

REGIONAL ASPECT OF LABOUR MARKET: THE CASE OF MOLDOVA

Associate Professor Researcher, Ph.D. Galina SAVELIEVA

National Institute for Economic Research, Republic of Moldova

E-mail: savelievagalina@rambler.ru

Scientific Researcher Svetlana ZAHAROV

National Institute for Economic Research, Republic of Moldova

E-mail: zaharov.svetlana@yahoo.co.uk

Abstract: *The problem of population economic activity in the Republic of Moldova is actual in the conditions of population decline, population ageing and labour migration processes. The economic activity rate of work age population decreased by 2.1 percentage points(p.p.), and the employment rate, respectively, by 2.0 p.p., while the number of employed population decreased by 43.5 thousand people. At the same time, it should be noted that the share of employed population in economically active has practically not changed and amounts to 96%, that is, the average unemployment rate for this period varied between 4-5%. However, if we analyze the involvement of work age population in the regional aspect, then there are differences in these indicators, which is associated with the possibility of being employed, the existing socio-economic infrastructure, age-sex structure of population and other factors. Therefore, the evaluation of demo-socio-economic processes impact on labour market formation has of scientific and practical importance for determining the main strategic directions of stable long-term development of the country, which determines the actuality of topic. The purpose of research is to analyze the regional characteristics of labour market in conditions of changes in age-sex structure of labour market, the motives for the presence of non-working population that is not involved in labour market for any reason, including the youth of NEET, employment in urban-rural aspect, including the tendencies in labour market changes mun. Chisinau in regional aspect (mun. Chisinau, Center, South, North). Such methods as analysis, synthesis, induction, deduction, grouping, and a systematic approach will be used in the process of research. As a result of research, recommendations have been made to improve the efficiency of employment policies of work age population, which can be used by public officials, as well as students, doctoral students, and scientific researchers.*

Keywords: *labour market, employment, work age and economically active population, indicators of population participation in economic activity (15 years and more), underutilization of labour force.*

JEL Classification: *J21, O18.*

1. Introduction

One of the high-priority objective in any state is economic growth stimulating and maintaining a stable and optimal level necessary for the socio-economic development of the country. Economic growth implies quantitative and qualitative changes associated with production, including the functioning and development of a competitive labour market both in the country as a whole and in its individual regions. At the same time, the imbalance in economic and social development of regions impacts on formation and functioning of both local and national labour markets. Despite the fact that mun. Chisinau is a key center characterized by a higher level of economic development, social infrastructure, capital investments; the existence of professional personnel and workplaces compared to other territories, nevertheless this does not exclude the presence of serious problems in labour force applying and labour market development. Changes in economic and social life of cities and urban centers of the country, the destruction of socio-economic infrastructure as a result of structural reforms, the impact of economic crises and other external and internal factors, led to the deformation of local labour force markets, which affected on labour market mun. Chisinau. It is confirmed by data from the analysis of main indicators characterizing the presence and use of working population in labour market.

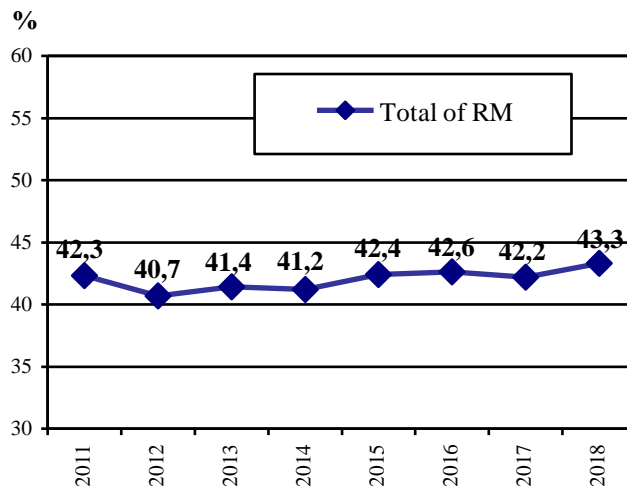
2. Data and methodology

The research approach was based on date of National Bureau of Statistics of the Republic of Moldova for the period 2011-2018.

