1 % in 2009 (Table 1 and Chart 1).

It should be noted that the general rate of employment in rural areas is lower than in urban ones. This is a consequence of the low concentration of industrial facilities and public services in rural areas. The solution to overcoming social problems in rural areas depends largely on the level of urban links with key providers of social services, training, education and healthcare, so most of the rural labour force travel to the suburbs and urban regions for informal employment. We can see from Chart 1 that there has been an extensive decrease in the employment rate in rural areas, i.e. by about 5.7 percentage points since 2006. This is a consequence of the high rate of migration of the labour force from rural areas to urban ones, but is also a result of emigration. According to the most recent data, the number of the population aged 15 years and over from rural areas who are working or looking for work abroad has increased.

2 National Bureau of Statistics of the Republic of Moldova (2011b) *Labour Market in the Republic of Moldova Statistical Compilation 2010* Chişinău.

Furthermore, entrepreneurship is insignificant in rural areas. According to one study,<sup>3</sup> the reasons identified by the rural population for not creating their own businesses are, basically, similar to those identified by the urban population. High costs and limited access to credit are the most important impediments to launching new businesses in Moldova.

State policies to improve rural areas in Moldova are poor in terms of their outcomes. The increased disparities between rural and urban development have led the government to adopt a series of documents in order to increase investment in rural areas and to improve the living standards of the rural population, although these show few signs of contributing significantly to an increase in the position of the rural population.

### *Demographic challenges*

Between 2000 and 2010, the population of the Republic of Moldova declined by some 83 100 people (2.3 %). The decline occurred mainly in urban areas, where the population in the last decade dropped by 3.4 %, in comparison to a 1.3 % fall in the rural population in the same period.

Along with population decline, there have been essential changes in the age structure of the population. According to the latest census data from 2004, and in line with current statistics, the population older than sixty years increased from 7.7 % in 1959 to 14 % in 2009; while the number of children aged up to 14 years decreased substantially, from 33.4 % to 16.7 %. Also, according to certain experts,<sup>4</sup> the correlation percentage between men and women (the number of women per 100 men) decreased from 108.8 in 2003 to 108.0 in 2009; this is characterised as a negative phenomenon in terms of demographic perspectives. This means that demographic aging in Moldova is a faster process than is the case in other European countries.

At the same time, the ratio between the total employed population and the overall number of pensioners is high. Demographic trends in Moldova show a reduction in the number of the population, which leads to aging. A key factor is that the number of births exceeds that of deaths. In this context, between 1990 and 2008 there was attested a sudden drop in the birth rate, from 17.7 % to 10.9 % (i.e. it nearly halved). Also, according to statistical analysis from the past decade, 68-70 % of live new-born babies were born to mothers belonging to the 20-29 age group. Increased mortality is a consequence of demographic aging.

At the same time, a high mortality rate among the male active population contributes to the aging population. Over the course of a decade in the transition period (1985-1995), the highest mortality rate for the male population was among those aged

- 3 Walewski, Mateusz *et al.* (2008) *The effects of migration and remittances in rural Moldova and a case study of migration management in Poland* final version 30 December 2008, CASE: Centre for Economic and Social Research, p. 16.
- 4 Galbur, Oleg (2010) *Report on the assessment of the demographic process (by age, gender, environment, trends for the next 10 years) and morbidity analysis in the Republic of Moldova, neighbouring countries and the European Union: Trends and changes in the last 7 years* Ministry of Health: Chişinău, p. 5.

24-29, where it increased from 2.75 to 3.52 points. Later, this rate shifted to a more mature age group and is now registered in the 44-49 age group.

In terms of demography, it is considered that a total fertility rate of lower than 1.5 is a critical situation which will contribute to a suppression of birth rates in the future, in which case achieving population growth will be very difficult. Among other things, we notice that the dynamics of age-specific fertility rates are characterised by a shift from the 15-24 age group to the group aged 25-34. The trends are similar in urban and rural areas although, in the latter, this process is less pronounced while the most noticeable change is associated with a decline in the birth rate among the 15-19 age group and an increase among those aged 20-29.

The main focus of demographic policy concerning the birth rate must concentrate on the 20-29 age group, which determines the birth rate of the population in the current stage, as well as on encouraging the birth of a second child and subsequent ones. Today's young families are prepared for, and wish, in most cases, to have only one child and at an older age: mothers tend to give birth to their first child when they are somewhere around thirty years of age. Until this age, they prefer to travel, to pursue their studies and to advance in their professional life. In this respect, there may be a need to orient policy on child-bearing towards younger couples, and to reform social policy in order to improve the negative consequences of demographic trends.

