

Cantarji, Vasile; Mincu, Georgeta

Research Report

Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries. Country report. Moldova

CASE Network Studies & Analyses, No. 465

Provided in Cooperation with:

Center for Social and Economic Research (CASE), Warsaw

Suggested Citation: Cantarji, Vasile; Mincu, Georgeta (2013) : Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries. Country report. Moldova, CASE Network Studies & Analyses, No. 465, ISBN 978-83-7178-594-8, Center for Social and Economic Research (CASE), Warsaw

This Version is available at:

<https://hdl.handle.net/10419/128260>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

CASE Network Studies & Analyses

Costs and Benefits of Labour Mobility Between the EU and the Eastern Partnership Partner Countries. Country Report: Moldova

Vasile Cantarji
Georgeta Mincu

No. 465/2013



Warsaw Bishkek Kyiv Tbilisi Chisinau Minsk

Materials published here have a working paper character. They can be subject to further publication. The views and opinions expressed here reflect the author(s) point of view and not necessarily those of CASE Network.

This country study was conducted under the project entitled “*Costs and Benefits of Labour Mobility between the EU and the Eastern Partner Partnership Countries*” for the European Commission (Contract No. 2011/270-312, tender procedure EuropeAid/130215/C/SER/Multi). The study was conducted under the direction of Luca Barbone, CASE project director. The views expressed in this paper are those of the authors, and should not be interpreted as representing the official position of the European Commission and its institutions. The European Commission retains ownership of the materials contained herein.



Keywords: **Labour Economics, Labour Markets, Labour Mobility, Moldova**

JEL Codes: **F22, F24, D78, I25, J15, J83**

© CASE – Center for Social and Economic Research, Warsaw, 2013
Graphic Design: Agnieszka Natalia Bury

EAN 9788371785948

Publisher:

CASE-Center for Social and Economic Research on behalf of CASE Network
al. Jana Pawła II 61, office 212, 01-031 Warsaw, Poland
tel.: (48 22) 206 29 00, 828 61 33, fax: (48 22) 206 29 01
e-mail: case@case-research.eu
<http://www.case-research.eu>

Contents

Contents.....	3
Abstract	10
1. Introduction	15
2. Background: The Moldovan Economy after Independence	17
2.1. Deep Crisis and Recovery, 1990-2012	17
3. The Labour Market in Moldova.....	21
3.1. Employment and unemployment.....	21
3.2. Occupation, Industries, Sector	24
3.3. Education	26
3.4. Poverty, income distribution and the working poor	27
4. Labour Migration: Trends and Profile.....	29
4.1. History and trends in migration	29
4.2. Number of labour migrants	29
4.3. Type of migration by duration.....	31
4.4. Reasons and causes of migration	33
4.5. Features of migrant profiles.....	35
4.6. Intentions of Migrants.....	40
4.7. Future Trends of Migration.....	41
4.8. Impact of migration on the local labour market.....	42
5. Remittances.....	44
5.1. Trends of transfer flows by natural persons.....	44
5.2. Remittances consumption patterns	46
5.3. Effect of remittances on income of households	48
6. Costs and Benefits of Migration.....	51
6.1. Economic costs and benefits.....	51
6.2. Social costs and benefits	58
6.3. Demographic costs and consequences	61
7. Migration Policies in Moldova	63
7.1. History of migration management and policies	63
7.2. Arrangements that Moldova has in operation with the European Union	65
7.3. Arrangements that Moldova has in operation with Russia	69
7.4. Institutional set-up for migration policies - responsibilities among government agencies.....	70

7.5. The role of NGOs in supporting migrants to various destinations	72
8. Forecasts/ Projections of Migration and Labor Market Trends.....	72
8.1. Potential impact of visa liberalization on migration	72
8.2. Projections of potential increases in the labour force as a result of natural causes and migration.....	74
9. Conclusions and Recommendations.....	75
References.....	78
Annex	81

Abbreviations and Acronyms

APVL	Action Plan on Visa Liberalization
BOP	Balance of Payments
CASE	Center for Social and Economic Research
CIS	Countries of Independent States
DCFTA	Deep and Comprehensive Free Trade Area
EaP	The Eastern Partnership
EC	European Commission
ENP	European Neighbourhood Policy
EU	European Union
FDI	Foreign Direct Investment
GD	Government of Moldova Decision
GDP	Gross Domestic Product
GNI	Gross National Income
GoM	Government of Moldova
HBS	Household Budget Survey
IFI	International Finance Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
LBS	Labour Force Survey
MDGs	Millennium Development Goals
MDL	Moldovan Leu
MLSPF	Ministry of Labour, Social Protection and Family
MOE	Ministry of Economy
MOF	Ministry of Finance
MP	Mobility Partnership
NBM	National Bank of Moldova
NBS	National Bureau of Statistics
NDS	National Development Strategy
NGO	Non-Governmental Organization
NGO	Non-Governmental Organization
ODIMM	Organizatia pentru Dezvoltarea Intreprinderilor Mici si Mijlocii (Organization for SMEs Development)
PARE 1+1	Name of Remittances Program supported by the state
PPP	Purchasing Power Parity
SCAs	Savings and Credit Association
SME	Small and Medium Enterprise
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program
US\$	United States Dollar
USSR	Ex-Union of Soviet Socialist Republic
VAT	Value-Added Tax
WB	World Bank
WTO	World Trade Organization

List of figures

Figure 1. Evolution of industry	17
Figure 2. Evolution of agriculture	17
Figure 3. Trends of GDP per capita and remittances flows (1995-2010).....	19
Figure 4. Poverty headcount ratio at the national poverty line (% of population)	20
Figure 5. Economically active, employed and unemployed population (aged 15-60)	22
Figure 6. Unemployment rate of men, women and youth.....	22
Figure 7. Trends in the number of economically inactive population	23
Figure 8. Average wage for the economy, gross income per capita and minimum subsistence level (in USD)	24
Figure 9. Trends in Employment by Economic sector (2000-2011).....	25
Figure 10. Unemployment, part-time employment and informal employment among youth and total	26
Figure 11. Informal employment (%).....	26
Figure 12. Unemployment length (2011)	26
Figure 13. Poverty headcount ratio at the national poverty rate (% of population)	28
Figure 14. Poverty and inequality in Moldova and region.....	28
Figure 15. Income distribution	28
Figure 16. Natural growth and migration growth, 1990-2011, thousands	29
Figure 17. Persons working or looking for a job abroad, thousands.....	30
Figure 18. Trends of migrants, by quarters	31
Figures 19. Destination countries of Moldovan labour migration (2011).....	32
Figure 20. Distribution of emigrants by destination country, average for 2001-2010	32
Figure 21. Destination countries of Moldovan labour migration (2004-2011)	33

Figure 22. Age of migrants, 2000, 2005, 2010, 2011	35
Figure 23. Distribution migrants by level of education, % (2011)	36
Figure 24. Distribution of migrants by the period intended to remain abroad	40
Figure 25. Labour migrant number evolution: perspectives	41
Figure 26. Inflows of remittances, in mln. USD	47
Figure 27. Per adult equivalent incomes, MDL	49
Figure 28. Per adult equivalent incomes, MDL	49
Figure 29. Per adult equivalent incomes for migrant households only, MDL (HBS 2007)....	50
Figure 30 Remittance inflows and other capital inflows for Moldova and Romania	52
Figure 31. Trends of net credits in the economy and of net deposits of individuals.....	54
Figure 32. Commissioning of dwelling houses.....	55
Figure 33. Trends of number of SMEs.....	56
Figure 34. Forecasted Moldovan population.....	62
Figure 35. Total Dependency Ratio	62
Figure 36. Share of respondents aiming to migrate to the EU for employment reasons (current regime and potential visa-free regime)	73
Figure 37. Evolution of the percentage of Moldovan respondents who would vote for Moldova joining the EU (2003-2011).....	75

List of tables

Table 1. Distribution of adult population (15+) by level of education (2011)	27
Table 2. Facts that determined the departure of migrants (2004)	34
Table 3. Last occupation before departure	37
Table 4. Migrants' fields of activity abroad by emigration directions.....	38
Table 5. Distribution of migrants' activities before emigration and activity abroad	38
Table 6. Average wages declared by migrants, by host countries	39
Table 7. Occupations of migrants before departure	43
Table 8. Disposable incomes average monthly per capita in 2011	48
Table 9. Bivariate correlation between remittances and some economic indicators (1995-2010).....	55
Table 10. Profile of Migrants before emigration and occupational status abroad	57
Table 11. Evolution of the main labour indicators , 2011 - 2013.....	74

List of boxes

Box 1. Outline of developments on the labour market (2000-2010)	42
Box 2. The economic effects of migration and remittances on the sending country	51

Georgeta Mincu holds an MSc in Development Studies from the University College (Dublin) and a BSc in International Economic Relations. She participated in numerous development projects related to Moldovan economy. From July 2010 to January 2011 she was a local expert in the UNDP Project: EU High Level Policy Advise Mission to Moldova. Prior to that position, she was a local expert in the Evaluation of the Macro-Financial Assistance provided by the EC to Moldova in the period 2007-2008. She worked with the IOM and ILO and CASE on research related to Moldovan labour migrants and remittances. Here publications include: *Mobilizing and creating Migrant communities to enhance rural development in Moldova* and *Social and Economic Impact of Migration on rural areas*.

Vasile Cantarji is a sociologist and statistician, master degree in State University of Moldova. As project manager at Centre for Sociological Investigations and Marketing „CBS-AXA” conducted more than 80 sociological research projects in different areas: poverty and social inclusion, migration, education, health, politic issues, ethnical relations, gender issues, human rights, civil society, infrastructure, corruption etc. His tasks were the design, methodology and survey tools development, team management, data analyzing and analytical papers writing.

Additionally to these activities he worked as individual consultant or as part of teams in position of sociologist or statistician in projects conducted or financed by international structures, such as UN Agencies, European Commission, MCC, GIZ and local NGOs (Centre Partnership for Development, Moldovan Institute for Human Rights, The Foundation for Social and Economic Research – CASE Moldova, League of People Living with HIV from Moldova

Abstract

Since Moldova's Declaration of Independence in 1990, migration has transformed the country in ways that were impossible to predict. With over a quarter of its labour force now working abroad (a full ten percent of its population), Moldova has become the epitome of a *migration-dependent* country, with all the costs and benefits associated with this definition. Remittances are as high as one-third of national income, and have helped the country raise its living standards and fuel investment in housing and small businesses. Yet there have also been costs to the large migratory flows, ranging from effects on the macroeconomy to the disruption of social life. All in all, migration has been good for Moldova. This complex socio-economic phenomenon now appears to have stabilized. Further gains for Moldova and its partner countries could be achieved when new agreements are implemented and the institutions dealing with the planning of migration and protection of migrants are strengthened.

Migration as a Response to Economic Hardship

During the 1990s, Moldova was heavily struck by the crisis that followed the dissolution of the Soviet Union, and economic opportunities rapidly deteriorated for all its citizens. The country first sought to stabilize the economy, and then implemented, with varying degrees of efficiency, a number of reforms. From 1994 to 1996, state property privatization was implemented in the industrial, social and commercial sectors, while from 1998 to 2000, an agricultural reform was implemented that resulted in massive liquidation of collective and state farms and the final reorganization of agricultural businesses.

However, the inadequate timing of the reforms, the lack of steps to secure social protection, the unavailability of traditional jobs and the lack of a real mechanism for launching private businesses led to a massive outward migration of the population from Moldova, which was particularly strong in the early 2000s.

Has migration been good for Moldova?

Migration has had profound economic and social consequences for Moldova as a country of origin.

At the most basic macroeconomic level, migration and its benefits for development depend on the strength of several effects, namely the impact of labour mobility on the domestic

labour market (especially the supply of a specific type of demanded labour force), the migration effects on productivity in the domestic economy, and finally the impacts of remittance inflows.

Since 1990, Moldova has experienced a typical migration cycle consisting of several phases –exit, adjustment, consolidation, networking and return of migrants. The effects of migration and remittances on poverty, economic growth, productivity and the labour market are different in each of these phases.

During the exit stage, migration induced deep changes in the local labour market. It facilitated the transfer of the labour force from agriculture to labour migration abroad and/or the services sector in the country. Migration “absorbed” potential unemployment, because a large portion of migrants did not have a job in Moldova before leaving. The growth in remittances during this stage had an important effect on poverty reduction.

During the adjustment stage the restructuring of the Moldovan economy became more pronounced. Together with the increasing volumes of remittances, all major economic indicators, such as GDP and investment and external trade, were deeply affected. This was the period of maximum benefits for the main “beneficiaries” of remittances – the banking sector, construction and higher education institutions.

At present Moldova is in transition between its consolidation stage, characterized by the stabilization of migration flows, starting from 2004-2005, and the networking stage. As migration continues, more information is becoming available regarding employment opportunities in destination countries and the information and transaction costs of migration are reduced. This encourages many households to use emigration as a livelihood strategy. Furthermore, the possibility of migration also encourages those left behind to invest in skills required to leave the country to seek improved prospects abroad (constructors, welders, crane operators, hairdressers, drivers, etc.).

The immediate effects of migration and remittances are positive, including the reduction in poverty rates and the increase in disposable household income and consumption, as well as the reduction of absolute poverty in Moldova as perceived by the households themselves. Other effects include financial support to the education system, in particular the increased number of higher education institutions and the extensive financing of the banking and construction sectors. The increase in imports contributed to revenues to the state budget.

Remittances helped attenuate the effects of external economic shocks that the Republic of Moldova had to deal with such as the consistent and considerable increase in energy prices, the 2006 embargos on wine exports, and the drought in 2007. This was not the case during the 2008 global crisis. Because of its global character and its concentration in industries with

a large Moldovan labour migration presence, Moldova was severely affected by the crisis through a sharp fall in remittances, exposing the risks of remittance dependency.

However, there are also other long-term effects that suggest using caution when evaluating the effects of migration, and point to the need for mitigation policies. Moldova's economy now relies heavily on imports and consumption supported by the inflow of remittances, which places local producers in difficult situations and decreases the competitiveness of Moldovan exports due to the overvaluation of the local currency. In addition, social costs have been incurred into, and only partially mitigated. The loss of labour force has accentuated the demographic decline. Large number of children are growing up without parental care because of migration and children born and educated in the host countries, who may in the future have difficulties integrating into Moldovan society. These "costs" of migration can be addressed, and partly mitigated, by policy actions undertaken both by the Moldovan Government as well as receiving countries. The strengthening of the institutions dealing with migration in Moldova in the past decade provides a good basis to continue to address the social consequence of migration.

Enhancing the development potential of migration in Moldova: an agenda

Labour migration has substantially altered Moldova's economic and social life over the past twenty year, and it is likely to continue to be an important force to be reckoned with in the future. Even though we argue that the amount of labour migrants has stabilized and might even decline, there are a number of policy measures that can be contemplated by both the Moldovan Government and the EU, to increase the development potential of continuing migratory flows. Such an agenda, building on the impressive work begun in the last decade, could include:

- Improving the safety and security of migrants. Many Moldovan migrants work informally or illegally in EU countries. This has negative impacts on both parties; the host country is affected by fiscal evasion, and the migrants lack legal protection. It is very important that the current labour market be approached with sensible instruments for the integration of migrants into legal employment and the formal economy. Social protection of migrants cannot be provided only by the national social security system, hence the need for coordination between the host country and the migrant's country of origin. This could facilitate the regulation of migration in general, and specifically circular migration, as a form more welcomed by both the host country and the country of origin.
- Visa liberalization for Moldovans entering EU countries will have positive effects in the context of the efficient use of migration flows from Moldova. On the one hand this

may help direct some parts of migration flows from the CIS to EU countries. On the other, the potential of high- and medium-skilled migrants might be better off if used for the benefit and development for both origin and host countries.

- At the same time, it is also recommended that the EU and Moldova develop programs targeting migrants with low and mid-level skills to fill labour shortages in specific sectors of the economy, in which natives are more reluctant to work. For Moldova, migration to the EU of workers with low and mid-level skills would have a greater impact on poverty reduction because unskilled workers come from lower income families and villages and tend to send home a larger proportion of their income.
- A major concern regarding the social costs of migration is the lack of structures and expertise at the community level to tackle the problems of migrant families. Given that migrants are part of family systems, it is recommended that a family perspective is used when developing policies regulating international migration and the migration concerns need to be mainstreamed into national development policies. There are many ways in which support to migrant families or returned migrants could be provided. For example, support programs can be implemented for migrant families and returned migrants and their children by targeting the migrants themselves, the family left behind (spouses, children, the child-caregivers such as grandparents), and the children born in destination countries. The relevant stakeholders interacting on a constant basis with migrant families such as the school system, social protection and health systems should be actively involved in these programs and held accountable for program outcomes.
- Other programs, partly already in existence, could be targeted at migrants themselves, for example while they are preparing to leave the country in order to increase their knowledge about the destination country and its institutions—health and social security systems, education system and labour market requirements. These programs increase migrants' awareness about the impact that migration might have on their families and children and provides some ways in which potential challenges could be prevented. Both the EU and some member states provide assistance in this respect: this is an investment that pays off both in Moldova and in the receiving countries.

Finally, facilitation of labour migration is impossible outside of bilateral cooperation between origin and destination countries. For EU member countries, the main objectives when engaging in bilateral labour agreements with Moldova could be:

- The satisfaction of labour market needs;
- Prevention or reduction of irregular migration through increased possibilities for regular migration;
- The use of bilateral labour agreements to promote and support broader economic relations with Moldova.

For the Moldovan Government, we recommend that migrants' needs are made central to negotiations, by focusing on the following objectives:

- To offer to Moldovan workers wider, facilitated access to the international labour market and at the same time to prevent criminal activities involving smuggling and trafficking of human beings, exploitation, suffering and sometimes deaths of migrants;
- To promote and protect the welfare and the rights of migrant workers;
- To foster provisions in the bilateral agreements that would guarantee that migrants return to Moldova or cooperate in matters involving irregular migration.

1. Introduction

This Report is one of six studies in the first phase of the EU project on “Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries.” It aims to provide an informed view on the potential for increased migration flows and their consequences as a result of possible changes in the migration policies of the European Union with regard to Moldova. The report is comprised of 7 Chapters. Chapters 1 and 2 provide a discussion of relevant developments in the economy and labour market in the period since independence, with an emphasis on developments over the last ten years or so. Chapter 3 provides a detailed discussion of trends in migration and discusses the labour migration profile. Chapter 4 analyses remittances and their impact on income, investment and consumption. Chapter 5 provides a discussion of the available evidence on costs and benefits of labour migration, emphasizing economic, social and demographic costs and consequences. Chapter 6 discusses current migration policies and institutions, while Chapter 7 discusses some factors that can be useful in forecasting key migration trends in the future.

Methodology

This study, produced by an integrated team of one migration and one labour market expert, is based on: (i) a review of the existing literature on migration in Moldova, encompassing studies that have looked at overall effects of migration, the effects on local labour markets, the effects on other important programs such as education, health, social protection, and business development; and (ii) quantitative research of the existing situation with respect to migratory flows—including socio-demographic characteristics of migrants by destination, data on remittances, data on duration of migratory spells, and paying particular attention to evolution over time of such variables and other notable trends—performed based on publicly available data provided by the National Bureau of Statistics.