3. Results

Effective using of working-age population in labour market is one of indicators of competitiveness of a country's economy and the opportunities for its innovative development. One of the common indicators in this area is the economic activity rate with differs by regional aspect (Fig. no. 1).

a) total of RM



b) by region

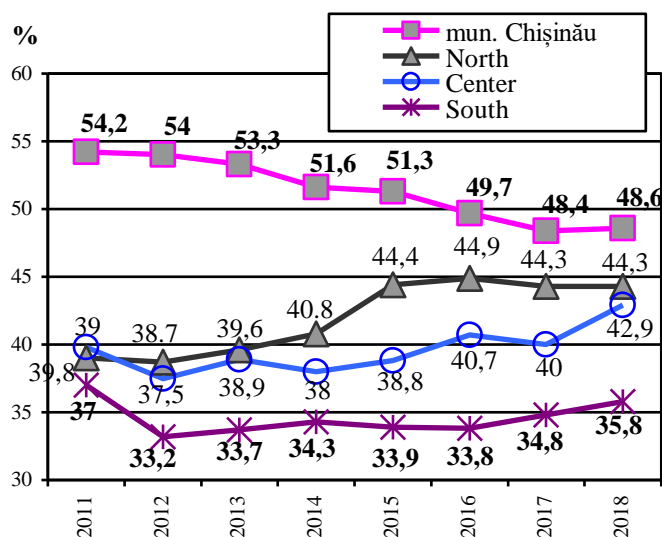


Figure 1. Economic activity rate of population (15+) total, by region, 2011-2018, %
Source: elaborated by the authors on the basis of NBS RM data, www.statistica.md

The analysis of economic activity rate shows that in 2018 this indicator tended to increase compared to the previous year both in the Republic of Moldova as a whole (by 1.1 pp) and in regions, with the highest growth recorded in Central Region (by 2.9 pp), but in the Central and Southern regions the values of the above indicator are lower than the national average. The economic activity rate by gender is presented in Table no. 1.

Table 1. The economic activity rate of population (15 years +) by region, by gender, 2011-2018, %

	2011	2012	2013	2014	2015	2016	2017	2018
<i>Male</i>								
Total	45.6	43.5	44.5	44.1	45.1	45.4	45.3	45.8
Mun. Chişinău	63.3	62.3	62.3	59.5	58.9	58.6	55.9	55.1
North	40.7	39.6	41.4	42.8	45.6	46.0	46.3	45.1
Center	42.2	39.0	41.0	40.3	41.0	42.7	42.3	44.8
South	38.9	35.4	34.6	35.1	35.6	34.3	36.7	38.0
<i>Female</i>								
Total	39.3	38.2	38.6	38.6	39.9	40.1	39.4	41.0
Mun. Chişinău	46.8	46.9	45.9	45.1	45.3	42.6	42.5	43.3
North	37.6	37.9	37.9	39.1	43.3	44.0	42.4	43.7
Center	37.7	37.6	36.1	36.9	35.9	36.7	38.7	37.9
South	35.1	31.0	32.9	33.6	32.3	33.2	33.0	33.7

