

*Report on*

*Reference Review*

# **Republic of Moldova:**

## **Socio-economic Situation and Labour**

## **Market**

**TACIS project: PCP3/ GR-12-MOL**

*“Development of an Integrated  
Information System for the Monitoring of  
the Moldovan Labour Market Towards  
Effective Combating of Unemployment”*

Chișinău, September 2000

# Contents

<i>Introduction</i> .....	3
1. Realities of Transition. Macroeconomic Indicators and Problems .....	3
2. Demographic trends .....	10
3. Labour Market Analysis .....	16
4. Correlation of macro-economic and demographic trends with the labor market .....	22
5. Social protection issues and social policies .....	24
6. Legal Framework of the Labour Market .....	29
7. Existing system of monitoring of the labour market. Need for its development .....	31
<i>Annex. Informational System of the Department of Employment (Ministry of Labour). Equipment distribution.</i> .....	33

# **Introduction**

With the finalization of the beginning stage of the transition to market economy (macro stabilization, mass privatization, liberalization of prices, trade and entrepreneurial activity) the focal point shifted into the field of structural reforms in the real sector and social transformations.

In the conditions of the lasting economic crisis the key problems are employment, creation of new work places and increasing of income that remain to be the main concerns of the population and Government (see Fig. 1.1.). To manage this process one need proper legal basis, organizational structures on the national and local levels and trustworthy information.

The present Report is prepared within the TACIS Project “Development of an Integrated Information System for the Monitoring of the Moldovan Labour Market Towards Effective Combating of Unemployment”. In its preparation information of the Ministry of Economy and Reforms, Ministry of Labour, Social Protection and Family, Ministry of Health-Care, Department of Statistical Analysis and Sociology under the Government of the Republic of Moldova, and some research units, was used.

The Report was prepared by Center for Strategic Studies and Reforms and cooperating experts as an introduction to the investigation of Moldova’s labour market and improvement of consecutive informational system.

## **1. Realities of Transition. Macroeconomic Indicators and Problems**

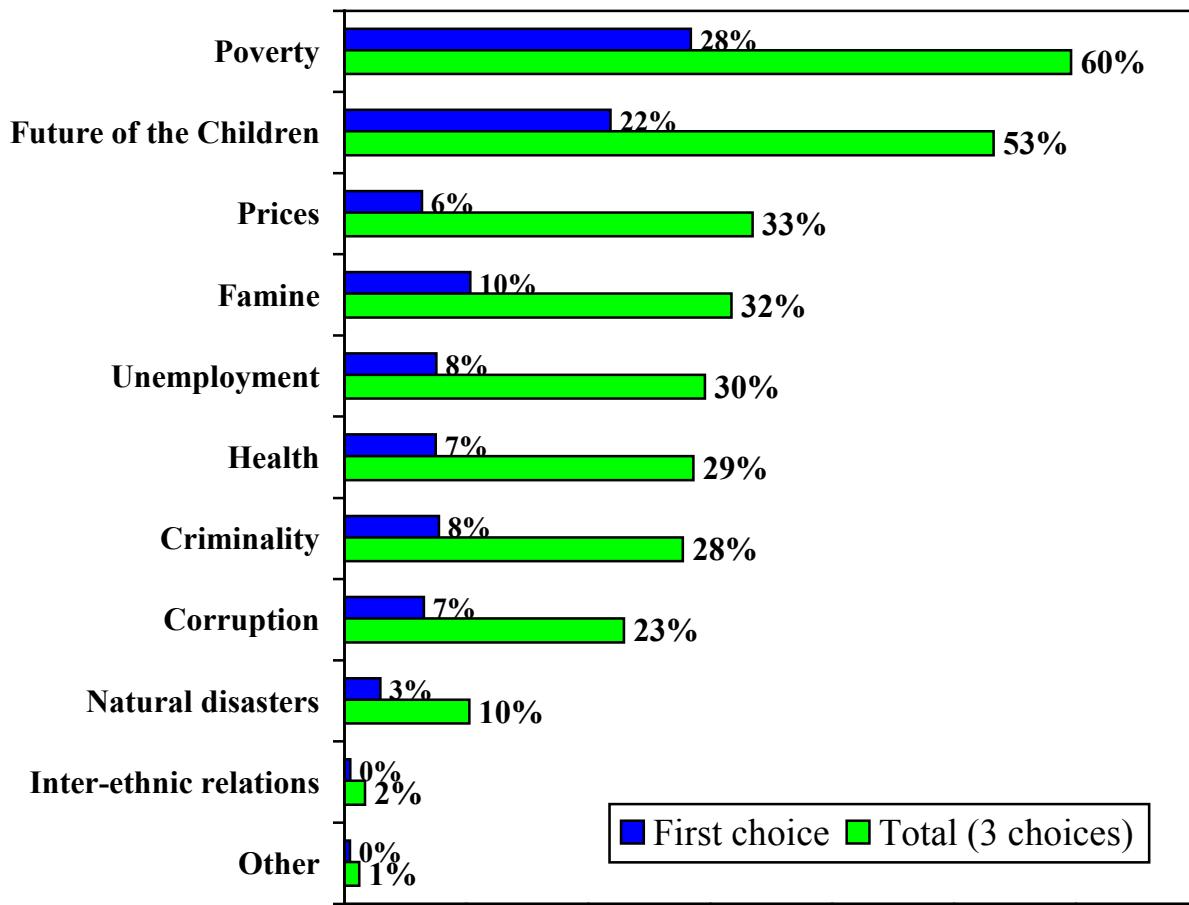
### **1.1 Contradictions of the transition economy**

It has now been ten years the Republic of Moldova, amongst other Central and East European (CEE) nations and countries of the former Soviet Union (FSU), adopted the course towards the transformation of its political and economic systems. Then -- a decade ago -- the principal goal of reform efforts was to ensure the transition from an authoritarian political system and centrally planned economy to a democratic state with a market economy and civil society.

The dual transition to democracy and to a market economy has made the situation in Moldova especially complex and particularly regarding economic growth and sustainable development. This ongoing process is guided by and based on respect for human rights, transparent, representative and accountable governance, the rule of law and civil peace. So far, these efforts have produced only partial and mixed success. Most of the positive results are in the area of economic and political freedoms – openness of the country, democratization of public life (multi-party elections, freedom of religion, mass-media, NGOs, etc.), liberalization of prices, enterprise operations, internal and external trade, etc.

The social costs of the transition, on the other hand, have been dramatic: reduction of the country’s resources for education and health services, a sharp rise in the discrepancy between incomes, spread of poverty, growth of corruption and organized crime. In such a situation the transition has brought a great deal of disappointment to the population, and this has contributed but to the narrowing of the social base of support for reforms.

**Fig. 1.1. What are the things you are worried about the most?**



Source: Barometrul de Opinie Publică – 2000, IMAS, Chișinău, 2000

Now, only Poland, Slovenia and Slovakia had higher output levels relative to the year 1989 – or the last pre-transition year. On average, CEE countries have recovered at least 90% of their measured output relative to the pre-transition year of 1989, while the corresponding figures for FSU countries are about 60% to 70% (See Table 1.1). Social and economic performance amongst the transition countries of CEE and FSU has varied substantially.

**Table 1.1. Transition Economies: Output Performance**

Country	Cumulative output decline (1989=100)	Year in which output was lowest	Cumulative output growth since lowest level	Year in which output was highest	Ratio of output in 1998 to output in 1989
Albania	39.9	1992	43.0	1989	0.96
Armenia	65.1	1993	29.7	1989	0.53
Azerbaijan	63.1	1995	17.8	1989	0.50
Belarus	36.9	1995	24.0	1989	0.81
Bulgaria	36.8	1997	4.0	1989	0.72
Croatia	37.7	1993	30.8	1989	0.82
Czech R.	15.4	1992	12.8	1989	0.97
Estonia	36.4	1994	25.7	1989	0.89
Georgia	74.6	1994	30.6	1989	0.48
Hungary	18.1	1993	16.3	1989	0.95
Kazakhstan	40.0	1998	0.0	1989	0.69
Kyrgyz R.	50.4	1995	20.1	1989	0.66

Latvia	52.8	1993	17.0	1989	0.64
Lithuania	40.8	1994	19.8	1990	0.71
Macedonia, FYR	46.6	1995	7.4	1989	0.57
Moldova	66.3	1998	0.0	1989	0.42
Poland	13.6	1991	42.6	1998	1.23
Romania	26.7	1992	3.4	1989	0.82
Russia	45.1	1998	0.0	1989	0.61
Slovak R.	24.7	1993	32.9	1998	1.00
Slovenia	20.4	1992	25.4	1989	1.00
Tajikistan	74.0	1996	7.1	1989	0.45
Turkmenistan	59.5	1997	4.5	1989	0.45
Ukraine	63.8	1997	0.8	1989	0.42
Uzbekistan	14.4	1995	7.0	1990	0.88
All Transition Countries	41.8	1993	17.0	1989	0.7
All CEE	28.0	1992	21.9	1989	0.9
Baltics	21.6	1994	20.8	1989	0.7
Other FSU countries	37.5	1995	11.8	1989	0.6

Sources: IMF Database incorporating national statistics, World Economic Outlook, 1999.

It should be stated that *during all these years the social aspects of reforms were constantly neglected as a secondary priority*. By some estimates, in Moldova, about 66% of the population lives below the poverty line, while the most affluent enjoy 50.3% of national income and the poorest 20% are left with only 3.4%.

Radical criticism of the neo-liberal model and its social implications for transition countries can be found in the UNDP's 1999 Human Development Report for CCE and CIS countries: "Before the 1990s, countries of Central and Eastern Europe and CIS were notable for providing their population with a high degree of basic security.... The transition period has drastically altered this situation."<sup>1</sup> More criticism is also voiced within the Republic of Moldova concerning the social consequences of transition. Such criticism is well supported by factual evidence. In the past decade, there has been a considerable worsening of all indicators of living conditions. In 1999, the Human Development Index (HDI) for the Republic of Moldova, according to the estimations of the Department of Statistical Analysis and Sociology, was equal to 0.700 (in 1993 it was 0.718). The main components of HDI for Moldova today are: global domestic product per capita at purchasing power parity – US\$ 2,033; life expectancy at birth – 67.8 years; literacy for adult population – 96.4%. The Republic of Moldova, in spite of the worsening of HDI in the last years, still remains within the group of states with a "medium level of human development." Among 174 countries included in the UN rating list (Human Development Report 1999), Moldova is situated at the 102<sup>nd</sup> place, having as neighbors Albania, Tunisia, Algeria, El Salvador, Turkmenistan, Tajikistan and other developing countries.

The transition has brought a great deal of disappointment. In Moldova, as in the majority of countries in transition, the social costs of market transformation turned out to be significantly greater than originally assumed by Moldavian reform designers. This has contributed but to the narrowing of the social base of support for reforms. One of the most plausible explanations of failures of the transition period lies in the weakening of the role of the state, lack of consistency and coordination among different political, economic and legal institutions (or the so-called "institutional weakness"). The most of the transition countries, including Moldova, were in the beginning under the illusion that it was possible to effectively combine, during the transition period, socialist paternalism (statism) with market self-regulation.

<sup>1</sup> Human Development Report for Central and Eastern Europe and the CIS, UNDP, 1999.

The weakness of the state and the low level of political consent in Moldovan society did not permit the required regulatory role of the state in implementing reforms. In particular, state systems, undergoing a deep crisis, proved incapable of initiating timely structural reforms, of collecting taxes as needed and of ensuring budgetary support of the poor strata of population.

Since crises usually aggravate inequality, the Government should have stimulated private sector development to function as a shock absorber for unemployment, should have reorganized the system of social assistance and should have undertaken measures in order to protect the poorest from economic shocks. Thus far this has not happened.

According to “SME Baseline Survey” (NewBiznet/USAID, CISR, 2000), the environment for business in Moldova is unfavorable. It can be observed in the uncomfortable aspect of the legal framework and regulatory methods (regulation, licensing, taxes and inspection), the unfavorable climate for investments, the limited access to bank credits, and weakness of business infrastructure. Not surprisingly, the vast majority of Moldova’s SME sector is a part of the “shadow economy.”

Disappointment was generated also by the property reform, based on rapid mass-privatization by vouchers, oriented towards granting everybody “equal starting opportunities.” In reality, it did little more than turn poor-quality assets over to a large number of poor owners and channel high-quality assets to the “agile and connected.”