Qualitative research, in the form of Focus groups of migrants organized under this study, has also been used to supplement the statistical evidence and to collect information about obstacles to migration as seen by labour force participants. These were temporary returned migrants that have been asked about their perceptions, opinions, beliefs, and attitudes towards the labour migration, intentions to stay abroad or return, preferences for destination countries and other aspects related to labour opportunities in Moldova. Questions were asked in an interactive group setting where participants were free to talk with other group members.

The results of the focus groups, as well as of interviews conducted with migration officials in relevant agencies have been integrated in the report as needed.

The Report focuses mostly on developments since the year 2000, although to the extent possible references to older trends (e.g., movements of population under the Soviet Union, first flows of migration) have been provided to explain better today's tendencies.

Labour market developments, have also been analysed for the period 2000-10, and where available data for 2011 was also included. The analysis has focused on the evolution over time of the job creation and job destruction among sectors of the economy; to the extent possible, the paper also discusses projections on potential increases in the labour force as a result of natural causes, and dwells on wage developments that influenced cross-sectoral labour movements and external migration. The discussion of costs and benefits looked at macroeconomic, microeconomic and social aspects of migration, with as much country specificity as possible.

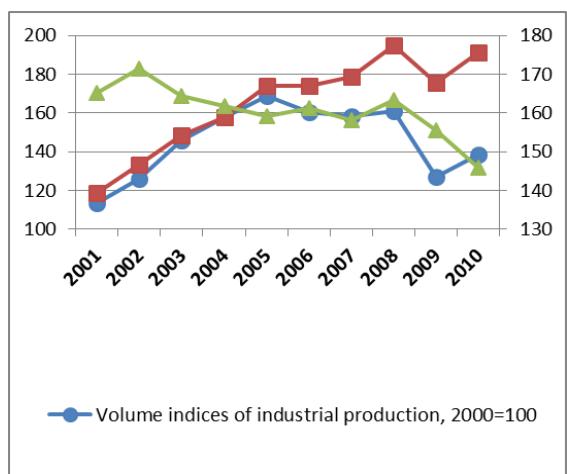
The study discusses the current migration policies and the institutional arrangements applied to facilitate and regulate migratory flows during the research period, including, in particular, the review of the arrangement that Moldova has in operation with Russian Federation and the European Union.

2. Background: The Moldovan Economy after Independence

2.1. Deep Crisis and Recovery, 1990-2012

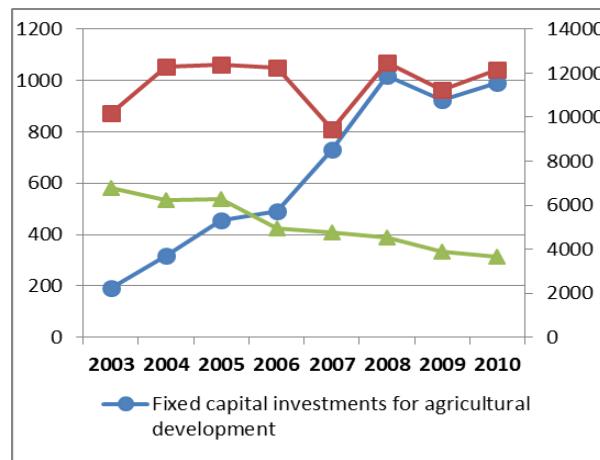
- Following independence, Moldova experienced a difficult transition during the last decade of the 20th century, when GDP fell by some 65% between 1990 and 2000. While the government undertook measures to start the privatization of state ownership and agriculture land reform, economic reforms were slow because of variety of factors, including corruption and strong political forces backing government controls. Nevertheless, the government's primary goal of EU integration has resulted in some market-oriented progress.
- In spite of the economic decline, agriculture continued to play a major role in the country's economy, as it had during the Soviet period. In 1991 agriculture accounted for 42 percent of the net material product and employed 36% of the labour force. At the same time, this sector was most affected by economic decline and its importance for the national economy decreased dramatically. In 2011 agriculture assured only 13.4% of output and in the 2000-2011 period the number of people employed in agriculture halved (from 770,000 to 323,000).
- The industrial sector maintained its share in the total employment market (11% in 2000 and 13% in 2011), but substantially declined in its share in GDP which was 34 % in 1995 and only 23% in 2011.

Figure 1. Evolution of industry



Source: NBS

Figure 2. Evolution of agriculture

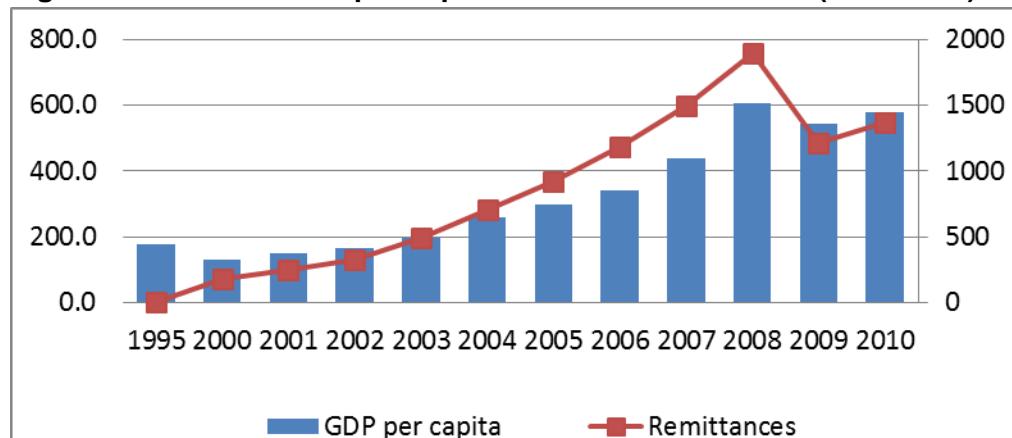


Source: NBS

- Moldova has the lowest GDP in Europe, despite more than doubling its GDP per capita in PPP (purchasing power parity) terms from US\$1,598 in 2001 to US\$3,369 in 2011. There was rapid growth in 2007 (3%) and 2008 (7.8%) as foreign remittances and inward investment fuelled the economy but in 2009, GDP fell by 6.5% due to the global downturn, which sharply reduced remittance inflows and reduced demand for industrial goods on the external market. In 2010 – 2011, the economy rebounded significantly, with a recorded GDP growth of 7.1 percent in 2010 and another 6.4 percent in 2011, fuelled by the recovery in external demand and the increase in domestic consumption supported by increasing remittance flows.
- The economy is continuing to recover vigorously. The expansion in 2011 appeared broad-based with key indicators (exports, bank credit, and industrial production) posting strong gains, and has extended in 2012. The improved external environment and brisk expansion of domestic demand, as well as the early fruits of Moldovan reform efforts (macroeconomic stability, economic liberalization, and gradual opening of the EU markets) have been driving these positive developments. At the same time, the current account deficit of Moldova is widening due to a combination of external shocks and expanding domestic demand. Rising international energy prices combined with brisk growth in demand for consumer and investment goods (which, in turn, are fuelled by higher remittances, bank credits, and other foreign inflows) are expected to widen the current account deficit. The substantial export growth in 2011 (over 60 percent relative to 2010) was insufficient to offset the effect of the less buoyant import growth from a larger base.
- The nature of the beginning of the global financial crisis in the developed economies of Western Europe was different than in Moldova. As developed economies faced systemic problems in their banking systems that then spilled over into the real economy, the financial sectors in Moldova remained largely insulated due to a lesser degree of exposure. Banks and financial institutions in Moldova have not been as active in the international financial arena, and Moldova's stock markets do not match the size of their counterparts in more developed countries.
- However, the crisis has not completely bypassed the country and the transmission effects, the speed, and the depth of the crisis took hold in various ways. Many of the crisis' effects could be seen in decreases in domestic demand and consumption, which constricted domestic demand, which had served as one of the principal factors of growth in recent years. Coupled with the shocks of tightened credit markets and decreased consumption, Moldova has been negatively impacted by downturns in many of the productive sectors of the real economy, through slumping trade and fewer investment partners in Western Europe.

- During the period under consideration, remittances grew steadily to reach a level corresponding to about a third of GDP, making Moldova one of the most “remittances dependent” countries in the world. Remittances also appear to have influenced the level of total fixed capital investment. Investment volumes increased steadily from 2003 to 2008 (5 times), then a sharp reduction took place in 2009 (by 40% in comparison with 2008) with a slight recovery (this was not the case, not surprisingly, with FDI).

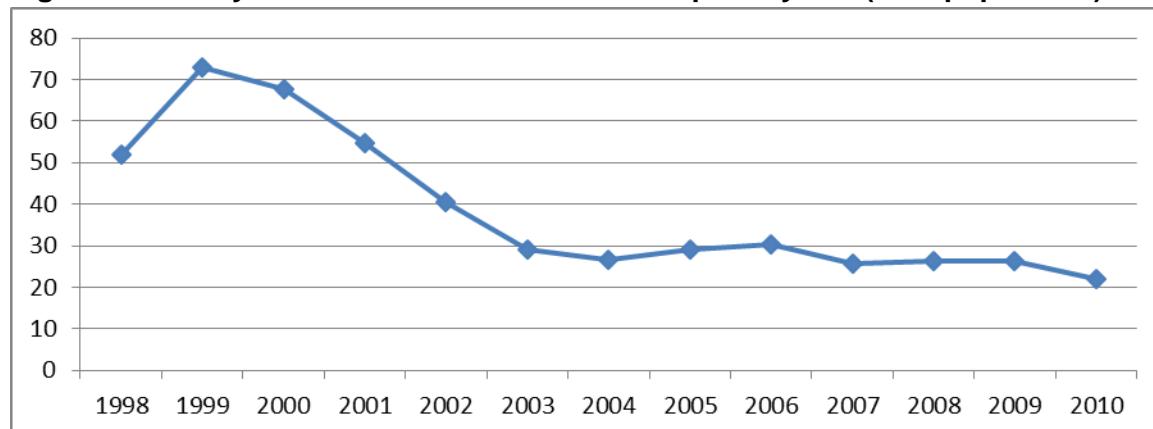
Figure 3. Trends of GDP per capita and remittances flows (1995-2010)



Source: WB databases/ Country MetaData base

- In Moldova, the decrease in remittance income contributed heavily to the GDP contraction of 9 per cent recorded for the year 2009, as it played an important factor in the country's decreased domestic consumption. The IMF estimated that consumption in Moldova contracted 7 per cent in 2009.
- The changing economic composition of GDP growth that has characterized Moldova in recent years has had similar effects on the state of employment concerning the types of jobs held Moldova. Deindustrialisation has been coupled with a small subsequent loss of jobs in the industrial sector, whereas service sector employment has moderately risen at its expense. Business services have grown as a source of employment in many countries in the region, including Moldova. Between 1998 and 2001, half of the population lived below the poverty level. Later the level of poverty decreased because of the increased levels of emigration and the increased level of received remittances. Starting in 2004, the poverty rate stabilized at around 30% with a moderated decrease up to about 20%.

Figure 4. Poverty headcount ratio at the national poverty line (% of population)



Source: WB databases/ Country MetaData base

- The economic decline in the early years of independence dramatically reduced the welfare of the population of the country. In the 1990s, poverty was widespread; in 1998, more than half of the households in the country were estimated to be below the poverty line. The default in August 1998, which caused a sudden depreciation of the national currency, decreased purchasing power and poverty spread to over 70% of households.
- In the early years of the 21st century, the stabilization of the economy and its growth, but also the increased volume of remittances that increased household income led to a reduction in the level of poverty, albeit at a slow pace. In 2010, 21.9% of households lived below the poverty line.
- Along with structural reforms, the Moldova has mapped out the contours of the education reform, and the government is working to ensure its successful and timely implementation. The civil service reform entered into its second phase in 2011. Key components of the reform include new job functions and responsibilities for staff in public administration along with a merit- and performance-based wage system for civil servants. The on-going social assistance reform for Moldova remains a high priority; the improved capacity of social services and continuous awareness-raising campaigns will allow the Government to meet the target of expanding enrolment in the means-tested social assistance scheme. Moldova is on track to put in place a durable framework for a broader restructuring strategy in the energy sector.
- Initiatives to resume the privatization of public companies and to strengthen the industrial sector as well as to change the model of economic growth from one based on consumption to one oriented towards export are under way. Trade liberalization efforts, as well as reforms aimed at cutting red tape, safeguarding competitiveness, and stimulating exports are currently in progress. In 2011, the volume of bilateral trade between the EU and the Republic

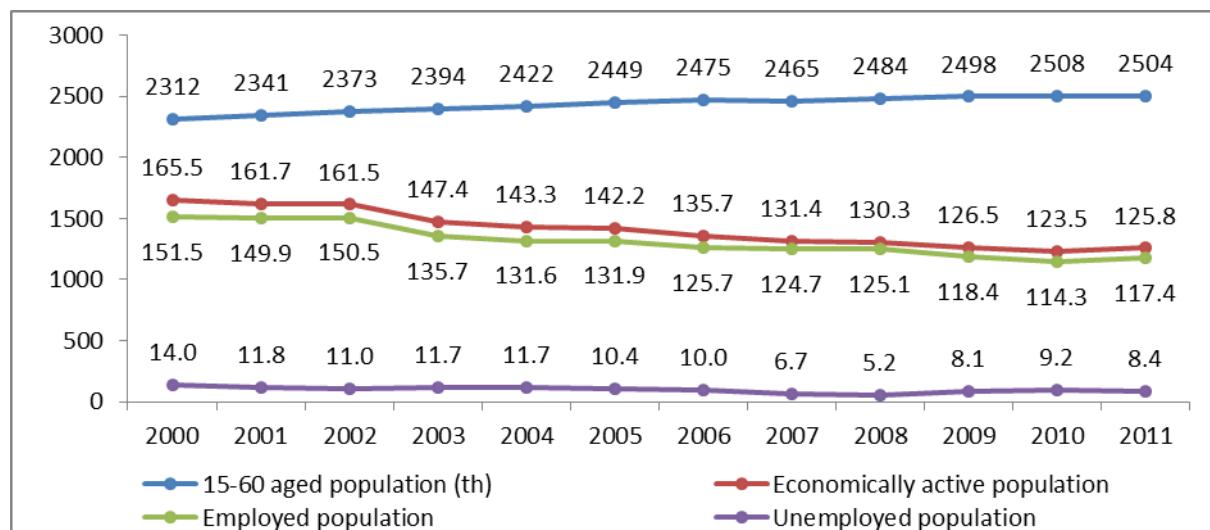
of Moldova increased by 27.9%. Moldova is now conducting negotiations of a Deep and Comprehensive Free Trade Area (DCFTA) with the EU. The EU decided to launch negotiations in December 2011. The trade in services negotiations also will address the movement of natural persons, and the negotiations might cover the temporary movement of natural persons for business purposes, as well as aspects related to the application of EU national legislation and requirements regarding entry, stay, work, labour conditions and supply of services. The DCFTA might also address and define the framework or the general conditions for the mutual recognition agreements of professional qualifications between the EU and Moldova.

3. The Labour Market in Moldova

- The transition to a market economy in Moldova deeply affected developments in the labour market. Property reforms, privatization of enterprises and land, transformation of the state sector and formation of the private sector, development of entrepreneurship and self-employment, increased mobility of the population all played an important role in the creation and destruction of jobs, and in the reallocation of labour inside and outside the country. Employment outcomes have been one of the main determinants of, and have been affected by migratory outflows, as well as by the deep structural changes that the economy has seen since the dissolution of the Soviet Union.

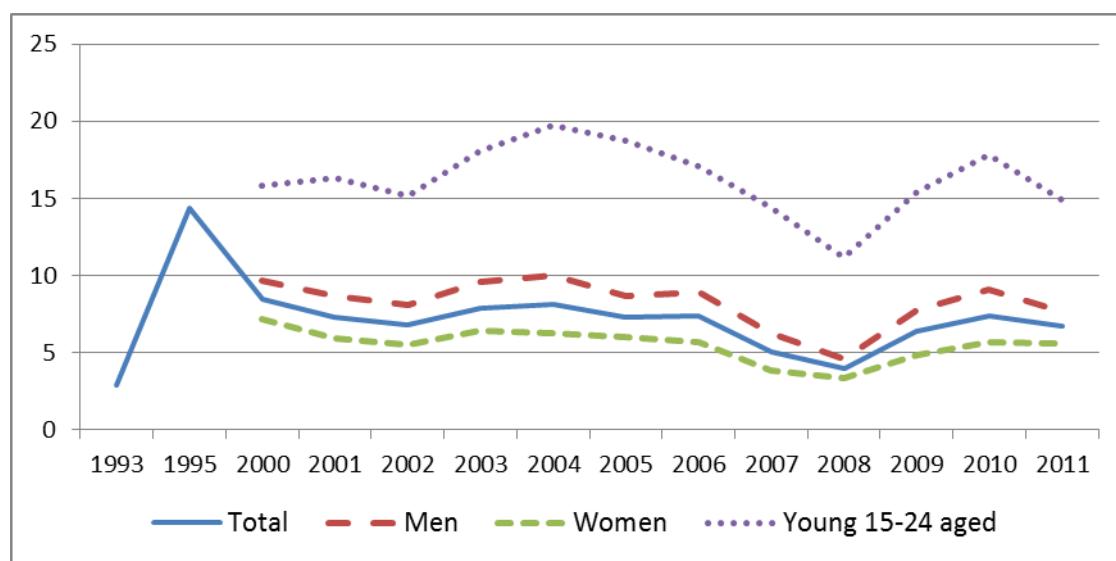
3.1. *Employment and unemployment*

- From 2000 to 2011, the 15-60 age cohorts of the population grew slowly, and they are projected to decline over the next few years. In 2011, the ratio of 15-year olds to 60 year-olds was 1.2; in 2013 the ratio will become 1.0, and in 2015 the ratio will be 0.8 young people per 1 aged person. In the same period the economically active population decreased by 24 percentage points, subsequently the economically active population decreased (from 1,514,000 in 2000 to 1,173,500 in 2011).
- Employment growth rates in Moldova in the last decade have a uniformly negative trend. The lack of employment growth in Moldova was accompanied by a low degree of labour force participation and low employment rates. The activity rate dropped from 60% in 2000 to 42% in 2011, and the occupation rate from 55% to 40%. The decrease in the general rate of occupation affected men and women in the same measure. (see Annex 1, Table 1).

Figure 5. Economically active, employed and unemployed population (aged 15-60)


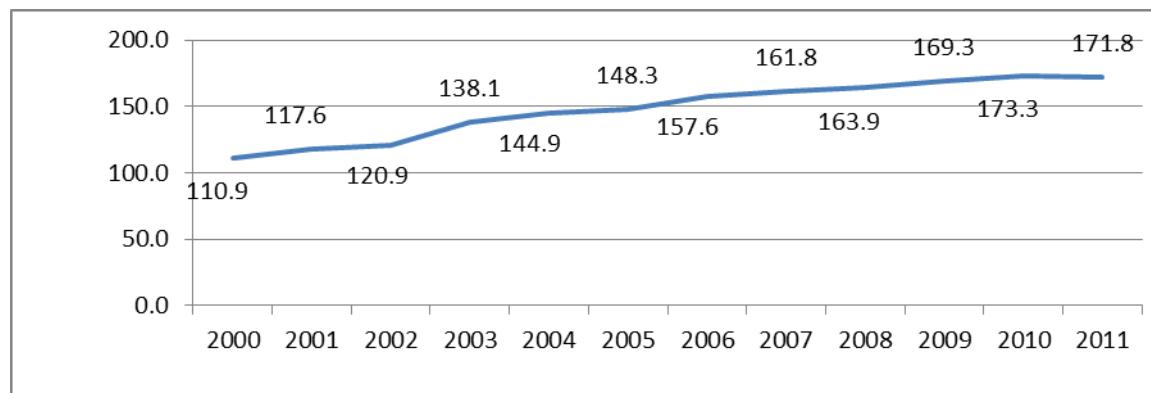
Source: National Bureau of Statistics (NBS)

- In all transition countries, including Moldova, the 1990s were marked by a reduction in employment and a rise in unemployment, especially during the first years of the transition period. Unemployment of women is lower, at an average level of 81% of the total unemployment rate. The unemployment in the younger age group is 2.5 times higher (14.9 compared with 6.7) than total unemployment.
- The number of unemployed people fluctuated on a generally declining trend, with a small increase after the crisis. (see Figure 6.)