Source: elaborated by the authors on the basis of NBS RM data, www.statistica.md

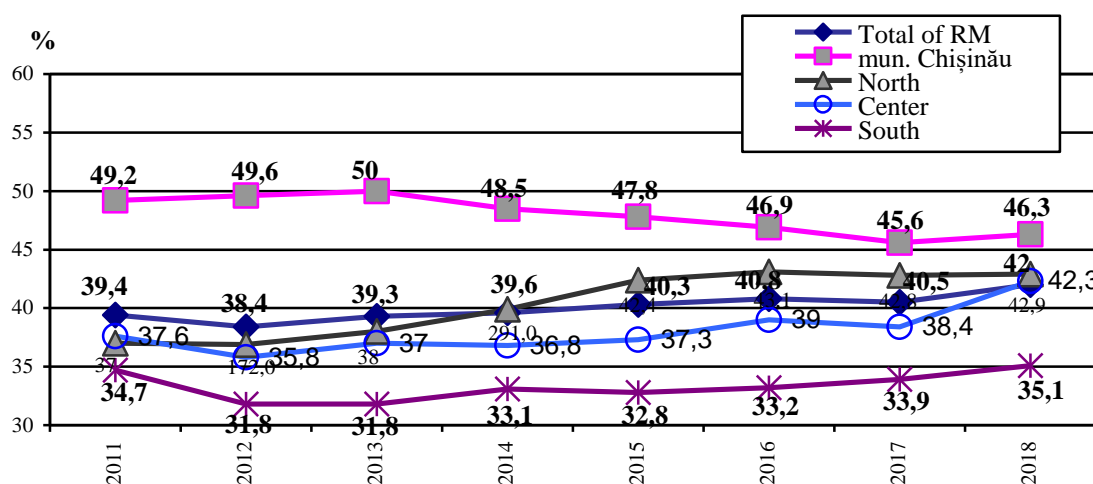
Differentiation of economic activity rate between men and women in regional aspect is maintained in spite of increase in economic activity rate among women in the national average. For example, by mun. Chisinau the difference is 11,8 percentage points (2018). The lowest economic activity rate in both men and women is in Southern region, in 2018 men's economic activity was 4.3 pp. higher.

According to the National Bureau of Statistics data (Labour force in the Republic of Moldova: employment and unemployment, 2018 [1]) the economic activity rate in rural areas was 43.6% and in urban areas 42.8%, and by age categories, for example, in the age category 15-29 years old – 30.2%, 15-64 years old (working age in the European Union countries according to Eurostat methodology) – 47.6%, and on average among the working age population (16-58 years old women and 16-62 years and 8 months men according to the current legislation) – 49,7%.

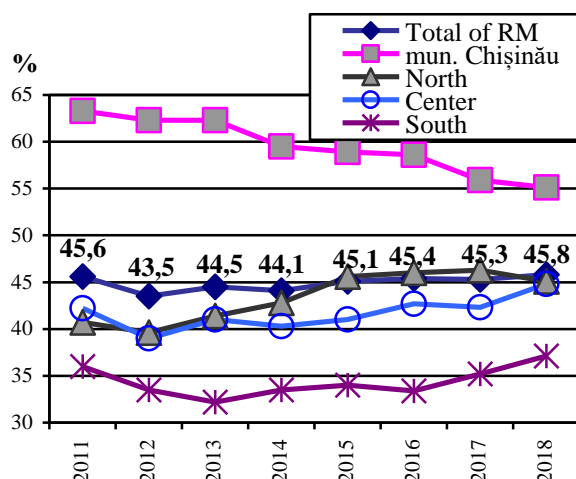
4. Employed population

The economically active population includes both the employed and the unemployed, so to assess their involvement in labour, it is necessary to analyze the average employment rate in the Republic of Moldova and by region, as well as to evaluate the change of the above indicator by gender (Fig. no. 2).

a) by region



b) male



c) female

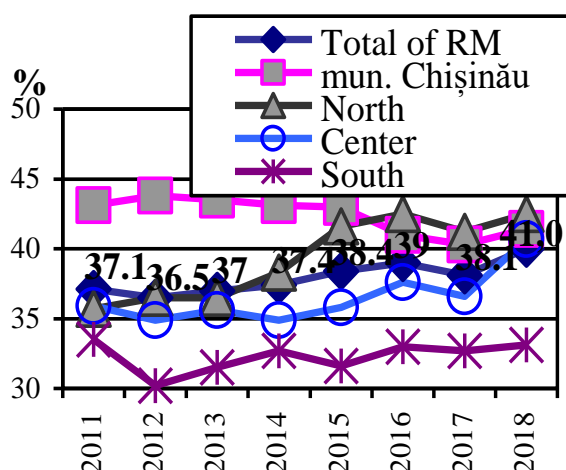


Figure 2. Characteristics of employment rate of population (15+) by region, by region, 2011-2018, %