The populist privatization method and slow pace of reforms in the agro-industrial sector (a key sector of the national economy) did not facilitate the turnover to efficiently working owners or good corporate governance of enterprises, which in its turn had an extremely negative influence on the real sector dynamics, its exporting possibilities and the level of employment. Non-compliance with the laws and decisions of courts has also led to the state's inability to rein in the underground economy, which has greatly expanded (not less than 50% of GDP), leading to a vicious circle of corruption, hidden firm activity, reduced public revenues, and a dramatic widening of the population's income inequality. On the macroeconomic front, the efforts to reduce inflation and the state budget deficit were not so sustainable. Much of the success attained by Moldova by the mid-1990s in the area of macroeconomic stability was subsequently, especially after the financial crisis in Russia in 1998, reversed.

The low social efficiency of the reforms, the sharp income discrepancy and drawbacks in distributing the fruits of economic development (“newly rich” against “newly poor”, “rural poverty”) have led to a deepening and critical shortage of state funds for the support of public services, particularly for primary health care and basic education.

One of the most stringent problems of the state is the labour market management. So far majority of the population earns for the living through the self-employment, including abroad. The official data on employment and unemployment do not completely reflect the real state of things.

## **1.2. Macro-economic indicators and problems**

Ten years reforms in different sectors of economy till present didn't change the macroeconomic situation to growth; they have not brought significant improvements in the real sector of the economy.

Drop of real GDP in 1999 GDP was 33.7 % compared to 1990 – is almost an unique phenomenon in terms of dimensions amongst CIS countries, it also having beaten the record in its low level per capita amongst the CIS countries – below US\$ 500; the sharp GDP declining from 100% in 1990 to 39.9% in 1994 is effected by changes in economic relations with former USSR countries and slowly GDP reduction from 39.9% in 1994 to 33.7% in 1999 - demonstrates the capacity of adapting to open economy conditions, when aggregate consumption is more and more satisfied from import

The country consumes more and saves less, the GDP structure, calculated based on final usage method, shows an insignificant growth of the final consumption (from 57.5% in 1992 to about 97% in 1998); The state structure is more and more costly for the society (from 5.4% of the GDP five years ago to 27% in 1998). Dramatically declines the gross accumulation of fixed assets (from 59.8% of the GDP in 1992 to about 24% in 1998). According to the economic canons, this would cause an economic fall in the long run. The Republic of Moldova managed to formulate its independent fiscal policy after obtaining the independence in 1991. Consolidation of fiscal and budget systems, as well fiscal policy, took place after the national currency introduction in November 1993, in an environment of reducing of inflation and interest rates.

Two periods of fiscal policy evolution should be distinguished: 1991 – 1995: period of evaluation of the legacy received and of adaptation to the new economic environment by modifying the existent legal framework. Since 1992 new taxes (applied in market economies) were introduced like, VAT, excises, road fees, customs duties and so on. The principles and methodologies of calculations were modified for the existent taxes; 1996 – 1998: period of fiscal and budget system reform. The constitution of the budget system – Law On Budget System and Budget Process – was adopted in 1996, which is the base for public sector functioning.

Reforms in the structure of property, the national currency introduction, the banking and financial system reforming together with permanent changeable legislative infrastructure, being and non - correlated with real sector of economy, unfortunately are not able to manage economy.

It will be fully logical to ask the question: which are the results of real sector of economy development?

The real sector economy performed poorly in 1999. Almost every sector continued to decline. The share of industrial production in 1999 is 32.8 % from 100% in 1990 and agricultural production - 51%.

It's logically to ask another question: which is the price of fiscal, monetary, trade policy?

The Ministry of Finance, for the budget execution, in conditions of continuous GDP declining, try to collect direct and indirect taxes from different types of economic activities, without long term analysis of possible Budget Law effects at future enterprise life. In many cases, limit of necessary information from the real sector of economy push up some higher tariffs on import, used in production processes, effecting negative prices, competitiveness and the level of consumption of domestic products.

National Bank of Moldova, being the bank of the Government, and being obliged to achieve and to maintain the principal National Bank objective, is afraid to “lose” the banking system, is afraid of dollarization of the national economy and as a result for period of slowly GDP reduction we had approximately stable maintained exchange rate, which devalued from 4.49 in 1995 to 4.62 – in 1997 and 5.38 – in 1998. In the same time, credits to the Government, NBM deliver using such popular market tool like Treasury Bills, which are not purchased by commercial banks in the free market conditions, but unfortunately are used like required reserves, limiting commercial banks activity and creating negative environment for economic agents. The ratio “credits to the Government/credits to commercial banks” at the end of 1999 was equal to 17.8; it means that as a result of reforms, the real sector of economy is credited by NBM 17.8 time lesser than the Government. All efforts to reduce inflation and the state budget deficit were not sustainable. Annualized Consumer Price Index rate in 1999 was 43.8.3%, and in 1995 -23.8%. Real interest rates in the banking system always remaind quite high, what initiates the problem of availability and the real cost of credit.

The results of the trade policy are reflected in year –by –year export reduction. In 1999 export constitutes 62% of 1995 volume. In many cases Moldova didn't participate in the perspective international Trade Policy Plan elaboration, like the Western Balkans, which conclude that in the area of agricultural products Western Balkans countries should: incorporate in the agreement the duty free access of all agricultural exports; eliminate tariffs on the ten main agricultural exports from each country; commit to eliminate tariffs on the agricultural imports. Probably Moldavian exporters don't know the requirements of international certification of agricultural products and the Department of Standards don't manage the procedure of new standards introduction for increasing the competitiveness of agricultural products at the world markets.

The degree of success of the implementation of the reform strategy are presented in the Table 1.1 Main Macroeconomic Indicators (for period 1993 – 1999)

**Table 1.2. MOLDOVA: MAIN MACROECONOMIC INDICATORS**

	1993	1994	1995	1996	1997	1998	1999
<b>Real GDP growth rate*</b>	-1.2%	-30.9%	-1.4%	-7.8%	1.6%	-6.5%	-4.4%
<b>Nominal GDP (excl. Transnistria), lei million*</b>	<b>1821</b>	<b>4737</b>	<b>6480</b>	<b>7658</b>	<b>8917</b>	<b>9122</b>	<b>12204</b>
<b>Nominal GDP, USD million*</b>	<b>1214</b>	<b>1164</b>	<b>1443</b>	<b>1665</b>	<b>1933</b>	<b>1689</b>	<b>1160</b>
<b>GDP per capita, USD*</b>		<b>322</b>	<b>400</b>	<b>463</b>	<b>538</b>	<b>470</b>	<b>323</b>
<b>Annual inflation rate (end period)</b>	<b>2706.0%</b>	<b>104.6%</b>	<b>23.8%</b>	<b>15.1%</b>	<b>11.1%</b>	<b>18.2%</b>	<b>43.8%</b>
<b>Average inflation rate</b>	<b>1184.0%</b>	<b>487.0%</b>	<b>30.2%</b>	<b>23.5%</b>	<b>11.8%</b>	<b>7.7%</b>	<b>39.3%</b>
<b>Current account, USD million*</b>		<b>-92</b>	<b>-115</b>	<b>-188</b>	<b>-268</b>	<b>-333</b>	<b>-21</b>
<b>Current account, as % of GDP*</b>		<b>-7.9%</b>	<b>-8.0%</b>	<b>-11.3%</b>	<b>-13.9%</b>	<b>-19.7%</b>	<b>-1.8%</b>
<b>Merchandise exports, USD million*</b>		<b>618</b>	<b>739</b>	<b>823</b>	<b>890</b>	<b>644</b>	<b>461</b>
<b>Merchandise imports, USD million*</b>		<b>672</b>	<b>794</b>	<b>1075</b>	<b>1235</b>	<b>1043</b>	<b>581</b>
<b>Direct investment, USD million*</b>		<b>18</b>	<b>73</b>	<b>23</b>	<b>71</b>	<b>86</b>	<b>40</b>
<b>Direct investment, as % of GDP*</b>		<b>1.5%</b>	<b>5.1%</b>	<b>1.4%</b>	<b>3.7%</b>	<b>5.1%</b>	<b>3.4%</b>
<b>Portfolio investment, net, USD million*</b>		<b>0</b>	<b>0</b>	<b>54</b>	<b>237</b>	<b>-55</b>	<b>-140</b>
<b>Stock of external debt**, USD million*</b>		<b>620</b>	<b>668</b>	<b>814</b>	<b>1043</b>	<b>989</b>	<b>897</b>
<b>Stock of external debt as % of GDP*</b>		<b>53.3%</b>	<b>46.3%</b>	<b>48.9%</b>	<b>54.0%</b>	<b>58.5%</b>	<b>77.3%</b>
<b>Stock of external debt as % of exports of GFS*</b>		<b>95.2%</b>	<b>77.2%</b>	<b>86.9%</b>	<b>101.8%</b>	<b>129.6%</b>	<b>161.8%</b>
<b>Debt servicing (principal+interest)**, USD million*</b>		<b>24</b>	<b>86</b>	<b>52</b>	<b>143</b>	<b>174</b>	<b>200</b>
<b>Debt servicing as % of exports of GFS*</b>		<b>3.7%</b>	<b>9.9%</b>	<b>5.5%</b>	<b>14.0%</b>	<b>22.8%</b>	<b>36.0%</b>
<b>NBM gross forex reserves, USD million***</b>	<b>76.3</b>	<b>180</b>	<b>257</b>	<b>314</b>	<b>366</b>	<b>140</b>	<b>190</b>
<b>NBM reserves in months of imports of GFS*</b>		<b>2.87</b>	<b>3.03</b>	<b>3.00</b>	<b>3.07</b>	<b>1.36</b>	<b>3.17</b>
<b>NBM net forex reserves, USD million***</b>		<b>16.9</b>	<b>26.1</b>	<b>66.3</b>	<b>128.7</b>	<b>-38.1</b>	<b>13.5</b>
<b>Cash in circulation M0, million lei</b>		<b>345.4</b>	<b>638.8</b>	<b>731.1</b>	<b>972.1</b>	<b>855.3</b>	<b>1122.0</b>
<b>Reserve money</b>		<b>552.1</b>	<b>781.5</b>	<b>854.0</b>	<b>1122.6</b>	<b>1059.9</b>	<b>1498.6</b>
<b>M2, million lei</b>		<b>675.7</b>	<b>1107.2</b>	<b>1292.2</b>	<b>1738.9</b>	<b>1358.0</b>	<b>1811.1</b>
<b>Broad money M3, million lei</b>		<b>753.0</b>	<b>1243.8</b>	<b>1434.1</b>	<b>1922.1</b>	<b>1755.8</b>	<b>2504.3</b>
<b>M3 multiplier</b>		<b>1.36</b>	<b>1.59</b>	<b>1.68</b>	<b>1.71</b>	<b>1.66</b>	<b>1.67</b>
<b>Velocity of M3</b>		<b>6.29</b>	<b>5.21</b>	<b>5.34</b>	<b>4.64</b>	<b>5.20</b>	<b>4.87</b>
<b>Monetization of the economy</b>		<b>15.9%</b>	<b>19.2%</b>	<b>18.7%</b>	<b>21.6%</b>	<b>19.2%</b>	<b>20.5%</b>
<b>Dollarization of commercial banks' deposits</b>		<b>19.0%</b>	<b>22.6%</b>	<b>20.2%</b>	<b>19.3%</b>	<b>44.2%</b>	<b>50.2%</b>
<b>End-year exchange rate, lei/1USD</b>	<b>3.64</b>	<b>4.27</b>	<b>4.50</b>	<b>4.65</b>	<b>4.66</b>	<b>8.32</b>	<b>11.59</b>
<b>Average exchange rate, lei/1USD</b>	<b>1.50</b>	<b>4.07</b>	<b>4.49</b>	<b>4.60</b>	<b>4.61</b>	<b>5.40</b>	<b>10.52</b>
<b>Nominal end-year annual appreciation(+) / depreciation(-), MDL/USD</b>		<b>-17.3%</b>	<b>-5.4%</b>	<b>-3.4%</b>	<b>-0.2%</b>	<b>-78.6%</b>	<b>-39.3%</b>
<b>Nominal end-year annual appreciation(+) / depreciation(-), USD/MDL</b>		<b>-14.8%</b>	<b>-5.1%</b>	<b>-3.2%</b>	<b>-0.2%</b>	<b>-44.0%</b>	<b>-28.2%</b>
<b>Real end-year annual appreciation(+) / depreciation(-)</b>		<b>+74.4%</b>	<b>+17.5%</b>	<b>+11.4%</b>	<b>+10.8%</b>	<b>-33.8%</b>	<b>+3.3%</b>

\* Staff estimates

\*\* Included loans from IMF, WB, EBRD, EU, USA, Russia, other creditors, Eurobond issues,

energy debt is not included

\*\*\* From monetary survey (actual exchange rates), not incl. the WB credit for priv. sector in 1998-1999

Source: Data provided by the authorities and staff estimates

### 1.3. The economic situation in Moldova will remain unstable through 2000.

The poor economic situation will harm the country's export-generating capacity while high global oil prices will bolster the import bill, resulting in a sizeable current account imbalance in both 2000 and 2001. The suspension of IMF and other multilateral funding will weigh heavily on the balance of payments, but some funding will continue to flow in. Combined with recent debt restructuring and the running down of foreign reserves, this should allow Moldova to meet its external payment obligations in 2000. Further out, the prospects for full and timely debt service will be contingent on a new IMF package, which could be signed by early 2001. Assuming that a deal is reached, the balance of payments situation should remain largely comfortable in 2001. However, an extremely volatile political backdrop and mixed progress on the structural adjustment front raise serious doubts over the longevity of a future IMF programme. Any further breakdown in relations with the Fund would put in jeopardy the authorities' capacity to meet debt-servicing obligations in 2002, when the outstanding US\$75mln eurobond matures. The key macroeconomic indicators forecast for 2000 - 2001 is presented in the Table 2.1

While politics have stifled progress on structural adjustment and privatisation, there has been some evidence of better fiscal management in 1999, with the general government deficit falling away significantly. A tight fiscal stance has been adopted for 2000, but unfortunately strong reliance on privatisation flows and an ambitious growth target point to renewed fiscal slippage this year. Against this background, the National Bank of Moldova has implemented a tight and credible monetary policy.

