

AN ANALYSIS OF SOCIAL AND LABOR MARKET INDICATORS IN THE REPUBLIC OF MOLDOVA IN THE PERIOD 2006-2022

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DOI: <https://doi.org/10.36004/nier.cecg.II.2024.18.06>

Abstract. Topic importance is revealed in the framework of extremely strong and outright regional games such as the outbreak of war in Ukraine in the spring of 2022. Thus, understanding the regional assets, but also the shortcomings, can make the difference between regional winners and losers. The social and labor market indicators can describe the social framework for the manifestation of these pressures and can reveal the strong, but also less positive points of the Republic of Moldova. The analysis of some social and labor market indicators from the Republic of Moldova in relation to the average of other countries in the European Neighborhood Policy-East (ENP-E), but also, where it can be, compared to the EU average, represents **the purpose** of this study. **The methodology** reflects the comparative analysis of several social and labor market indicators, based on statistical data, for the 2006-2022 period of Eurostat, channeling mainly the ENP-E regional statistical data. **The results** outline the additional efforts that must be made for a better integration of the Republic of Moldova into the social framework of the European Union with 27 states.

Keywords: employment, education, inequality, ENP-E

JEL: F16, I24, I25, J21

UDC: 316+331.5](478)

Introduction. In the context of the war in Ukraine and the persistent need to protect the left flank of the European Union, the discussion about cooperation beyond the current borders of the EU, through the analysis of the labour market in the countries analyzed within the European Neighbourhood Policy-East (ENP-E). Although the results follow in particular the course of the Republic of Moldova in the period 2006-2022 regarding the labour market, the analysis will reflect comparisons and comments in relation to the ENP-E average and the EU27 average.

Literature review. The literature abounds in studies of the labour market, but few studies focus on regional developments and especially on ENE-P countries (Eurostat, 2020). The labour markets of the Eastern European bloc from the initial historical perspective are characterized in particular by the communist past, by the decrease in participation rates, by the lack of open unemployment, by the decrease in production, by high levels of unionization, but also by a low degree of protection

against unemployment, and the subsequent restructurings created problems in absorbing the workers laid off from the state, imposing a gradual approach to reforms in order to keep unemployment under control (especially long-term and among young people) (Boeri, 1999; Knogler, 2001; Rutkowski, 2006; Ferragina and Pastore, 2008; Lehmann & Muravyev, 2010).

In order to obtain high employment rates, proactive policies of the labor market, a low degree of institutional rigidity, but good legislation for the protection of the labour force, flexible regulations for the bridge market, but also an efficient and intelligent distribution of unemployment benefits are important, the solutions being particularized with each specific labour market and often requiring EU27 community funds (Elhorst and Zeilstra, 2007; Lippert, 2007; Rovelli and Bruno, 2008; Savić & Zubović, 2014).

Research methodology. The analysis is based on a comparative study of the data for the Republic of Moldova, the average of the European Neighbourhood Policy-East (ENP-E) countries and the EU27 average to highlight the current developments, the data focuses on the period 2006-2022. ENP-E countries are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The monitored indicators are the labour market, education and general social indicators, such as: Employment and employment rates 20-64 years old by sex [enpe_lfsa_ergan__custom_11786192], Employment growth (domestic concept) [enpe_nama_10_pe__custom_11612986], Unemployment rate by sex and age [enpe_lfsa_urgan__custom_12878733], Labour productivity in GDP (constant prices) per person employed [enpe_nama_10_lp__custom_11613179], Consumer price index [enpe_cpi__custom_11785445], Average nominal monthly wages and salaries [enpe_wg_m__custom_11786321], Income quintile share ratio - S80/S20 [enpe_ilc_di11__custom_11786417]. after social transfers, income per month [enpe_ilc_li01__custom_11786532] and Early leavers from education and training aged 18-24 by sex [enpe_edat_lfse_14__custom_11786000]. Presented in a regional context, the article wants to highlight the elements of the gap between the current results for the Republic of Moldova and the ENP-E and EU27 average. At the same time, where possible, comparative comments will also be made in relation to Romania, in order to see the positive or negative gap in relation to the two countries. It should be noted that the data between ENP-E countries and the EU27 average are not perfectly comparable and should be viewed with caution because they are obtained from distinct indicators with different methodological adaptations. The indicators also reflect the possibilities of achieving sustainable development objectives beyond the social sphere and the possible implications of the analyzed indicators on the general economic, social and political perspective of the Republic of Moldova.

