

ANALYSIS OF THE COMPETITIVENESS OF LABOUR MARKET IN THE REPUBLIC OF MOLDOVA

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Abstract

Actuality of research the particularities of labour force market and its interrelation with processes taking place in economy, demography and social sphere increases. Globalization of the world economy and growing integration processes in Europe, population decline, ageing and migration of working-age population, as well as transition of the Republic of Moldova to market economy have aggravated existing problems and added new ones in the context of labour market competitiveness, both at internal and external levels. The process of transformation and adaptation to changes both in the economy and in its derivative segment or labour market are lengthy and have specific particularities and difficulties. This paper presents the research results of the impact of the principal factors the demographic and socio-economic nature that influence the sustainability of labour market development and its competitiveness. In particular, it evaluates the impact of demographic factors on the labour force reproduction and the increase in the demographic dependency on the working age population, as well as the impact of factors of socio-economic nature, motivation for labour activity, increase in economic activity and employment. Low wages and an imperfect legislative and normative framework in labour relations created the preconditions for search and developing illegal (informal) employment, providing additional opportunities of job placement with flexible working regime and receive higher incomes. The research is based on statistical data and calculated secondary indicators using the population of usual residence. The suggestions for improving the situation on labour market and increasing its competitiveness were elaborated on the basis of the obtained results.

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Key words: labour market, demographic factors, declining and ageing population, labour migration, wages.

JEL Classification: E24; J18; J21; J31; J60.

1. Introduction

The labour market is a fundamental factor of socio-economic development of any state, including the problem of competitiveness, balancing and flexibility of labour market and protection of its workers becomes of particular actuality. One of the principal factors in the conceptual theory of labour market competitiveness is satisfaction of market demand for labour force, which, in turn, corresponds to the requirements for both quantity and quality of labour performed, which is established in the process using and exchanging of labour force. Labour market is a public socio-economic, institutional and organizational mechanism, that regulates the forms and level of economic activity of working-age population, labour remuneration and labour income, as well as the volume and structure of the necessities in labour force and its services. Equilibrium or balance in labour market reflects the equality of supply and demand of labour force, in case of labour force deficit and unemployment the situation in labour market is characterized as “non-equilibrium”. The functioning of labour market means the realization of its functions, which are conditioned by the interrelations and interactions of the different types of elements, its subjects of institutions. Labour market is a derivative of economic development and, in turn, it influences on economic development through the distribution of public labour by types of economic activities.

The demographic (decline of population and its ageing, migration and, as a consequence, change in its age-sex structure), socio-economic, institutional, natural-climatic factors, the

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international environment and the domestic political situation in the country, personal characteristics and orientations, values and attitudes of the worker affect on the functioning of labour market. At the same time one more notion emerges - the labour market model, which gives a systematic view of the existing mechanism of its functioning and regulation in the country, including its quantitative and qualitative characteristics, their dynamics and level of realization. The basis or the essence of the model consists its main components - demand and supply of labour, price of labour (employee's wages). The actuality of research the particularities and development of labour market is connected to the objectives of building a socially-oriented economy in the Republic of Moldova in conditions of globalization of the world economy and growing integration processes in Europe, as well as processes of population decline and its ageing and migration of working-age population. On the basis of the above-mentioned the evaluation of modern labour market in the Republic of Moldova is presented.

2. Purpose of the research, data and methods applied

The purpose of the research is to analyse the impact of factors on the sustainability, balance of the national labour market and, as a consequence, to ensure its competitiveness. In the process of research the methods of study the scientific literature and legal document, comparative analysis, analysis and synthesis, evaluation of measurement and analysis of empirical data, generalization, concretization, monitoring, formalization (reflecting of results, conclusions) were used.

In order to achieve the study's objectives, a complex and systemic approach was used, as well as scientific methods, including quantitative and qualitative analysis, graphical analysis, authors' calculations, etc. Official statistical data from the National Bureau of Statistics of the Republic of Moldova, Ministry of Labour and Social Protection, National Social Insurance Fund were used in the analysis, as well as some indicators necessary for the study were calculated by the authors. When calculating the indicators, the number of the population with usual residence was used, defined as the place where a person lived predominantly during the last 12 months indifferent of temporary absences (for the purpose of recreation, vacation, visits to relatives and friends, business, medical treatment, religious pilgrimages, etc.).