Additionally, the postponement of childbirth will bring major differences to the age structure of the labour market in the coming years, when there will be an acute shortage of young people appearing on the labour market as well as a large discrepancy between the age groups of those who are in employment. The consequence of an acute shortage of young people is that the labour shortage will create winners and losers in the labour market.

To this problem, we may add the problem of an aging population in general. Presently, the rate of aging of the population in Moldova is 15.1 %. The process of population aging is more advanced in rural areas: people aged over sixty comprise 15.2 % of the total rural population whereas they are 13.2 % of those living in urban areas.

Today, there are substantial differences in the age categories of the population between urban and rural areas: in the former, there is a higher number of children and older people, which is a consequence of the migration of the labour force abroad; while in urban areas there is a higher number of people in the 15-64 age group.

Demographic trends have a substantial impact on the size of various age groups, including populations of working age. The consequence of demographic trends is that the labour market has changed markedly in recent decades: high-skilled labour has mostly emigrated abroad, while new waves of skilled labour are not competitive in the labour market as a result of incompatibilities between their education (knowledge) and labour market demand. The Moldovan labour market has lost its competitiveness and is not attractive to returning migrants.

At the same time, a reduction in the total number of people, especially the economically active population, and an increase in the number of older people (pensioners) is leading to increased economic pressures. In the last decade, some changes might be observed in this relationship, i.e. going from 2.3 economically active people per pen-

sioner in 2001 to 1.8 active people per pensioner in 2010 (see Table 2). In this way, the population aging process is proceeding from a demographic stage to an economic and social phase. In terms of the demographic aging process, Moldova, as well as other states, will have to redirect an increasing share of public funds to social payments. Therefore, the redistribution of public funds will increase the tax burden on individuals and on the business sector. This will, in turn, increase undeclared (or envelope) wages.

**Table 2 – Ratio between the total population, the economically active population and pensioners, 2006–2010**

	2006	2007	2008	2009	2010
Whole country population (000)	3 589.9	3 581.1	3 572.7	3 567.5	3 560.4
Population employed	1 257.3	1 247.2	1 251.0	1 184.4	1 143.4
Number of pensioners (000)	620.6	620.4	622.2	624.1	626.7
Ratio between total population and pensioners	5.78	5.77	5.74	5.71	5.68
Ratio between total employed population and pensioners	2.02	2.01	2.01	1.89	1.82

Source: National Bureau of Statistics

The aging of the population is the result of two factors. Firstly, Moldovan families are having fewer children, as a consequence of low incomes, the high risk of unemployment, low social assistance for childcare, no family policy protection, political instability, etc. The government of Moldova has introduced a few changes in terms of taxes and benefits to assist families (a single allowance for childbirth, which is about €88), but this level of assistance is incompatible with the minimum consumption basket (about €94 in 2010). Secondly, migration processes and the access of migrant workers to social security measures in host countries show an increase in migrants giving birth to a child in host countries. According to official data, over 20 000 Moldovan children are now in Italy. The decision to have children is certainly an individual one. However, governments can ensure programmes facilitating an increase in the fertility rate and may also develop programmes that do not undermine family support.

### Migration

The social crisis in Moldova affects society such that thousands of Moldovan citizens are leaving the country each year to work abroad. About one-third of Moldovan migrants are university graduates who have given up low-paid public sector jobs. Temporary migration for work seriously affects the labour market and is additionally a current risk to the sustainability of the pensions system. Among others, there are two major factors that determine why the highly-qualified and well-trained population look for a job abroad.

Firstly, the labour market in Moldova is incomplete in terms of the diversity and the quality of supply and demand.

Secondly, the workforce is highly-skilled and professional, yet discouraged by the monotonous character of the correlation between supply and demand which leads to unskilled labour finding work faster than the highly-skilled.

Over the last decade, due to the background reduction in the total population, and in the economically active population in particular, the number of people involved in migration processes has, with some fluctuations, been growing. Thus, between 2001 and 2010, the number of people going to work abroad increased from 138 000 to 311 000 people; in relation to the working age population this was an increase from 10.6 % to 27.3 %.