Main results. The COVID-19 pandemic has somewhat desynchronized the labour market parameters at the European Union level from the established targets. Thus, the EU2020 target for the employment rate of 75% is not reached in 2022 even for the EU average, and countries or regions that have constantly had problems regarding formal integration into the labour market have also experienced slight falls in the indicator in 2020 and returns difficult at the level of 2022.

Thus, if we look at the employment rate indicator for the population aged 20-64 for the Republic of Moldova, we notice that it is behind the ENP-E average and far behind the EU27 average over the entire analysis period (2006-2022), being behind all ENP-E states individually (see Figure 1). It should be noted that countries such as Belarus (with an average employment rate over the period of 76.8% of the total population), Azerbaijan (with an average employment rate over the period of 74.1% of the total population), and Ukraine (with a average employment rate for the period of 66.1% of the total population) are at the top of the employment rates, being countries with considerable natural resources and with considerable industrialization (especially in Belarus and Ukraine) as a result of the communist past. At the same time, almost all ENP-E countries have an extremely developed agricultural field (especially in Azerbaijan, Georgia, Armenia and Moldova) and services in which self-employment works very well, although with a tempering of the trend of the self-employment rate during the analysis period. Thus, for example in 2019 the share of self-employment and family work was 66.7% of the total workforce in Azerbaijan, 49.7% in Georgia, 33.5% in Armenia, and in the Republic of Moldova 22.2%, with rates lower however in Ukraine (16.5%) and Belarus (4.3%), compared to an EU average of only 13.2% (Eurostat website, article on ENP-E, see bibliographic notes). Also, there are some differences regarding the participation of men and women in the labor market, gender differences being observed especially for the Republic of Moldova and Ukraine, with a particular impact on women's work compared to the EU average where the increase in activity rates was much higher for women than for men during the analysis period (Eurostat website, article on ENP-E, see bibliographic notes).

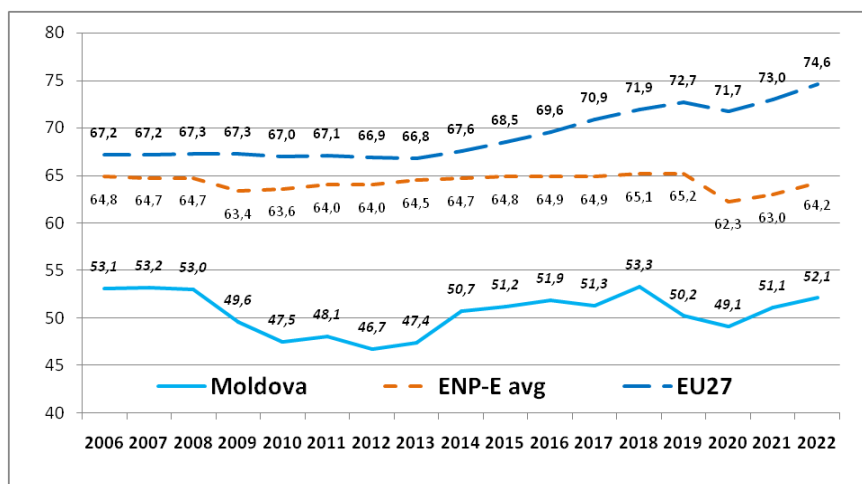


Figure 1. **Employment and employment rates 20-64 years old by sex for Republic of Moldova, ENP-E average, and EU27 average (% of total population)**

Source: Eurostat, author processing

In Figure 2, if we look at the increase in employment, we notice that, although the Republic of Moldova presents an indicator close to the ENP-E

average, nevertheless it is almost constantly below this average and with substantial collapses in 2009, 2014, 2019 against the background of various global and regional but also specific internal crises (e.g. 2014 - the crisis due to bank fraud). Thus, the recommendation that may come is the imposition of some measures to stabilize employment over time and a better resilience of the active and passive social protection policies of the population.