Figure 6. Unemployment rate of men, women and youth

Source: NBS (www.statistica.md)

- An analysis of the flows of employment, of the labour force and of the economically inactive population can help understand the origin of labour migration, because the official statistics count labour migrants as part of the economically inactive population.
- The economically inactive population consistently increased by 1 per cent on average yearly during the period of 2000-2011. In 2011 the economically inactive population reached 1717.6 thousand people, which is 1.6 more than the employed population.

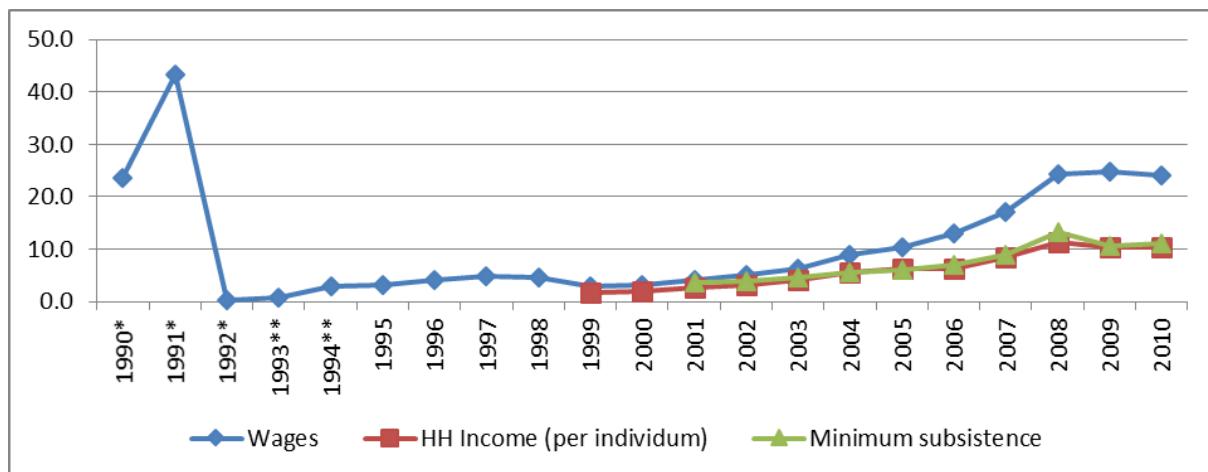
Figure 7. Trends in the number of economically inactive population



Source: NBS

- The economically inactive population consists of those people who are: attending school or professional training, have family responsibilities, on sick leave or pension (age limit, disability, etc.), don't want to work, are working abroad, in the off-season for agriculture, among others.
- The share of women in this group is a bit higher than the number of men, because a substantial number are housewives (see Annex 1, Table 2). Women represent 60% of the inactive population and the men 40%.
- Wages and Income
- The Soviet currency devaluation and depreciation sharply decreased the value of the average wage in the 1990s from about US\$250 to less than US\$50. Later a slight positive trend was registered in the 2000s, with steady growth that brought the medium wage for the economy back to just under US\$200 in 2008, a value maintained in 2009-2010 despite the global financial crisis, and then it increased slightly in 2011 up to US\$272.
- The growth of household disposable income over the period under consideration was more modest compared to the average wage.

Figure 8. Average wage for the economy, gross income per capita and minimum subsistence level (in USD)



Source: NBS: Note: * wages in Soviet Ruble as against USD at the exchange rate of 1 ruble for 1 USD; ** the rate of MDL 4.5 for USD 1 was used (average exchange rate in 1995)

- Remittances play an important role in increasing household incomes. In the period 2000 – 2008 the share of remittances in disposable household incomes increased steadily, reaching reach 19.1 percent of total incomes in 2008. A slight decline (to 15.3 percent) was registered in 2011 (NBS, Household Budget Survey(HBS)). The contribution of remittances to the welfare of the population is important especially in rural areas, where the share of remittances in income is typically twice as high than in urban areas.

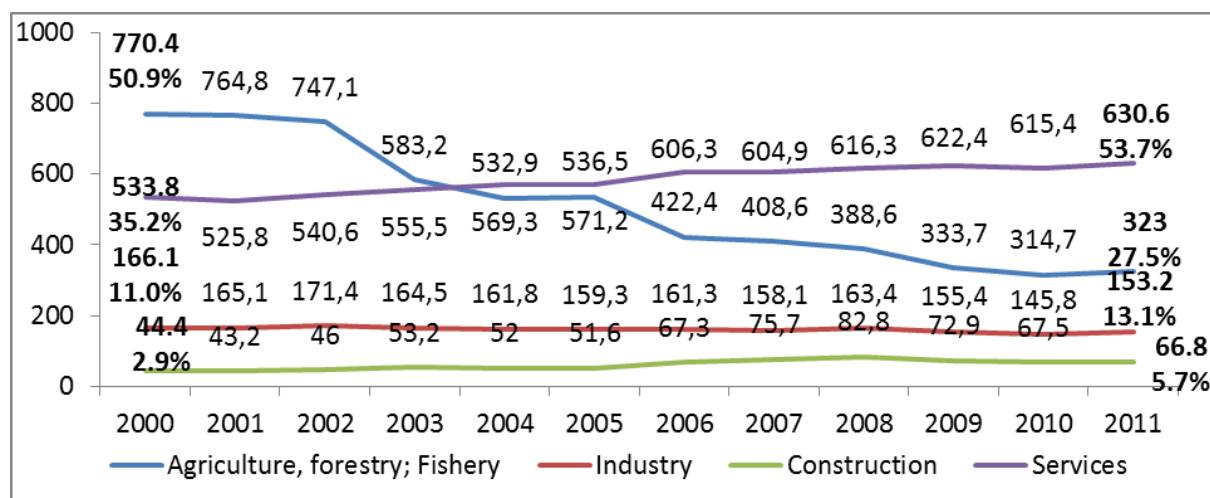
3.2. Occupation, Industries, Sector

- Besides the reduction in the number of economically active people, the labour market in the Republic of Moldova has undergone significant structural changes over the last decade. The movements of the labour force within the occupational sectors have been considerable.
- About 70% of those leaving the labour market were previously employed in the agriculture and processing industries, and the most attractive labour force sectors were services and construction. The flows data suggest that the first wave of migrants from Moldova consisted of excess labour force in the agricultural sector and the unemployed from urban areas.
- The 2000 – 2010 period was notable for the reduction of the population employed in the agricultural sector (from 770,000 in 2000, or almost half of the labour force, to 323,000 in 2011).
- Employment in the services sector increased continuously from 35.2% to 53.7% (533,700 persons in 2000 to 630,000 persons in 2011). This is the only sector with positive trends on the labour market, caused by an increase in the number of jobs created: on average, the

services sector offered a job for about 22,000 young job-seekers yearly in the period 2003-2008.

- In sum, in 2011, already more than half of the employed population in the country was working in the sphere of services; the agricultural sector remained in second place (27.5%), followed by industry (13.1%) and construction - 5.7%.

Figure 9. Trends in Employment by Economic sector (2000-2011)



Source: NBS

- Employment by type of employer (private, public and other forms) remained relatively constant in the period under consideration (2000-2011) – about 64 % were employed by private companies, 27% by the public sector and the other 9% in joint entities. The private sector remains the main sector supporting the labour market and the most challenging for entering the market. (see Annex 1, Table 4)

Part-time employment

- In Moldova, 7.3% of the employed population works part-time (2011). The share of part-time employment in total employment has declined sharply from 16.5% in 2002. Most of the

part-time employment in Moldova is in the agricultural sector. In 2002 this percentage was about 86.7% of all part-time employed persons, and in 2011 it reached 51.5% of the total part-time employed population. A reduction in the performance of the agricultural sector on the labour market, as well as the seasonal nature of the sector propels many agricultural workers to migrate. The rate of part-time employment among youth is 7.7% of total employed persons, a bit higher than in the total population.

Informal occupation

- Informal employment in Moldova remains a characteristic of the labour market. According to the LFS, about 38% of the employed population in 2003 and 30% in 2011 had an informal job. Out of this 30%: 41% of workers are employed in the informal sector, 27% in legal economic entities and 32% in households which produce for their own consumption. Among young people, the share of those employed in the informal sector is higher (36% compared to 30% in the total population).

3.3. Education

- Moldova is a country with a high level of literacy. The literacy rate in the adult population (15+) is equal to 98%. About 70% of the adult population has completed secondary education.
- In the period of 2000-2011, the level of education of the population increased considerably because the elderly and poorly educated generation was replaced with a

Figure 1. Unemployment, part-time employment and informal employment among youth and total

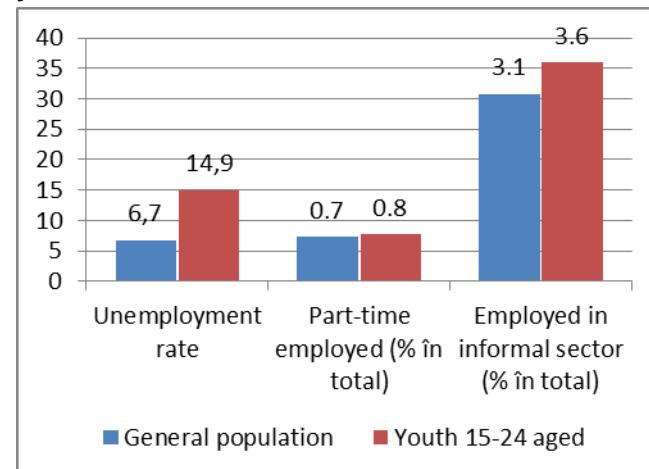


Figure 2. Informal employment (%)

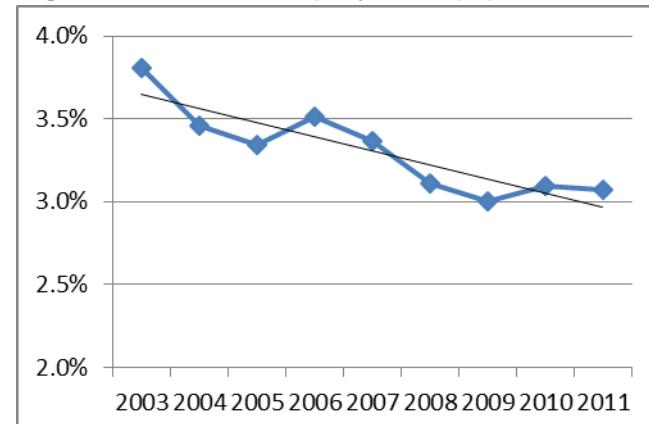
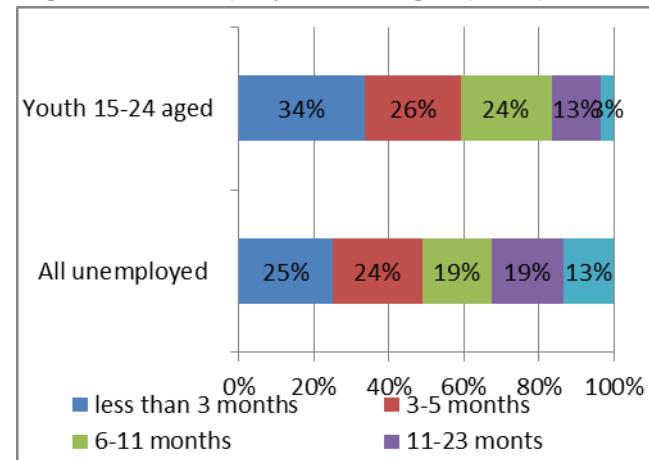


Figure 3. Unemployment length (2011)



Source: NBS

younger and more educated demographic. In 2011, every seventh adult had a higher education (15.8%, compared with 9.0% in 2000) and 31% had completed secondary specialized or vocational education (see details in Annex 1, Table 1).

- The highest share of the employed population in 2011 completed higher education (23.7%) and secondary vocational education (23.1%). The economically inactive population generally has lower educational achievements, with 31.3% of people having a secondary education (compared to 24.2% in the total population) and 13.7% people with a lower educational level than required (compared to 6.6% respectively). In comparison with the total population, the migrant population is predominantly made up of persons with general secondary (25.9%) and secondary vocational education (24.7%).

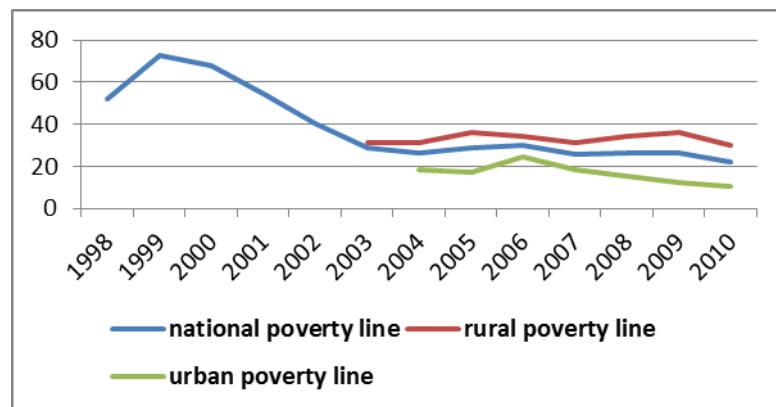
Table 1. Distribution of adult population (15+) by level of education (2011)

Type of education	Total population (15+)	Employed population	Unemployed population	Economically inactive population	Migrants	
					At the moment*	Temporary returned **
High education	15.8%	23.7%	21.3%	10.0%	10.6%	11.3%
Secondary specialized	12.9%	16.5%	12.6%	9.8%	12.7%	13.4%
Secondary vocational	18.2%	23.1%	25.0%	11.8%	24.7%	24.8%
General secondary,	22.3%	19.9%	23.1%	23.5%	25.9%	25.4%
Secondary education	24.2%	16.1%	17.5%	31.3%	25.5%	24.4%
Primary or without	6.6%	0.8%	0.6%		0.5%	0.8%

Source: NBS, Note* People abroad at the moment of conducting the LFS, ** people at home at the moment of conducting the LFS.

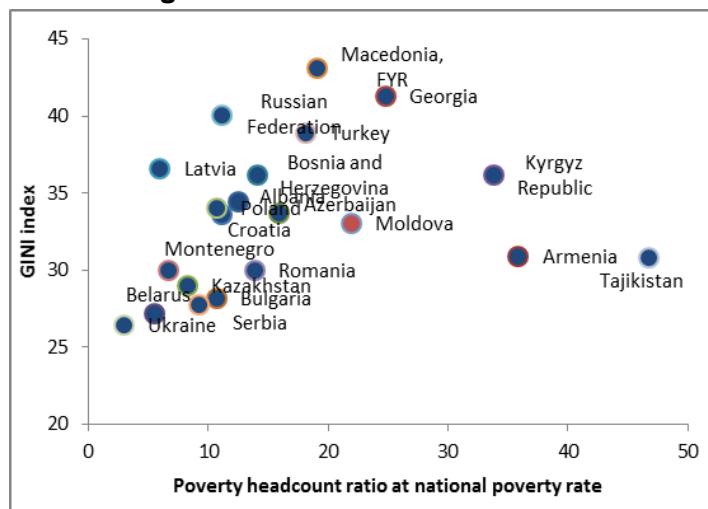
3.4. Poverty, income distribution and the working poor

- The economic decline in the early years of independence dramatically reduced the welfare of the population of the country. In the 1990s, poverty was widespread; in 1998 more than half of the households in the country were estimated to be below the poverty line, which was mainly caused by the depreciation of the national currency and a decrease in purchasing power.
- In the early years of the 2000s, economic stabilization growth, together with an increase in the volume of remittances increased household income, which led to a reduction in poverty. By 2010, the share of poor households nearly halved, and currently 21.9% of households in Moldova live below the poverty line. Those most affected by poverty are traditional households in rural areas: in 2010, 30.3% in villages were below the poverty line compared with 10.4% of households in cities.

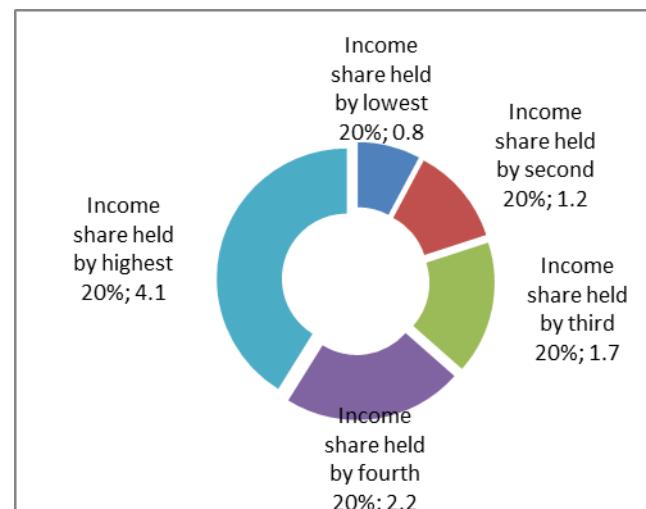
Figure 13. Poverty headcount ratio at the national poverty rate (% of population)

Source: WB databases/ Country MetaData base

- Poverty is associated with growing inequality in income between the different categories of the population. The inequality in income expressed using the Gini index repeated the course of poverty, with a peak in 1999 (39.35), followed by a fall in 2010 to its value of 33. In 2010, the poorest 20% of the population still had only 7.8 of income, while the richest fifth received 41.2% of total revenues. Compared to neighbouring countries and former Soviet republics, the Republic of Moldova is characterized by a high level of poverty and a moderate level of inequality.