Low domestic savings and shallow capital markets mean that the government has relied heavily on external sources for deficit financing needs. Moldova has qualified for significant multilateral and bilateral capital inflows, although these have been subject to suspension due to poor progress on structural adjustment. Interest in the government treasury-bill market has been limited and during 1998 the government found it virtually impossible to place paper at almost any maturity and premium. In the absence of orthodox sources of deficit financing, the government has had to lean heavily on the central bank to extend loans (effectively to print money) and/or accumulate wage and pension arrears, or simply fall behind in payments to external creditors and suppliers.

The weak fiscal and current account positions have resulted in a ballooning of external debt in recent years. The debt stock has swelled further still due to far-reaching government guarantees and the conversion of some US\$140 million of private energy arrears owed to Gazprom of Russia into external public debt. The authorities have been able to buy this debt back at a steep discount, but external debt levels remain at precarious levels. Much of this debt is long-dated and on concessional terms, but a fair portion is commercial debt. In the absence of meaningful foreign direct investment and privatisation-related capital inflows, external debt stocks are likely to rise higher still in the coming years.

Moldova is acutely dependent on external financial flows for budgetary and balance of payments support, so the suspension of multilateral financing is clearly of some concern. The government is seeking to negotiate a fresh IMF deal, which if achieved should bring with it other multilateral inflows of up to US\$100 million. However, such a deal seems unlikely before the end of 2000 at the earliest, and will in any case be contingent on a notable strengthening of structural reform. Moldova's track record and volatile political backdrop means that a further deterioration in relations with the Fund, leading to renewed suspension, cannot be ruled out during the life of the next agreement.

**Table 1.3. Key macroeconomic indicators forecast for 2000 - 2001**

<b>Population (1999):</b> 3.6mn	<b>Population growth rate (1994-99):</b> -0.3% p.a.											
<b>GDP (1999):</b> USD1.1bn	<b>GDP per head at market exchange rates (1999):</b> USD318											
<b>GNP per head at purchasing power parity (1998):</b> USD1,995 (= 6.8% of USA level)												
<b>Modern sovereign rescheduling history:</b> with energy suppliers (1994-99), with bilateral (Romania, Russia) creditors and private creditors (1999-2000)												
	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000<sup>f</sup></b>	<b>2001<sup>f</sup></b>					

**Domestic economy and finance**

Real GDP growth (%)	-3.0	-8.0	1.3	-6.5	-4.4	-5.0	2.0
Unemployment (% of labour force)	1.5	1.4	1.7	1.9	2.1	2.4	2.3
Consumer prices (annual average % change)	29.9	24.0	12.0	8.0	39.0	31.0	20.0
Gross domestic savings/GDP (%)	17.1	5.7	2.7	-0.4	12.2	11.4	11.7
General government balance/GDP (%)	-7.7	-10.7	-4.0	-8.1	-1.0	-3.0	-2.0
General government debt/GDP (%)	53.4	59.5	64.9	106.6	103.9	105.9	109.7
Broad money (% change December to December)	65.3	14.8	34.5	-8.3	42.9	24.0	20.2
MDL per USD (annual average)	4.49	4.59	4.63	5.38	10.52	13.33	16.19
Real effective exchange rate <sup>(2)</sup> (1995=100)	100.0	103.5	108.8	104.6	91.6	88.1	86.8
Reer: % change (+ = appreciation)	5.9	3.5	5.2	-3.9	-12.4	-3.8	-1.5
<b>Balance of payments</b>							
Current receipts, CXR <sup>(3)</sup> (USDbn)	967	1,104	1,271	1,020	828	903	1,001
Current receipts (annual % change)	38.4	14.1	15.1	-19.7	-18.9	9.1	10.8
Current payments, CXP <sup>(3)</sup> (USDbn)	1,052	1,296	1,553	1,348	850	990	1,145
Current payments (annual % change)	34.7	23.2	19.9	-13.2	-36.9	16.4	15.6
Current account balance (USDbn)	-85	-192	-282	-328	-23	-87	-144
Current account balance/GDP (%)	-5.9	-11.3	-14.7	-19.2	-2.0	-7.6	-12.4
<b>External assets and liabilities</b>							
Gross external debt (USDbn)	674.4	862.1	1,093	1,080	1,099	1,043	1,169.0
			.8	.2	.7	.6	
Gross external debt/GDP (%)	46.7	50.7	56.8	63.4	94.8	90.6	100.9
Gross external debt/CXR (%)	69.7	78.1	86.0	105.9	132.9	115.6	116.8
Net external debt (USDbn)	379.0	506.0	694.9	900.9	847.6	801.8	850.8
Net external debt/GDP (%)	26.3	29.8	36.1	52.9	73.1	69.6	73.5
Net external debt/CXR (%)	39.2	45.8	54.7	88.3	102.4	88.8	85.0
Short-term debt/Gross external debt (%)	0.7	8.2	5.0	2.4	6.3	0.8	2.5
Debt service/CXR (%)	7.6	5.3	9.3	17.3	26.3	17.8	15.0
Interest service/CXR (%)	3.2	3.1	3.8	4.6	5.5	7.0	6.4
Liquidity ratio <sup>(4)</sup> (%)	274.7	463.8	188.9	172.5	73.7	109.7	151.8
Official reserves including gold (USDbn)	257.4	313.1	365.9	143.5	196.5	169.3	260.7
Official reserves in months of CXP cover	2.9	2.9	2.8	1.3	2.8	2.1	2.7
Official reserves/Broad money (%)	93.0	102.2	88.7	67.7	90.4	81.6	120.2

(1) Fitch estimates and forecasts.  
 (2) Based on consumer price inflation.  
 (3) Exports/imports of goods, services, income, and current transfers.  
 (4) Official reserves incl. gold *plus* banks' foreign assets/ Debt service *plus* liquid external liabilities.

## 2. Demographic trends

On the 1<sup>st</sup> of January 2000 population of the Republic of Moldova was 3645.3 thousand (without Transnistria) and the decreasing during 1999 was 4.0 thousand (or the 0.1%). The negative natural and migratory increases influenced on the population decreasing. Decrease of the population in Moldova was registered during last 5 year. Evolution of population during last decades was very contradictory. If in the 70<sup>es</sup>, the 80<sup>es</sup> were enough high index of the population growth rate, then in the 90<sup>th</sup> value of the growth of

the population considerably decrease. During past 9 years a fall in the birth rate, a high level of the infant and crude mortality, lowering natural increase, has characterized the demographic pattern.

Big part of the Moldavian population (in the 2000 year-58%) live in the rural area, that is conditioned of big share of agriculture and lack of development of the industrial production in the country (Table 2.1)

**Table 2.1 Population of the Republic of Moldova by urban and rural area\*.**

Years	Total	Population**			
		Urban		Rural	
		Thousand people	%	Thousand people	%
1998	3650,6	1522,9	41,7	2127,7	58,3
1999	3649,7	1516,7	41,5	2133,0	58,5
2000	3645,3	1529,2	42,0	2114,3	58,0

\* Without Transnistria

\*\* Department for Statistical and Sociological Researches

Share of the rural population by county vibrate from the 55,8% (county Bălți) to the 85,9% (county Chișinău). Allocation of the population by counties and by urban and rural area in the 2000 realize in the table 2.2.

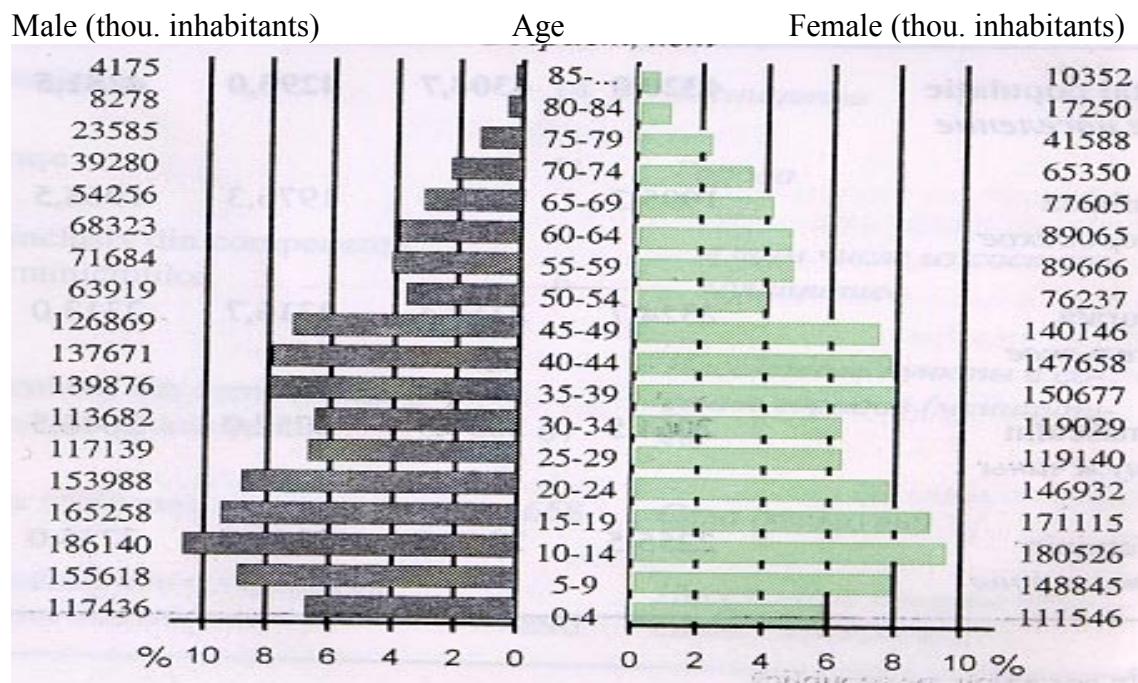
**Table 2.2 Population of the Republic of Moldova by judets on 1st January 2000 (thousand persons)**

	Total population*			
	TOTAL	Including		Share of the rural population
		Urban	Rural	
<b>mun.Chișinău</b>	<b>780.7</b>	<b>717.3</b>	<b>63.4</b>	<b>8.1</b>
<b>County Bălți</b>	<b>505.1</b>	<b>223.2</b>	<b>281.9</b>	<b>55.8</b>
<b>County Cahul</b>	<b>190.8</b>	<b>47.9</b>	<b>142.9</b>	<b>74.9</b>
<b>County Chișinău</b>	<b>382.2</b>	<b>53.7</b>	<b>328.5</b>	<b>85.9</b>
<b>County Edineț</b>	<b>285.0</b>	<b>76.3</b>	<b>208.7</b>	<b>73.2</b>
<b>County Lăpușna</b>	<b>282.0</b>	<b>66.3</b>	<b>215.9</b>	<b>76.5</b>
<b>County Orhei</b>	<b>303.4</b>	<b>69.1</b>	<b>234.3</b>	<b>77.2</b>
<b>County Soroca</b>	<b>278.0</b>	<b>82.6</b>	<b>195.4</b>	<b>70.3</b>
<b>County Taraclia</b>	<b>46.4</b>	<b>15.5</b>	<b>30.9</b>	<b>66.6</b>
<b>County Tighina</b>	<b>169.7</b>	<b>35.9</b>	<b>133.8</b>	<b>78.8</b>
<b>County Ungheni</b>	<b>258.9</b>	<b>77.2</b>	<b>181.7</b>	<b>70.2</b>
<b>UTA Găgăuzia</b>	<b>161.1</b>	<b>64.2</b>	<b>96.9</b>	<b>60.1</b>
<b>Total of the Republic</b>	<b>3643.5</b>	<b>1529.2</b>	<b>2114.3</b>	<b>58.0</b>

\* Department for Statistical and Sociological Researches

Gender-age structure of population is the necessary demographic index for the forecast of the employment by kinds of activity and capable and disabled person ratio. Gender-age structure of population is in the Graph 2.1.