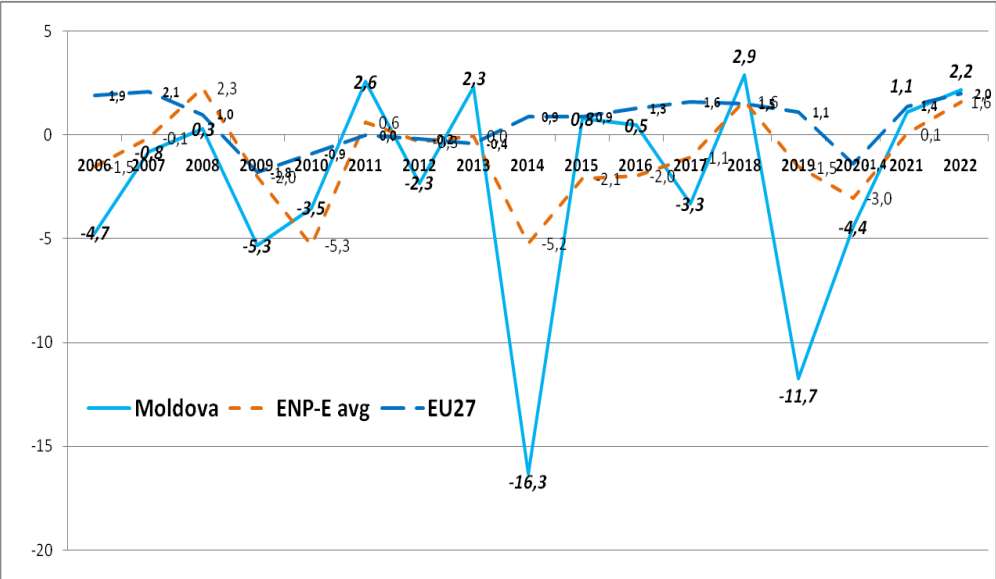


Figure 2. **Employment growth for Republic of Moldova, ENP-E average, and EU27 average (%)**

Source: Eurostat, author processing

Over the analysis period 2006-2022, unemployment rates in ENP-E countries are generally high compared to the EU27 average (8.9%), especially Armenia (37.7%) and Georgia (36.2%) show the highest high unemployment rates. The Republic of Moldova presents a downward trend of the indicator throughout the analysis period, with relatively more substantial reductions even before global, regional or national crisis moments. Also, Republic of Moldova is registering long-term unemployment (1.4% on average per period), both for men as well as for women, substantially lower (along with Belarus, by 0.4%), compared to the rest of the analyzed ENP-E countries, situation similar for youth unemployment rate (From 15 to 24 years). Cyclical economic changes seem to affect especially the long-term and youth unemployment rates than the general unemployment rate, this proves that there is a significant underlying resilience regarding the unemployment rate in the Republic of Moldova compared to the results of the ENP-E countries.