Figure 14. Poverty and inequality in Moldova Figure 15. Income distribution and region

Source: World Bank



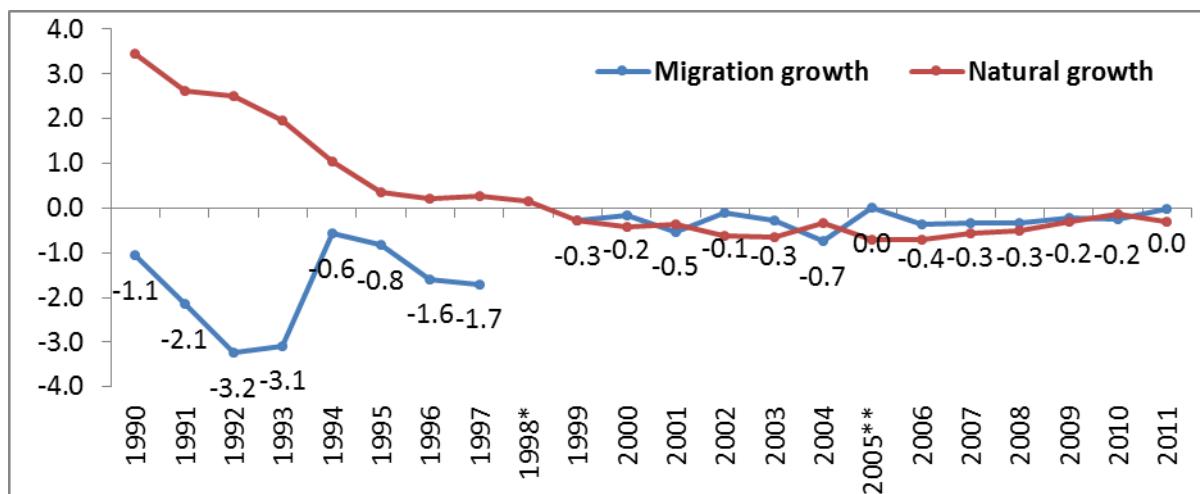
Source: World Bank

4. Labour Migration: Trends and Profile

4.1. History and trends in migration

- Immediately after the collapse of the Soviet Union the number of people that left the country permanently increased and the size of the population started to decrease. As in many EaP countries, migration in Moldova can be divided into three stages:
- The first stage is the period immediately after independence, when many citizens decided to relocate elsewhere permanently. For instance in 1992 and 1993, negative migration growth reduced the population by 30-33,000 people in both years (Figure 16);

Figure 16. Natural growth and migration growth, 1990-2011, thousands



* Since 1998 the statistics do not reflect the population from the left side of the Dniester and mun. Bender (Transnistria); Source: NBS

- The second stage is the period starting in the mid-1990s – mid 2000s, when the number of persons leaving permanently decreased, and a large number of the population started going abroad to look a job, without having the intention to settle in the destination countries;
- Since 2004 the migration process has entered a new phase – “the steady-state” without sharp trends in labour migration.

4.2. Number of labour migrants

- Several data sources allow us to estimate the number of Moldovan citizens living or working abroad. The official statistical data sources (census, LFS and HBS) collect

information on persons who have kept their permanent residence in Moldova but are temporarily abroad, even for more than 12 months.

- The concept of “labour force migration” is used in the official statistics of Moldova according to the following definition: “labour migration” is the voluntary departure of citizens of the Republic of Moldova abroad, and also the voluntary entrance of foreign citizens and persons without citizenship into the territory of the Republic of Moldova with the purpose of working.
- The government only started estimating the number of labour migrants from Moldova in the year 2000, through the Labour Force Survey carried out by the National Bureau of Statistics (NBS) on a quarterly basis. The NBS estimated there were 138,300 labour migrants in 2000. It is important to mention that official statistics count the labour migrants as part of the economically inactive population.
- During the period of 2000-2005, the number of departures continued to increase by 50,000 persons per year on average, reaching a total of 394,500 persons in 2005. As of 2006, the number of labour migrants has stabilized at around 310,000. In 2011, the estimated number of labour migrants reached the level of 316,900 persons, amounting to 10.7% of the total population aged 15+, or about 25% of the economically active population. At the same time, the official statistics for 2011 estimate the economically inactive population at about 125,100 persons who aim to work abroad. This population group is registered in the LFS as being in Moldova at the moment of data collection, but not employed in Moldova. Therefore, we can conclude that the labour migrant contingent of the country constituted over 440,000 persons in 2011, which is about 17.6% of the labour force in Moldova.

Figure 17. Persons working or looking for a job abroad, thousands



Source: NBS, 2011 (LFS)

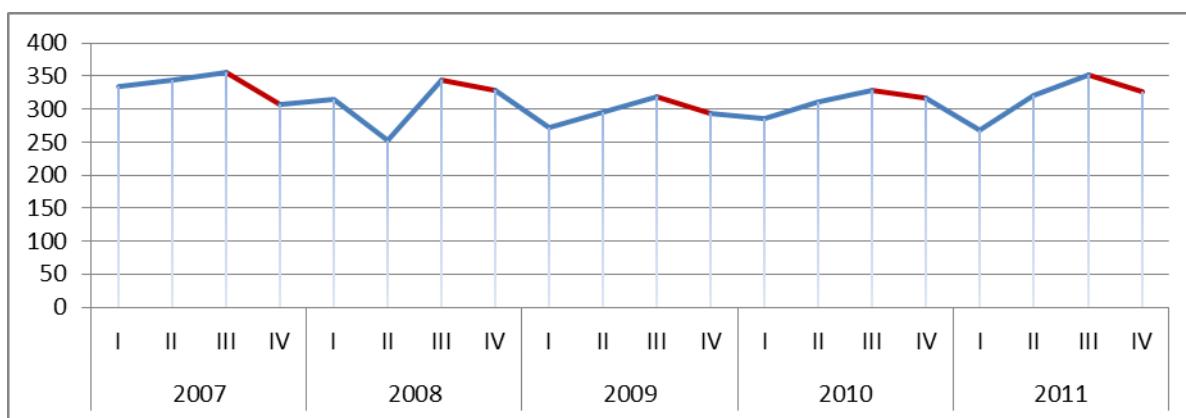
- Because of constant fluctuations, the number of labour migrants from different representative studies, like the LFS, must be treated with cautions. As mentioned above, these surveys estimate the population that is out of the country at the moment of data collection for the purpose of work, and the other migrants that at their place of residence at the moment of the survey are registered as migrants that have temporarily returned. The gap in the data and the difficulty in estimating the precise number of migrants is represented by the cases in which the migrant left or moved with the whole household, and there is no reference household in Moldova (at the moment of data collection) that can provide information about this group of people. This means the number of labour migrants is underestimated.
- For instance the 2008 IOM-CBS-AXA specific panel survey suggests that, overall, about 100,000 individuals have left Moldova permanently or moved without references in the period of 2006-2008. Of these, about 60,000 individuals left Moldova with the whole household.

4.3. Type of migration by duration

Seasonality

- Moldovan labour migration has a marked seasonal nature. Figure 18 shows that the number of migrants varies depending on the reference period of the year. Each year the highest number of emigrants is registered in the third quarter of the year, and the lowest is in the fourth and first. There are temporary “peaks” during returns for holidays, vacation and treatment that are usually registered during December and April.

Figure 18. Trends of migrants, by quarters



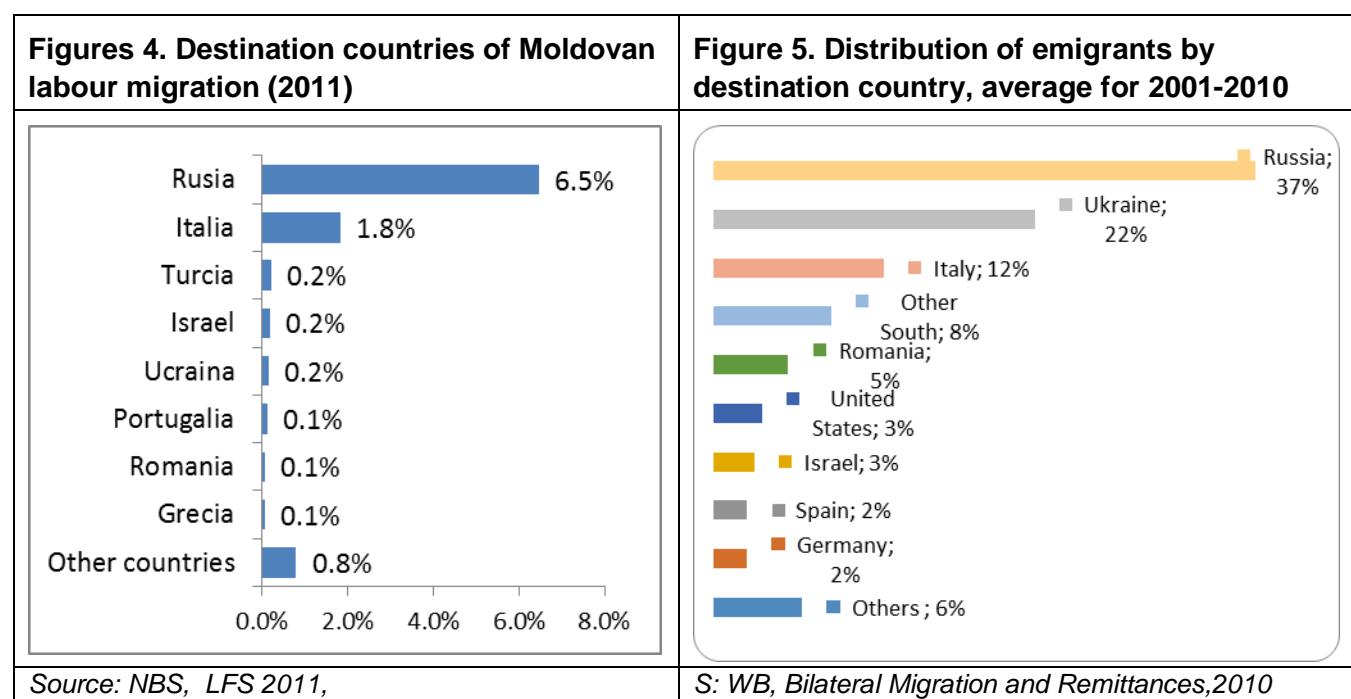
Source: NBS: LFS 2007-2011

- A large number of labour migrants working in Russia return to Moldova during the winter due to low demand for labour in the construction industry, in which the majority of Moldovans are employed. Emigration to Russia is facilitated by the lack of visa requirement, the

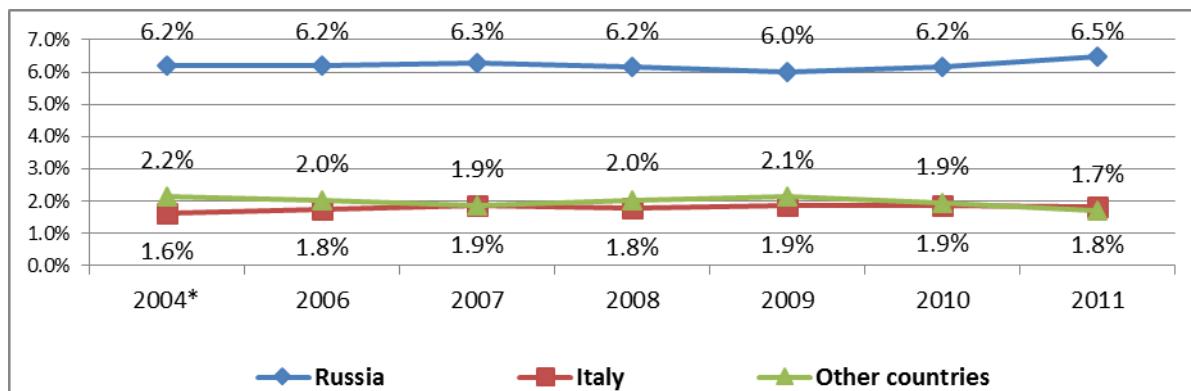
knowledge of language, and the low costs of travel and employment. These factors also create opportunities for more frequent returns than for migrants working in EU countries.

Directions

- The labour migrant distribution by direction differs substantially from the distribution of the total number of emigrants from Moldova around the world (see Figures 19 and Figure 20). Taking into account all emigrants originating from Moldova, in 2010 those in Russia were about 37% of the total number of emigrants, in Ukraine 22% and Italy is in third place with only 12% (compared with 64%, 1.6% and 18% in the case of labour migrants. See Figure 19).
- During the period of the study the labour migration from Moldova is registered mainly by key destination countries. The Russian Federation and Italy attracted more than 80 percent of the labour migrant flows (64.6% worked in Russia and 18.4% in Italy)(LFS 2011).



- During the period of 2004-2011, the direction of migrant flows remained constant with minor changes. The smallest share of emigration (stock) to Russia was registered in 2009 (60.1 percent), and to Italy in 2004 (16.4 percent) (see Figure 21).

Figure 21. Destination countries of Moldovan labour migration (2004-2011)

Source: LFS, NBS, * Source: IOM-CBS-AXA Migration and remittances 2004 survey

- Labour migration from Moldova takes place towards major economic centres, towns and cities. In 2006, 51.7% of total migrants were reported as working in Moscow and 4.6% in Rome. (IOM Survey, 2007)
- There are significant differences in the structure of migrants by country of destination. Thus, the migrants leaving for the CIS are younger, mostly men, less educated, and they usually work in construction. In the CIS countries, to where less skilled migrants emigrate, more than half of migrants (53.1%) work as qualified workers (including in construction) and only 25.0% work as unqualified workers.
- People leaving for the EU are mainly women and/or people with higher qualifications and many of them find employment in housekeeping or caretaking. For other groups of countries the situation is reverse, 51.5% of migrants in EU countries work as unqualified workers and 63.2% in other countries.

4.4. Reasons and causes of migration

- Beyond the specifics of each country, the decision to migrate (especially economic migration) is based on the same motivations, and namely the “rejection - attraction” patterns. On the one hand there are economic realities such as unemployment and low wages (rejecting factors) in the home country. On the other hand there are attraction factors in the host country such as better wages, higher demand on the labour market, and family reintegration (Smith 1997).
- The previous studies analysing Moldova’s migration phenomenon provide sufficient arguments to identify the rejection factors. In 2004, the factors that caused migration were linked to financial needs and problems (covering basic needs, the absence of a dwelling or the wish to improve living conditions, absence of a job /absence of a well-paid job, lack of money for tuition for a family member). The most important rejection factor is the lack of

money to ensure current household consumption (43.9%), followed by “debt” (21.2%), investments in real-estate (19.0%), and special consumption such as education tuition, health, furniture, loans (11.3%). Business investments (especially in agriculture) are insignificant in the decision to migrate (see Table 2).

Table 2. Facts that determined the departure of migrants (2004)

Factors	Percent of respondents
Debt repayment	21.2
Current consumption (foodstuffs, clothes, utilities, household appliances)	43.9
Special consumption (education tuition, health, furniture, loans etc.)	11.3
Home investments (car, house/ apartment, home repairs, wedding celebration, funeral expenditures, bank accounts)	19.0
Business investments (land, agricultural equipment, minibus, animals etc.)	0.9
Other	1.7
Unaware/No answer	1.5

Source: IOM-CBS-AXA 2004 Migration and remittances survey

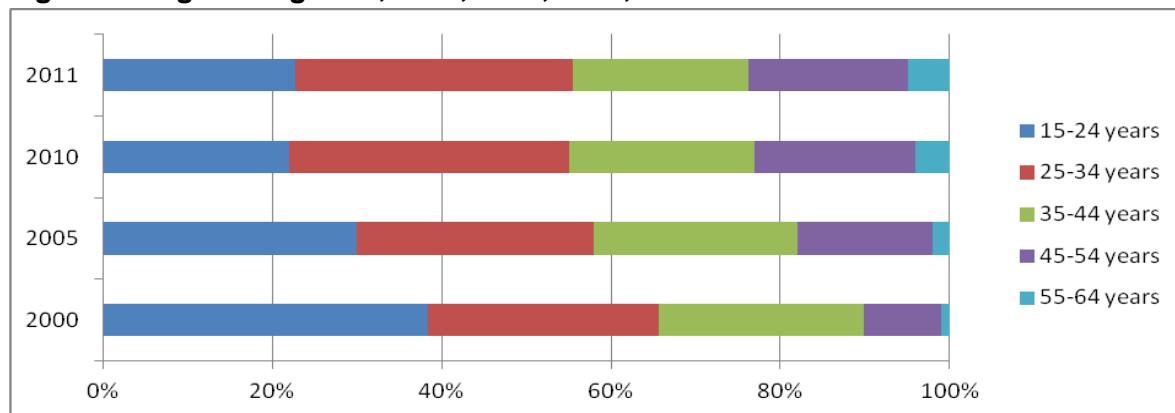
- The 2008 studies again showed three main push factors (Luecke et al, 2009): consumption (46.8% migrants), lack of jobs (34.3%) and poverty (20.5%). The LFS approach reflects two major push factors, determined almost entirely by the internal labour market characteristics: lack of a job and low salary. The occupational status of the migrant before departure, namely unemployment, was the main driving force behind the emigration process. About 52% of migrants have pointed out the lack of jobs as main reason to emigrate and searching for a job, followed by the reason of low remuneration in Moldova compared with the cost of living (46%). Another important, though less frequently cited factor was family reintegration.
- The push factors of migration differed depending on whether the migrants resided in urban or rural areas. Migrants from urban areas were more likely to leave because of low wages (55%) and less because of unemployment (42%). In the case of rural migrants, unemployment has determined the departure of 56% of migrants and 41% of low salaries (LFS: 2008).
- Another major reason for emigration from Moldova is the earnings gap between the host and the home country. ILO studies show that workers in high-income countries earn a median wage that is almost five times the level of that in low-income countries, adjusted for differences in purchasing power. These findings are discussed with data for Moldovan migrants in the occupation and wages subchapter.

4.5. Features of migrant profiles

Demographic characteristics

- Every fifth citizen of Moldova of working age was working or looking for a job abroad in 2011. The young and middle-aged people were most active; more than 75% of migrants are less than 44 years old and almost 56% are younger than 35 (see Figure 22). It's notable that the age structure of migrants indicates they are getting progressively older. The share of 15-24 year old migrants decreased from 38.5% in 2000 to 22.5% in 2011.
- Nonetheless, the migration contingent remains younger than the employed population in Moldova. The employed population in the age range of 15-24 consists of only 10.2% of the total employed population.

Figure 22. Age of migrants, 2000, 2005, 2010, 2011



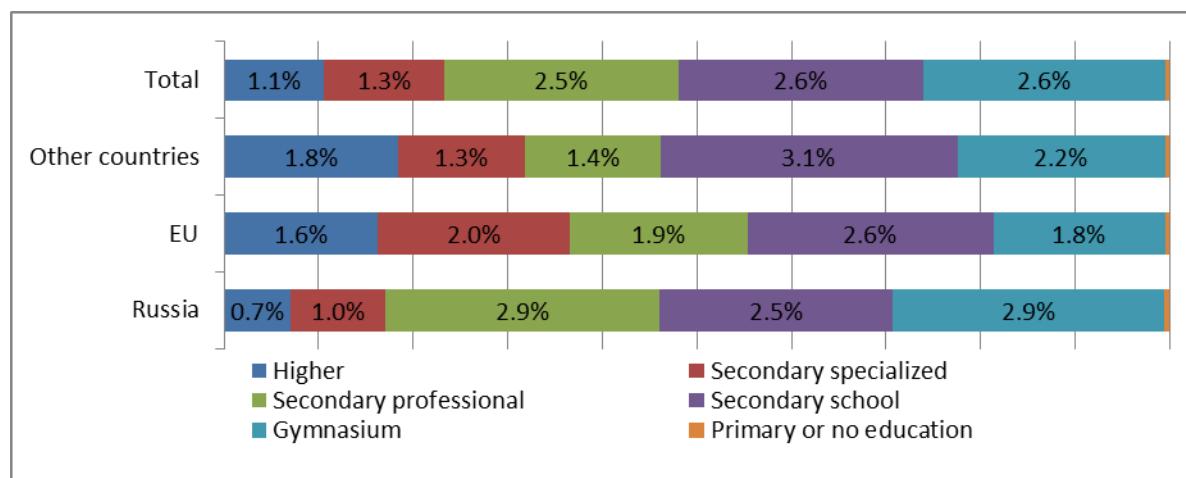
Source: NBS

- Both men and women are involved in the migration process. The latest stock data of migrants shows that 64.5% of the total labour migrants are men and 35.5% are women. The share of female migrants has increased in recent years by two percentage points (see Annex 1, Table 1).
- The majority of migrants come from rural areas of Moldova – 70.7% in 2011, and this share has been consistently increasing since 2000 from a level of 59.4% of rural migrants.
- All ethnic groups in Moldova are subject to labour migration. There is no official data available on migration trends in relation to ethnicity. However, sociological studies disclose a clear interrelationship between emigration and linguistic factors. Ethnic Gagauz migrate predominantly to Turkey, as the Gagauz language is considered a Turkish dialect, and they also migrate to CIS countries since most of them are Russian speakers; ethnic Ukrainians and Russians would choose the CIS countries and those of Romanian ethnicity often opt for EU countries (see Annex 1, Table 2).