## Graph 2.1. Gender-age structure of population, as on beginning 1999\*



\* Department for Statistical and Sociological Researches

During 90<sup>th</sup> in the Moldova was registered considerable decreasing natural increase of the population, which determines not only of the social factors, but also of the cultural factors. Republic of Moldova is, first of all, a European state and her way, may be with the lag, all of the demographics process, which are typical for the European states. Therefore, the demography transition in the Republic of Moldova is the consequence influence European culture, religion and the other aspect of the social life of the population. This confirms the tendency of the decreasing level of fertile of the population not only in the urban, but also and in the rural area, which also influenced on the decrease of the growth rate in the village. If in the 1980 growth rate of the population was 9,7 per mille (in the rural area was 8,6 per mille, and in the urban area – 11,3 per mille), then in the 1995 the growth rate level was 0,8 per mille (correspondingly 0,2 and 1,5 per mille) (table 2.3).

Table 2.3. Natural increase of population (per 1000 people)\*

	1980	1985	1990	1995	1996	1997	1998	1999
<b>Total in the Republic</b>								
<b>Were born</b>	19.8	21.5	17.7	13.0	12.5	12.5	11.3	10.6
<b>Died</b>	10.1	10.9	9.7	12.2	11.3	11.7	10.9	11.3
<b>Natural increase</b>	9.7	10.6	8.0	0.8	1.2	0.8	0.4	-0.7

\* Department for Statistical and Sociological Researches

Last years, in the conditions of transition to the market economy, as a result of deterioration welfare standards of the population both in the city and in the rural area, natural increase of population fell catastrophically. In the 1999 on the country he gets the negative value – 0,7 per mille. In case in the UTA Găgăuzia and county Cahul natural increase of the population remained positive (correspondingly 2,7 and 1,3 per mille), then for northern country's area - county Edineț and county Soroca – this index was correspondingly (-6,7) and (-4,3) per mille (Table. 2.4).

**Table 2.4. Natural increase of population by counties \***

	Birth rate (per 1000 people)	Death rate (per 1000 people)	Natural increase of population (per 1000 people)	Infant death rate (on 1000 borned alive)
<b>mun. Chișinău</b>	<b>8,5</b>	<b>8,3</b>	<b>0,2</b>	<b>17,4</b>
county Bălți	10,5	11,9	-1,4	16,9
county Cahul	11,2	9,9	1,3	16,7
county Chișinău	11,7	11,5	0,2	20,5
county Edineț	9,6	16,3	-6,7	14,4
county Lăpușna	12,0	10,8	1,2	22,3
county Orhei	11,0	12,3	-1,3	17,6
county Soroca	9,6	13,9	-4,3	18,4
county Taraclia	11,2	11,5	-0,3	17,3
county Tighina	12,3	11,9	0,4	24,9
county Ungheni	11,8	11,6	0,2	16,4
UTA Găgăuzia	12,8	10,1	2,7	16,2
<b>Total pe Republică</b>	<b>10,6</b>	<b>11,3</b>	<b>-0,7</b>	<b>18,2</b>

\* Department for Statistical and Sociological Researches

In the 90<sup>th</sup> changed the processes of urbanization by the country. The conversion processes in the defense establishment, the severance of the economical contacts by the enterprises of the Republic with provider of the raw materials and the componentries, decrease of the level-realizing domestics, as a result of the low competitive compare with the import, privatization and etc. result to the mass dismissal workers from the enterprises, appearance the unemployment, decrease of the population condition in the urban area. As a result, migratory stream of population inside the Republic were changed their own direction – from the city in the village, and also from the republic of Moldova to the other countries. Therefore, despite on the high level of death rate in the rural area, numbers and share of the rural population until 2000 year had steady tendency to the growth, this tendency is not typical for the European countries. However, at 2000 the share of urban population was increased up to 42%. This process has the vital influence for the forming an aggregate labour supply in the long-term perspective.

During 90<sup>th</sup> years was registered a stable decline of the average lifetime index, that was decreased for men from 64,3 age in 1993 to 61,8 age in 1995, and for women from 71,1 age to 69,7 age correspondingly. In the years of 1996-1997 index of average lifetime was stabilizing and in the 1998-1999 this demographic index began to improve (Table. 2.5).

**Table 2.5. Average lifetime (age)**

	Age	0	15	30	45	60
1993	men	64,3	51,3	37,7	25,0	14,5
	women	71,1	57,8	43,4	29,4	17,3
	both sex	<b>67,5</b>				
1994	men	62,3	49,7	36,1	23,7	13,8
	women	69,8	56,8	42,3	28,5	16,6
	both sex	<b>66,1</b>				
1995	men	61,8	49,1	35,5	23,3	13,6
	women	69,7	56,5	42,0	28,2	16,4
	both sex	<b>65,8</b>				
1996	men	62,9	50,0	36,2	23,9	13,9
	women	70,4	57,2	42,7	28,9	16,9
	both sex	<b>66,7</b>				
1997	men	62,9	50,1	36,3	23,8	13,7

	women	70,3	57,1	42,6	28,7	16,7
	both sex	<b>66,6</b>				
1998	men	63,2				
	women	70,7				
	both sex	<b>67</b>				
1999	both sex	<b>67,8</b>	N.A.	N.A.	N.A.	N.A.

\* Department for Statistical and Sociological Researches

At 1999 the mortality coefficient was 11.3 per mille in compared with 10.9 in the 1998. This tendency of the increase by the mortality observed since 1990 in connection with beginning of the social-economic and political reforms. Fall of the living standard of the population, deterioration state of health protection, stress situation in the society result in deterioration mortality rate. The role of the decline living standard, deterioration of the food structure, property polarization, crisis in the health protection, which were caused by the transition to the market economy in 90<sup>th</sup> in the increase of the population mortality are patently overstate. In the lot more measure high mortality may explain by the behavior factors, first of all, alcohol consumption, smoking, increase of criminality level etc. just this factors explain severance in the aged and overall indexes of mortality by the men and by the women, and also and in the average lifetime of birth.

High mortality rate caused with remain since past years low society life price, disinterest by the individual in the conservation health, unbalanced food, alconol has spread and also unsatisfactory state of the environment.

At 90<sup>th</sup> were radically changed migration stream of the Republic of Moldova. In general emigrate Russian-language population in the able to work aged, those have high qualification or the scarce professions, with the purpose of receive bigger wages. They emigrate both in CIS counties and in the other countries. Last years the number of the emigrants significant more then immigrants (Table. 2.6.). At the same time in the number of immigrants was included and the person, who arrived in the Moldova temporarily (studies, job etc).

**Table 2.6. Number of the emigrants and immigrants, people\***

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Emigrants	N.A.	1624	1558	1600
Immigrants	4720	5503	4783	6318

\* Department for Statistical and Sociological Researches

Great problem is the unregulated international migration. In concordance with some evaluations number of the people, which leaved country in search of the work, in I semester of the 2000 year was from the 120 thousand to the 600 thousand.

The international migration of unqualified labour force may improve situation on the labour market in the Republic of Moldova in the current conditions at the expense of the number persons decline, who search the work at the same time guaranteeing the employment and permanent income for the workers it is necessary to use qualified labour force, which are specialize to the desires of the market economy. In this case it is necessary, that the politics in the employment sphere must take an active part in this processes, regulate and guarantee minimizing of the possible risks.

At the same time, in connection with labour migration appear new problem, which have destroying effect on the structure aggregate labour supply – this is “brain-drain”. Rejection of the necessary measure in the nearest time for the solution this problem may have the negative influence on forming labour potential in his qualitative aspect in the long-term prospects.

At present the population of the Republic of Moldova is considered as old population. At 1999 the coefficient of ageing population was 13.5%, and according to the J.Boje-Garnje scale, if value of this index is 12 and more, this process may evaluate as “demographics old age”. Tendency to the ageing population remained for Moldova.

As a result of the ageing population rise and the demographic burden on the able-bodied citizens. So, for example, coefficient of the demographic burden of the Republic of Moldova in the 1999 was 77.0%, including persons more than able-bodied aged 28.4%.

Besides the quantitative assessments, various qualitative characteristics are inherent to the population: the standard of education and professionally-qualification structure, the cultural level and the population state of health, the population's occupational pattern etc.

Among population's qualitative characteristics one from the major is the standard of education that show the intellectual potential of the society.

High population's standard of education has the important influence on the increase cultural healthy mode of life, and also and on the demographic behavior. In the same time is observed close correlation between the standard of education and the urbanization und the country industrialization, and also between the standard of education and the occupational pattern. The education system is one of the pivotal factors in the process of forming and modeling labour supply in her qualitative aspect.

Socialism's education system not correlated with the national economics needs in the educational services. As a result, economy got the necessary cadres with the lag, which assisted in the deceleration increase of the labour productivity and socio-economics indexes of the country.

The establishment of the market relation in the education system will promote in ensuring balance between demands and supply on the educational services, as they in this conditions will be based on the free choice from the side of individual, and from the other side, on more quicken response to the structural changing signals on the labour market. Effective education adapted to the market needs is then vital for the effective development of the country.

The other population's qualitative characteristic is in his state of health. Since 5 years the population's state of health distinctly become worse. The numbers of morbid events on 1000 people grow from the 407.2 in 1993 to the 416.6 in 1995, at that this is typical for all sickness sorts. Arouse alarm increasing of the social sickness, the same as tuberculosis, infectious sickness etc. Change for the worse population's state of health also has the negative influence on the development and preservation human country capital. Demographic processes can't stay without state attention, as they broach very important human's life sphere and country development. With the purpose on the population reproduction processes and on the changing in the necessary current their quantitative and qualitative parameters, state must to conduct effective demographic politics, which is the part of the socio-economic politic.

In the contemporary conditions demographic politic of the Republic of Moldova must be direct not only to the stimulation birth rate and to the decreasing population's mortality rate, but also on the family consolidation, increasing humans living standard, improvement population's qualitative characteristics. As a rule, the results of the demographic politic become apparent through many years and also decades. And so stimulation those or other reproduction processes must be responsible for long-term interests of the economical development.

Character of the Republic of Moldova is the labour abundance. It is predetermination of the high density of population, those live in it. The labour abundance economic nature of the active population influences appreciably on the employment structure of the Republic of Moldova.

Against a background stable decreasing of the economy active population, their share in the total population stay almost on the 1998 year's level and is 45.4%

In the conditions of the permanent population structure by the labour activity, is observed certain structural progresses in each of the population's component by this characteristic. So the economic inert population, which consists of the individuals upwards the able-bodied age and from the students in the able-bodied age, change its own structure in the line of the individuals upwards the able-bodied age. About that evidence and grow of the population's ageing in the Republic, and the grow of the demographic load of upwards the able-bodied age population. The same ageing processes are character and to the economy activity population. They are condition, first of all, by the decreasing of the entries number individuals in the economically active population from the side of the youths, and also decreasing of coming out numbers from the economically active population in connection with retire on a pension. Because the welfare standards were decreased number of working pensioners are growing. In the qualitative aspect of the economically active population, that's his nature same development tendency, which are characterized for all population.

On the assumption of the foregoing, one may note that:

- Population of the Republic of Moldova is in the critical position as a result by the period of transition processes and has a tendency to decrease its own numbers.
- In connection with the consequences of the demographic transition population of the Republic is liable to the ageing processes.
- In contrast to the other European countries, in which the demographic transition practically completion, in the Republic of Moldova mortality rate is much higher, this phenomenon isn't typical for this countries.
- Grave economic position in the country in the present time predetermine the negative migration balance, this is the "drain-away".
- Qualitative population's structure also liable to the negative influence by the transition to the market relation: decreasing of the educational system is the growing of the sickness in the Republic, which has destructive effect on the corresponding human capital.
- The Republic of Moldova has the labour redundancy.
- The economically active population of the Republic of Moldova liable to the same processes, that and all of the population, namely, is the decreasing its own qualitative adjectives, liable to the ageing processes.