3. Results and Discussions

3.1. Impact of demographic factors

The development of the national labour market in the Republic of Moldova in recent years has taken place in the context of population decline, migration processes and population ageing, which has become irreversible. Demographic processes affected the reproduction of working-age population (labour force), the structure of labour force by age and sex, as well as its distribution throughout the country (geography of distribution, urban-rural). The population had a tendency to *decline*: as of 01.01.2019, the population decreased by 6.4% or 180.2 thousand persons as compared to 01.01.2014, and while for the year, as of 01.01.2021, the population decreased by 1.8% as compared to 01.01.2020. At the same time, for almost 30 years, since the beginning of the 1990s, the population 60 years old and over old constituted over 20% (in 1990 *ageing coefficient* it was 12.8%, in 2000 - 13.6%, in 2010 - 14.4%, in 2018 - 18.4%, and increased to 22.5% in 2020).

Table no. 1. Population, Republic of Moldova*

	2014	2015	2016	2017	2018	2019	2020	2021
Population (as of January 1), total, persons								
Including: % of total population	2,869.226	2,844.673	2,824.387	2,779.952	2,730.364	2,686.064	2,643.883	2,597.107
-under working age, 0-15 years old	19.1	19.1	19.2	19.5	19.7	19.7	19.6	19.4
-working age, 16-56/61 years old	62.3	61.7	61.1	60.1	59.1	59.7	59.1	59.4

	2014	2015	2016	2017	2018	2019	2020	2021
-over working age, 57/62+ years old	18.6	19.2	19.7	20.4	21.2	20.6	21.3	21.2
Natural increase rate of population, ‰	-0.5	-0.3	-0.6	-0.1	-1.0	-1.5	-3.8	-
Males, persons	1,375.745	1,367.311	1,359.212	1,333.392	1,305.304	1,282.755	1,262.351	1,239.905
Females, persons	1,493.481	1,477.362	1,465.175	1,446.031	1,425.060	1,403.309	1,381.532	1,357.202
Females/Males, %	108.56	108.05	107.80	108.40	109.17	109.40	109.44	109.46
Average age of population, years	37.4	37.7	37.9	38.1	38.5	38.8	39.2	-
Life expectancy at birth, years	69.3	69.4	69.9	70.8	70.6	70.9	69.8	-
Males	65.2	65.2	65.7	66.7	66.3	66.8	65.9	-
Females	73.6	73.7	74.2	74.9	75.0	75.1	73.9	-
Ageing coefficient, as of January 1, %	17.5	18.1	18.5	19.2	20.0	20.8	21.7	22.5
Males	14.5	15.0	15.4	16.0	16.7	17.5	18.3	18.9
Females	20.3	21.0	21.5	22.2	23.0	23.9	24.9	25.8

* Since 2014, data on the population with usual residence has been used.

Since 01.01.2019, the retirement age has increased and constituted 63 years for males and 58 years for females.

Since 01.01.2021 the retirement age for females has increased to 59 years.

Source: NBS data, www.statistica.md

The consequence of the above-mentioned demographic processes is an increase in the values of the population's indicators of demographic dependence. Thus, the *total index of nonworking age population* increased to 68.4 persons per 100 persons of working age. The share of young population aged 0-15 years is below 20% (19.4%) with the decline in the share of working-age population aged 16-56/61 from 62.3% on 01.01.2014 to 59.4% on 01.01.2021 and the increase in the share of population aged 57/62+ years, or from 18.6% on 01.01.2014 to 21.2% on 01.01.2021. The population's indicators of demographic dependence increased to 36 persons over working age per 100 persons of working age and the under working age index to 33 persons per 100 persons of working age.

Table no. 2. Indices of demographic dependence (demographic dependency ratio), per 100 persons of working age population, by dependent age groups, as of January 1*

	2014	2015	2016	2017	2018	2019	2020	2021
<i>Non-working age population, total</i>	60.6	62.0	63.7	66.5	69.4	67.5	69.6	68.4
<i>Population under working age</i>	30.6	31.0	31.4	32.5	33.4	33.0	33.3	32.7
<i>Population over working age</i>	30	31.0	32.0	34.0	36.0	34.5	36.3	35.7

* Working age population 16-56/61

Source: NBS data, www.statistica.md

3.2. Characteristics of labour market

The analysis of the economically active and employed population showed that the situation on labour market was more stable between 2014 and 2021, while the changes in employed population from 2019 are related to methodological changes introduced by the NBS (transition to EU standards and new methodology for the Household Labour Force Survey) and the COVID-19 pandemic crisis.