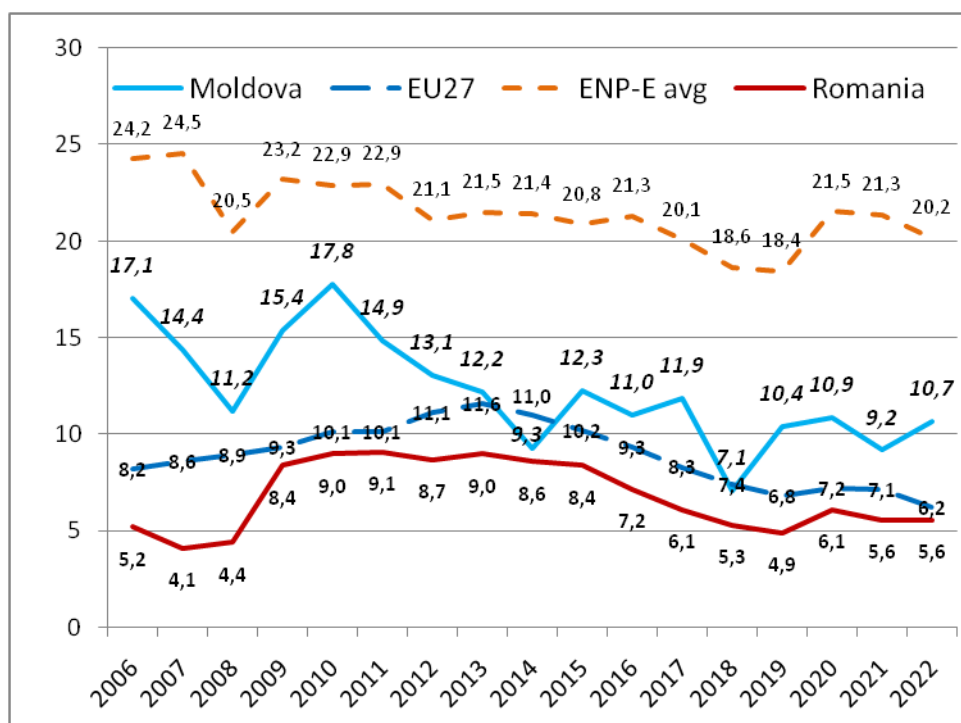


Figure 3. **Unemployment rate by sex and age for Republic of Moldova, ENP-E average, and EU27 average (rate)**

Source: Eurostat, author processing

During the analysis period 2006-2022, labour productivity in the Republic of Moldova is almost constant above the ENP-E average and the EU27 average, except for the moments of crisis (2009, 2012, 2015, 2018, 2020, 2022), emphasizing, however, that the resilience of the indicator is low in extremely difficult economic times (see *Figure 4*). This situation can also be explained on the basis of a substantial inflation, generally above the EU27 average but below the ENP-E average, inflation that affects both companies' profits and personal incomes, reducing the inclination to work (see *Figure 5*).

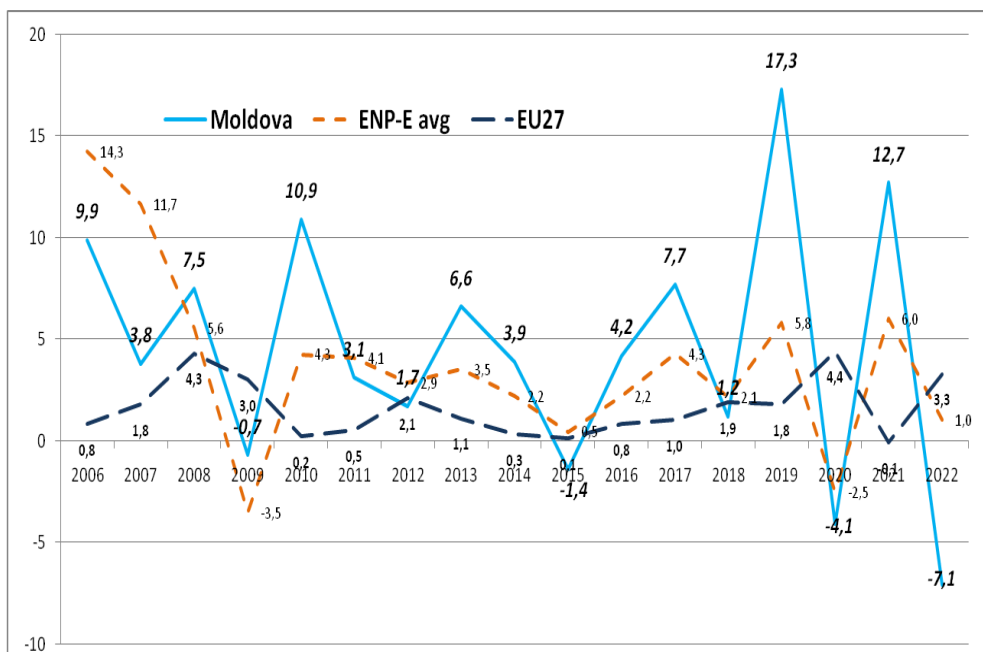


Figure 4. Labor productivity in GDP (constant prices) per person employed for Republic of Moldova, ENP-E average, and EU27 average