### 3. Labour Market Analysis

The existing data concerning the labor force and labor market are mostly imperfect. Measurement of the total employment and unemployment, including non-registered, as well as the figure for the inactive population is the main target of the Household Labor Force Survey (HLFS), which is carried out quarterly in Moldova by the Department of Statistical and Sociological Analysis. The pilot survey was conducted in May 1998 and the first quarterly survey started on the 1 st of October 1998. Only some results from two quarterly surveys (October – December 1998 and January - March 2000).

**Table 3.1 Main Indicators of Labor Market**

	Official Data		Labor Force Survey Data	
	1998	1999	Q4, 1998	Q1, 2000
Share of the economically active population in the total	49.5	49.6	45.6	44.3

population, %					
Share of employees in total population, %	45.0	43.9	39.8	39.6	
Share of employees in economically active population, %	90.8	88.5	87.2	89.5	
Unemployment rate (ILO definition), %			12.8	10.5	

Source: Department of Statistical and Sociological Analysis.

According to the official data, in 1999 the share of economically active population in the total population was 49.6 %. Employment represented 43.9 % of the total population or 88.5 % of the labor force. Survey results show that these are even lower.

According to 1998 year analysis, the share of people categorized as economically active was 45.6 % of the total population and 61.2 % of the population aged 15+. In January - March 2000, these indicators were 1.3 % and 4.6 % lower.

Monthly labor market data cover the officially registered employment in enterprises with 20 and more persons. Although the share of officially registered employees in the total employment was estimated at only 53 % in 1999 (76.9 % in 1995), the **table 3.2** gives an indication of the general structure of employment.

**Table 3.2. Dependent Employment by Sector of Activity\***

	Number of employees, thousand					Structure of the official employment, %				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
<b>Total employment, including official</b>		1660	1646	1642	1600					
<b>Official employment</b>	1286.8	1210.1	1126.6	1033.2	849.4	100.0	100.0	100.0	100.0	100.0
<b>Agriculture, hunting and related services</b>	560.3	523.4	474.0	411.2	282.7	43.5	43.3	42.1	39.8	33.3
<b>Manufacturing industry</b>	185.5	158.0	140.5	125.1	108.9	14.4	13.1	12.5	12.1	12.8
<b>Electric energy, gas and water supply</b>	20.9	19.7	20.3	22.7	22.3	1.6	1.6	1.8	2.2	2.6
<b>Construction</b>	50.8	42.4	34.7	29.8	25.7	3.9	3.5	3.1	2.9	3.0
<b>Wholesale and retail trade</b>	49.0	57.3	48.8	40.6	37.0	3.8	4.7	4.3	3.9	4.4
<b>Transport, warehousing and communications</b>	48.5	63.2	58.5	56.3	50.9	3.8	5.2	5.2	5.4	6.0
<b>Financial activity</b>	8.0	9.8	8.6	8.1	7.1	0.6	0.8	0.8	0.8	0.8
<b>Real estate activity</b>	33.2	26.7	26.6	27.9	27.5	2.6	2.2	2.4	2.7	3.2
<b>State administration</b>	33.8	29.3	48.0	52.0	48.9	2.1	2.4	4.3	5.0	5.8
<b>Education</b>	154.8	146.8	145.3	142.5	133.5	12.0	12.1	12.9	13.8	15.7
<b>Health and social services</b>	93.9	91.2	88.8	86.7	78.9	7.3	7.5	7.9	8.4	9.3

Source: Department of Statistical and Sociological Analysis.

\* Excluding Transnistria

Employment figures show a declining trend in all sectors of the national economy. Since 1995 the official employment has declined by more than 34 %, the main reasons being the response to the negative external shocks and to the restructuring processes in the economy.

Agriculture continues to keep the highest share of the total employment (27.6 % in the first half of 2000), although the average number of registered employees dropped by 35.1 % as compared to the same period of 1999. According to the Household Labor Force Survey, in October – December 1998 the share of employment in agriculture was 45.6 %, while the officially registered employment was only 39.8 %. It appears that the rate of employment in agriculture declined less than the average in the economy. The data analysis shows, that private sector keeps some 60.1 % of the labor force with the biggest share in agriculture (67.6 %), trade (11.3 %) and manufacturing industry (9.7 %). The share of public sector in the labor force is 34.7 %.

**Table 3.3. Dependent Employment by Sector of Activity\***  
**Structure of the official employment, %**

	1995	1996	1997	1998	1999	06, 1999	06, 2000
<b>Total official employment</b>	<b>100.0</b>						
<b>Agriculture, hunting and related services</b>	<b>43.5</b>	<b>43.3</b>	<b>42.1</b>	<b>39.8</b>	<b>33.3</b>	<b>34.9</b>	<b>27.6</b>
<b>Manufacturing industry</b>	<b>14.4</b>	<b>13.1</b>	<b>12.5</b>	<b>12.1</b>	<b>12.8</b>	<b>12.5</b>	<b>13.6</b>
<b>Electric energy, gas and water supply</b>	<b>1.6</b>	<b>1.6</b>	<b>1.8</b>	<b>2.2</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>
<b>Construction</b>	<b>3.9</b>	<b>3.5</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>
<b>Wholesale and retail trade</b>	<b>3.8</b>	<b>4.7</b>	<b>4.3</b>	<b>3.9</b>	<b>4.4</b>	<b>3.9</b>	<b>4.9</b>
<b>Transport, warehousing and communications</b>	<b>3.8</b>	<b>5.2</b>	<b>5.2</b>	<b>5.4</b>	<b>6.0</b>	<b>5.9</b>	<b>6.6</b>
<b>Financial activity</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>
<b>Real estate activity</b>	<b>2.6</b>	<b>2.2</b>	<b>2.4</b>	<b>2.7</b>	<b>3.2</b>	<b>3.0</b>	<b>3.7</b>
<b>State administration</b>	<b>2.1</b>	<b>2.4</b>	<b>4.3</b>	<b>5.0</b>	<b>5.8</b>	<b>5.7</b>	<b>6.7</b>
<b>Education</b>	<b>12.0</b>	<b>12.1</b>	<b>12.9</b>	<b>13.8</b>	<b>15.7</b>	<b>15.4</b>	<b>17.4</b>
<b>Health and social services</b>	<b>7.3</b>	<b>7.5</b>	<b>7.9</b>	<b>8.4</b>	<b>9.3</b>	<b>9.2</b>	<b>9.6</b>

Source: Department of Statistical and Sociological Analysis.

\* Excluding Transnistria

The analysis of the redistribution of employees in the structure of official employment in the first half 2000 in comparison with the first half 1999 shows the tendency of growing number of employees in:

- education;
- state administration;
- transport, warehousing and communications;
- wholesale and retail trade;
- manufacturing industry (nonessential);

and essential declining of the share of employees in the agriculture, hunting and related services sector, the table 3.3 gives structure of employment.

At the same time analysis of correlation between sectoral employment distribution and payroll by sector show in the first half of 2000, the share of those not on the payroll in the employment was 20%, with highest shares in construction, agriculture and manufacturing industry.

### **Transnistria.**

In correspondence with Transnistria State Statistics Committee, the total population of Transnistria at the end of the year 1994 was - 695,8 thousand and at the beginning of 2000 – 654,8 thousand. The total registered number of employees at the end of the year 1995 was 234,6 thousand and at the end of the year 1999 – 178.3 thousand. The level of officially registered unemployment in % from economical active population (EAP) at the end of the year 1995 was 0,19% and at the end of the year 1999 – 1,33% (see Table 3.4, Table 3.5).

**Table 3.4. Transnistria. Dependent Employment by Sector of Activity\***

Branches	At the end of 1995		At the end of 1999	
	Numbers employees	%	Numbers employees	%
Industry	76453	32,6	56303	31,6
Agriculture	53333	22,7	38838	21,8
Forestry	142	0,0	394	0,2
Transport	9180	3,9	6223	3,5
Communication	2729	1,2	2696	1,5
Construction	11987	5,1	7702	4,3
Commerce and catering	13000	5,5	5031	2,8
Maintenance supply	785	0,3	757	0,4
Intermediates	828	0,4	311	0,2
Information-calculating service	288	0,1	109	0,1
Housing and communal services	7896	3,4	7156	4,0
Consumer services	2705	1,2	1278	0,7
Health service, physical training and social maintenance	17781	7,6	14791	8,3
Popular schooling	25780	11,0	25761	14,4
Culture and art	2950	1,3	2281	1,3
Science and scientific service	611	0,3	328	0,2
Insurance	157	0,0	319	0,2
Crediting	1128	0,5	1648	0,9
Management	4537	1,9	5695	3,2
Other branches	2335	1,0	679	0,4
Total	234605	100	178300	100

Source: is calculated in correspondence with statistics form 1-t of Transnistria State Statistics Committee, (excluding small business enterprises)

Transnistria State Statistics Committee information, related to employment dependents by sector of activity is presented by branches distribution, in correspondence with statistics form 1-t for material product calculation (used in the soviet period), excluding small business enterprises.

Comparison analysis of dynamical changes in employment dependent by sector of activity in 1995 and 1999 shows the declining trends of total employment and in such important branches like industry, agriculture, transport, health service, physical training and social maintenance, (see Table 3.4). In the same time, continuous declining number of employees in the industry and agriculture, recalculated as a ratio to employees in other branches, demonstrate the highest and approximately unchangeable share of employment in 1995: industry – 32,6%, agriculture – 22,7% ; in 1999: industry – 31,6%, agriculture – 21,8%. The share of employees in industry and agriculture is more than 50% from all employees.

The analysis of officially registered unemployment shows the growing trend. In at the end of the year 1995 was 472 people and at the end of the year 1999 was 2397 people, from their -The share of unemployed women in 1995 was 73.3% and in 1999 – 67.8% (see Table 3.5).

**Table 3.5 Transnistria. Unemployment, registered in the employment offices (end of year)\***

Indicators	1995	1996	1997	1998	1999
Number of unemployed, persons	472	610	2042	2397	2661
Out of them – women, persons	346	443	1520	1714	1803
Share of women in total numbers of unemployed, %	73,3	72,6	74,4	71,5	67,8
Number of unemployed, dole beneficiaries, persons	440	545	1970	2331	2537
Out of them – women, persons	321	388	1477	1660	1721
Share of numbers unemployed, dole beneficiaries, in total number unemployed, %	93,2	89,3	96,5	97,2	95,3
Level officially registered unemployment (in % from EAP)	0,19	0,26	0,91	1,13	1,33

Source: Transnistria State Statistics Committee

**In the Republic of Moldova** officially registered unemployment rate is only 2 %. However, according to the Labor Force Survey, in October - December 1998 and in January - March 2000 the number of unemployed people reached 213 thousand and 170 thousand respectively, or 12.8 % and 10.5 % of economically active population. The unemployment rate for men was higher than for women. Moldova's officially unemployment rate of 2 % is one of the lowest one among the CIS, Central and Eastern Europe countries, while the results of the Labor Force Survey place Moldova in a raw with countries, having high unemployment rate.

Unemployment is one of those economic problems that affect people most directly and severely, as it has almost immediate implications on their living standards. As such, understanding the cases of unemployment has always been rightly given a high priority by analysts and policy makers.

**Table 3.6 Inflows, Outflows and Official Unemployment, thou**

	Registered at the beginning of the period	Inflows	Outflows	Found jobs	Struck off the register during the year, excluding those who found jobs	Registered at the end of the period	Increase in unemployment
1996	24.5	46.3	47.5	19.6	27.9	23.4	-1.1
1997	23.4	49.5	45.0	21.1	23.9	28.0	4.5
1998	28.0	63.3	59.2	22.4	36.9	32.0	4.0
1999	32.0	57.6	54.7	19.1	35.8	34.9	2.9
Q2, 1999	40.1	12.0	13.5	4.5	9.0	38.6	-1.5

Q2, 2000	36.7	10.7	14.2	5.4	8.8	33.2	-3.5
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Source: Department of Statistical and Sociological Analysis.