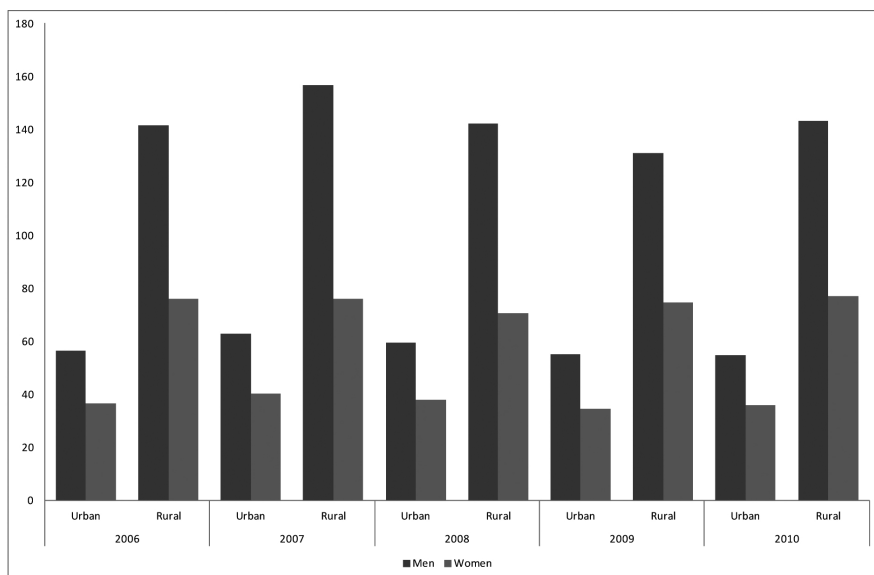
At the same time, the changes that have been recorded in migration trends by general area have been small. In 2006, the number of the population from rural areas working or looking for work abroad was some 217 400, in comparison with 92 700 doing so but from an urban background. In 2010, the number of the population who migrated abroad increased to up to 220 500 from rural areas, compared with 90 600 from urban areas. It is evident that the number of people who migrate from rural regions is permanently higher than the number from urban areas (see Table 3 and Chart 6), although there are major differences in the trends between rural and urban areas, there being a continuous increase in the former and a marginal drop (2 100) in the latter (see Table 3). Over the last decade, the number of people leaving rural areas has steadily grown: in 2000, it was 82 100.

**Table 3 – People who have left temporarily for work abroad**

	2006	2007	2008	2009	2010
Total going abroad (000)	310.1	335.6	309.8	294.9	311.0
By sex					
<i>Men</i>	<i>197.8</i>	<i>219.3</i>	<i>201.5</i>	<i>185.8</i>	<i>198.0</i>
<i>Women</i>	<i>112.3</i>	<i>116.3</i>	<i>108.3</i>	<i>109.1</i>	<i>113.0</i>
By area					
<i>Urban</i>	<i>92.7</i>	<i>103.0</i>	<i>97.2</i>	<i>89.5</i>	<i>90.6</i>
<i>Rural</i>	<i>217.4</i>	<i>232.6</i>	<i>212.6</i>	<i>205.5</i>	<i>220.4</i>

Source: NBS (2010) *Labour Force Survey of Moldova: Employment and Unemployment*.

Chart 6 – Population aged 15 years and over working or looking for work abroad, by sex and urban or rural background



This could have an explanation in the lack of opportunities to obtain a job, or in poor quality infrastructure, etc. There is some sign that migration is not an indirect reason of the low rate of participation of the population in economic activity, as very recent trends show some improvement in 2011 in rural areas. However, the rate of change is very slow and, in the coming years, might be reversed if the lack of opportunities for employment continues to be the case in rural areas. Moldova could well face a massive rural de-population in the coming years.

The labour market should fully reflect the recorded success or failure of the national economy. However, from what we can see, unfortunately, this may be reduced to an acute lack of diversity in terms of labour market needs. Unemployed people do not develop their skills, even if there is access to training courses offered by the employment agencies. Often, those available on the labour market have a low level of training and practical skills. Most of the available labour force must face the challenges of compatibility with labour market demand; otherwise, they are simply less compatible with labour market demand.

People decide to go to work abroad additionally because of unsatisfactory access to social security measures. However, the practice of states with migration experience reveals that young men and women involved in migration processes are more flexible in that they accommodate themselves faster; they integrate more easily into host societies; and are more likely to remain permanently abroad.

The departure of people from rural areas, especially women, to work abroad is also a sensitive issue both in terms of demographic processes and the functioning of the

labour market. The number of women involved in migration in the period 2006-2010 increased marginally, from 112 300 to 113 000, and appears to be less volatile than the trend in the number of men over this same period.

### *Working age population*

Demographic challenges, such as migration and an aging population, have a significant influence on the structure of the labour market which should make the population of working age population a favoured segment of the labour market. Thus, between 2001 and the start of 2010, the working age population increased from 2 210 500 people to 2 371 300 (an increase of 7.3 %), with a more pronounced increase among men (9.2 %) and a more moderate one among women (5.3 %). The employment rate of the population aged 15-64 years (i.e. of working age according to EU requirements) was 43.0 %.

An analysis of the structure of the employed population by age group reveals that the share of young people (aged 15-24) represented 10.3 % of the total. At the same time, 74.3 % were adults (aged 25-54 years) with the remaining 15.4 % those 55 years and over (see Table 4).