Source: Eurostat, author processing

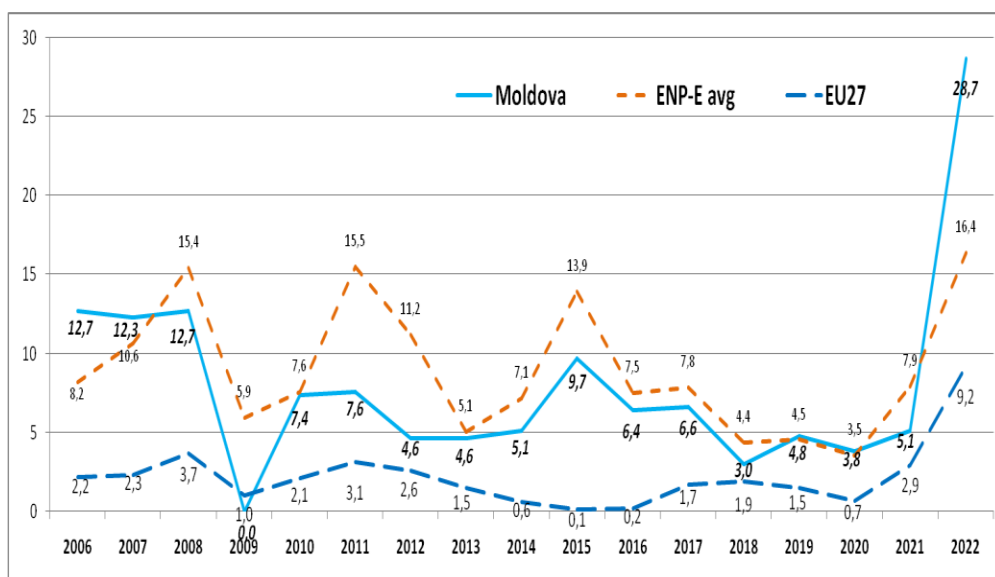


Figure 5. Consumer price index for Republic of Moldova, ENP-E average, and EU27 average

Source: Eurostat, author processing

Average nominal monthly wages and salaries is an acute indicator showing the extremely low level of nominal net wages in the Republic of Moldova, being until 2020 constantly below the ENP-E average and incomparably below the EU27

average (calculated on the basis of the Annual net earnings - One-earner indicator couple with two children earning 100% of the average earnings).

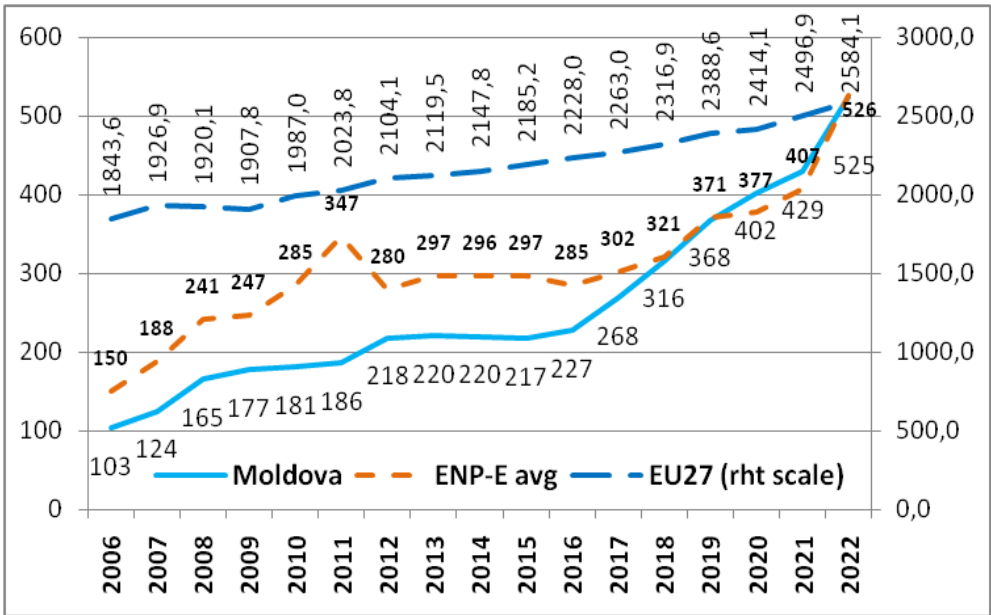


Figure 6. **Average nominal monthly wages and salaries in euro for Moldova, ENP-E average, and EU27 average**

Source: Eurostat, author processing

The salary indicator can be accompanied by an indicator that shows the inequality of income distribution - income quintile share ratio or the S80/S20 ratio. Thus, we see that although it is similar to the ENP-E average and, to a lesser extent, the EU27 average, the indicator income quintile share ratio or the S80/S20 ratio for the Republic of Moldova clearly shows some disconnection from the regional trend for the period 2013-2019, emphasizing that regional crises (the abusive takeover of Crimea in 2014 by Russia) and especially national crises (the internal banking crisis of 2014) can seriously affect the reduction of social inequality and especially income inequality for the population of the Republic of Moldova (see Figure 7).