By the 1<sup>st</sup> of July 2000, the officially registered unemployment stood at 33.2 thousand, of which some 58 % were women. Only 30 % of the total number of registered unemployed received benefits. In June 2000 the average unemployment benefit was Lei 122.7, or 30 % of the average nominal wage. This indicator is comparable to the one in many other countries, but the unemployment benefit is far from the providing a minimum subsistence level (in June 2000

the minimum consumption budget covered by the unemployment benefit was only 13 %).

**Table 3.7. Indicators of Unemployment in the Republic of Moldova**

		1992	1993	1994	1995	1996	1997	1998	1999	Jul 2000
1	Unemployed, total people	48375	40068	38684	45365	46333	49518	63296	57834	25350
2	Placed for job people	11809	11916	11020	16480	19573	21078	22386	19121	9936
3	Receive benefits people	-	12961	14881	19747	19563	18180	19921	25315	18772
4	Total sum of benefits payed '000 lei	14856.6	231.2	1709.3	5173.1	5839.1	6478.0	8659.4	12567.9	8533.9
5	Enrolled on training courses people	49	1257	5170	7511	8927	10583	11456	10216	4526
	out of them finished professional training people	27	712	2723	5188	5436	6749	7263	7286	2992
6	Expenditures for professional training '000 lei	126521.0	46.4	731.3	1503.3	2144.5	2382.5	3862.5	2722.1	1440.5
7	Unemployed engaged on public works people	14	256	510	595	737	971	1360	839	398
8	Expenditures for organisation of public works '000 lei	-	-	8.87	1.66	0.20	1.17	2.67	2.02	0.10
9	Registered at the end of year people	15001	14113	20554	24543	23426	27973	32021	34918	33173
10	Out of them released thousand people	22.1	24.5	24.2	13.2	11.9	12.5	13.3	17.6	16.4
11	Vacant places at the end of year places	868	589	718	1016	1977	1388	1128	1242	2239
12	Out of them for workers places	702	415	473	602	1156	853	834	938	1801
13	Rate of unemployment %	-	0.9	1.1	1.4	1.5	1.5	1.9	2.0	-

Source: Ministry of the Labour, Social Protection and Family

According to some experts, this coupled with the very small percentage of those receiving benefits explain the low level of registered unemployment in Moldova. Thus, a substantial number of labor force is involved in informal activities, with low efficiency gains for themselves, and no surplus to the economy. *Also, many people are making their living abroad (according to the January –March 2000 HLFS, some 120 thousand people are currently making or seeking to make their living abroad).* In the same time we have to take in consideration the estimation done by Security and Information Service Agency, the number of employees from Moldova, which work illegally abroad constituted around 600 thousand.

**Conclusions.** The official employment has declined year-by-year. Employment figures show a declining trend in all sectors of the national economy. In the structure of official employment the

share of employees has growing tendency in: education; state administration; transport, warehousing and communications; wholesale and retail trade; manufacturing industry (nonessential). Essential declining of the share of employees in the agriculture, hunting and related services sector in the structure of official employment. In the first half of 2000 the share of those *not on the payroll* in the employment was 20%, with highest shares in *construction, agriculture and manufacturing industry*. Unemployment is one of those economic problems that affect people directly *making their living abroad or seeking for a job*.

*According to the January –March 2000 HLFS, some 120 thousand people are currently making or seeking to make their living abroad.* In the Estimation done by Security and Information Service Agency, the number of employees from Moldova, which work illegally abroad constituted around *600 thousand*. The employment situation of Transnistria is almost alike to that of Moldova; but the statistical methods, though, remained from “the old times”.

## **4. Correlation of macro-economic and demographic trends with the labor market**

Under the conditions of economic crisis in the country, considerable reduction of output, decrease in the number of jobs and labor demand, conduct to essential changes in the structure of the demanded labor force.

In the period 1996-1999 the number of total employment was reduced with 60 thousand and in 1999 was 1600 thousand. The structure of the official employment dependent by sector of activity excluding Transnistria can be seen from the percentage (see table 3.2,3.3):

In 1996 the share of employees in percent of total employment is: 43.3% in the agriculture, hunting and related services; 13.1% manufacturing industry, 5.2% in transport, warehousing and communications; 2.4% state administration; 12.1% education.

In 1999 the share of employees in percent of total employment is: 33.3% in the agriculture, hunting and related services; 12.8% manufacturing industry, 6.0% in transport, warehousing and communications; 5.8% state administration; 15.7% education.

The comparative analysis of changes in employment in deferent sectors of economy shows the tendency of growing share of working people in education, state administration, in transport, warehousing and communications and essential reduction of the share of working in the agriculture, hunting and related services.

The essential changes in the structure of international economic relations during 1990-1996 had a negative impact at considerable reduction of output with direct correlation of salaries reduction. For example, in 1996 from total 197.8 thousand persons given unpaid leave by sectors had following sectoral breakdown. A significant number of these permanent workers at any one time was on unpaid leave. A total of 197,800 workers or 16 % of the permanent labour force were on unpaid leave sometime in 1996. No less than 50 % of these were from the manufacturing sector. No other sector had as high a proportion as this.

From one side we have reduction in total employment and from another side we have the tendency of year-by-year growing employment in the education sector, which explains the year-by-year growing demand in retraining programmes.

Changes in the demanded labour forces are reflected in demanded retraining programs. The share of employment in education at the end of 2000 was 17,4% of total employees, what is 43.8% more in comparison with 1996.

The demanded during last 5 years specialities are: accountant, lawyer and manager.

In the same time this switching is conditioned by reduction of demand in ingenerating and agricultural specialties.

Demand reduction for ingenerating and agricultural specialties is in direct correlation with the share of employees reduction in the agriculture, hunting and related services, which in the first semester 2000 was 27.6% of total employees, what is 63.7% lesser than in 1996 and approximately unchangeable till 2000 in comparison with 1996 share of employees in the manifesting industry.

Existing switching in demand to specialties like accountant, lawyer and economist in economy reflects the tendencies economy of the middle and small enterprises development. In this case it's important to create necessary economic environment for efficient business activity stimulation and for non-discriminative salaries level maintaining.

When examining the implications of this for labor force utilization it can be seen that it implies a rapid absorption of knowledge of a general applied economic nature, which is currently largely lacking.

### **Agriculture and Industry**

- Over 40 % of the current labor force is engaged in some agricultural activity. Theoretically it would be possible for a capital-intensive technique to be adopted but this would displace the larger part of this labor force. Realistically then a major part of agricultural production will need to be labor intensive concentrating on high value crops, including a much wider variety of fresh horticultural production. To enable them to respond farmers need to acquire farm management skills, to calculate risk, the economic returns from different crop patterns over the year together with an indication of marketing outlets. These skills are simply not taught at present. The knowledge is largely technical but geared to large-scale production of limited number of products often produced with scant regard to quality or other marketing considerations.
- The restructuring of industry conducted to date has led to an initial sharp reduction of labor in the enterprises concerned (employees have quite often found employment in smaller scale activities servicing the original company.) New companies will need to be established. They will require people with knowledge of marketing skill. The expectation within manufacturing then will be for static or slightly declining employment but with rising incomes and with a higher level of skill particularly in the applied economic areas such as management marketing and finance.

### **Commerce and Service activities.**

As is normal with such economic growth the largest increase in demand will be for commercial, wholesale and retail and service sector activities associated with the growth in demand. The increase in the cash economy and the sharp reduction in the prevalence of barter transactions should further strengthen this tendency. Because of the necessary export oriented nature of any growth there should be more than proportionate demand for services providing information on the export needs and for transport and communications. The financial service sector currently in its infancy should expand fast initially to provide funding but later perhaps to channel savings and private pensions.

The extent of these structural changes over a five-year period must be a matter of conjecture. The movements may only start to gain momentum. Under- employment may well continue to be a feature of the labor force for some time, especially given the reserves in younger population working overseas and in the apparent current high level of under employment. However, even relatively modest changes are likely to have some significant impact on the sectoral distribution of the labor force.

Of the greatest importance it will increase the skill requirement, especially in areas, which are relevant to the applied economic skills. The increased skill element is attributable to two factors. Firstly even within manufacturing and agriculture the requirement for skill especially in the areas relevant to applied economics will rise. Secondly the commercial and service sectors typically have a higher proportion of skilled to total posts and the higher proportionate growth of these sectors will further increase the skill needs, especially in applied economics.

In the same time it's very important to pay attention at the year-by-year growing share of employees in the **state administration sector** from 2.4% of total employment in 1996 to 6.7% in the first semester 2000. This switching, from one-side, shows the growing demand of specialists in the state administration sector. From another side, the considerable reduction of output and transition processes without visible results show:

- non-efficiency of the state administration sector activity;
- the necessity of radical changes in the tools and the management methodology;
- analytical approach development for decision argumentation.

Analysis of demanded specialities during last years shows the future possible demand at the labor force market. Last time in demand are specialities like accountant, lawyer and manager, but skilled engineers and specialists in agriculture, supply of which will depend of investment in industry and agriculture, our system of education will not be able to offer.

Another important trend we have to understand absolutely clear: in 5 years industry and agriculture will not be able to renovate labor resources, ore industry will need supplementary investments for training specialists. The system of postgraduate studies has to meet the future requirements of the open market economy: training specialists in correlation with future investments and strategic development of society.

The global economy requirements will determine the targets of the renovate labor resources strategy elaboration, like a subsystem of sustainable strategic development of Moldova.

**Conclusions.** Existing changes in the labor market, being coursed by macroeconomic trends, reflect:

- The growing demand in specialists like accountant, lawyer and manager.
- The demand reduction in ingenerating and agricultural specialists is caused:
  - by essential decline of the share of employees in the agriculture, hunting, forestry;
  - the share of those not on the payroll is increasing (with highest comparison shares) in construction, agriculture and manufacturing industry;
  - in 5 – 7 years agriculture and manufacturing industry will fall down completely.
- The tendencies in economy of the middle and small enterprises development are in correlation with switching in labor market demand.
- The necessity for efficient business activity environment creation for non- discriminative salaries level maintaining.
- The growing share of employees in the state administration sector.
- The necessity of radical changes in the tools and the management methodology, including analytical approach development for decision argumentation in the state administration sector.
- New companies will require people with knowledge of marketing skill.
- The necessity to elaborate rennovative labor resources strategy as a part of the National strategy of the sustainable development.

## 5. Social protection issues and social policies

The economic turmoil persisting in the country's economy during the last 10 years, accompanied by a sharp economic decline, caused the mass pauperization of the population, the degradation of the health care and education systems, the disparagement of the social protection system and other negative phenomena such as crime, corruption, social apathy, etc. A continuous destruction of the existing human capital is taking place in the country which decreases the successful opportunities of the current transition and the sustainable development of the society in the future.

The most critical phenomena encountered by the Moldovan society now is the unexpected drop of the living standards of the population due to the considerable reduction of the purchase power. Thus, according to official data and UNDP estimates, during those 8 years of economic transition since the prices liberalization, the real income per capita has dropped by more than 4 times being on a continuous decrease. According to the household budget surveys, in the third quarter of 1999, the nominal incomes of the population constituted 7,260.8 million lei, by 19.4% more as compared to the same period of the last year while the real incomes during the reference period fell by 12.0%. The drop in the real incomes of the population of the country continued in the first half of 2000.

One of the major features of the formation of incomes now in the Republic of Moldova is the considerable *decrease of the salary share in the overall incomes*. The reduction of the salary role in the formation of incomes in favor of other income forms is a natural process of the transition to a market economy. When this decrease takes uncontrolled proportions, *a transfer of the reproductive function of the labor force may take place that undermines the economic tool and the human capital development*. A great part of employees (mainly from the public sector) which make their incomes exclusively out their salaries is disadvantaged as compared to other categories of population that have additional incomes. In the Republic of Moldova the share of the salary in the total incomes during the first quarter of 2000 constituted 35.4%, registering a slight increase as compared to the same period of the previous year.

*The discrediting of the salary role in the national economy* of the Republic of Moldova can be considered as a direct consequence of the income policy, in particular, of the salary one that existed during the recent years as well as the profanation of the state commitments to the public employees. *Freezing of the minimal salary worth 18 lei* (not adjusted to the evolution of the subsistence minimum) aimed at alleviating the inflation rate and strengthening of the national currency, the utilization of a common tariff network of salaries in the budget sector, not indexed in time for many years and the salary arrears increasing from year to year are convincing arguments of the incapacity and often of unwillingness of the state to improve the situation of the employees. All these led, on one hand, to the decrease of the real incomes of individuals which directly depend on this income form and on the other to a drop in the people's credibility towards the state as a guarantee of the population's welfare as well as to the strengthening of some phenomena that undermine the state authority on a long term basis, such as shadow economy, fiscal evasions, corruption and crime, among others. A great part of active population immigrate from the country for a short or long period of time or for ever in order to improve their material situation.