Education

- As mentioned in the previous chapter, migrants usually have a lower level of education than the rest of the population. The share of people with a higher education that are employed in the population in Moldova is 23.7% compared with 10.6% among migrants, and about 16.1% of the employed population have a lower secondary education level compared to 25.5% of migrants with the same education (see Annex 1, Table 1).
- People working in EU countries have a higher level of education compared to the general emigrant average. In 2011, only 7% of labour migrants in Russia were highly educated, compared with 16.3% in EU countries. Those with a secondary specialized education make up 20.3% of migrants to the EU and only 10.1% of people with the same level of education migrated to Russia.

Figure 23. Distribution migrants by level of education, % (2011)



Source: NBS

- The share of people with a higher education on the local labour market has increased over the last 10 years from 12% in 2000 to 24% in 2011. Surprisingly, similar trends are not registered among migrant workers – the share of highly educated migrants registered only a small increase (from 8% in 2000 to 11% in 2011). During the same period, the share of persons with secondary education increased from 18% to 26%, and the share of migrants with a secondary professional education decreased from 34% to 25% (see Annex 1, Table 1).

Occupation before emigration

- Half of migrants who decided to leave the country were unemployed, searching for a job and available to start working immediately. Only one third of migrants were employed, and the others were classified as economically inactive (see Figure 24). It can be concluded that

the decrease of the unemployment rate in the period 1999-2003 rate (see Annex 1 table 1) has been caused by the exodus of more unemployed people, and not because of the better absorption capacity of the local labour market.

- The labour migration subtracted employees from almost all sectors of the economy, mainly from agriculture (37%), as well as public administration, healthcare, education (18%), construction (15%), small trade, hotels and restaurants (13%) and others.
- Migration was most attractive for two group of people: i) unqualified workers (22.4% of migrants compared to 16.9% in the employed population) and ii) qualified workers (17.8% and 8.7%, respectively). Although agriculture was the sector that has "provided" the largest share of labour migrants, qualified workers from agriculture were less attracted to the migration process (see Table 3).

Table 3. Last occupation before departure

	Migrants	Employed population
Chiefs and senior officers	1.7%	5.7%
Highly qualified specialists	7.9%	11.5%
Mid-level specialists	7.6%	7.3%
Administrative officers	0.9%	2.0%
Employed in services, housing management and services, trade, and other similar occupations	13.0%	11.2%
Qualified workers in agriculture, forestry, hunting, fishing and fish breeding	16.6%	29.0%
Qualified workers from large and small industrial enterprises, handicrafts, construction, transportation, telecommunications, geology, geological planning	17.8%	8.7%
Unqualified workers	22.3%	16.9%
Operators	12.1%	7.6%
Others	0,1%	

Source: Labour Force Migration Survey (LFS, 2008), NBS

Sector of occupation abroad

- More than half of Moldovan migrants work abroad in the construction sector (68% in CIS and 29% in EU). The second most common occupation abroad is in services provided to private households; this is characteristic for migrants to EU countries (47.3%) (see Table 4).
- The chances for Moldovan migrants to use their capacities and skills gained in previous activities abroad are greater in the CIS than in the EU. This was confirmed by participants of focus group discussions (many men working in Russia had the same occupation they used to have in Moldova such as crane drivers, construction workers etc.). At the same time, women employed in Moldova as doctors, teachers, or nurses were employed abroad in the household or in the social assistance sector.
-

Table 4. Migrants' fields of activity abroad by emigration directions

	Total	CIS	EU	Other countries
Construction	53.0%	68.0%	28.6%	7.7%
Services provided to private households	19.6%	3.1%	47.3%	65.5%
Trade	11.4%	14.3%	4.7%	12.2%
Manufacturing	5.1%	5.6%	4.3%	2.9%
Hotels and restaurants	2.7%	1.9%	3.7%	6.1%
Transportation and communication	3.2%	3.6%	2.6%	0.5%
Agriculture, hunting and forestry	2.4%	1.0%	5.8%	1.7%
Other activities	2.6%	2.5%	3.0%	3.4%

Source: Labour Force Migration Survey (LFS, 2008), NBS

- It is important to mention that migrants that worked at home in construction, retail services and transport and communications almost always stayed in their field of occupation abroad. The “losers” were the persons employed before departure in more highly skilled areas like health and education. Many people involved in the agriculture sector in Moldova found jobs abroad in construction (65%) (see Table 5).

Table 5. Distribution of migrants' activities before emigration and activity abroad

Activity field before emigration	Activity field abroad	Agri culture	Industry	Construction	Servi ces provi ded to privat e hous ehold s	Trade	Hot els and Rest aura nts	Trans portat ion and Com munic ations	Other fields
Agriculture	4.3%	4.0%	65.5%	12.7%	7.0%	1.0 %	.8%	4.5%	
Construction	2.4%	3.3%	85.2%	2.4%	1.0%	.8%	2.3%	2.6%	
Trade	.8%	4.9%	24.0%	37.7%	26.7%	3.3 %	1.0%	1.5%	
Education	1.2%	.6%	24.2%	62.2%	5.2%	3.6 %		3.0%	
Industry	1.2%	16.0%	35.6%	25.8%	15.4%	1.8 %	1.8%	2.4%	
Transport and communications		2.1%	43.5%	4.1%	5.7%	.3%	41.0%	3.3%	
Health		3.4%	18.3%	59.7%	1.7%	6.1 %		10.9%	
Public administration	2.3%	2.9%	47.9%	24.9%	8.2%	2.6 %	1.0%	10.3%	

Source: Labour Force Migration Survey (LFS, 2008), NBS

Employment and wages by occupation

- Most official data and studies have been focused on the level of remittances. Less information is available about patterns of employment and the level of wages the migrants receive in the host country. It's obvious that finding a job and being employed in the shorter

term from the moment of arrival for every migrant is a big challenge and depends on many factors.

- According to the 2008 LFS, 75% of Moldovan labour migrants are helped by friends and relatives to obtain a job; around 18% gain employment by directly contacting the employer or the person who facilitated the migration process. Others use private employment agencies or job announcements when looking for a job.
- In recent years, most migrants managed to find a job in a relatively short period of time, because more than half of migrants already had a promised job at the moment of arrival or managed to find employment in less than one month. 21% took about one month from arrival to find a job, 8% took more than two months and only 6% needed three or more months to find a job.
- Qualitative studies show that migrants usually give an amount equal to one monthly wage to the person that helped them find the job. There are groups of migrants who have more experience in the host countries and their primary occupation is job searching for less experienced migrants. In most cases, the new migrants without experience are expected to pay for getting a job, especially if they want to start quickly or if they want a longer assignment.
- Many qualitative studies show that migrants are willing to work for a minimum remuneration of 500 Euros per month. A wage of 800 to 1000 Euros per month is considered medium and wages above these values would be considered well paid.

Table 6. Average wages declared by migrants, by host countries

Country	Av.salary (\$)	# of resp.
Israel	997,92	12
Portugal	897,88	34
Italy	934,04	120
Greece	766,32	19
Turkey	417,50	20
Russia	371,71	470
Ukraine	245,29	14

Source: Remittance Study, IOM, CBS-AXA 2004;

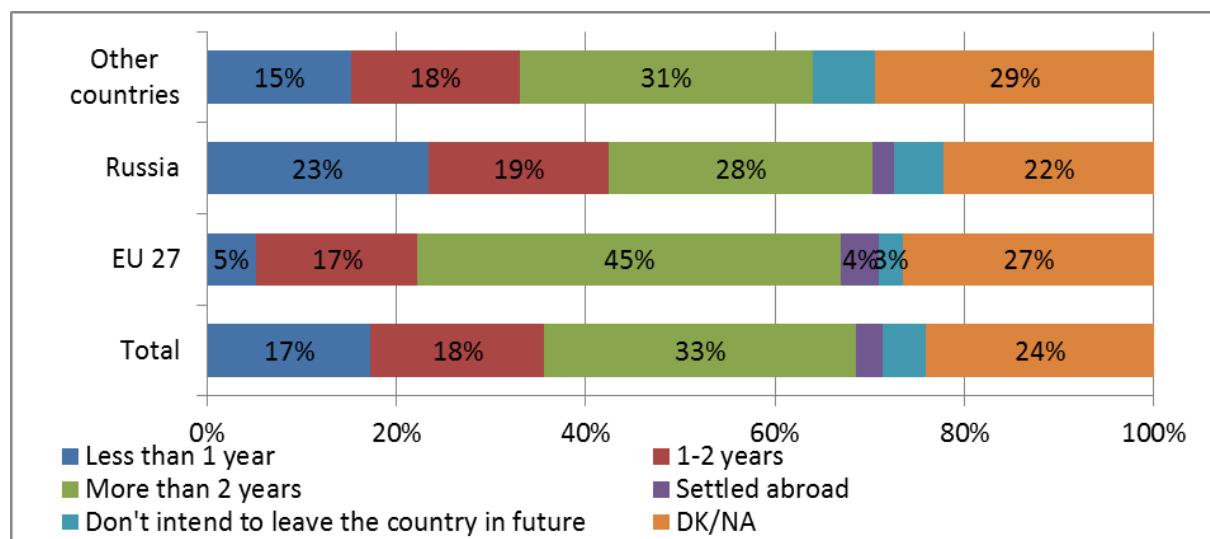
- The average wage depends on the host country, the status of residence and employment status (legal or illegal), as well as on the sector of occupation. Many cases have been cited that in CIS countries it is common to not pay migrants for their work, especially in the construction sector.
- The focus group discussion conducted for the purpose of this paper identified a few cases in which migrants working in Italy were not remunerated as well. This is the first case

registered by a qualitative study in respect to EU countries regarding the remuneration for normal work, but other cases have also been reported in which contracts were not respected (i.e. bonuses, overtime not being paid, days off not allowed for social workers, etc.).

4.6. Intentions of Migrants

- Currently, there are very few instruments that can be used to forecast the behaviour of Moldovan migrants. The questions about “When” and “How” this process will come to an end remain unanswered. The available data shows only the intentions of migrants in the very short term.
- As seen from figure 24, about 68 % of migrants intend to return home, even after a period of more than 2 years. Only about 3% intend to settle abroad and another 5% claim they have no intention to migrate anymore. These data can't be used to predict the developments of the phenomenon. Even the declared intentions might not become reality, because about 24% of migrants cannot express their own intentions. The intentions of return do not differ substantially in relation with the country of destination, but there are some visible differences regarding the period they intend to stay abroad.

Figure 24. Distribution of migrants by the period intended to remain abroad



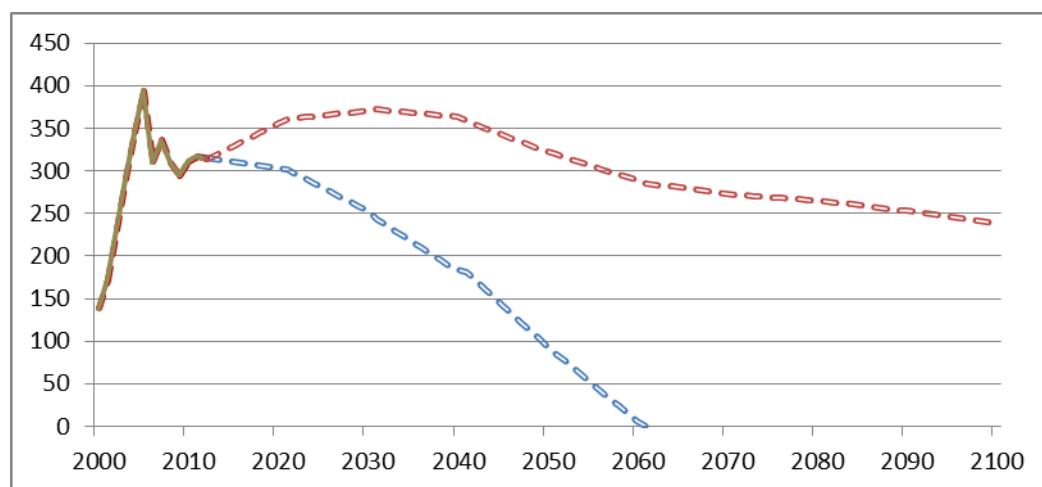
Source: Labour Force Migration Survey (LFS, 2008), NBS

- It is remarkable that more than half (45 percent) of respondents working in EU countries intend to stay more than 2 years (while they are making or have already made up their minds to stay as permanent residents in their host country). For labour migrants working in Russia, this indicator was twice as low in 2005 (Mosneaga, Rusnak, 2005) and was confirmed by the LFS in 2008.

4.7. Future Trends of Migration

- Migration from Moldova is undergoing structural demographic changes. The share of young people is decreasing and the share of older people is increasing. This can be explained by the fact that fewer and fewer young people (“new migrants”) migrate. At the same time, the share of older persons (60+ years old) in the total number of migrants continues to be insignificant; therefore it can be concluded that as they get older, people decide not to migrate. These aspects provide some hints about migration trends, on the basis of which we developed a model and tested two simulations in respect to the evolution of the number of migrants from Moldova.
- The *first* simulation is based on the assumption that the number of “new” migrants (young) will decrease to zero in the near future. This implies that the migration flow is a “closed group” with no new entries, and the exits are natural (imposed by the age). According to the model, the number of labour migrants will decrease to 100,000 persons in 2050 and the process of migration will stop entirely by 2060. This is a very optimistic scenario, since it is very unlikely that there will be no young migrants at all (entries).
- The *second* model assumes that the emigration flows of the young generation will decrease by 5% each year. As a result, in this scenario the number of migrants will increase by 2040. In 2050, the number of migrants will be followed by a moderate continued decrease. The scenario does not take into account the number of migrants that may return before they reach pension age. In addition to this, the decreasing population, according to the prognosis of UN Population Fund, may have an effect on the number of migrants.

Figure 25. Labour migrant number evolution: perspectives

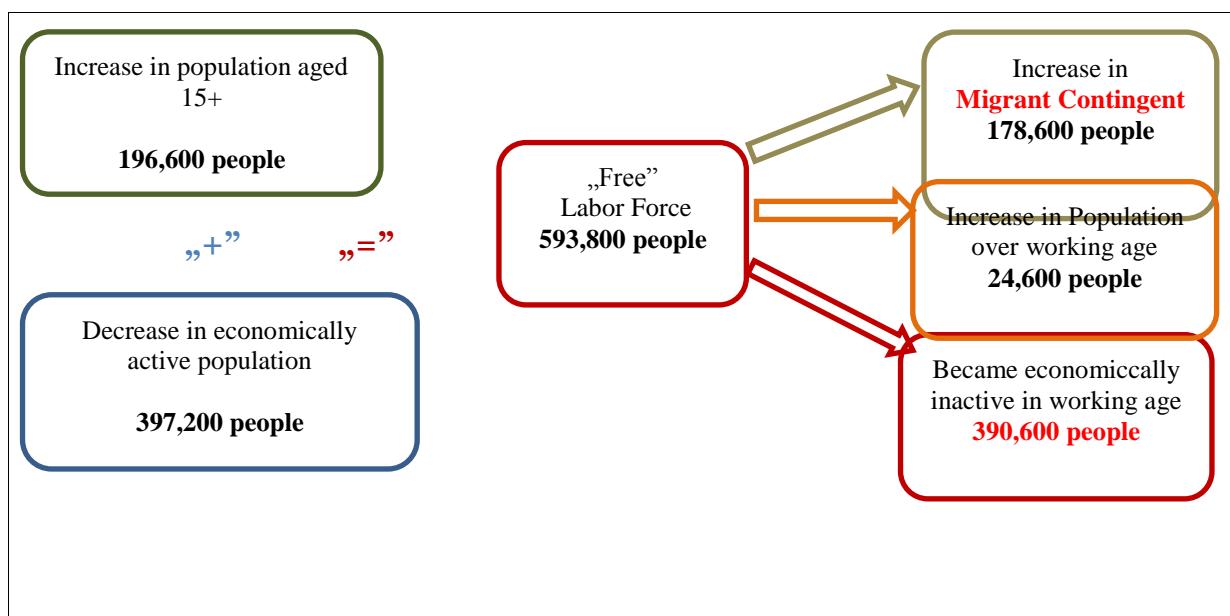


Sources: Author's calculations based on NBS data

4.8. Impact of migration on the local labour market

- A summary analysis of the labour force trends in the Republic of Moldova during 2000-2011 described above suggests the extent to which developments in the labour market in Moldova are affected by the labour migration.
- Labour migration contributed to structural changes in the labour market, as the decrease in the number of economically active population was not uniform across all sectors. The migration especially decreased the surplus number of workers in the agricultural sector.
- During 2001-2011, the population aged 15+ increased by approximately 197,000 persons compared to 2000. At the same time, the number of economically active people decreased by 397,000 people. Most of the fluctuation took place because of the departure of 447,000 persons from the agricultural sector. As a result, in the period under consideration, 593,800 persons aged 15+ were “accumulated” that were not part of the labour market in Moldova, because they were either unemployed or registered as unemployed in the local market. This increase in the so-called “free” manpower related to the labour market was not caused by the aging process of the population. So, the population over the age of retirement increased by only 24,600 persons.
- Of the economically inactive persons of working age remaining, less than half (178,600 persons) have been attracted by the labour migration process. Structurally, these flows and the phenomenon of the “free” labour force are illustrated in Box 1. Outline of developments on the labour market (2000-2010).

Box 1. Outline of developments on the labour market (2000-2010)



Sources: Author's calculations based on NBS data

- Otherwise, during 2001-2011, the number of economically inactive persons increased by 390,600. These are people who:
 - are of working age;
 - are not employed and not registered as unemployed;
 - are not migrants.
- There is insufficient information to determine the composition of this group of inactive population. It includes migrants who, at the time of the survey, were at home but indicated that they are employed abroad (returned migrants) and were classified as economically inactive in terms of labour market statistics for Moldova (125,000 in 2011). However, we have enough arguments to affirm that among them are precisely those migrants that are “invisible” in the migration-recording statistics, those who went with the whole family for example, for whom there is no reference household in the Republic of Moldova
- During 2001-2010, the population employed in agriculture decreased by 447,000 people, compared to the modest decline of 13,000 employees in the industrial sector. Statistics for 2008 show that prior departure, 37% of migrants were employed in agriculture, while the share of the population employed in agriculture fell from 50.9% in 2000 to 31.1% in 2008 (equal to 382,000 people).