As the analysis shows, the economically active and, consequently, employed population tends to decrease, including the Employment Rate of working age population(15+), which in 2019 was only 40.1% and in 2020-2021, taking into account the impact of the pandemic crisis, was respectively 38.8% and 39.8%. At the same time, it should be noted that the unemployment rate is quite low, at 3.2% in 2021 - 3.2%.

Analyzing the employed population by types of economic activities, it can be noted that the change is insignificant - 21.5% are employed in the agricultural sector, their number increased by 0.4% compared to 2020 (in 2020 - 21.1%). Non-agricultural activity employs 78.5% of the total employed population (78.9% in

2020), including 14.4% in industry (14.6% in 2020), including 11.9% in manufacturing (11.7% in 2020), 7.7% in construction (7.2% in 2020) and 56.4% in services (57.1% in 2020). Looking at the gender gap, the largest discrepancy in non-agricultural activities is recorded in the service sector, where employed females 20.4 p.p. more than males, followed by the construction sector, where males predominate or 12.3 p.p. more, and in the agricultural sector, males employed more than females by 8.3 p.p.

Table no. 3. Principal characteristics of economically active and employed population, Republic of Moldova

	2014	2015	2016	2017	2018	2019*	2020*	2021*
ECONOMICALLY ACTIVE POPULATION, THOUSAND PERSONS INCLUDING	1,019.6	1,038	1,035.3	999.7	1,018.1	919.3	867.3	871.6
EMPLOYED POPULATION, THOUSAND PERSONS	981.5	989.1	993.7	960.8	988.5	872.4	834.2	843.4
EMPLOYED POPULATION, % OF ECONOMICALLY ACTIVE POPULATION	96.3	95.3	96.0	96.1	97.1	94.9	96.2	96.8
EMPLOYMENT RATE OF WORKING AGE POPULATION, (15+), %	41.7	42.4	43	42.4	44.5	40.1	38.8	39.8
UNEMPLOYED (ILO), THOUSAND PERSONS	38.1	48.8	41.6	38.9	29.6	46.9	33.1	28.2
UNEMPLOYMENT RATE, % OF ECONOMICALLY ACTIVE POPULATION	3.7	4.7	4.0	3.9	2.9	5.1	3.8	3.2
EMPLOYED POPULATION BY PROFESSIONAL STATUS	100.0							
- HIRING WORKERS	66.3	63.7	61.0	62.9	59.6	77.8	78.1	78.2
- PRIVATE ENTREPRENEURS (AT THEIR OWN EXPENSE)	30.6	31.7	33.5	32.7	35.7	17.6	17.2	16.7
- UNPAID FAMILY WORKERS	2.4	4.0	4.9	4.1	4.4	4.2	4.3	4.5
- EMPLOYERS, MEMBERS OF COOPERATIVES	0.7	0.6	0.6	0.3	0.6	0.4	0.4	0.6
EMPLOYED POPULATION BY TYPE OF ECONOMIC ACTIVITY, %	100.0							
AGRICULTURE, FORESTRY AND FISHERIES	23.7	23.2	24.2	22.6	39.3	21.0	21.1	21.5
INDUSTRY	13.5	13.8	13.8	13.4	11.0	14.8	14.5	14.4
CONSTRUCTION	6.1	6.2	5.8	5.4	4.6	7.0	7.2	7.7
WHOLESALE AND RETAIL TRADE; ACCOMMODATION AND PUBLIC CATERING ACTIVITIES	18.2	17.1	18.1	19.3	14.5	18.8	17.8	17.5
TRANSPORT, STORAGE; INFORMATION AND COMMUNICATION	7.1	7.2	7.2	6.9	5.5	6.9	7.4	7.1
PUBLIC ADMINISTRATION, EDUCATION, HEALTH AND SOCIAL PROTECTION	21.7	22.5	21.5	22.8	17.8	22.6	23.1	22.9
OTHER ACTIVITIES	9.7	10.0	9.4	9.6	7.3	8.9	8.9	8.9
EMPLOYED POPULATION BY FORMS OF PROPERTY, % OF TOTAL	100.0							
PUBLIC PROPERTY	25.8	26.1	23.8	25.2	22.8	29.3	29.8	28.8
PRIVATE PROPERTY	66.3	66.2	68.8	66.8	69.3	60.7	59.7	60.2
OTHER TYPES OF PROPERTY	7.9	7.7	7.4	8.0	7.9	10.0	10.5	11.0

* Based on the estimation of the indicators, the number of the population with usual residence was used. Usual residence is defined as the place where the person has lived predominantly in the last 12 months independently of temporary absences (for recreation, vacation, visits to relatives and friends, business, medical treatment, religious pilgrimages, etc.). Starting with 2019, the data are not comparable with the previous period, because the CBGC methodology has been modified.