Source: elaborated by the authors on the basis of NBS RM data, www.statistica.md

In contrast to the indicator of economic activity rate, it can be noted that the employment rate has tended to increase, especially over the last 3-4 years. In 2018, the highest values of employment rate indicator were recorded in mun. Chisinau (46.3%), as well as in the Northern Region (42.9%) and the Central Region (42.6%), with the republican average 42.0%, below the average the employment rate remains in the Southern Region (35.1%, which is 6.9 pp lower than the national average). If we analyze employment by gender, then employment of men exceeds the employment for women, including both the national average (about 4-5 pp) and in the context of regions where this differentiation is more pronounced: for example in 2018, this differentiation was most acutely manifested in the Chisinau municipality, where the employment rate for men (52.2%) exceeded the employment rate for women by 10,8 pp (41.4%), and in individual regions this difference is not so significant (Fig. 2, b) and c)).

Population employment is depended from many factors, including the socio-economic development of the region. The distribution of employed population by economic activity types is presented in Table no. 2.

Table 2. Distribution of employed population by economic activity in 2018, % of total number of employed population

	Total	mun. Chişinău	North	Center	South
Total	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry and fishing	36.1	1.9	48.9	47.6	45.9
Industry	11.8	14.5	12.3	9.8	10.1
Construction	4.8	5.8	3.2	6.1	3.7
Wholesale and retail trade, Hotels and restaurants	15.5	28.2	11.2	11.0	11.9
Transport and communications	5.8	12.9	3.3	3.1	3.8
Public administration, Education, Health and social work	18.4	19.6	17.0	17.6	20.3
Other activities	7.7	17.1	4.1	4.8	4.3

Source: elaborated by the authors on the basis of his own calculations based on NBS RM data, www.statistica.md

From the analysis of above data on the distribution of employed population, it follows that 36,1% are employed in agricultural sector, and 49% of them (or 17,9% of all employed) are persons engaged in the production of agricultural products intended solely for their own consumption. In mun. Chisinau, the proportion of employed people in above sector is insignificant (only 1.9%), it is characterized by employment in economic sectors: "Wholesale and retail trade, hotels and restaurants" (28.2%), "Public administration, education, health and social work" (19.6%), "Industry" (14.5 %), "Transport and communications" (12.9%). The specifics of region development is reflected in population employment in different directions of economic activity, almost 46-49% of employed population is in agricultural sector, 11-12% - "Wholesale and retail trade, Hotels and restaurants" and 17-20% in "Public administration, Education, Health and social work".

5. Unemployment

Analyzing the indicators of economic activity and employment rate of population (15+), it is impossible not to touch upon such an indicator as unemployment rate. The analysis of unemployment rate dynamics show the tendency to reduce it is a clearly pronounced. At the national level, this indicator in 2018 was 3.0% or 1.1 pp. less than in 2017, including among men, the unemployment rate was 3.5% and among women 2.5%, in urban areas – 4.5% and in rural areas by 2.7 pp below or 1.8%. Regarding age categories, it can be noted that among the youth in the age group 15-24 years old, the considered indicator was the highest (7.4%), and in the 15-29 year old age group by 1.8 pp lower or 5.6%. Regionally, the unemployment rate by region is presented in Table no. 3.