**Table 4 – Employment rates by age group**

	2006	2007	2008	2009	2010	2011
15-24 years	132.3	120.2	124.3	121.3	117.8	120.0
25-34 years	252.2	247.7	254.2	244.0	275.8	281.7
35-44 years	301.2	310.5	308.1	288.8	262.8	274.1
45-54 years	372.5	359.8	354.6	339.5	311.1	311.8

### *Young people in the labour market*

Engaging in employment after graduation is the dream of any graduate. Unfortunately, however, the education system is not compatible with the needs of the labour market and the real economy. Curricula have been modernised but are not in compliance with the labour market. Therefore, many employers prefer to hire young people with experience rather than young graduates, despite the steady decrease in the labour force, including that part which is highly-skilled.

Analysing the evolution of the main indicators of the labour market for young people, it may be observed that, during recent years, the number of economically active people aged 15-29 years has decreased from 388 400 people in 2000 to 298 600 people in 2010. The activity rate decreased from 45.3 % in 2000 to 30.8 % in 2010. At the same time, the employment of young people has decreased substantially, by 77 200 people in the last decade (up to 2010). The employment rate recorded a decrease of 12.5 % in 2010 compared to the level of 2000. The decrease has taken place among the evident conditions of a growth of the population aged 15-29. Analysing data on the

demographic structure for the last ten years, we may observe an increase of 113 700 people in the population aged 15-29. This is essential, due to an increased number of people born in the decade up to 1990. On the other hand, the unemployment rate among young people is almost the same in 2010 as in 2000 – about 14 %.

Youth employment is one of the main objectives for national policies in the labour market, such as the National Employment Strategy of Moldova for 2007-2015; the National Development Strategy for 2008-2011; the National Youth Strategy 2009-2013; but youth unemployment is not diminished by these. For example, under the Youth Action Plan for 2010 of the Ministry of Young People and Sport, there are priority actions offering a number of young people assistance with regard to their professional orientation. In this sense, job fairs are held. However, young people do not tend to find a job quickly. And, there is an explanation for this scenario: among the main reasons are that the labour market in Moldova is homogeneous and unsustainable, while young people do not want to be employed with very low salaries and poor working conditions. Considering that the economic activity of the young population is concentrated mostly in urban areas, unemployment is especially evident in the countryside. Measures are consequently needed for economic and entrepreneurial skills among young people in rural areas. There is a need to create new and better jobs in the competitive private sector.

Also, there is no underlined transparency on the labour market; unfortunately, getting a job through a relationship based on nepotism is evident. This reduces the opportunities of highly motivated and professional young people being employed on their merits.

In a market economy, career planning is natural. Young people in Moldova, who include fresh graduates, are lacking in information and career assistance within universities. A lack of such services greatly affects the chances of young people finding competitive and efficient jobs. Improving career guidance for young people must be the emphasised policy of each university or professional school oriented to the needs of the labour market. Only in this way can there be a more flexible relationship between academia and labour market demand. Helping students in career planning and job search skills reduces the amount of time they remain unemployed and also familiarises them with new opportunities on the labour market.

### *Unemployment rates*

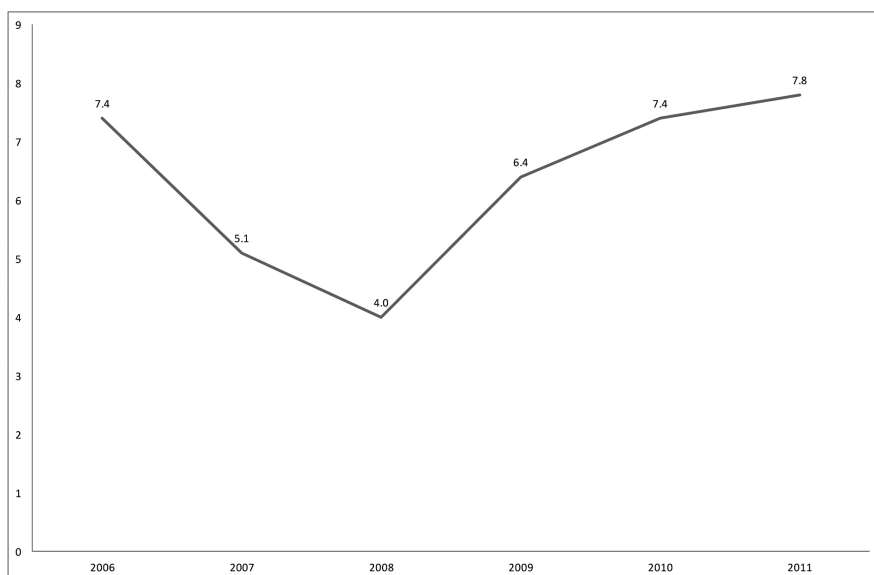
There are complex processes which define unemployment. It is usual that unemployment is an expression of the direct situation of the conditions on the labour market. Initially, there is a lack of opportunity on the labour market. In place of this traditional reason, unemployment is also increasing on the labour market due to several factors. First of all, the skills mismatch between demand and supply is a sensitive issue. This mismatch has come about because many job seekers do not have the skills and abilities required by vacancies, despite their high-skilled graduation diplomas. This is happening because previous generations of specialists have spent years working and have gained experience which became the requirement. When these qualified people leave their jobs for a more interesting vacancy, their duties become a framework within which the terms of reference operate. However, in addition, fewer vacancies actually need