* 2019-2020, Household Labour Force Survey (Labour Force Survey), is implemented by NBS RM according to the new survey research plan and according to the revised definition of employment.

Source: authors' calculations and NBS data, www.statistica.md

In 2021, the employment rate for males (44.7%) was higher than for females (35.4%), and by location it was 45.6% in urban and 36.0% in rural. The employment rate of working-age population (16-58 years for female and 16-62 years for male) was 50.9% and 47.5% for persons aged 15-64 years, with a low rate of 28.9% for 15-29 years.

Employment Gap between males and females is increasing due to a decrease in the employment rate of females (2014 - 5,9 p.p., 2021 - 9,3 p.p.). The employment rate before the age of 30 is decreasing, respectively decreasing in the age groups 15-24 and 25-34. The employment rates in the age groups 35-44, 45-54 and 55-64 years old began to recover in 2021. At the same time, it should be noted that the 65+ age group continued to decrease for both males and females.

The analysis of employed population in frameworks of education shows that the share of professional education is in stable demand on labour market. The share of employed population with higher education has not increased, due to a slow decline in the number of employed population with higher education.

The low unemployment rate also determines the low rates of males and females. The unemployment gap by gender is decreasing and in 2021 it reached 1.3 p.p. (Zaharov, 2021).

Table no. 4. Labour market demography

	2014	2015	2016	2017	2018	2019*	2020*	2021*
EMPLOYMENT RATE, (15+), % INCLUDING:	41.7	42.4	43	42.4	44.5	40.1	38.8	39.8
-MALES	44.8	45.3	46.1	46.1	48.1	44.2	43.1	44.7
-FEMALES	38.9	39.8	40.2	39.1	41.4	36.5	35	35.4
EMPLOYMENT GAP BY GENDER, P.P.	5.9	5.5	5.9	7	6.7	7.7	8.1	9.3
EMPLOYMENT RATE, (15+), % INCLUDING BY AGE GROUPS								
15-24	18.6	19.5	18.5	18.3	20.9	19.0	16.3	16.4
25-34	50.2	49.7	51.2	49.0	50.3	52.1	50.2	52.0
35-44	62.7	63.3	62.4	60.9	61.7	58.0	57.6	59.5
45-54	63.6	64.7	64.6	63.8	64.8	59.7	58	59.4
55-64	41.7	42.8	44.8	46	48.5	40.5	40.5	42.6
65 AND OVER	9.0	10.6	12.3	12.7	17.4	7.6	6.5	5.3
EDUCATION LEVEL – TOTAL, %	100.0							
HIGHER	23.6	23.4	23.2	23.4	22.6	27.9	28.3	27.9
SECONDARY SPECIAL	13.7	14.0	13.4	13.4	13.0	14.6	14.3	14.1
PRIMARY (SECONDARY) VOCATIONAL EDUCATION	23.9	22.5	22.2	23.1	23.3	22.7	22.6	22.7
LYCEUM, GENERAL SECONDARY	19.2	20.0	19.9	19.7	19.0	17.7	17.6	16.6
GYMNASIUM	18.9	19.4	20.7	20.0	21.4	16.7	17.0	18.5
PRIMARY SCHOOL OR WITHOUT	0.7	0.6	0.6	0.4	0.6	0.4	0.2	0.2
UNEMPLOYED (ILO), THOUSAND PERSONS	38.1	48.8	41.6	38.9	29.6	46.9	33.1	28.2
UNEMPLOYMENT RATE, % OF ECONOMICALLY ACTIVE POPULATION	3.7	4.7	4.0	3.9	2.9	5.1	3.8	3.2
-MALES	4.5	5.9	5.2	4.5	3.4	5.8	4.3	3.8
-FEMALES	2.9	3.4	2.7	3.2	2.4	4.4	3.2	2.5

Source: authors' calculations and NBS data, www.statistica.md

3.3. Wages

External dependence on energy and raw materials and the resulting economic and financial instability are the principal reasons for the low level of wages, which are the main source of income for the country's working-age population. At the same time, the wage gap between males and females is 13.6%, and the ratio of wages in budgetary and real sectors of economy is 81.2%.