Table 7. Occupations of migrants before departure

	Migrants (2008)	Employed population	
		2000	2008
Agriculture, hunting, forestry	37%	50.9%	31.1%
Industry	8%	11.0%	13.1%
Constructions	15%	2.9%	6.6%
Services	40%	35.2%	49.3%

Source: NBS

- In construction, the number of employees rose by about 25 thousand persons, while in the services sector it rose by 74 thousand. The comparison between the distribution of migrants by employment field prior to departure with the occupied population distribution shows that the areas of activity that have been most affected by the labour force exodus are agriculture and construction. The construction sector is an area which has experienced an exodus of manpower: 15% of migrants previously worked in construction; 2.9% of the labour force was employed in construction in 2000 and 6.6% in 2008.
- Most migrants, prior to departure, worked in the sphere of services – 40%. But the share (and the absolute number) of the population employed in the services sector increased considerably – from 35.2% to 49.3%.

- Therefore, the agricultural and services sector have provided most of the labour force for migration. This, however, does not explain the large number of workers that left during this period that were employed in the agricultural sphere. There is no doubt that there was a migration of labour force from agriculture to the services sector within the country.

5. Remittances

5.1. *Trends of transfer flows by natural persons*

- In Moldova, information on remittances is collected within the Household Budget Survey (HBS) as part of household income and from the Balance of Payments. NBS data on remittances are published in different tables under the category of ‘other income’. Collecting data on remittances as a part of overall household income is theoretically appropriate but generally self-declared incomes tend to be under-reported. In the case of Moldova, these figures may also be seriously under-estimated. This hypothesis is supported by the fact that the number of household members who were reported to work abroad in the HBS is one fourth smaller than similar data collected by the LFS and the 2004 Census.

The most comprehensive time series data on remittances come from Balance of Payments compiled by the National Bank of Moldova (NBM), which include three items: i) Employee compensation received from abroad in the BoP income account; ii) worker's remittances in the transfer account, and iii) migrants' transfers. All of these positions are reflected as Total Remittances in the series and the figures coincide with flows stated by the WB Migration and Remittances Factbook 2011 database (see Annex 1: Table 1). However, there are many debates around the figures given by the balance of payments for remittances and few important clarifications and questions without answers are presented in the next box.

Box 1: Remittances in BoP: important clarifications and questions without answers

According to BPM6 (Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual), remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. BMP 6 provides that Balance of Payment (BoP) does not reflect migration as a process. Estimation of remittances volumes is not a purpose for the BoP items, and no single item or account in the balance of payments framework capture transactions of

remittances.

At the same time, the remittances could be find as part of inflows of two items, included in the BoP:

- **Compensation of employees** as income earned by workers in economies where they are not resident (or from non-resident employers).
- **Personal transfers** as transfers from residents of one economy to residents of another.

It is important to mention that these items: i) does not include only transfers, generated by the process of labour migration; and ii) The BoP definitions of remittances are somewhat broader than those resulting from movement of persons, because they are not based on the concepts of migration, employment, or family relationships.

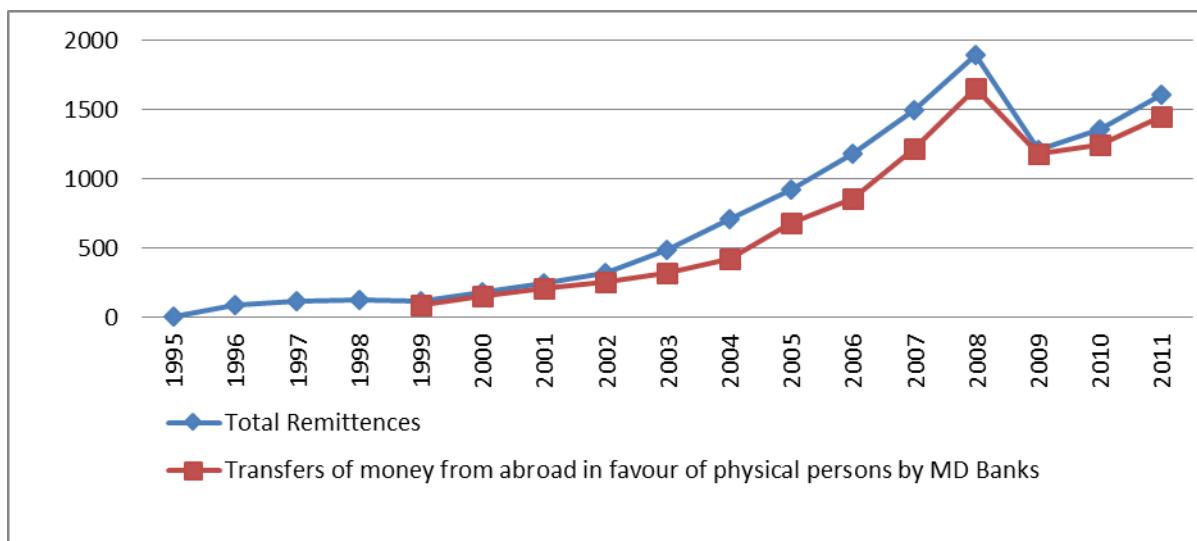
Within the discussions and debates on migration and remittances in Moldova so far figures related to remittances have been used inappropriately, being equated to total amount of transfers of money from abroad in favour of physical persons and compensation of employees, from the BoP, published by NBM.

On the other side, studies show that a significant part of remittances come through informal channels impossible to estimate exactly. One of the ways to estimate the volume of remittances is the social studies. However, these underestimate, as a rule, the volume of remittances due to several reasons, like, underreporting of the remittances by the respondent, household members may not know the entire amount of money submitted by migrant, etc.

The remittances estimated by the authors on the basis of the IOM-CBS-AXA 2004 & 2008 studies gives figures much lower under the transfers reported by the BoP under the lines of compensation of employees and personal transfers. At the same time, the rate of this underreporting from the 33-34% in 2004 have been increased to 60% in 2008. The issue may not been explained by the under reporting of the remittances by the respondents in the survey, but by the increase of the use of transfer means for physical persons by the other actors then migrants.

- With the above caveats, it is nonetheless clear that remittances to Moldova have increased significantly over the past 10 years. The Republic of Moldova was among the top world leaders in remittance volumes before the world crisis struck; the share of these inflows exceeded 30% of the country's GDP in the 2005-2008 period, and then declined to 23% in 2009, and 31% in 2010.

Figure 26. Inflows of remittances, in mln. USD



Source: BoP, National Bank of Moldova

- There was also a positive trend in the use of the banking system as a means of transferring remittances. In this regard, it is worth mentioning the evolution of money transfers from abroad made to private persons through banks in Moldova; their evolution is directly correlated with the amount of remittances received.
- Remittances started to grow sharply in 2003 – 2004, which also reflected the increase in the number of migrants. The growth trend of remittances was affected by the crisis period in 2008, but then in 2010 transfers started to increase again. In 2011, an increase of 30% in the volume of received remittances was registered in comparison with 2009, but it has not yet reached the peak registered in 2008.

5.2. Remittances consumption patterns

- Remittances have a special role in financing household consumption, and therefore are an important element that determines the dynamics of the national economy and directly or indirectly dominate the economic life of each family.
- Remittance behaviour and patterns differ by profile of migrants: it is useful to consider a variety of possible determinants, including migrant earnings, their underlying motivation, the seasonality of migration, the costs of travel to the host country, and the cost of living in that country. For example the study conducted by CBS-AXA and analysed by the Kiel Institute divided migrants into four groups based on destination country and sector of employment: (i) workers in the construction industry in CIS countries, (ii) other migrants in CIS countries, (iii) migrants in the EU; and (iv) all others. These four groups of migrants differ substantially in

terms of sector of occupation, length of stay, legal status, and socioeconomic characteristics. It is to be expected, therefore, that their remittance behaviour also differs.

- Migrants use three principal methods to transfer remittances to Moldova: bank transfers, express money transfer services, and cash transfers, where they may carry their cash foreign exchange themselves on home visits or may rely on trusted individuals as informal money couriers. The importance of these transfer channels varies across migrant groups. Most migrants in the CIS and other non-EU countries, many of whom were seasonal, most likely brought their earnings back themselves before 2006-2007.
- Several studies included in the IOM-CBS-AXA Panel Household Survey 2006-2008 suggest that remittances transferred to Moldova through formal channels have most likely contributed to financial sector development (Siegel, 2009). In this respect, Moldova has made further progress since 2006. Formal channels were used primarily by more than 60% of migrants in 2008, up from just under 50% in 2006. The share of migrants (mostly in the EU) who primarily use informal third-party services (maxi taxi drivers, etc.) declined from 20% in 2006 to 12% in 2008. The share of personal transfers (through migrants themselves, friends, or relatives), which were wide-spread among migrants in CIS countries, declined from 32% to 24% within the 2006-2008 period.
- Since 2004, different studies have stated that the main direction of use of remittances is current consumption. In the 2004 IOM-CBS-AXA survey, 43.1% of respondents mentioned that the largest amount of money was spent on foodstuffs and clothes, 18.2% of migrant households used the money to pay for utilities etc. The same survey suggests that in the early phase of migration, the households spent an important share of remittances on covering debts for the departure of the migrant (10.4%). The share of remittances used for savings was relatively small: savings “at home” (8.5%) and in the bank (1.6%). As for investment, except for investment in real estate, for business purposes the indices are practically missing.
- The patterns of consumption and use of remittances did not change much over time. In 2008, 46% of recipient households indicated that the main use of remittances was for daily consumption; 21% for the purchase or renovation of real estate, 5% invested in education and 2.4% in health. Only 0.4 % of households that were beneficiaries of remittances indicated that they primarily used the transfers for business development purposes (LFS 2008).

5.3. Effect of remittances on income of households

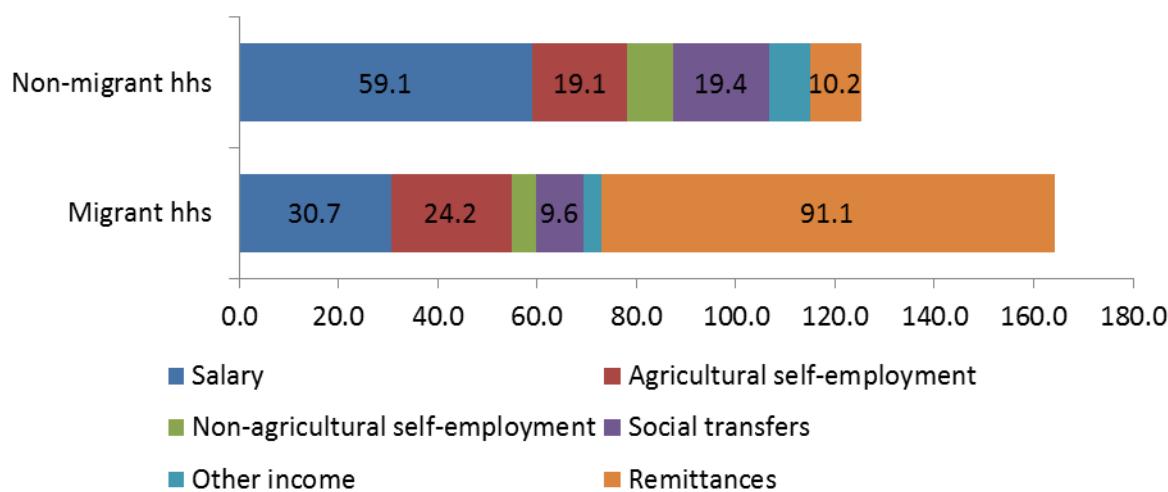
- As in many other countries, in Moldova the impact of remittances depends on their volume and as well as on how they are spent and invested by recipients.
- Labor migration and remittances affect social welfare in Moldova through their impact on the distribution of income. It is well documented that remittances have been an important share of the disposable incomes of households (discussed in chapter 3) and have helped reduce absolute poverty in Moldova as perceived by the households themselves (Luecke, Omar Mahmoud, Pinger, 2007). Remittances accounted for 58% of income in migrant households vs. 15% in non-migrant households; the latter would have been remittances from former household members or unrelated migrants (IOM/CBS-AXA, 2008). In 2011 remittances amounted to 15.3% of income, being the third most important source of income after wages and welfare payments. Their importance, expressed as a share of household incomes in rural areas is double (19.7%) that in urban areas (11.3%).

Table 8. Disposable incomes average monthly per capita in 2011

	Whole country	Urban	Rural
Employment	44.7	57.3	30.6
Self-employment in agriculture	10	1.4	19.6
Self-employment in non-agricultural sector	6.8	7.8	5.6
Property income	0.4	0.6	0.1
Social protection payments	18.1	15.2	21.3
Other incomes	20.1	17.7	22.8
Remittances	15.3	11.3	19.7

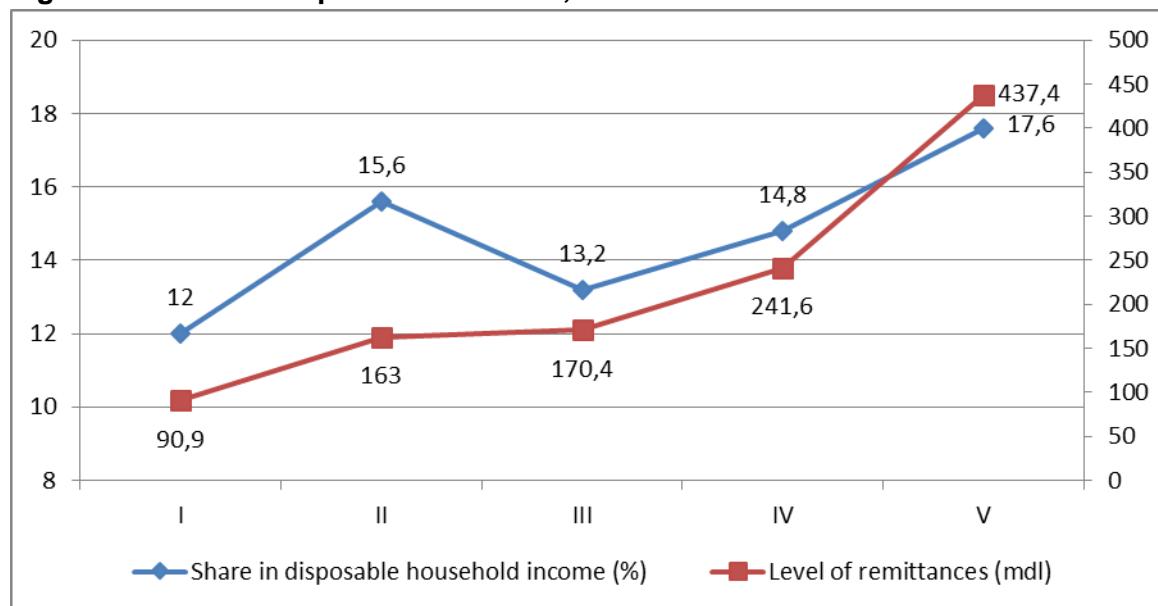
Source: HBS (2011), NBS

- The highest level of contribution of remittances to household income was recorded in 2008, at 19.1% (which coincides with the peak volume of remittances transferred to Moldova). A quantitative assessment of the impact of remittances on household income is fundamentally complicated by the fact that migrants are not a random sample of the population. Migrants are likely to differ in distinct ways from those who choose not migrate, such as by valuing additional income more highly than family life, taking greater risks, spending more effort on work. Many migrants might well obtain higher incomes than their non-migrant peers even if they had chosen to remain in Moldova. However, Figure 27 shows that migrant households depend crucially on remittances for their livelihood; on average, domestic income on its own would not be sufficient to support migrant households for any length of time, for example if migrants had to return home due to lack of jobs in host countries.

Figure 27. Per adult equivalent incomes, MDL

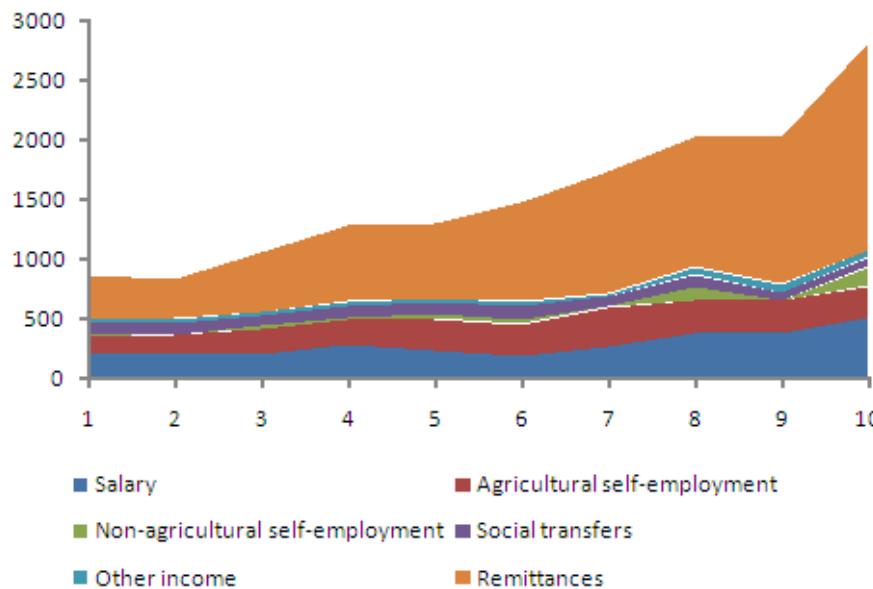
Source: IOM Survey, 2008, CBS-AXA

- Across income groups, both the level of remittances and their share in disposable household income increased along with income in Figure 27. While the poorest 20% of individuals received 12% of their corresponding disposable household income from remittances, this share rises to 17.6% for the richest 20%. The volume of remittances for these two groups differs by a factor of 4.5.

Figure 28. Per adult equivalent incomes, MDL

Source: HBS (2011), NBS

- Considering only migrant households, the share of remittances in disposable income increases almost continuously across income groups from 45% in the first decile to 64% in the tenth decile (Figure 29). Although non-remittance income loses in relative importance at higher income levels, it still grows from MDL 474 in the first decile to MDL 1024 in the tenth decile.
- Figure 29. Per adult equivalent incomes for migrant households only, MDL (HBS 2007)**



Source: IOM Survey, 2008, CBS-AXA

- Overall, it remains difficult to draw firm conclusions on the impact of migration and remittances on income distribution because the alternative scenario is not well-defined. Without migration, many current migrants might still earn higher incomes than current non-migrants because they differ in personal attributes that give them a higher income earning capacity.
- With all these qualifications, it is obvious that migrant households are on average richer in terms of household income per adult equivalent than non-migrant households. The most plausible conclusion from different studies is that all income groups are better off on average as a result of migration and remittances, and that many poor households have probably been lifted out of poverty thanks to migration. At the same time, better-off households benefit significantly more from migration and remittances than poorer households.
- Remittances and their spending can have multiplier effects that support local economies and community development. At the same time remittances can also increase intra-family tensions, as some family members work less, in expectations of transfers. A 2008 survey

shows that salary income was much lower in migrant than in non-migrant households (19% vs. 47%) (IOM, 2008).