high skills and competences, and this factor is discouraging young people to learn well and to be competitive. Neither should a lack of opportunity to gain training and experience in related fields within the labour market agencies be discounted. Along with these factors, we may also observe that many unemployed workers fail to apply for unemployment insurance, due to paperwork bureaucracy.

In 2010, the number of unemployed people on the ILO measure was 92 000, an increase of 11 000 compared to the previous year. Unemployment affects mainly men – 62.3 %; and people in urban areas – 62.4 %. At the survey date, only 2.9 % of unemployed people were attending training courses. It is necessary to mention that 73.7 % of unemployed people had work experience. The average duration of unemployment represented thirteen months compared to fourteen in 2009. The share of people with long duration unemployment (spells lasting one year and over) represented 30.8 % of the total, while 15.3 % were young people (15-24 years). The share of people with very long duration unemployment (24 months and more) represented 12.8 % of the total number of unemployed people. Approximately 40 % of all those who are unemployed declared themselves to be heads of households.

At country level, the unemployment rate in 2010 registered a value of 7.4 %, an increase of 1.0 percentage points on the previous year (see Chart 7). Significant disparities were registered in the unemployment rate for men – 9.1 %, and women – 5.7 %; as well as between urban – 9.6 %, and rural areas – 5.4 %.<sup>5</sup>

Chart 7 – Unemployment rates, 2006-2011



5 National Bureau of Statistics of the Republic of Moldova (2011) *Employment and Unemployment* Chişinău, p. 20.

### *Youth unemployment*

In 2010, there were 970 000 people aged 15-29 years (making up 27.2 % of the total population). The unemployment rate among this age group was 16.5 %, i.e. twice as high as the unemployment rate on the national scale. According to figures from 2010 from the National Bureau of Statistics, only 22 % of young people found a job immediately after graduating from the education system. One-quarter left their first job because of low wages, while 17.7 % went to work abroad. Young people in cities had greater success in finding a permanent job than their counterparts in rural areas (75 % against 54 %).

The unemployment rate amongst young people (15-24 years) in 2010 represented 17.8 %; this was 2.4 percentage points higher than in 2009. The differences between men and women in the unemployment rate of young people are notable: 20 % for men and 15 % for women, although this was not the case in 2009. Long-term youth unemployment (spells lasting six months and more) increased from 30.3 % in 2008 to 32.8 % in 2009, although this was lower than the 35.2 % recorded in 2007.

Creating a supply of labour in Moldova is determined mainly by two factors – economic situation and migration. Young people who do not leave abroad to work usually handle their own business, working in NGOs or the media, or are civil servants. Few young people are interested in agriculture, in fisheries and in crafts work. Attracting and supporting vulnerable young people in the labour market, and orienting them towards non-agricultural activities, has been the focus of national programmes in the last decade. Young people with fewer skills work seasonally in rural areas both within the country and abroad. This work is ideal because it does not require experience but a healthy physical condition and an ability to do everything on time. Young people with qualifications face the risk of being in long-term unemployment, as their job demands are higher than those without skills. The evidence for this is that youth unemployment is largely due to low wages and a lack of opportunities in jobs offered via the work of the employment agencies.

### *People with disabilities*

In Moldova, people with disabilities are marginalised and need plenty of support to overcome this situation. A particular point of difficulty is caused by the labour market integration of people with disabilities and their eventual finding a job. Currently, a large number of people with disabilities do not have jobs, which creates problems in finding sources of revenue for maintenance and daily mobility needs, including medical care.<sup>6</sup>

Most employers prefer to employ no people with disabilities, having incorrect perceptions and under-estimating their intellectual capacity and skills. The result is that they are disqualified instantly from the labour market, despite national legislation and the labour law that protects their right to work. Indeed, there is a vicious circle around