Table no. 5. Wages

	2014	2015	2016	2017	2018	2019*	2020*	2021*
AVERAGE MONTHLY WAGE OF AN EMPLOYEE IN THE ECONOMY (BRUT), LEI	4 089.7	4 538.4	4 997.8	5 587.4	6 268.0	7 233.7	7 943.0	8979.8
COMPARED TO PREVIOUS YEAR, %	111.3	111	110.1	111.8	112.2	115.4	109.8	113.1
EURO	219.5	217.2	226.6	268.3	315.9	367.7	402.3	429.1
DOLARI SUA	291.3	241.2	250.8	302.2	373	411.6	458.6	507.9
BUDGETARY SECTOR, LEI	3 699.2	4 143.4	4 382.0	4 975.9	5 729.9	6 664.4	7 381.6	7828.6
COMPARED TO PREVIOUS YEAR, %	110.8	112.3	105.7	113.5	114.6	116.9	110.2	106.5
REAL SECTOR, LEI	4 238.8	4 692.3	5 237.2	5 815.5	6 459.4	7 420.4	8 135.7	9360.3
COMPARED TO PREVIOUS YEAR, %	110.9	110	112	111.3	112.5	113	110.2	114.2
WAGE GAP BY SECTOR, BUDGETARY/REAL, %	87.3	85.7	80.9	82.5	84.1	87.0	87.0	81.2
MALES, LEI	4 374.9	4 881.3	5 414.4	6 017.0	6 779.4	7 808.0	8 558.5	9672.6
FEMALES, LEI	3 831.8	4 235.2	4 631.4	5 204.0	5 800.7	6 709.8	7 387.2	8353.1
WAGE GAP BY GENDER, FEMALES/MALES, %	12.4	13.2	14.5	13.5	14.4	14.1	13.7	13.6

Source: NBS data and authors' calculations

Analysis of the Household Budget Survey data for 2021 (www.statistica.md) showed that the lowest average monthly disposable income is the income of workers employed in the agricultural sector, including farmers; its size does not even cover the subsistence level of a working-age person and the value of absolute poverty (the absolute poverty level of hiring worker is 37.9% and that of the self-employed - 35.4%). The ratio between incomes of persons in quintiles I and V evidences of social inequality (5.3 times in 2021).

Low labour earnings (wages) can be explained by the fact that in Republic of Moldova a large share of workers is maintained in agriculture, i.e. the sector with low labour productivity. At the same time, EU's countries have services and industry haw the main employment sectors, and the share of agriculture in Gross Value Added is not higher than 5%. The share of agriculture in Republic of Moldova was 11% in 2020 and the share of population employed in it is 21.5% in 2021. According to official statistics, in 2021, agriculture, forestry and fisheries contributed 4.2% to GDP growth with a share of 10.4% in GDP formation and GVA growth of 45.0% in respective activities, with a total GDP growth of 13.9% compared to 2020. The contribution of wholesale and retail trade; maintenance and repair of cars and motorcycles accounted for +2.2%, with a share of 14.9% in GDP formation and GVA growth of 14.5% in respective activities.

3.4. Republic of Moldova versus EU

A comparison of the Republic of Moldova with the European Union shows, that in EU countries the average monthly wage (gross) is much higher than in the Republic of Moldova, e.g. the amounts of wages in 2021 were: Bulgaria - 944.00 €, Hungary - 1344.00 €, Germany - 4640.00 €, Italy - 3360.00 €, Portugal - 2032.00 €, Romania - 672.00 €, Greece - 2176.00 €, Spain - 2720.00 €, Latvia - 1408.00 €, Lithuania - 1744.00 €, France - 4112.00 €.

Table no. 6. Republic of Moldova versus EU

	RM	EU
Share of total GVA (Gross Value Added) by economic activity, 2020		
AGRICULTURE	10.80%	1.80%
INDUSTRY	15.20%	19.50%
CONSTRUCTION	11.50%	5.60%
SERVICES	62.50%	73.10%
RM VERSUS EU		
EMPLOYMENT RATE (15-64), 2021, %	47.50%	68.40%
EMPLOYMENT RATE, FEMALES (15-64), 2021, %	43.80%	63.40%
GENDER EMPLOYMENT GAP (15-64), 2021, FEMALES/MALES, %	7.6 p.p.	9.9 p.p.
DEMOGRAPHIC DEPENDENCY INDICES, (POPULATION 0-14 AND ELDER PEOPLE (65+) PER 100 PERSONS AGED 15-64), 01.01.2021	49.80%	56.00%
POPULATION (65+) IN TOTAL POPULATION, AS OF 01.01.2021	14.90%	20.80%
UNEMPLOYMENT RATE (15-74), 2021	3.20%	7.00%
YOUTH UNEMPLOYMENT RATE (15-24), 2021	9.20%	16.60%
WAGE GAP BY GENDER, %	13.70%	13.00%