Table 3. The unemployment rate of population (15 years +) by region, 2011-2018, %

	2011	2012	2013	2014	2015	2016	2017	2018
RM								
Total	6.7	5.6	5.1	3.9	4.9	4.2	4.1	3.0
Mun. Chişinău	9.3	8.2	6.3	6.0	7.0	5.7	5.8	4.8
North	5.2	4.6	3.9	2.4	4.5	4.0	3.4	3.3
Center	5.7	4.5	4.9	3.2	4.0	4.2	4.0	1.5
South	6.2	4.1	5.6	3.6	3.4	1.8	2.6	2.1
Male								
Total	7.7	6.8	6.0	4.6	6.2	5.5	4.8	3.5
Mun. Chişinău	10.6	9.5	7.3	7.4	8.8	7.5	6.5	5.3
North	5.5	5.5	4.0	2.8	5.3	4.9	3.9	3.9
Center	6.8	5.7	6.2	3.5	5.4	5.4	4.7	1.9
South	7.6	5.5	6.9	4.6	4.4	2.8	4.0	2.4
Female								
Total	5.6	4.3	4.1	3.1	3.6	2.9	3.3	2.5
Mun. Chişinău	7.9	6.6	5.1	4.6	5.1	3.7	5.1	4.3
North	5.0	3.8	3.7	2.1	3.8	3.2	3.0	2.6
Center	4.4	3.2	3.6	2.8	2.6	3.0	3.4	1.1
South	4.7	2.7	4.2	2.7	2.3	0.8	1.1	1.7

Source: elaborated by the authors on the basis of NBS RM data, www.statistica.md

Despite the fact that in the whole country the average unemployment rate in the country tended to decrease, its comparative analysis by region shows that unemployment in the Sud region is lower (by 0.9 percentage points in 2018, a decrease in compared with 2011 was 4.1 pp), the highest unemployment rate is typical for mun. Chişinău (1.8 pp higher than the national average). The assessment of unemployment rate by gender show, that it is higher among men than women, that's, in regional aspect, the situation is the same as in the country on average, at the same time, this also related to the positive trend of its decline.

6. Characteristics of economically inactive population (15 years and more)

Analyzing the labour market, namely the population 15 years and more (15+), clearly allocates two of its main categories:

- *economically active population* (this is employed population and unemployed);
- *economically inactive population* (population that for some motives/reasons is not involved in economic activity in labour market, including pupils, students, pensioners, migrant workers, housewives, etc.).

These categories are important in order to ensure labour market labour (labour force), being a kind of reserve, as well as a challenge to the policies for training, vocational training and involvement in labour market.

Thus, an important indicator of labour market is not only employment, but also the economic inactivity rate of population 15+, which is a consequence of structural changes in economy, migration processes, demographic changes, and ongoing socio-economic policy.

Over the past 8 years, the share of the economically inactive population exceeded the 50 percent level, the peak of this phenomenon was observed in 2012 (59.3%) and 2014 (58.8%), in 2018 it decreased to 56.7%, nevertheless remaining high enough. In terms of regional aspect, the main share of inactive population, or up to 60%, is concentrated in the Northern and Central regions. The number of economically inactive population by 2018 in mun. Chişinău increased in 2018 by 14.3%, simultaneously with the tendency to increase its share in total population of country's population of this category (from 17.5% to 20.9%

or 3.4 pp), in the South region the number of economically inactive population by 2018 decreased by 4.8% compared to 2011, which, however, did not lead to significant changes in share of region in total population (for the analyzed period the change interval was [22.6% -21.3%]).