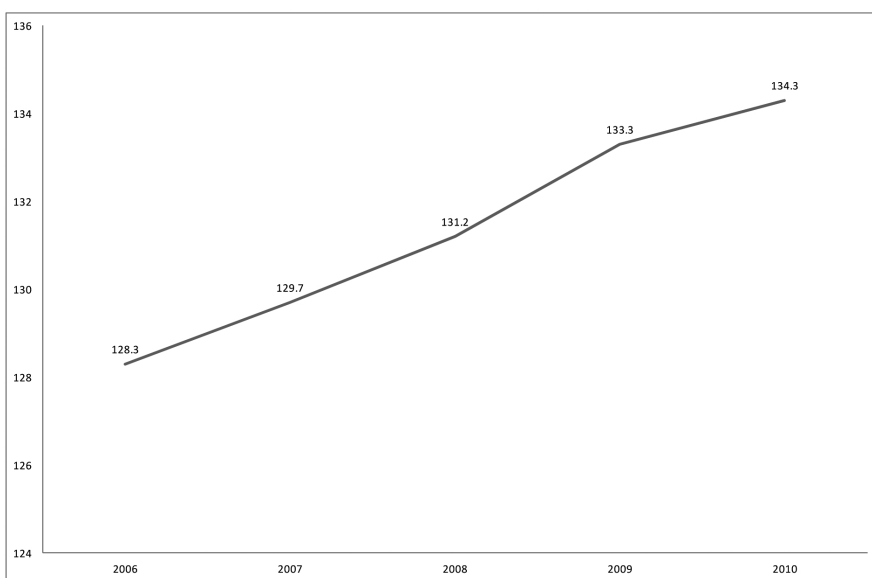
6 Antonov, Viorica (2010) 'Equal Opportunities, Inclusion and the Social Protection of People with Disabilities' *Social Monitor* No. 4, IDIS Viitorul, Chişinău, pp. 15-19, available at: [http://www.viitorul.org/public/2955/ro/MONITORUL\\_SOCIAL%20dizabilitati.pdf](http://www.viitorul.org/public/2955/ro/MONITORUL_SOCIAL%20dizabilitati.pdf) [last accessed 23 August 2011].

the right to work for people with disabilities: the law seeks to facilitate this, but employers are reluctant to hire because of stereotypes. Consequently, most people with disabilities are not able to work and survive on welfare benefits.

The total number of people with disabilities was 141 400 in 2002. From then up to the start of 2010, their number increased to 176 253. The share of women among people with disabilities is about 48 %, while approximately 60 % of the total number of people with disabilities lives in rural areas. Among people with disabilities, the predominant age is between 40 and 59 years, representing more than two-thirds of all cases.

The number of people with disabilities who receive public pensions through the social security system is increasing. People with varying degrees of disability who are pensions beneficiaries reaches about 24.8 %: thus, every fourth recipient of a pension is a person with a degree of disability.

Chart 8 – Disability allowance claimants, 2006-2010



The Parliament of Moldova approved the *Strategy for the social inclusion of people with disabilities (2010-2013)* in July 2010<sup>7</sup> after the UN Convention on the Rights of People with Disabilities was ratified by Moldova in July 2010.

Unemployment amongst people with disabilities is clearly acute: and the number of people with disabilities is on the increase. However, economic and social policies can today do little more than be concerned about the disproportionate lack of opportunity, with high levels of poverty and unemployment, amongst people with disabilities.

7 Law on the Approval of the Social Inclusion Strategy for People with Disabilities (2010) No. 169, from 9 July 2010.

## Active labour market policies

Moldova is undergoing a difficult process as regards the labour market, which is characterised on the one side by sectoral shifts, small business development and public sector reform; and, on the other, by rising migration and an aging population, both of which are likely to reduce the numbers of employment options. The labour market is still in a transitional stage and generates strong structural, territorial, occupational and professional imbalances. It also encompasses mechanisms inherited from the socialist economy as well as specific elements of a market economy.

Moldova has ratified eight fundamental conventions of the International Labour Organisation, including the Employment Policy Convention, 1964 (No. 122); the Discrimination (Employment and Occupation) Convention, 1958 (C111); and the Equal Remuneration Convention, 1951 (C100). Moldova participates in the Stability Pact countries of south-eastern Europe, within the initiative 'Employment Policy Reviews for Stability Pact Countries of South-Eastern Europe'. Through a diversification of the national policies intended to improve the labour market, Moldova has demonstrated the ability to adopt its National Employment Strategy for 2007-2015. This shows the need to harmonise national policy with the Revised European Employment Strategy and the recommendations of the Council of Europe and the International Labour Organisation.