Source: authors' calculations and NBS data, www.statistica.md

3.5. Economically inactive population in relation to labour market

The stability and balance of labour market is influenced by both factors of natural character and factors of socio-economic nature, including the motivation of labour. At the same time, an important indicator is the ratio of economically active and economically inactive population. Thus, the share of economically inactive population prevails in the total working-age population(15+), including about 60% in the last 2 years. The number of economically inactive population significantly is exceeds the number of labour force on labour market, including most of them or 92.8% are not looking for or available for work (2021). Considering the possibility of covering the needs of labour market in labour force, the reserves to replenish the labour market is very small - it is real categories of students (13.5%), labour migrants, when they return to the country (6.4%), partly possible from other situations, but it is also all under the question.

Table no. 7. Main characteristics of economically inactive population in relation to labour market in the Republic of Moldova

	2014	2015	2016	2017	2018	2019*	2020*	2021*
ECONOMICALLY INACTIVE POPULATION, THOUSAND PERSONS	1,336.4	1,295.6	1,277.9	1,267.6	1,202.1	1,255.9	1,283.6	1,248.9
MAIN MOTIVES FOR UNWILLINGNESS TO WORK:								
- LOOKING FOR BUT NOT AVAILABLE FOR WORK	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
- NOT LOOKING FOR, BUT AVAILABLE FOR WORK	1.1	0.9	1.1	0.7	0.5	1.2	0.7	0.6
- WANTS TO WORK, BUT IS NOT LOOKING FOR AND NOT AVAILABLE FOR WORK	0.2	0.4	0.9	0.7	0.6	0.5	0.4	0.2
- NOT LOOKING FOR AND NOT AVAILABLE FOR WORK	87.4	88.0	87.8	87.4	86.5	89.7	91.8	92.8
- OF WHICH THE <i>SHARE OF PENSIONERS</i>	46.0	47.6	47.6	47.6	48.6	50.3	49.2	50.3
- WENT TO WORK ABROAD	11.2	10.6	10.1	11.1	12.3	8.4	7.0	6.3

	2014	2015	2016	2017	2018	2019*	2020*	2021*
INACTIVE POPULATION BY MAIN CATEGORIES, % OF TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
-PUPIL, STUDENT	17.6	16.7	16.7	15.5	15.0	13.1	13.4	13.5
-PENSIONER	40.3	42.0	42.0	41.8	42.1	45.1	45.2	46.7
-HOUSEWIFE	11.1	11.2	11.5	11.5	11.3	13.0	13.1	13.3
-OTHER SITUATIONS	19.8	19.5	19.6	20.0	19.3	20.4	21.3	20.1
-WENT TO WORK ABROAD	11.2	10.6	10.2	11.2	12.3	8.4	7.0	6.4
SHARE OF ECONOMICALLY INACTIVE POPULATION, % OF TOTAL WORKING AGE POPULATION**	56.7	55.5	55.2	55.9	54.1	57.7	59.7	58.9
PARTICIPATION RATE OF WORKING AGE POPULATION*** IN ECONOMIC ACTIVITY, %	43.3	44.5	44.8	44.1	45.9	42.3	40.3	41.1

**Working age population, 15+

Source: authors' calculations and NBS data, www.statistica.md

From the analysis of the data (table no. 7) can also note, that the share of inactive population, which includes labour migrants temporarily working outside the country, tends to decrease, including this is connected with the COVID-19 pandemic crisis both within the country and in the host countries (pandemic, economic, energy crises, etc.).

3.6. Impact of the informal sector on labour market

The development of private property affected the forms of employment and labour relations between employers and employees: in 2021 the share of employed population in structures with private property was 60.2%, and with state property - 28.8%, or 31.4 p.p. less. In 2021, undeclared work was 6.6%, or practically at the level of 2020 (6.5%). The largest shares of workers employed informally were registered in agriculture (58,0%), construction (13,3%), trade (10,0%), industry (7,1%). The share of those employed in the informal sector in 2021 was 16.9% of those employed in the economy (in 2020 - 16.7%), and 22.8% had informal jobs (in 2020 - 22.4%), of those employed informally, 23.8% were hired workers. In the non-agricultural sector informal employment amounted to 11.3%, of which the largest share was registered in construction (65.1% of the total number of those employed in this sector). As it follows from the analysis, 6.9% of the total number of employed had informal work and at the same time received a wage "in an envelope", and these are mainly employed in agriculture (57.9%), construction (13.2%), trade (10.3%) and industry (7.3%). The share of workers for whom the employer does not remit mandatory social insurance contributions, depriving them social protection, including insurance in case of unemployment and future pensions, is 96% of the total number of employees in informal sector.