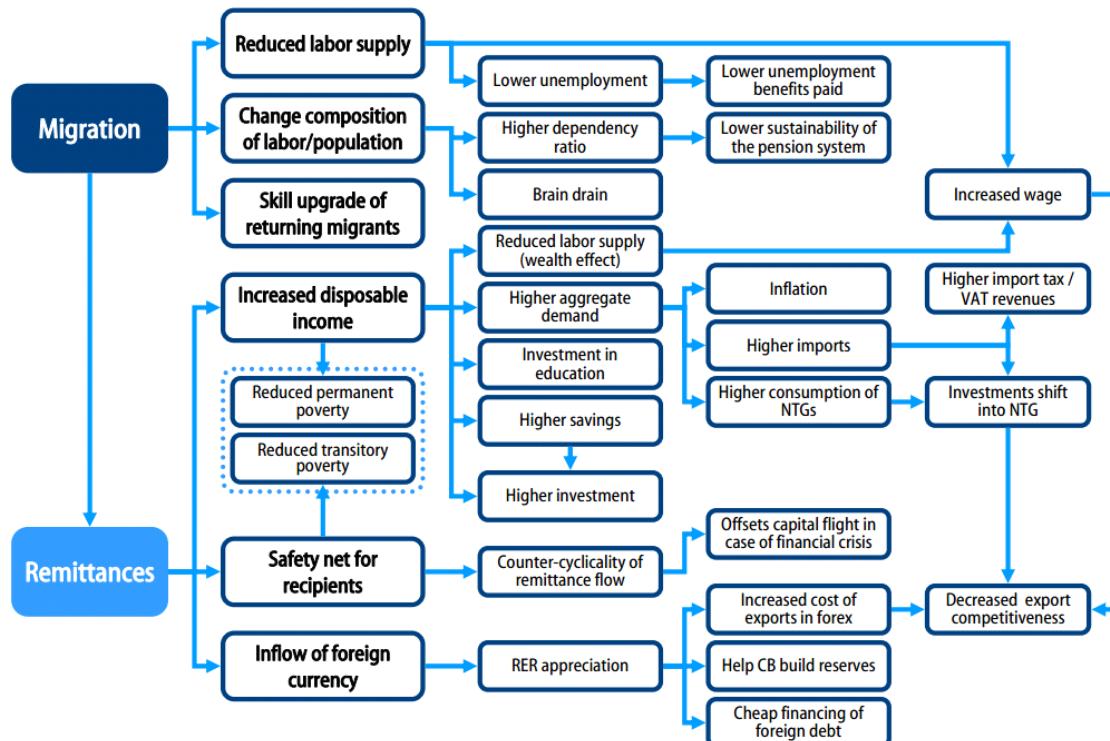
6. Costs and Benefits of Migration

- There is no doubt that migration and remittances have a major impact both on the country of origin and the host country, producing both economic and social effects. It is increasingly accepted that international migration can help reduce poverty and contribute to economic growth in the migrants' countries of origin. According to a World Bank study an average increase of 10% of emigrants in the total population of a developing country is associated with a 1.6% reduction in poverty (using an international poverty line of USD 1 per day).

6.1. Economic costs and benefits

Effects on macroeconomic management of large remittances flows

Box 2. The economic effects of migration and remittances on the sending country



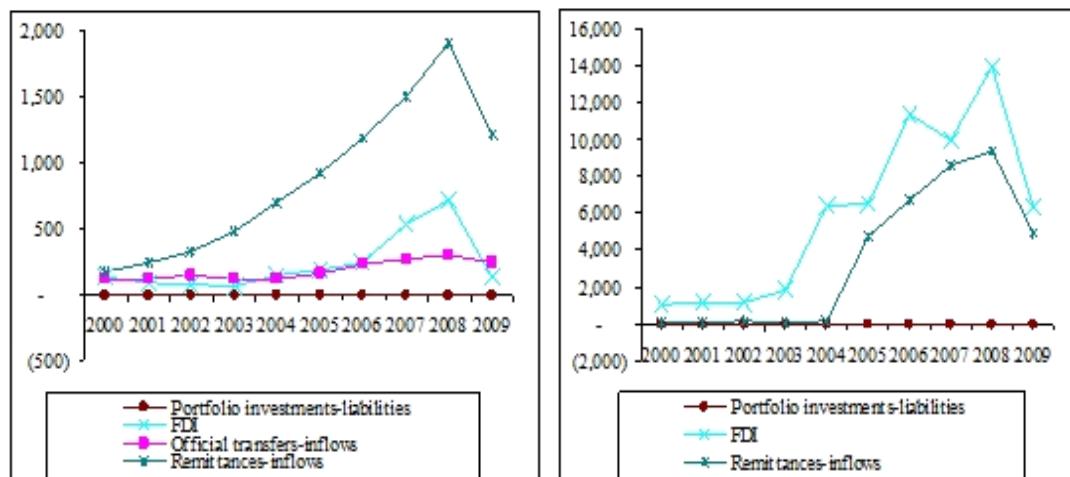
*NTG – non-traded goods Author: Culic Alexandru, 2006

- The impact of migration and remittances on the economy of the sending country are presented in the diagram in Box 2. The economic effects of migration and remittances

(Culiuc 2006). It is well known that migration impact has both positive and negative connotations. In the case of Moldova, migration has reduced the labour supply, changed the composition of the labour population, lowered the sustainability of the social protection system, increased inflation and imports and decreased export competitiveness of domestic goods. At the same time migration and remittances have increased the disposable income of households and consequently reduced poverty, lowered unemployment, increased investment in education, and contributed to the development of the banking, construction and other sectors.

- Remittances represent a large and growing source of foreign exchange for Moldova. They have grown faster than private capital flows and official aid to the country.

Figure 30 Remittance inflows and other capital inflows for Moldova and Romania



Source: World Bank data, IMF data, NBM data (January 2012).

- For instance in Romania, remittance inflows are ranked after foreign direct investment as a source of external funding. In Moldova remittances are significantly larger than other types of capital flows. This is in line with international experience, which confirms that poorer and smaller countries receive relatively larger remittances. The size of inflows from portfolio investments are negligible, indicating the underdevelopment of the secondary stock exchange market in Moldova.
- The impressive expansion of remittances was due not only to increased migration over the last few years and the lowered cost of sending remittances, but also because of the improved statistical coverage of these flows and increased monitoring of the international financial transactions both at the national and international levels.
- Remittance inflows represent an important source of external financing for Moldova as well, immediately after foreign direct investments. The total amount of remittance inflows

(compensation of employees, workers' remittances and migrant transfers) or of current net transfers (defined in accordance with the BOP definition) is one of the most important items in the balance of payments, and they largely contribute to providing a sustainable balance of payments, especially for covering deficits in foreign trade.

- Remittance inflows in 2009 helped reduce Moldova's current account deficit by almost 4 times. On the other hand, it is obvious that when remittances are mostly spent on imports, they can actually create trade deficits. Even in that case, it is clear that such deficits are self-financing and pose no threat to the stability of the balance of payments.
- However, despite their positive contributions to foreign exchange earnings, GDP and household income, remittances also have their downside. Extensive and continuous inflows of remittances can sometimes lead to a significant appreciation of the real exchange rate and therefore a loss in the relative export competitiveness of price sensitive tradable goods. Although the empirical evidence of negative effects from remittances on terms of trade and growth are limited, usually these negative effects exist in cases of small and open economies which are, at the same time, large remittance receiving countries.²⁸ For example, one IMF report talks about the significant appreciation of the exchange rate in Moldova as a result of the extensive remittance inflows (IMF, 2005)
- One of the key factors that influence the volume of remittances is the altruism of migrants. The volume of remittances is also determined primarily by the situation in the host country, where the migrant is employed.
- Table 10 shows simple bivariate correlations between remittances and macroeconomic aggregates in Moldova. While these correlations do not imply causality, they nevertheless offer some interesting suggestions about what occurred during the 1995-2010 period, namely:
 - remittances are positively and highly correlated with the formation of GDP, with imports, and with the consumption expenditure of households;
 - the increase of the volume of remittances is negatively correlated with exports;
 - there is no statistically significant relationship between the change in the volume of remittances and the variation in the level of inflation (due to the NBM interventions).

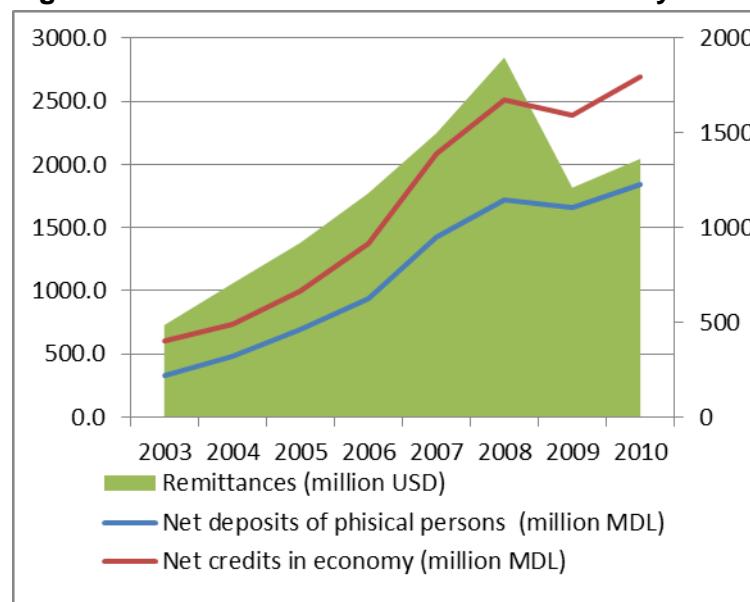
Table 9. Bivariate correlation between remittances and some economic indicators (1995-2010)

	Pearson Correlation
GDP per capita (current US\$)	.936(**)
Imports of goods and services (BoP, current US\$)	.979(**)
Inflation, consumer prices (annual %)	-0.466
Consumer price index (2005 = 100)	.944(**)
Household final consumption expenditure per capita (constant 2000 US\$)	.973(**)
Exports of goods and services (% of GDP)	-.751(**)

Impact of remittances on the real economy

- The sector of the Moldovan economy which substantially benefited from a large volume of remittances is the banking system. Initially, the share of funds transferred through banks was quite small. The insecurity of the informal channels (train and bus conductors, money brought in person) and the liberalization of the rapid money transfer market have oriented the transfer practice towards the banking system. Currently, there are over 20 rapid money transfer systems operating in the country. Their costs reach, in certain cases, up to only 1% of the transferred amount, which is the lowest among the countries in the region. In 2011, transfers to individuals totalled US\$1,453.8 million (including rapid transfer systems – 1,376.6 million). Most of these being remittances were made through the Moldovan banks.

Figure 31. Trends of net credits in the economy and of net deposits of individuals



Source: NBS

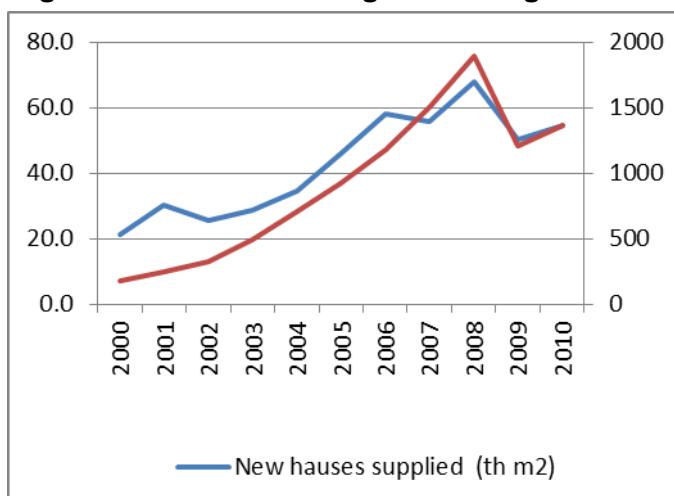
The impact of remittances on the banking system is not restricted only to monetary transfers. The increase in the financial capacity of households is inevitably also reflected in other aspects. Although, consumption remained the main area of spending remittances, there has been a shift towards savings. In 2004, the share of savings "at home" were 8.5%

and in a bank account they were 1.6%). However, in 2008, it was estimated that the number of households with savings of more than USD 500 was four times higher among families

receiving remittances than households without migrants (29% vs. 8%). The estimate made in 2010 indicates that 20% of remittances are directed towards savings and 22% to other investments (IASCI/CIVIS, 2010).

- It was noticed that the volume of remittances directly correlates with net deposits of physical persons, which grew 5.5 times in 2010 compared to 2003, as well as with the number of net credits in the economy, which in the same period increased 4.4 times and follow the trends of remittances.

Figure 32. Commissioning of dwelling houses



- Another sector that has been strongly influenced by remittances is the *construction sector*. Real estate became one of the main recipients of remittance investment by households. In the 2000-2010 period, the volume of housing commissioned in Moldova increased from 214 thousand square meters up to 546.2 thousand square meters (see Figure 32).

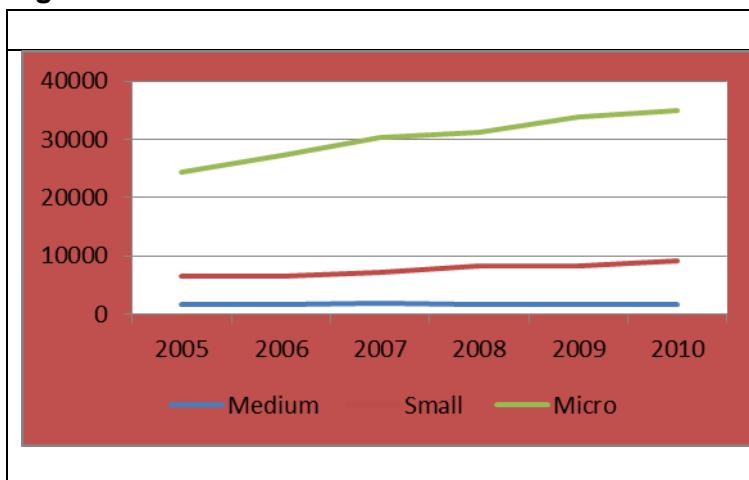
Source: NBS

When speaking about the connection between the business environment and migration, the survey on "How Moldovan Households Manage Their Finances" conducted by CBS-AXA in cooperation with the IOM found strong implications for migrants in the business environment.

- Migrants show higher entrepreneurial activism in comparison to other categories; 6.8% of migrants have their own businesses, thus differing in number when compared with those that do not currently have a business but had a business at a previous time.
- The survey also concluded that when remittances contribute substantially to a household's budget, the household's motivation to launch a business diminishes.
- Nevertheless, the use of remittances as starting capital for business has been and remains an unused opportunity. The involvement of the authorities with regard to the orientation of remittances into economic activities only started in 2007, when it created an organization for supporting SMEs (ODIMM) and initiated a first program aimed at encouraging migrants to conduct business activities at home (such as PARE 1+1). At the end

of 2012, about 150 business projects have been initiated by the migrants and their relatives within PARE program.

Figure 33. Trends of number of SMEs



Source: NBS

Brain Gain/Drain through temporary/permanent movement of skilled persons

- A 10% increase in the share of remittances in Gross Domestic Product (GDP) is associated with a 1.2% reduction in poverty. However, if migration leads to a significant loss of skilled labour (brain drain), international migration may have a negative impact on sending countries.
- The primary cost associated with migration for Moldova is the “brain drain” or the loss of some of Moldova’s brightest citizens:
- 48% of migrants are skilled and 10.6 % are highly educated. Moldova experiences not only the loss of the potential worker and his contribution to society, but also the investment made in his education and training, and the potential for him to mentor and teach others, especially the younger generation.
- It can be assumed that Moldovan migrants making an international move already have some financial solvency and entrepreneurship skills. Even unskilled workers who migrate are a loss to Moldova due to the loss of their entrepreneurial and financial literacy skills.
- As discussed earlier, the effect of “brain drain/brain waste” is acute in Moldova, because, many doctors and nurses left the country (there are many cases of doctors’ offices being opened in Romania, Ireland, Italy by Moldovans). Moldova faces a limited supply of doctors and teachers in rural areas because many of them have emigrated.

- Not only are financial and entrepreneurial talents being transferred to the recipient country, but potentially valuable political assets might be being transferred as well. Moldova is a poor country, which has poor governance as both a cause and symptom of its impoverishment. When the best and brightest leave, they take potential reformist energy and intelligence with them.
- Evidence of brain drain is provided by the figures in Table 5. Distribution of migrants' activities before emigration and activity abroad, which show that migrants work abroad at less skilled/qualified jobs than the ones they had in Moldova before departure (i.e. 86,5% of those involved before in education, health or public administration work abroad almost in construction field and in private households services).
- The major difference in qualification occupational status before and after departure occurs for highly and middle qualified specialists (i.e. 46% highly qualified and 55% mid-level qualified specialists at home perform jobs abroad they are overqualified for). At the same time, Moldova may "gain some brain" upon the return of migrants because it is noticed that another group of migrants, like operators, machinists and partially unqualified workers (43% and 37%) benefit from the migration process which gives them opportunities to find better jobs, working as qualified workers and gaining skills and interacting with new technologies. (see Table 10. Profile of Migrants before emigration and occupational status abroad).

Table 10. Profile of Migrants before emigration and occupational status abroad

Before departure	Abroad	Service, trade or other type of workers	Qualified workers	Operators	Unqualifie d Workers	Others
Highly qualified specialists	16.0%	24.9%	1.6%		46.2%	11.3%
Middle qualified specialists	21.5%	14.5%	1.3%		54.9%	7.8%
Employed in services, house management and services, trade and other similar occupations	32.2%	20.8%	1.1%		43.9%	2.0%
Qualified workers in agriculture, forestry, hunting, fishing and fish breeding	12.8%	50.7%	1.2%		29.7%	5.6%
Qualified workers	3.3%	76.5%	2.5%		16.3%	1.4%
Operators, machinists, etc.	4.0%	43.3%	38.3%		12.7%	1.7%
Unqualified workers	8.0%	36.9%	2.4%		51.4%	1.3%

Source: Labour Force Migration Survey (LFS, 2008), NBS

- It is recommended that Moldovan authorities take such changes and qualification progress into account and attempt to use the gained knowledge of its migrants at home for national development purposes. These findings have been confirmed also by a recently-conducted study that looked at the possibilities and mechanisms existing in Moldova for the recognition and validation of qualifications obtained by migrants abroad. The study stresses

that EU's best practices may serve as a solid foundation for creating in Moldova similar functional mechanisms for recognition and certification of (non-formal and informal) prior learning to ensure dynamic labour mobility within Moldova, as well as to facilitate the circular migration within EU countries.