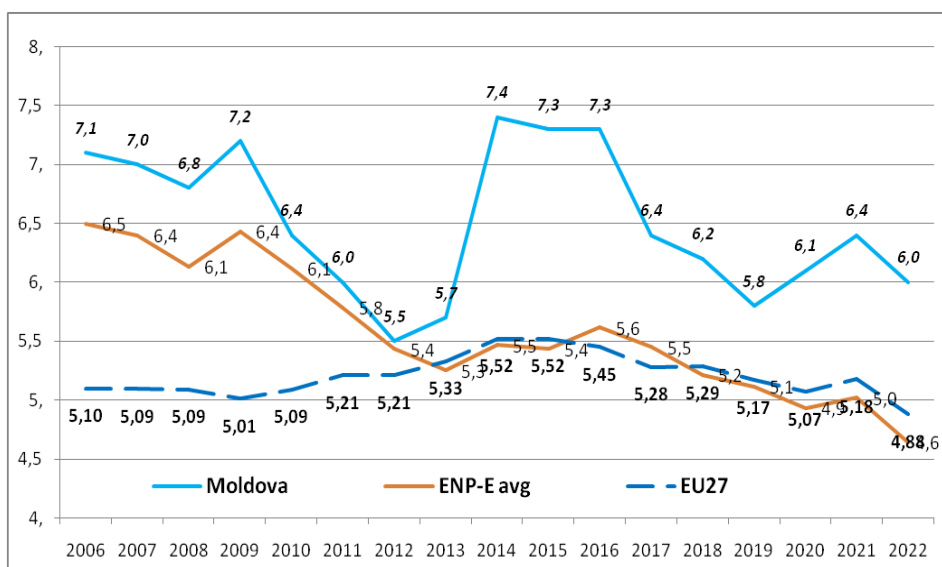


Figure 7. **Income quintile share ratio - S80/S20 for Moldova, ENP-E average, and EU27 average**

Source: Eurostat, author processing

The decoupling from the regional trend can also be seen for the indicator relative poverty threshold after social transfers, income per month (in euro) for Moldova, which for the period 2012-2018 was constantly below the ENP-E average, although with a slight recovery in period 2019-2022.

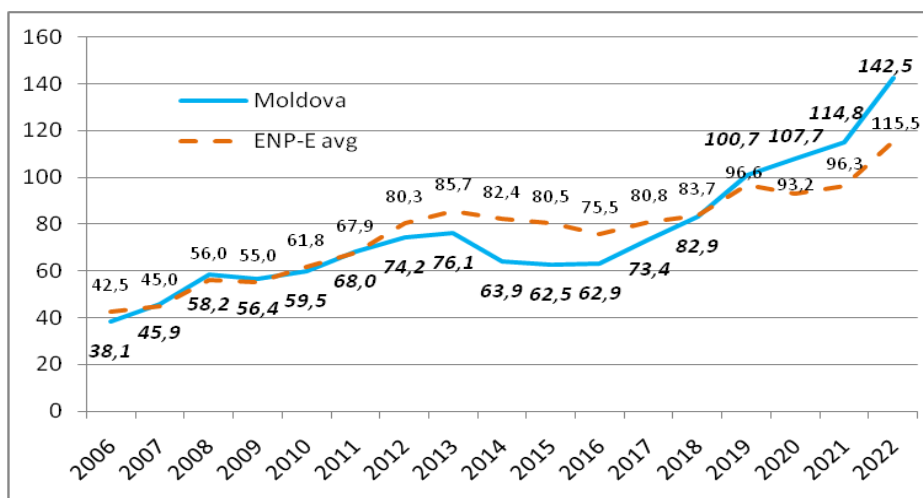


Figure 8. **Relative poverty threshold after social transfers, income per month for Moldova and ENP-E average (euro)**

Source: Eurostat, author processing

Thus, social and labour market policies insufficiently correctly projected on the needs of citizens are doubled by unsatisfactory policies regarding the education and training of young people. Thus, the Early leavers from education and training

aged 18-24 indicator for the Republic of Moldova (as well as Romania) shows the lack of interest in attracting young people to school, and subsequently to the workforce.