Table no. 8. Dynamics of informal employment, %

	2014	2015	2016	2017	2018	2019*	2020*	2021*
Share of informal working places - total, % of total number - including by types of economic activity, % of total number for this type	33.5	36.6	38.3	37.0	39.7	23.1	22.4	22.8
Agriculture, forestry and fisheries	77.4	82.5	82.3	82.5	82.9	64.3	65.7	65.0
Industry	6.3	6.0	6.4	5.0	4.8	5.6	4.3	4.0
Construction	59.3	62.6	58.6	60.0	61.3	64.0	65.4	65.1

	2014	2015	2016	2017	2018	2019*	2020*	2021*
Wholesale and retail trade, accommodation and public catering activities	15.8	15.6	16.0	15.3	12.8	11.7	8.2	8.6
Transport, storage, information services and communication	10.4	11.7	14.6	9.4	9.0	9.0	7.5	8.1
Public administration, education, health and social protection	0.3	0.5	0.6	0.3	0.6	0.2	-	0.3
Other activities	14.3	14.3	15.7	17.3	18.4	16.1	13.1	12.2
Share of workers for whom the employer has not paid mandatory social insurance contributions, % of total number of employees in informal sector	91.7	86.9	87.3	87.2	90	93.9	95.7	96.1

Source: authors' calculations

3.7. Labour migration

The number of labor migrants in the republic has a sustainable tendency to decrease, which continued during the pandemic. The share of labour migrants in the inactive population is gradually decreasing (2021 - 6.3%).

Analysis of labour migration by age groups showed that young people under 34 years old constitute the main share of migrants. Labour migration is practically absent at the age of 60 and over. The level of professional education of labour migrants is lower than the corresponding level of the employed population, confirming that the main place of work of labour migrants abroad are working places not requiring high qualifications, including in agriculture and construction.

Table no. 9. Labour migration

	2014	2015	2016	2017	2018	2019*	2020*	2021*
WORKING AGE POPULATION (15+) WENT ABROAD IN SEARCH OR FOR WORK, THOUSAND PERSONS	149.8	137.2	128.8	140.6	147.4	105.9	90.4	79.0
SHARE LABOUR MIGRANTS FROM ECONOMICALLY INACTIVE POPULATION-TOTAL, %	11.2	10.6	10.1	11.1	12.3	8.4	7.0	6.3
LABOUR MIGRANTS BY AGE GROUPS, % OF TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15-24	27.7	23.9	24.4	18.5	18.9	19.2	19.4	17.6
25-54	68.3	71.7	71.1	76.0	76.3	75.8	73.4	75.6
55 +	4.0	4.4	4.5	5.5	4.8	5.0	7.2	6.8
LEVEL OF EDUCATION OF LABOUR MIGRANTS, % OF TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
HIGHER	10.1	11.4	11.8	13.0	10.5	12.0	13.8	11.8
SECONDARY SPECIAL	11.0	9.3	10.5	10.4	9.8	12.7	11.3	10.4
PRIMARY(SECONDARY) VOCATIONAL EDUCATION	26.9	27.0	22.2	26.3	28.5	28.1	31.9	28.5
LYCEUM, GENERAL SECONDARY	21.9	24.1	25.3	22.0	21.6	17.2	15.7	17.8
GYMNASIUM	29.5	28.0	30.1	28.0	29.0	29.9	27.2	30.2
PRIMARY SCHOOL OR WITHOUT	0.6	0.1	0.1	0.4	0.6	0.1	0.1	1.3

Source: authors' calculations and NBS data, www.statistica.md

4. Conclusions

At present the national labour market is in a difficult situation, including as a result of demographic factors (population decline and ageing), structural transformation of economy due to the pandemic crisis, labour migration of professionally trained labour force, the prevailing share of economically inactive population, illegal employment and a number of other factors. Changes in country's labour market are influenced by global tendencies in neighboring countries as a result of the COVID-19 pandemic, rising of energy resources prices, tighter monetary policy as a result of anti-Russian sanctions, accelerating automation and the growing popularity of remote work and changes in the supply-demand structure of labour force in labour market.