As a consequence, the Republic of Moldova is characterized by the lowest salaries as compared to other developing countries. Thus, if the average monthly salary in Moldova constituted 187 lei or \$40 in 1996, in Uzbekistan its accounted respectively \$53, Belarus - \$89, Ukraine - \$84, Kazakhstan - \$103, the Russian Federation - \$156, Romania - \$131. The same trends are existing now as well.

During the first quarter of the 2000, the monthly average salary constituted 351 lei, by 35% more than during the same period of the previous year. This remuneration covers only 40% of the minimal consumption basket estimated at 965 lei which confirms the fact that the salary in the Under these circumstances, the expansion of the shadow economy which accompanies the economic transition is, on one hand, a means for survival for some categories of the poor population who start "black market" activities or elements of natural economy (self-employment and self-consumption) and on the other, a source for quick enrichment of other categories of the population which lead to social inequality. Such a means of polarization of the society represents a factor of continuous social-political instability and impedes the sustainable human development of the society.

The evolution of the population's incomes in the Republic of Moldova during the transition period has caused an excessive social differentiation of the population. During the first quarter of 2000, the incomes of the most rich 20% of the population were 10 times bigger than the incomes of the poorest 20% of the population. The Gini coefficient which expresses the degree of social differentiation, has a stable tendency to increase. In 1999, it constituted 0.44, calculated in conformity with the overall incomes of the population. Social differentiation in the rural area is greater than in the urban localities. *The considerable fall in the real incomes of the population inevitably leads to poverty.*

*The peculiarities of poverty in Moldova are characterized by the following:*

- the poverty level of the population is bigger than in other developing countries;
- the poor include not only socially vulnerable groups but also people employed in the national economy;
- the population included in the category of the poor maintain high educational and health care standards as well as of providing goods of long-term use which essentially alleviate the social negative impact which may bring low incomes;
- the transformation of poverty from a temporary phenomena into a social chronic phenomena is obvious for any economy in transition to a market economy;
- the poverty level in the Republic of Moldova constitutes 80% of the population and the state cannot provide social protection to people affected by poverty due to its existing system of social protection.

*The elaboration of poverty alleviation strategy* is to a great extent a matter of cognition. It requires the evaluation of the dimensions, profile and causes of poverty, social protection systems and possibilities of their improvement and reforms envisaged in this field, features and peculiarities of the behavior of various categories of population (consumption, demographic, civil, social, etc.), values, customs and mentality which generate this behavior, the economic situation and its capacity to create and avail resources necessary for the improvement of the living conditions of the population.

*The elaboration of the poverty eradication strategy* has a political significance given that it involves the political decision in selecting the adequate tools, which settlement depends on the harmonization of interests which meet and confront at various points in the strategy. Another problem is the official definition of the poverty line and of the subsistence minimum to be guaranteed by the Government to all citizens.

*Another problem is the evaluation of the poverty dimensions.* Depending on the method of evaluation, the poverty level can be higher or lower which involves higher or lower costs in its eradication. The selection of a correct method of evaluation depending on the budget possibilities and poverty peculiarities determines the to a great extent the success of the strategy. Thus, according to the international norms estimating poverty according to the share of the population with a daily average income of less than \$1 per capita, the poverty level in the country is estimated at 92%. In its poverty evaluation survey, the World Bank calculates the poverty level through the share of people with a consumption level under 40% out of the average consumption which constituted 19% of the population.

The evaluation of the poverty dimensions in the Republic of Moldova used in the National Programme for Poverty Alleviation, approved in June 2000, was conducted based on the household budget survey held by the State Department for Statistics (with the technical assistance of the World Bank). In order to evaluate this social phenomena, the “subsistence minimum” worth 233.1 lei was used as a quantitative indicator both for the entire population and each social group. The household budget surveys indicated that poverty in the Republic of Moldova is increasing: in 1999, 79.3% of the surveyed population is under the subsistence minimum (taking into account the equivalence scale). Of these, 65.5% live in rural areas, which is explained by the big share of the rural population in the total number of the population of the country, as well as a bigger impact of the poverty risk of the rural population as compared to the urban one. The extremely limited budget resources do not allow the state to provide social assistance to all people under this subsistence minimum. The state has committed itself to offer social assistance to the poor, to people under the poverty line, estimated at 30% of the subsistence minimum worth 70 lei.

*Depending on the objectives, poverty eradication policies could be:*

- *Policies pertaining to the distribution of incomes* which mainly consist of the use of transfers ( cash or in kind) for supporting families affected by poverty. These policies do not eradicate poverty but cure its symptoms so that it may favor its chronic character;

- *Policies focused on supporting the participation of the poor to economic activities*, thus ensuring incomes by employment. There are policies that address the roots of poverty or the economic causes which affect the population able to work (unemployment, low productivity, difficulties of the access of small producers to the market, etc.).
- *Policies pertaining to the investments in the human capital*, the creation and maintenance of the people's capacity to efficiently participate in the economic activity and social life. There are policies that address particularly the roots of poverty and to a certain extent its impact. The low level of education, the bad quality of health care and nutrition are frequently associated with poverty, representing its causes and impact at both individual and national level.
- Poverty eradication policies through the investment in the human capital include, first of all, policies for the development of social services, in particular, those pertaining to education and health care, policies for ensuring the access of the entire population, including of the poor categories to the respective services, policies for stimulating the poor towards the use of social services.

Policies that guarantee food security, programmes for ensuring dwellings and the development of family planning services can be included in the same context, otherwise malnutrition appears as one of the forms of poverty.

In view of avoiding poverty traps, caused by the long parasitism of the social protection system by those affected by the poverty risk, redistribution policies are used very seldom. Usually they are focused on socially vulnerable categories.

*The social protection system provides the following services guaranteed by the state:*

- *the payment of pensions;*
- *allowances and compensations to the vulnerable groups;*
- *benefits for some social categories while purchasing medicines, public transport, utilities;*
- *housing of some categories of the elderly, invalids and orphans in asylums;*
- *allocation of material aid to needy people.*

Pensions play a central role in the social protection system. Each fifth citizen of the Republic of Moldova gets a pension. The main requirements for the right to receive pension are: the pension age, the adequate number of working years, sickness and the loss of the main supporter. The amount of the pension depends on the previous salary of the person, the work years and the number of persons being supported by him. Persons with relatively low pensions have a series of benefits and allowances. The average pension constituted 84 lei at the end of the semester 2000.

90 thousand people benefit from allowances and benefits for children and needy families. The amount of the allowance is established depending on the number of children in the family, their age and is calculated using the minimal salary in the country (18 lei).

Except these social transfers, the Social Insurance Fund of the General Federation of Trade Unions provides allowances for the temporary loss of the working capacity, pregnant women, the birth of child and funerals.

The Ministry of Labor, Social Protection and Family is administering 10 asylums, where 2,400 old people, invalids and orphans live. All these people are being taken care by the state (housing, meals, medical assistance).

About 17.6 thousand citizens, old people and invalids are provided medical assistance at home in the form of medical services, the purchase of goods of daily necessity (food), the payment of utilities and other current needs.

The promotion of the pension reform of the population continued during 2000. During the first semester of 2000, the Regulation on the calculation procedure and confirmation of the share for the establishment of the pension was elaborated aimed at creating the legal framework of the pension reform. The Social Fund was transformed into the National House of Social Benefits.

The implementation of the new pension system does not solve the problems of the pensioners' welfare. In view of improving the conditions of the elderly, the Government in cooperation with UNDP elaborated a

complex programme “Assistance to pensioners” - a component of the National Programme for Poverty Alleviation which except the implementation of the new pension system, envisages a series of measures that contribute to poverty alleviation among the elderly and ensuring a decent living.

The most important measures of the programme are:

- the liquidation of the pension arrears and ensuring of a mechanism that would not allow future delays in the payment of pensions;
- the improvement of the nominative principle while providing services of social assistance and social aid so that limited recourses would be focused on the most vulnerable categories of the elderly;
- multilateral study of the problems faced by the elderly aimed at identifying efficient solutions for their settlement as well the extension of the range of social assistance services provided to the elderly;
- the mobilization of all political and economic forces in the society which can contribute through public organizations to the improvement of the social-economic security of the elderly.

The reduction of the public costs is a one more factor that explains the decline in the health care. Thus, some specialized studies showed that the real level of public means in the health care system constituted in 1996 50% of the 1990 level.

The situation is not better in education. For the Republic of Moldova, a country which lacks important natural recourses, education could contribute essentially to the improvement of the life quality and prosperity of the entire nation. The development of education and the improvement of the professional training level of people, in other words, the accumulation of the human capital could be as important as the accumulation of other traditional capital forms. Education is one of the important resources of the social prosperity of a modern society.

The economic crisis continues to have a negative impact on the education system. The major problems of the current period are as follows:

- the access to pre-school education has reduced;
- children from the vulnerable families are not provided enough aid;
- there are no equal opportunities for the schooling;
- the number of children who do not attend the schools is on an increase;
- the allocations for the maintenance and development of the technical-material and didactic base of education are not sufficient;
- remuneration of teachers under the average salary level leads to the loss of the human potential in education;
- the reduction of the compulsory education from 11 to 9 grades leads to the decrease of the intellectual level of the population;
- the gap between the villages and city regarding the possibility to get general education;
- the training system and professional training does not meet the demands of the labor market both at local and country level;
- the long-term forecast of the need of qualified labor force is not practiced;
- educational standards for all levels and training levels have not been completed, there is a lack of efficient mechanisms for the evaluation of the school results.

At the same time, taking into account the transition period in Moldova, the state must keep the available educational potential, creating, promoting and supporting the conditions this potential could be further developed and adjusted in line with new demands of the economic and social life.

**The Ministry of Labour, Social Protection and Family** (Sept. 2000) considers that active policy on labour market should be focused on the following directions:

- Motivation of economic agents to create new workplaces, especially vulnerable groups of population: women, youth, old age peoples, disabled.
- Financial support of unemployed for organisation of their own business:

- Providing of consultant services and support in creation and development of business relations, techniques of workplace search; assistance in professional reorientation and retraining. These services will be addressed to unemployed and released people, as well as to economic agents under restructuring.
- Development and implementation of effective mechanisms of ensuring of optimal equilibrium between labour force supply and demand.
- Preventing of mass sacking of employee by mean of implementation of social plans for economic agents under restructuring, which includes temporary modifications of working conditions and timing, additional social assistance for releasing employees.
- Improvement of activities on orientation and professional training for peoples, who have not enough skills and knowledge to occupy available vacancies.
- Improvement of public works organisation.
- Reorganisation of financing mechanism of social protection measures for employed and ensuring of financial stability of the Unemployment Fund.
- Improvement of efficiency social dialogue in implementation of active policy on labour market, improvements of administration of labour force utilisation on the base or Tripartite.
- Motivation and co-ordination of private employment agencies activity, ratification of ILO Convention nr.181 on private employment agencies.

The reform of employment and social protection system requires improvement of existent administrative system. *The National Agency of Employment and Professional Orientation* on national level and *Local Agencies* of Employment and Professional Orientation on local level will be created on the base of the State employment service (Department of Employment and employment offices). Administrative Council will govern the National Agency of Employment and Professional Orientation. Administrative Council will include representatives of social dialogue participants.

The *Unemployment fund* in the framework of *National House of Social Insurance* will be created for financing of measures on social protection of unemployed.