Table 4. Economic inactivity rate by zone, %

	2011	2012	2013	2014	2015	2016	2017	2018
Total RM	57.7	59.3	58.6	58.8	57.6	57.4	57.8	56.7
Mun. Chişinău	45.8	46.0	46.7	48.4	48.7	50.3	51.6	51.4
North	61.0	61.3	60.4	59.2	55.6	55.1	55.7	55.7
Center	60.2	62.5	61.1	62.0	61.2	59.3	60.0	57.1
South	63.0	66.8	66.3	65.7	66.1	66.2	65.2	64.2

Source: elaborated by the authors on the basis of NBS RM data, www.statistica.md

Table 5. Share of economic inactivity population by zone, %

	2011	2012	2013	2014	2015	2016	2017	2018
Total RM	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mun. Chişinău	17.5	18.1	18.9	17.9	19.5	20.2	20.8	20.9
North	30.5	30.9	29.3	31.4	28.0	27.9	27.9	28.5
Center	30.0	29.5	29.9	29.4	30.1	29.3	29.4	28.7
South	22.0	21.5	21.9	21.3	22.5	22.6	21.9	21.9

Source: author's calculations based on NBS RM data, www.statistica.md

7. Inactive population

The main reason for the economic (up to 80% according to the LFS NBS) inactivity of population is the lack of desire or inability to be employed in labour market, including due to the lack of labour migration. The share of inactive population decreases in the North and in the Center, increasing in mun. Chişinău (Table no. 6.).

Table 6. Isn't job search and isn't available to work by zone, %

	2011	2012	2013	2014	2015	2016	2017	2018
Total RM	100	100	100	100	100	100	100	100
Mun. Chişinău	19.67	20.29	21,17	19.81	21.78	22.88	23.10	23.32
North	30.43	31.04	29,17	31.51	27.17	27.50	28.05	28.40
Center	29.25	28.64	29,13	28.88	30.03	28.79	28.13	27.60
South	20.65	20.03	20,53	19.80	21.02	20.83	20.72	20.68

Source: author's calculations based on NBS RM data, www.statistica.md

The objective reasons for inactivity of population 15+ include the categories of students, pupils, pensioners, housewives and another situation (Table no. 7). The total number of students and pupils category has decreased by 26.2% by 2018 compared with 2011 in the whole country. The share of population in the retirement age, having reached the maximum value in 2015 (621,3 thousand people or 45.3% in the considered category of population), decreased by 3.9% by 2018, however, its share remains at the level of 45.2% in the category of economically inactive population due to "Isn't job search and isn't available to work".

Table 7. Isn't job search and isn't available to work by status, 2011-2018, %

	2011	2012	2013	2014	2015	2016	2017	2018
Total RM	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Pupils, students	23.8	22.8	20.9	24.8	19.8	19.8	18.7	18.5
Pensioner	42.7	43.8	43.7	42.5	45.3	45.3	44.6	45.2
Housewives	12.2	13.2	13.5	12.1	13.4	13.8	14.1	14.1
Another situation	21.3	20.2	21.9	20.6	21.5	21.1	22.6	22.2

Source: author's calculations based on NBS RM data, www.statistica.md

The change in age structure of population towards the older age groups, as a .of the process of demographic ageing of population affected almost all regions, including the mun. Chişinău, its share in total number of pensioners increased from 20.5% in 2011 to 25.6% in 2018 or by 5.1 pp. However, despite the fact that the ageing process has affected the North region to the greatest extent, the number of pensioners has been decreasing since 2014 (in 2014, the number increased by 4.7 % compared to 2011, and in 2018 decreased by 19.2% compared with 2014. Including over the past 4 years, the share of pensioners remains at the level of up to 28% of their total number).

Table 8. Isn't job search and isn't available to work by pensioners by zone, 2011-2018, %

	2011	2012	2013	2014	2015	2016	2017	2018
Total RM	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mun. Chişinău	20.54	21.73	24.04	19.66	25.14	26.11	26.60	25.58
North	32.75	32.82	30.49	35.50	27.84	27.89	27.00	27.66
Center	27.00	26.59	27.25	25.92	27.76	25.88	26.19	26.50
South	19.71	18.85	18.21	18.93	19.25	20.11	20.19	20.24

Source: author's calculations based on NBS RM data, www.statistica.md

8. Conclusions

The realized analysis of economic activity and employment of population based on the use of the results of the household labor force survey allows to identify the following conclusions:

- Analysis of economic activity and employment based on the use of labour force and household surveys suggests that structural and any other transformational changes in economy are accompanied by changes in the distribution/redistribution of population (15 and more) by region, sector, and labour migration processes.
- The decrease in public investment in long-term tangible assets, the predominant share of private capital, unsustainable economic growth, changes in production and social infrastructure, the influence of external factors and external vulnerability of the Republic of Moldova, all this could not but affect the situation in national and local labour markets, including employment of population (15+).
- Analyzing the tendencies that have occurred in labour market in the distribution and use of employed population, as a result of the ongoing processes in the socio-economic sphere, under the influence of internal and external factors and political instability, it is necessary to note the growth of employed population in the service sector, as well as the increase in the share of employed population in agriculture, including the population employed in households that produce products for their own consumption (especially in connection with economic and political both

internal and external, a sharp increase is typical for 2015-2016), and in 2018 people engaged in production for their own consumption accounted for 49% of the population employed in the agricultural sector.

Based on the above, in order to improve the situation on labour market, as well as to increase the level and quality of working-age population employment in regional aspect, the following is proposed:

- the change in country's economic development model with the prevailing investments in sphere of education and science, the development of programs for territorial (regional, local) socio-economic development and the distribution of productive forces of the Republic of Moldova for short and medium term;
- promotion of socio-economic policies that ensure stable economic growth based on attracting foreign investment and creating new work places as the basis for increasing productive employment of working-age population, creates conditions for the redistribution of working-age population between economic activities, sectors (from low-productivity - agricultural activities in high-performance) and regions;
- evaluation of employment, with a view to a more complete analysis of labour market, based on using of comparative indicators in national and in individual regions average, by gender aspect, by economic activity, by separate socio-demographic groups;
- to reactualize policies that ensure labour market flexibility, including a set of provisions of the Labour Code of the Republic of Moldova (admission / dismissal / payment, provision of benefits, perfecting labour contracts, investment stimulation in training, retraining, improving skills and creating new work places etc.), corresponding to realities of market relations.

References

1. National Bureau of Statistics of the Republic of Moldova, 2019. *Labour force in the Republic of Moldova: employment and unemployment in 2018*. [online] Available at: <<https://statistica.gov.md/newsview.php?l=en&id=6328&idc=168>>.
2. National Bureau of Statistics of the Republic of Moldova, 2018. *Statistical Yearbook of the Republic of Moldova*. [online] Available at: <<https://statistica.gov.md/pageview.php?l=en&id=2193&idc=263>>.
3. Savelieva, G., Zaharov, S., Taragan, R., Tomceac, A., Cotelnic, V., Cescocova, N. and Vremiş, M., 2015. *Ghid metodologic. Evaluarea nivelului de securitate demografică în Republica Moldova*. Chişinău: INCE.
4. Savelieva, G. and Zaharov, S., 2017. *Unemployment in Moldova: analysis of major trends*. Analele INCE. Ediția a VIII-a. Chişinău: INCE.
5. Savelieva, G. and Zaharov, S., 2018. *Key Labour Migration Trends in Moldova*. Analele Institutului Național de Cercetări Economice, Ediția a IX-a /2018. Chişinău: INCE.
6. Savelieva, G., 2018. *The labour market and structural changes in the economy*. In: Creșterea Economică în Condițiile Globalizării: competitivitate, inovativitate, sustenabilitate, Sesiunea științifică: Transformări demografice și priorități de politici: conferința internațională științifico-practică, 11-12 octombrie 2018, Ediția a XIII-a. Institutul Național de Cercetări Economice. Chişinău: INCE.
7. Vaculovschi, D., 2004. *Impactul politicilor de ocupare a forței de muncă asupra situației pieței muncii din Republica Moldova*. Chişinău, Hanns Seidel Stiftung.