As a consequence of influence the factors of socio-economic character, labour motivation, the ratio of economically active and economically inactive population is directed in favor of the prevailing share of inactive population (up to 60% or more). So, in 2020-2021 in this category up to 92-93% of the population, who not only do not search, but also do not want to work (the share of pensioners in this category in 2021 was 50.3%). From the analysis of labour market' indicators it follows that the participation rate of working-age population in economic activity, since 2018 decreased to 41.1% in 2021, or the lowest for 2014-2021. Coefficient of employment of working-age population in 2019 was 40,1%, in 2020-2021 it decreased to 38,8% and 39,8% respectively, male - 44,7% and female - 35,4%, in urban - 45,6%, and in rural 36,0%.

In 2021, undeclared work was 6.6%. The predominant share of informally employed persons is characteristic for agriculture (58.0%), construction (13.3%), trade (10.0%), and industry (7.1%). At the same time, out of those employed informally, hired workers constituted 23.8%. In 2021 6.9% of all employed people had informal work and received a wage in "an envelope", inclusive the biggest shares of them being in agriculture (57.9%), construction (13.2%), trade (10.3%). The practice of hiring without concluding individual labour contracts (on the basis of verbal agreements), which is specific to informal employment, is more common among male than among female and is also more common in rural than in urban.

An important factor in motivating labour is labour earnings, including its main component - wage, the low level of which is the reason for the existence of such phenomena as informal employment, labour migration. In 2021, the average monthly wage increased by 13.1% compared to the previous year, but taking into account the increase in the consumer price index, its growth was 7.6%. The wage gap between male and female is 13.7% and the ratio of wages in the budgetary and real sectors of the economy is 81.2%. In 2021 every second hired employee received an average monthly wage of less than 7 000 MDL, 22,8% had an average monthly wage within the limits of 7-10 000 MDL, 15,4% - an average monthly wage within the limits of 10-15 000 MDL, and only 11,3% had wage higher than 15 000 MDL. As a consequence, the low level of labour income, economic and financial instability, increased risk of poverty of the population engaged in economic activities (the absolute poverty rate of employees in agricultural sector in 2021 was 35.1% with the national average of 24.5%) are the principal reasons for labour migration processes, the majority of which (63% and more) are from rural.

Consequently, considering the above mentioned, the conditions of economic, social and demographic instability (including both internal and external), imbalance of supply and demand on labour market of the Republic of Moldova give the possibility to characterize the present situation as a crisis one and not as a condition of its sustainability, stabilization (from latin - stabilis), and competitiveness of labour market on internal and external plans in conformity with the accepted conceptual basis and corresponding criteria.

In order to improve the situation on labour market and increase its competitiveness, the following is proposed:

- improving the quality of labour force, first of all, its professional skills, IT skills, taking into account the involvement of social partners in financing the training of workers, including subsidizing the training costs of labour force, as well as low-wage work places in order to involve the youth and elderly of working-age population in labour market based on the implementation of the EU experience;

- expanding the scope of regime of flexible schedule of working time, which will allow combining different activities through part-time work, increasing the sources of labour income and other advantages for labour force development, child education or other requirements. This measure will also contribute to stimulating a reduction in illegal employment;

- improving the remuneration system by linking it more closely to the quality, complexity and volume of work performed, raising the minimum wage, implementing new forms and systems of remuneration taking into account the experience of EU countries, including the use of criteria for evaluation the quality of labour and employment standards by type of economic activity and ILO standards;

- ensuring a balance between the growing cost of labour, social protection of workers and maintaining the competitiveness of products and services;

- improvement of the normative legal basis (Labour Code of the Republic of Moldova, 2003) in the sphere of labour and employment, taking into account new forms of employment in conditions of development of IT-technologies, informatics;

- elaboration of programs for creating and promoting a diversified economy based on the development of innovative and productive objects, the integration of the scientific and educational complex, the subjects of entrepreneurial activity and institutional structure for the state regulation of labour market;

- raising the role of the National Employment Agency and its regional offices in increasing the employment rate and the efficiency of the use of labour, regulating the territorial mobility of labour force on the basis of operative interaction with economic agents, including in the placement of unemployed and returning migrant workers, programs on professional training and training in new professions, as well as in the elaboration of forecasts for labour market and the requirements for labour force in the medium term;

- improving social protection of employed population, including effective family policies in field of access to medical services (including the creation of conditions for more full employment for women with children on labour market), access to education, and activation of social partnership and the activity of the 3-sided Commission at national and territorial level to protect labour relations on labour market, creating healthy working conditions to ensure the working age abilities of employed population throughout their professional activities.

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