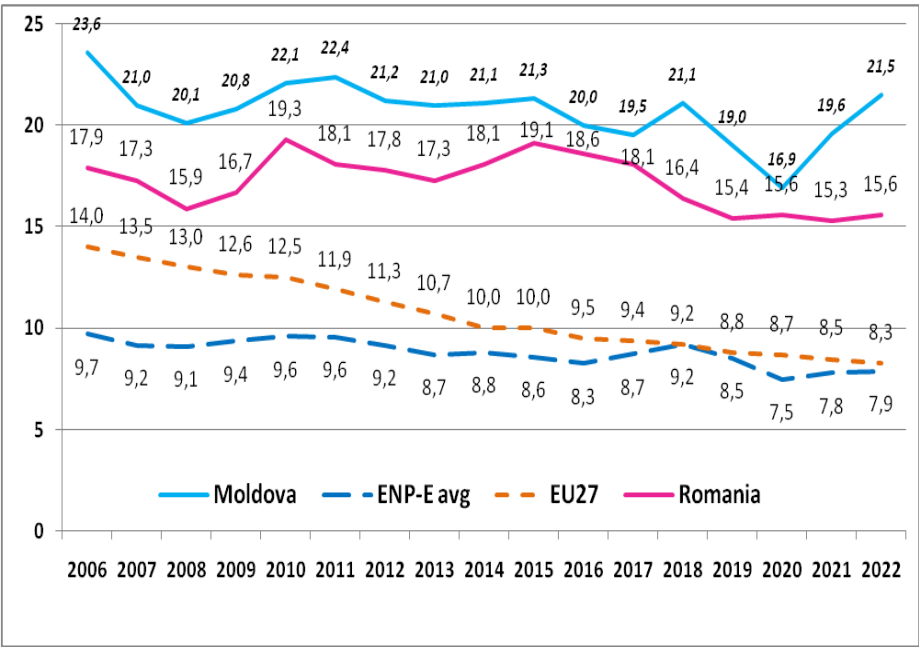


Figure 9. Early leavers from education and training aged 18-24 by sex
Source: Eurostat, author processing

Discussion and conclusions. The regional context is very rarely followed by studies, although there is a rich literature on the subject. Thus, the article emphasizes that for successful integration in the EU27 it is important to combine the existing data at the level of the European Neighborhood Policy-East (ENP-E) states with those at the European level of EU27. In this sense, the article aims at the comparative analysis of the labour market situation and some social and other contextual indicators in the Republic of Moldova with the ENP-E average and the EU27. The results point to substantial gaps regarding: employment, wages, income inequality, the poverty threshold and school dropout - between the Republic of Moldova and the ENP-E average and that of the EU27.

In times of crisis, it is crucial for the labour market to maintain attachment to work and to strengthen jobs, to protect and save the employee during the crisis and not necessarily to save the job, as well as to constantly adjust the skills of employees to match the rapid changes and labour market shocks.

Although, in particular, within a well-consolidated labour market such as in the EU27 (or more specifically in the euro area), efforts are being made to find ways to make work more flexible, however, atypical work is not always what can solve the problem.

Atypical work, while increasing the versatility and flexibility of the labour market, generates a sharing or segmentation of the labour market and sometimes

masks an increase in precarious, low-paid work for certain groups of workers without contracts, part-time contracts, self-employed or contract workers temporary. In times of crisis, atypical work can provide temporary solutions for employees, but it can expose them to substantial risks of poverty, limited access to social protection and long-term insecurity from work, especially for already disadvantaged categories (women, single people, disabled people, people with other people in care). Thus, in this context, knowing that generally women bear these family burdens, atypical work can generate an even greater gap between women and men (Eurofound, 2024).

Education also plays an important role for a strong resistance of the labor market in difficult times. A good training offers greater chances of keeping or finding a job than in the case of employees with primary or secondary education, the impact on employment at the level of these types of employees being more pronounced in periods of crisis, a fact also attested by Eurostat data and studies Eurofound.

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