## 6. Legal Framework of the Labour Market

During 90s the legal basis of the labour market have been practically formed from the beginning. Now it is a symbiosis of the “old norms” and the newly introduced ones. But some fields of the labour relations remained out of the legal service. Here are the basic **legal documents in effect** now:

1. Constitution of the Republic of Moldova (July 1994);
2. Activity Program the Government of the Republic of Moldova for 1998-2000;
3. Decision of the Government of the Republic of Moldova (4 June 1998 №523) “On the Government of the Republic of Moldova Activity Program confirmation on 1999-2002 years”;
4. Decision of the Government of the Republic of Moldova (4 September 1999 №270) “On the Concept confirmation of the social dialogue system development”;
5. Decision of the Government of the Republic of Moldova (26 April 1999 №356) “On the Collective agreement (national level) between Government, National conference of Patronage and Universal Federation of the trade unions”;
6. Decision of the Government of the Republic of Moldova (yearly) “On the Collective labour agreement (national level) confirmation to the 2000 year between Government, Patronage and Trade Unions Federation”;
7. Decision of the Government of the Republic of Moldova (10 May 2000 №433) “On the State service of the population’s employment Rule”;
8. Decision of the Government of the Republic of Moldova (5 September 1992 №581) “On the able-bodied population employment”;

9. Decision of the Government of the Republic of Moldova (21 January 1992 №878-XII) "On State program of the population's employment on the year of 1995";
10. Decision of the Government of the Republic of Moldova (28 April 1995 №264) "On the Program of scanty population's category social protective action";
11. Decree of the President of the Republic of Moldova "On the Conception of the Republic of Moldova state policy confirmation of the young people problems";
12. Decision of the Government of the Republic of Moldova (28 August 1995 №602) "On the working time reduction up to forty hour per week";
13. International Convention (22 June 1935 №47) "On the Labour protection";
14. Law of the Republic of Moldova (2 July 1991 №625-XII) "On the Health protection";
15. Law of the Republic of Moldova (28 March 1995 №411-XIII) "On the Culture";
16. The Marriage and Family Code (26 December 1969)
17. The Dwelling Code (10 January 1983)
18. Decision of the Government of the Republic of Moldova (10 March 1995 №173) "On some actions of mass unemployment prevention";
19. Law of the Republic of Moldova (25 February 1993 №1305-XII) "On the remuneration of labour";
20. Labour Code of the Republic of Moldova (25 May 1973);
21. Decision of the Government of the Republic of Moldova (13 May 1996 №265) "On hiring of workers on the contract base";
22. About the capable of working population employment. The Republic of Moldova Law from the 21 January 1992 №878-XII.
23. Decision of the Government of the Republic of Moldova About the unemployed training and retraining. 27 October 1992 №697.
24. Decision of the Government of the Republic of Moldova About the Procedure of calculation the average salary confirmation. 14 January 1994 №31.
25. Decision of the Government of the Republic of Moldova About the Center of the Republic of Moldova population professional grasp liquidation. 10 July 1997 №642.
26. Decision of the Government of the Republic of Moldova About the State population employment program to the 1998-2000 years. 20 March 1998 №317.
27. Decision of the Government of the Republic of Moldova About the State support of agricultural enterprises in the privatization process restructuring. 17 September 1999 №854.
28. About the Collective labour Contract in the construction industry prolongation for the 1999-2000 years. Decision of the Government of the Republic of Moldova About the Situation of pension calculation procedure confirmation. 10 September 1999 №843.
29. The seniority for pension setting procedure confirmation Rule. The Government of the Republic of Moldova Decision from the 15 December 1992 №821.
30. The confirmation rule about the workplace attestation procedure realizing for corroboration rights of privilege pensions accordance. The Government of the Republic of Moldova Decision from the 5 April 1993 №168.
31. About the Rule of Department for Statistical and Sociological Researches confirmation. The Government of the Republic of Moldova Decision from the 3 December 1998 №1168.
32. About the budget sphere workers remuneration of labour perfection based on remuneration of labour common tariff's network. The Government of the Republic of Moldova Decision from the 29 March 1993 №154.
33. About the work-books The Government of the Republic of Moldova Decision from the 28 November 1994 №867.
34. About the workbooks infill, keeping and account. Ministry of Labour, Social Protection and Family of the Republic of Moldova Decision from 16 October 1998.
35. About the public assistance system reformation Strategy. The Government of the Republic of Moldova Decision from the 28 May 1999 №416-XIV.
36. About the education development in the Republic of Moldova and creation Coordinating Council of realization reforms in the education domain Conception. The Government of the Republic of Moldova Decision from the 15 December 1994 №337-XIII.

37. About the education. The Republic of Moldova Law from the 21 July 1995 №547-XIII.

38. About the evaluation and accreditation educational institutions Rule confirmation. The Republic of Moldova Law from the 4 June 1999 №423-XIV.

34.1 About the Education Development State program confirmation to the 1999-2005 years. The Government of the Republic of Moldova Decision from the 26 October 1999 №984.

39. About the some activity category in the Republic of Moldova regulation. The Government of the Republic of Moldova Decision from the 2 February 1998 №110.

40. About the some category activity in the Republic of Moldova regulation. The Government of the Republic of Moldova Decision from the 13 August 1998 №859.

41. About the population Employment State program to the 1996-1997 years. The Government of the Republic of Moldova Decision from the 29 May 1996 №297.

42. About the some category activity in the Republic of Moldova regulation. The Government of the Republic of Moldova Decision from the 17 August 1995 №581.

43. About the population indexing cash income Procedure. The Government of the Republic of Moldova Decision from the 21 January 1992 №33.

44. About the trusting investment management by the investment funds contracts. The State commission of the equity market of the Republic of Moldova Decision from the 29 December 1997 №76/1.

45. About the foreign investments. The Republic of Moldova Law from the 1 April 1992 №998-XII.

46. About the social adaptation person, who released from custody The Republic of Moldova Law from the 24 February 1999 №297-XIV.

47. Law of the penitentiary system. The Republic of Moldova Law from the 24 February 1999 №297-XIV.

Legislative framework of the labour market and the social protection of the vulnerable layers of the population requires further development. Taking all the above mentioned into consideration the following documents are found in the process of preparation:

- Law on Unemployment Fund;
- Law on measures for motivation of natural and juridical persons for employment of graduates;
- Law on the National Agency of Employment and Professional Orientation;
- Law on employment and social protection of unemployed;
- Government Decision “On financial support of unemployed for organisation business activity”
- Government Decision “On mode and conditions of financing of economical agents for new workplaces creation for get a job for unemployed.

## **7. Existing system of monitoring of the labour market. Need for its development**

### **7.1. Existing system of monitoring of employment and unemployment – Advantages / disadvantages**

At present two institutions carry out monitoring of the employment and unemployment:

- Department of Employment (DE) of the Ministry of Labour, Social Protection and Family;
- Department of Statistical Analysis and Sociology (DSAS) of the Government.

**Department of Employment** process data on the base of submitted statistical forms 1-PCM and quarterly reporting form 1-PCM quarterly (Report on job placement and social protection of unemployed, registered in unemployment offices). DE carries out monitoring of the following main indicators of unemployment:

number of registered unemployed

number of registered unemployed placed for job  
number of unemployed receiving benefit  
number of unemployed engaged in training courses  
number of unemployed engaged in public works  
number of vacant places

**Department of Statistical Analysis and Sociology** process reports of economic agents 1-T “Labour Report”, besides that it process labour information for different branches of economy.

In the framework of **TACIS Moldova Economical Trends Project** monthly and quarterly statistical bulletins are issued. A part of this bulletin is devoted to employment and unemployment issues. At present, DSAS with the support of TACIS conducts **Labour Force Survey**; the first report was published in 2000. One of the indicators, obtained from this Survey, is unemployment rate by ILO methods.

**Positive characteristics of existing system are the following:**

- System of statistical reporting required for monitoring of number of peoples addressed on job placement issues is developed and perfected.
- System of indicators for labour market monitoring was created.
- Statistical information starting 1991 has been collected.
- Software for statistical information processing for labour market monitoring was developed.

Meanwhile some **problems** regarding existing system have been recorded:

- It does not provide full information on labour market because of lack of data on hidden unemployment. Department of Employment report data only on registered unemployed. Meantime number of unregistered unemployed and peoples in forced leaves is much higher. In some kind this problem is solved by Labour Force Survey conducted by DSSA and TACIS.
- It doesn't allow control peoples, receiving unemployment benefit, in case of illegal employment.
- It doesn't provide forecasting possibilities because of absence of Central Database of unemployed and job seekers.
- No reliable information on labour force migration exists. Department of Migration register contracts of people going abroad for work, but number of people going abroad for work illegally or without contract is tens times higher.
- Private sector now is the main “engine” of the national economy. The number of employed in this field is growing constantly. In the same time, information on employment in small and medium private firms is not available.

## **7.2. Need for the development of the labour market monitoring.**

Ensuring of population employment is the national-wide problem. This problem cannot be solved without up-to-date information system for monitoring of labour market. Information system for monitoring of labour market should provide necessary information and indicators on labour force for respective levels of administration: **national and regional**.

For creation of national information system for monitoring of labour market delimitation of responsibilities of organisation involved in collecting, processing and dissemination of indicators is necessary. At present time in this process participate following organisations:

- Ministry of Labour, Social Protection and Family (Department of Employment)
- Ministry of Economy and Reforms
- Department of Statistical Analysis and Sociology
- National Conference Patronage
- Trade Unions
- Scientific Research Institutions
- NGOs.

These organisations use different approaches to define and calculate indicators for labour market monitoring. For example, during the last years in the Republic of Moldova number of unemployed increased sharply. Utilization of the ILO methodology gives figure of 170 thousands of the unemployed in 1<sup>st</sup> half of 2000. Meantime official statistics gives 25 thousands unemployed (unemployment rate c.a. 2%). Conform Labour Force Survey in Household unemployment rate was 10.5% in the same time. Unique methodological base and definitions should be created for further development of information system for monitoring of labour market.

Information system of unemployment exists in the Department of Employment, which includes stand-alone workplaces in all judets (district) offices of Unemployment Service (annex). This system ensures processing of information for everyday activity of local offices. In this system Central Database, in which information for indicators for labour market monitoring collected, is absent.

For further development of information system for monitoring of labour market Central Databases in Department of Employment and regional level should be created.

Central Databases should contain data on:

- economic agents on local, regional and national levels;
- vacancies on local, regional and national levels with specifying profession, gender, skill level, etc.
- job seekers and unemployed, including unemployed unregistered in Unemployment Service
- peoples, who receive unemployment benefit from the Unemployment Fund
- organisations and institutions providing training and retraining services for unemployed, types of training and retraining, requirements for participants.

Software for stand-alone workplaces was development, but software for Central Database management and processing is absent. Developer of above mentioned software is Computer Centre of Ministry of Labour, Social Protection and Family. Computer Centre has certain potential (human, know-how, etc.) for further development of information system.

For further development of information system infrastructure should be created, software should be developed and tested on pilot objects. Department of Employment, local unemployment offices in Kishinev, Cahul, Balti could be used as pilot objects.

## **Annex. Informational System of the Department of Employment (Ministry of Labour). Equipment distribution.**

№	Subdiviziunea	Server	PC	Printers				LAN
				LQ-570	LQ-1070	HP4L	HP5MP	
<b>I. Central bodies</b>								
1	Department of Employment		1	11	5	2	1	+
2	Professional orientation			2		1	1	
	<b>Total</b>		1	13	5	3	2	
<b>II. Chisinau</b>								
1	OR.CHISINAU		1	5	3	2	1	+

2	OFM CENTRAL	1	4	3	1	1	+
3	OFM RISCANI	1	6	4	1	1	+
4	OFM BUIUCANI	1	6	4	1	1	+
5	OFM BOTANICA	1	7	4	1	1	+
6	OFM CIOCANA	1	6	4	1	1	+
	<b>Total</b>	6	34	22	7	6	

### III. Raional offices

1	ANENII-NOI	1	1				
2	BASARABEASCA	1	1				
3	BALTI	1	5	4	1	1	
4	BRICENI	1	1				
5	CAHUL	5	4	1			
6	CIADIR-LUNGA	1	1				
7	CIMISLIA	1	1				
8	CALARAS	2	1	1			
9	CANTEMIR	1	1				
10	CAUSENI	1	1				
11	CAINARI	1	1				
12	COMRAT	1	1				
13	CRIULENI	1	1				
14	DONDUSENI	1	1				
15	DROCHIA	1	1				
16	COCIERI(DUBASARI)	1	1				
17	EDINET	2	1	1			
18	FALESTI	2	1	1			
19	FLORESTI	1	1				
20	GLODENI	2	1	1			
21	HINCESTI	1	1				
22	IALOVENI	1	1				
23	LEOVA	1	1				
24	NISPORENI	1	1				
25	OCNITA	1	1				
26	ORHEI	3	2	1			
27	REZINA	1	1				
28	RISCANI	1	1				
29	SINGEREI	2	1	1			
30	SOROCA	3	2	1			
31	SRTASENI	2	1	1			
32	SOLDANESTI	1	1				
33	STEFAN-VODA	1	1				
34	TARACLIA	1	1				
35	TELENESTI	1	1				
36	UNGHENI	2	1	1			
37	VULCANESTI	1	1				
	<b>Total</b>	1	56	19	37	1	
	<b>TOTAL by the DE Information System</b>	8	103	46	47	9	