Despite these optimistic factors, however, the labour market in Moldova is very complex and is determined by socio-demographic factors, such as the ageing labour force, labour migration and the 'brain drain', and economic factors such as economic growth, inflation and unemployment, which influence the functioning status of the labour market. The structure of the labour market needs to be improved via optimised policies of sustainability within the appropriate organisational and institutional mechanisms.

The Vocational Education and Training sector remains under-developed although, according to the European Training Fund, various projects have been undertaken on vocational and educational training by donor countries.<sup>8</sup> The recognition of prior learning is an almost unknown concept in the Republic of Moldova, but the national legislation does, nevertheless, currently allow for the accreditation of Vocational Education and Training (VET) and continuing professional development (CPD).

Moldova's National Employment Agency is located among these types of institutions, an organisation which has the right to provide education facilities for job seekers based on occupational standards. NEA organises free-of-charge vocational training courses (skills, re-skilling and skills improvement). This way, jobseekers are given the possibility of obtaining some theoretical and practical knowledge, specific for a profession, thus increasing their chances of being employed. At the same time, in order to train and to support jobseekers, training courses are organised on the creation of individual enterprises or the initiation of business activity.

8 Mihes, Cristina *et al.* (2011) *A Comparative Overview of Informal Employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro* Budapest: International Labour Organisation, p. 19.

During the 2006-2010 period, NEA organised a series of active measures aimed at increasing employment, including among young people, such as: unemployment fund loans; encouraging labour mobility; and encouraging employers to hire graduates of educational institutions whose studies had been funded by state-paid public works; etc.

Along with the activities of the NEA, there is a need to mention that, since 2008, the Representative Office of Winrock International in Moldova has been helping to empower underprivileged young people, mainly from rural areas, as a means of improving confidence and livelihoods and developing communities by providing access to information, life-altering training, mentoring and financial support.

However, the economic participation of the population and job placement is declining and the prospects for the coming years are poor. The prospects for the involvement of the working age population, especially young people, in entrepreneurial activity are equally gloomy. Entrepreneurial activity in Moldova is almost non-existent because the population has no confidence in banking structures. Unemployment benefits and allowances are very small and insufficient for existence if we make a comparison with the minimum consumption basket (MDL 1,100, or €70, excluding utility costs which are, on average, about three times higher per month during the winter).

### Passive labour market policies

Passive measures regarding the social protection of insured unemployed people are regulated by the Law concerning the Employment and Social Protection of Job-Seekers No. 102-XV, of 13 March 2003, with further modifications and supplements (Article 29). In order for an unemployed person to receive unemployment benefit, the claimant must satisfy all the eligibility conditions and must:

- be an unemployed person, according to Article 2
- be in one of several categories of unemployment
- be registered with the regional agency where he or she lives
- have worked and have paid dues to the state social insurance budget for at least six of the last 24 calendar months before the registration date
- not have taxable incomes according to the law.

An unemployed person is considered to be someone who fulfils the following conditions:

- a) is aged between 16 and the pension age stipulated by the law
- b) is fit for work, according to the state of health and their physical and mental capacities
- c) does not have a job and is not carrying out any activity in order to obtain income
- d) is actively looking for a job and read to start working immediately
- e) is not engaged in study at any institution requiring daily attendance
- f) is registered with the regional employment agency where he or she lives.

According to the requirements of the NEA, several categories of unemployment beneficiary have been established which have particular levels of benefit (see Table 5).

Additionally, in terms of the strengthening of Moldova's capacity to manage labour mobility within the country, attention should be drawn to the need to raise the national level of employment. Therefore, the intention to stimulate labour mobility has led to

the provision of two types of allowance for people who are unemployed and registered with regional NEA agencies:

- unemployment allowance for transport, up to the amount of the average salary for the previous year, targeted at people who are employed with an individual labour contract at a distance of 30 km from the town where they live (in 2009, this allowance was worth MDL 2,748)
- unemployment allowance for accommodation, up to an amount of three average monthly wages for the previous year, for people who are employed on an individual labour contract in another city and, therefore, who have changed their residence (in 2009, this allowance was worth MDL 8,244).

According to the law, all registered unemployed people, with the exception of first labour market entrants and those who have not contributed for at least six months over the previous twenty-four months, are eligible for unemployment benefit. Some categories of jobseekers, in addition, are eligible to unemployment insurance cash transfers. Passive labour market programmes administration will be integrated into that of active measures, and the amount of cash transfers re-assessed according to the duration of unemployment and individual characteristics of the eligible beneficiary.<sup>9</sup>

**Table 5 – Categories of beneficiary and the level of unemployment benefit**

Unemployment benefit dependent on the circumstances of the individual's cessation of work activity	Article no. (according to Labour Code)	Amount of benefit as % of median salary in economy (MDL 2,748 for 2009)
Death of the employer, or announcement by the court of the employer's death or disappearance	82(b)	50 % (MDL 1 374)
Withdrawal by the competent authorities of the activity licence of the enterprise	82(d)	40 % (MDL 1 099)
Expiry of a clause in an open-ended individual contract – from the date stipulated in the contract, with the exception of where work relations continue and the parties have not asked for its cessation	82(f)	40 %
Completion of the work stipulated by an individual contract signed for a specific task	82(g)	40 %
Ending of the season, in the case of an individual contract for seasonal work	82(h)	40 %
<i>Force majeure</i> , confirmed appropriately, which excludes the continuation of the working relationship	82(i)	40 %
Liquidation of the enterprise or the completion of the activity of the employing organisation	86(b)	50 %

9 National Employment Agency (2009) *Social and economic situation of the Republic of Moldova in 2010. A Strategy for Change* Chişinău.

## Moldova's labour market framework (2006-2011): challenges, opportunities and scenarios

Reduction in the number of personnel	86(c)	50 %
Medical statement that the employee is not fit for work	86(d)	40 %
Statement that the employee is not able to do the job because of insufficient skills, confirmed by a decision of the Commission	86(e)	40 %
A change in the owner of the enterprise (concerning the head of the enterprise, the deputies or chief accountant)	86(f)	40 %
Reinstatement in the job, according to a legal decision, of a previous post-holder where the present holder's removal or transfer is not possible	86(t)	40 %
Refusal of the employee to be transferred to another job for health reasons, according to a medical certificate	86(x)	40 %
Refusal of the employee to be transferred to another area in connection with the transfer of the enterprise to this locality	86(y)	40 %
Where people have resigned, are looking actively for a job, have been registered at the Agency as unemployed for at least three months and can not find work because of the lack of corresponding jobs	85	30 % (MDL 824)
Where people have stopped working as a result of a refusal of a license for business activity or on the basis of a patent		30 %
Where people have stopped working abroad in conditions of the prior signing of an individual contract with the state social insurance services		30 %

## Conclusions

The economy of Moldova differs in terms of its economic basis, position of labour market restructuring and future opportunities of employment. The problems of the labour market are determined by a range of factors which have an influence on each other, such as the poor economic development of the country; low investment in training, education and productive experience; superficial control of the vocational training institutions; poverty; youth unemployment; low wages; etc. These, in turn, are generating an extreme configuration of the labour market which is primarily determined by labour force migration and population ageing, as well as rural de-population.

This analysis is from a perspective which focuses on the 2006-2010 period. The relevance of this analysis comes consistently from an analysis of the content of various aspects of labour market policies, migration, population ageing and young people. This article comprehensively describes the landscape of the labour market in these years in Moldova, identifying its main facts, configuration and trends.

However, something new is affecting the labour market in Moldova, as well as other countries in south-eastern Europe. This is the depopulation of the rural areas of the country as a result of the lack of job opportunities, which is increasing the process of the urbanisation of the state and to a growing gap between rural and urban employa-

bility. Urban employability is also not so well-rewarded, and unemployed men and women from rural areas are less competitive, or not competitive in either urban or rural areas, and they prefer to work or look for work abroad. Rural young people are looking to move to cities for both short- and long-term employment. Young people with qualifications face the risk of being in long-term unemployment as their job demands are higher than those of people without qualifications. The exponential increase in the rising number of challenges related to the provision of information to young people about migration and employment opportunities abroad, from those who have migrated abroad, in turn make young people more flexible and remote from the domestic labour market.

Furthermore, rural-urban linkages for growth, employment and poverty reduction are very poor and there are no advantages in increasing them, due to the lack of a governance dialogue between local and central public authorities as well as to the lack of the principle of subsidiarity.

The analysis of the situation of the labour market in the Republic of Moldova shows a decrease in the global employability index and a rise in the number of working people of 45 years and older, which means that the labour force will age continuously. In conditions of a high rate of labour migration, the index of an ageing labour force will be acute.

The employment rates by sex of the total population show that women have the lowest employment rate in recent years, while women still remain the more vulnerable group on the labour market due to the lack of job opportunities and to the inequalities on the labour market regarding women's employability.

There are differences in pay between men and women, which can be explained by several factors, among them maternity leave and childcare. Wage differentials also influence women's motivation to obtain qualifications and, while they can pursue education, most of them look for a job abroad after graduating.

A large number of people with disabilities do not have jobs, which creates immense difficulties for them. Unsympathetic employers mean that people with disabilities remain out of the labour market, instead of being able to work at least at a part-time job which might offer a certain financial independence and potential social integration.

After data analysis, it is fair to conclude that the current poor situation of the labour market is significantly correlated with the prevailing macro-economic and demographic trends.

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