6.2. Social costs and benefits

Costs and benefits of migration on family members

- About 14% of households have at least one member abroad. A sociological study estimated that about 30% of households benefit from remittances and about 1.5 million people live in households that receive remittances. It also revealed that 22% of households benefiting from remittances depend on them, as over 80% of these households' income is represented by the money received from abroad.
- Transfers from abroad represent a reliable source of income for these families and the improvement in the welfare level of the entire household is obvious due to the changes observed in households before and after emigration. For example, only 14.1% of the total number of migrant households with children are included in the least insured category (Quintile I), compared with 26.2% households with children and without migrants. Remittances play a major positive role in the increase of access of recipients to education services, health services, entertainment, etc.
- The negative impacts of migration and the significant social and psychological costs are registered by qualitative studies on the children left behind without parental care. The issue has become one of the more publicly debated subjects in Moldova and is being tackled by various international development organizations active in Moldova, as well by the local public administration. Preliminary results of the 2012 Study on the Effects of migration on children and the elderly estimates that about 155 children have one or both parents abroad (130,000 have one parent; 25,000 children have both parents abroad) .
- The governmental Social Report for 2010 confirmed that the situation of children left without parental care was perceived by 45.7% of population as being the most difficult problem caused by emigration. In this year on average, every fifth family with children had at least one member working abroad. Other 2010 official data estimated the number of children left without parental care at 91,802, of which 28,863 children had both parents working abroad.
- The Ministry of Social Protection and Family conducted a census on children with parent/s working abroad during the period of March-April, 2012. The data will contain the number and the status of children affected by migration and shall be the basis for future child

protection policies. This group of children, regardless of age, is psycho-emotionally affected by their parents' departure, particularly if the mother leaves. Young children often become attached to their new caregivers and/or feel abandoned by their parents and become distant from the people around them, as well as more introverted and depressive. To a great extent, these children have less healthy nutrition, their school achievements are lower, and they risk getting into conflict with the law and are more vulnerable to the negative influence of marginal groups.

- The mother's departure contributes significantly to the "loss" of her role in the family; some tasks are taken over by adult family members and others by children. The separation of children from parents affects children's stress, safety, and satisfaction of emotional needs. In many situations, the migrant parents working abroad for a long time lose emotional contact with their children, their main concern being sending money for their needs, which results in a gap and lack of communication on important psychological issues.
- Other negative impacts registered by specific studies among the group are sexual abuse, cases of violence and child abuse, negligence, and the most dangerous fact on social effects is that many cases remain without the intervention from the local authorities.
- Migration has an impact on the family relationship. Relationships between spouses are affected by mistrust, jealousy and other conflicting issues related to money management, responsibility for education and health of children etc.. Although relations between partners are considered affected, it seems that they are not reflected in the official status of the families. The divorce rate in the last 10 years remained constant, and is much higher in urban than in rural areas (7 out of 10 migrants are from rural areas). Although some of the migrants have a parallel life, their family in Moldova is their formal one. Sometimes they have a co-partner in the destination country, and in some cases even children.
- Women who remain at home whose husbands left to work abroad easily take over the role of men. At the same time in many situations, women have financial constraints, because the husbands impose extremely severe financial control. Women are often constrained by their partners in terms of leaving their jobs or not getting employed, because of the low salary in Moldova. According to some studies, men left behind due to migration are also affected psychologically; they are traditionally used to playing the role of financial supplier to the family and the woman deals with the care and education of the children. Thus it is difficult for men to accept the "female" family responsibilities. Many husbands whose wives work in EU countries (and who come home usually once or twice a year) suffer from feelings of abandonment and fall prey to alcohol.

- Migration also has a certain impact on the elderly population. The elderly play an important role in migrant households by taking care of the children whose parents have emigrated. Different studies estimate that when both parents migrate, children remain in the care of the elderly in about 90% of cases, and when one parent migrates in one third of the cases. Both groups form a category of vulnerable population from various points of view. In both cases they, themselves, need support from the society and state, because they are left without the care of their own children who left to work abroad, and for them it is often quite difficult to look after the new challenging generation.
- For many grandparents the migration of grandchildren together with their families has a specific impact on their behaviour. Many of them cannot communicate with grandchildren born and educated in the host countries because of language barriers. It is important to mention the fact that the chances for these children to integrate smoothly into Moldovan society diminish with age.
- Migration also has an indirect impact on households that have no members working abroad. They benefit from remittances through occasional financial aid, loans from the migrants, gifts, etc. The migrant households employ workers for some agricultural work or construction and in such a way they increase the income of other households in the community (without migrants).

Social security of migrants

- In addition to the demographic problems that are putting pressure on the social security system of Moldova, the migration phenomenon will impose new challenges in the near future. These challenges will respond to the questions about the possibilities for migrants to be part of the social security system and their eligibility for benefiting from social protection in the future. These questions have not been cleared up as of yet in terms of the political visions and policies of Moldova and substantial efforts should be made towards the adoption of appropriate measures and actions.
- The social insurance system of the Republic of Moldova is based exclusively on the principle of solidarity between generations. Social protection is provided only for insured persons. An insured person is someone who pays contributions to a social protection fund for at least 15 years while working in country. As a result, persons who are currently working abroad, upon return will be able to claim a pension only based on the contributions paid, or, if it is too small, a minimum pension.
- It was estimated that the public budget of the state social insurance will be threatened if the number of pensioners who will claim a minimal pension without contributing to the

pension system is too large. According to LFS 2008, only one third of migrants contributed to the social security system before departure. At the same time, the same survey estimated that only 6.8% of people working abroad contributed to the social insurance system in host countries.

- Efforts are being made by the government of Moldova, which has developed alternative forms of individual contracting for becoming part of social insurance system, however this practice is not used much (there were only about 1300 contracts in 2010). In spite of efforts made by the authorities to ensure, through bilateral agreements, the connection of migrants to social protection systems in host countries and the connection of these systems between both countries, migrants remain almost entirely disconnected from social protection services in host countries.
- In addition to signed bilateral agreements in the field of social insurance, in December 2006 amendments were made to the Law on state social insurance pensions which introduced the individual insurance contract, which is concluded directly with the National Social Insurance House, although few migrants use this opportunity to ensure their old-age pension. However, a large portion of the active population actually working abroad are not contributing to the social insurance system. On the one hand, this affects the current situation by increasing the burden on the employed people, and, on the other hand, endangering the sustainability of the social insurance system.

People who left to work abroad can buy a mandatory health insurance policy to be able to benefit from health services as insured persons. However, only a small share of migrants use this service. Generally speaking, the share of people who personally apply for health insurance is not attractive; it represents only 1.4% of the total number of insured persons.

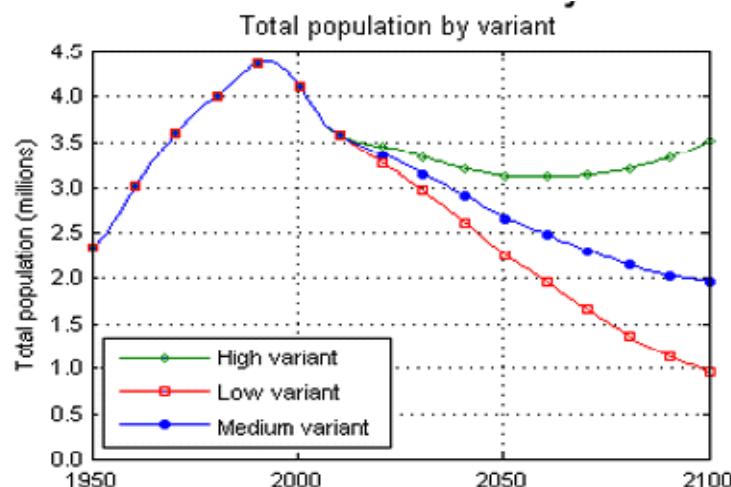
- The current migrants are potential applicants for social allowances (state social support benefit for uninsured people) and will place major pressure on the social assistance system in the future.

6.3. Demographic costs and consequences

- The Republic of Moldova is being affected by a demographic decline, expressed by the reduction in the total number people and general ageing. Since 1993, population growth has been negative. It decreased annually by 30,000 during 1993-1999 and by 50 thousand per year during the period 2000-2010. A slowdown in this decrease was recorded in the 2006-2011 period, but this trend is due to the fact that those born in the 1980s, when the last baby-boom took place, began entering childbearing age. In the immediate future, the trends will

worsen again. The UN forecasts the Moldovan population will shrink to about 3.1 million by the year 2050 in the most optimistic scenario.

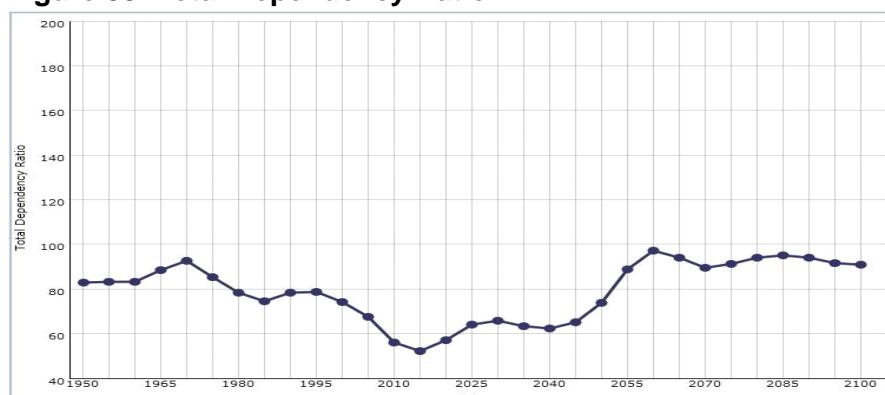
Figure 34. Forecasted Moldovan population



Source: United Nations, department of Economic and Social Affairs, Population Division, Population Estimates and Projections Section

- The forecast of the total dependency ratio, a demographic indicator with a direct reflection on labour market, is also not very optimistic. The total dependency ratio has fallen continuously over the past 40 years. However starting in 2015, it is estimated to increase until the 2060s, when it will reach a level close to 100, meaning a 1 to 1 ratio between the population in the economically active age and the economically inactive population.

Figure 35. Total Dependency Ratio



Note: Total Dependency Ratio the ratio of the sum of the population aged 0-19 and that aged 65+ to the population aged 20-64. Source: United Nations, department of Economic and Social Affairs, Population Division, Population Estimates and Projections Section

7. Migration Policies in Moldova

7.1. *History of migration management and policies*

- Following its independence, Moldova adopted its first Law on Migration in 1990. However, it should be noted that a more comprehensive approach to the management of migration had not been taken until the adoption of the Migration Policy Concept of Moldova in October 2002.
 - 1990-2000: Before 1990 (the Declaration of Independence in 1990) the migration process was not regulated at all at the national level in Moldova. All issues related to the registration of foreigners and their place of residence were within the competence of the Ministry of Foreign Affairs through the comprehensive Soviet Union legislative acts, duplicated in the legislation of the Moldovan Soviet Socialist Republic (M.S.S.R). In 1990, the M.S.S.R. Law on Migration was adopted. From an institutional point of view, the Ministry of Labour and Social Protection was authorized to deal with all the issues related to migration, except emigration. From 1994 to 2000, Moldova developed its legal framework for migration which includes a number of laws on citizenship, refugee status, and on preventing trafficking in human beings. (see Annex 2). In August 2000, the President issued Decree no.1638-II for supporting persons originating from Moldova who reside abroad and cooperating with them.
 - In December 2000, the Government adopted a decision on measures to support persons originating from Moldova residing abroad. The decision included measures in four areas: on the human rights, culture, education and social protection of Moldovans abroad. (GD no 1322 dated 29.12.2000). The decision also established a Coordination Council for supporting people originating from Moldova and residing abroad.
- 2001-2012: Building on the initial steps just outlined, the Moldovan authorities started to address issues related to migration through a series of policy papers and institutional reforms.
 - In 2001, a State Service for Migration was established to replace the Department of Migration within the Ministry of Labour and Social Protection,
 - In 2002, the Parliament adopted the Concept of the Migration policy of the Republic of Moldova in order to improve the migration situation through legislative means (Resolution no. 1386- XXV of 11 October 2002),

- In December 2002, the new Law on Migration was adopted (Law 1518/2002) which established a National Migration Bureau with the overall responsibility for both emigration and immigration.
 - In 2003, the government of Moldova made one of the most significant developments, from an institutional point of view, by establishing the Migration Department (GD 970/2003). This Department was given the relevant functions from the Ministry of Justice, the Ministry of Foreign Affairs and the Information Technologies Department; this has helped move towards a unified approach to migration issues in Moldova.
 - In 2006, as part of a wider reform of the central public administration, the functions of this Bureau were divided into i) a smaller bureau responsible for immigration and asylum, as part of the Ministry of Internal Affairs, and ii) emigration, namely labour migration becoming the responsibility of the Ministry of Economy and Trade,
 - Also in 2006, a Committee for the Coordination of the Migration Process was formed, led by Deputy Prime Minister, the Minister of Foreign Affairs and EU Integration,
 - In 2008, the Government adopted a Plan of Actions in order to motivate Moldovan migrant workers to return from abroad (GD 1133/2008),
 - In 2010, a new Law on the status of foreigners replaced the law on migration (L200/2010 – Legea “privind regimul străinilor în Republica Moldova”)
 - In 2011, the government changed the name of the Coordination Council established in December 2000 to “the Coordination Council of persons originating from the Republic of Moldova – the Moldovan Diaspora”. At latest count, the membership of the Council consisted of 49 representatives of Diaspora organizations abroad and 3 members of the Government of Moldova, led by the Prime Minister.
- While the Government has undoubtedly taken several steps to deal with the regulation of migration, the main goal of legalising Moldovan labour migrants abroad and their legal and social protection has not yet been fully accomplished. The tendencies to unify the regulation of Moldova's migration system with the migration process managing system which is typical in EU countries have changed the nature and functions of the specialized migration structure.
 - The National Bureau of Migration has been subordinated in different periods between Ministry of Economy and Trade, the Ministry of Internal Affairs (National Bureau for Migration and Refugees) and the National Employment Agency. The President, the Parliament, the Ministry of Foreign Affairs and European Integration, the Ministry of Internal Affairs, the Customs Service and the Interethnic Relations Department (National Bureau) were also involved in regulating the migration process at different stages.

- At the time of this study, the most important strategic documents for regulation of migration addressing issues related to emigrants, immigrants, refugees and repatriates, counteraction of human trafficking, illegal/uncontrolled and transit migration and provision of asylum to refugees are the following: National Strategy on migration and asylum (2011-2020); National Strategy for labour force policies for 2007-2015; Action Plan for 2011-2015 on implementation of the Migration and Asylum Strategy; EU – Moldova Mobility Partnership Agreement; EU – Moldova Action Plan (cooperation in justice and home affairs: migration issues); EU – Moldova Action Plan on Visa Liberalization; Action Plan for preparation and negotiations of EU- Moldova DCFTA define framework for the mutual recognition agreements of professional qualifications between the EU and Moldova cover commitments on social and labour issues (ILO core labour standards and conventions, promotion of Decent Work Agenda) and National Return Action Plan, National SMEs Development Programme and others.

7.2. Arrangements that Moldova has in operation with the European Union

- The European Union is currently negotiating an Association Agreement (AA) with the Republic of Moldova, which aims to strengthen relations with its Eastern neighbour. The negotiations for the Association Agreement started in January 2010. Both parties agreed that the EU will offer Moldova assistance and financial support for promoting structural, administrative and political reforms. By December 2012, thirteen rounds of negotiations of the Association Agreement were held, the last took place in Brussels. Twenty-three out of twenty-five chapters of the AA have been provisionally closed. The “Justice, Freedom and Security” Chapter is very close to an interim agreement.
- The last EU – Moldova Action Plan was signed in 2005 for a three-year period, and extended by one year. Further steps were subsequently taken for greater EU involvement in the country: a Special EU Representative was appointed for Moldova, the European Commission opened its Delegation in Chisinau in October 2005, and an EU border control mission was launched in December 2005 for Transnistria region - EU Mission for Borders Assistance (EUBAM). In 2010, significant support to the Government of Moldova has been launched through the EU High Level Policy Advice Mission. This Mission is the response to the Government request addressed to the EU for provision of assistance for democratic reforms and acceleration of association and further economic integration between EU and Moldova. It deploys of a group of high level policy advisers to the main public institutions (including BMA) and supporting them in designing, implementing and monitoring relevant policies and measures (www.euhlpam.org).

- Within the context of the preparation for negotiations of the Association Agreement, was adopted the EU-Moldova Visa Liberalization Action Plan (AVPL) in December 2010. The visa regime is a highly sensitive issue on Moldova's political and public agenda that is highly related to the migration process and the subject of this study. The visa requirements have dramatic impacts on Moldova, because 12% of its population are labour migrants. Fully aware of the difficulty to obtain a clear membership perspective from the EU, the Government of Moldova is now making it a priority to lifting visa requirements and expects the EU to make a good will gesture on this issue.
- The APVL includes a separate block of actions on addressing the Irregular immigration, including readmission (Block 2). The actions are planned for two phases and two areas – border management and migration management.
- For the migration management sub-chapter the APVL includes the following legislative and policy framework actions:
 - for the 1st phase: Consolidation of the legal framework for migration policy, including measures for the reintegration of Moldovan citizens (returning voluntarily or under the EU-Republic of Moldova readmission agreement) and the fight against irregular migration (including efforts to conclude readmission agreements with main countries of origin and inland detection of irregular migrants); Adoption of a National Migration Management Strategy for the effective implementation of the legal framework for migration policy and an Action Plan, containing a timeframe, specific objectives, activities, results, performance indicators and sufficient human and financial resources; Establishment of a mechanism for the monitoring of migration stocks and flows, defining a regularly updated migration profile for the Republic of Moldova, with data both on irregular and legal migration, and establishing bodies responsible for the collection and analysis of data on migration stocks and flows.
 - for the 2nd phase: Continued effective implementation of the EU-Republic of Moldova readmission agreement and measures for the reintegration of Moldovan citizens (returning voluntarily or being readmitted); Effective implementation of a legal framework for migration management, including the provision of administrative structures with adequate human resources with clear and relevant competences for all aspects of migration management, as well as effective cooperation between relevant agencies; Migration profile established and regularly updated and effective analysis of data on migration stocks and flows; Consistent implementation of an effective methodology on inland detection of irregular migration, risk analysis (including the reporting of relevant agencies and analysis on each administrative level e.g. local, central), and investigation

of cases of organised facilitated irregular migration, including effective cooperation between relevant agencies; Provision of adequate infrastructure (including detention centres) and strengthening responsible bodies to ensure effective expulsion of illegally residing and/or transiting third country nationals from the territory of the Republic of Moldova.

- The EU Commission's Evaluation Report on the implementation of the first phase of the Action Plan on Visa Liberalization (APVL) notes good progress (especially in terms of document security, border management and migration), but also the need for additional efforts towards progress in public policy (cooperation between relevant authorities) and the implementation of anti-discrimination standards areas.
- On the economic side, the EU is ready to offer Moldova a new Deep and Comprehensive Free Trade Area agreement (DCFTA) which may further consolidate the integration of Moldova in the European economic zone. Three rounds of DCFTA negotiations already took place, the last one in September 2012. The agreement will aim at liberalising Trade in Goods and Services beyond Moldova's WTO commitments.
- The migration policies will be affected by the DCFTA Chapter on Trade in Services that in fact address provisions related to temporary presence of persons for business purposes, which will cover movements of natural persons, requirements regarding entry, stay, work, labour conditions and supply of services. The DCFTA might also address and define the framework or the general conditions for the mutual recognition agreements of professional qualifications between the EU and Moldova. The agreement will cover commitments on social and labour issues, including the ILO 1998 Declaration on Fundamental Rights and Principles at Work, the more recent 2008 ILO Declaration on Social Justice for Fair Globalization, the ILO core labour standards, and other ILO conventions that promote the Decent Work Agenda.
- The current Moldovan migration policy was developed in the context of the EU-Moldova plans and migration initiatives mentioned above mentioned. The Republic of Moldova intends to increase the number of states to regulate its relations in the field of social insurance.
- In this context, in 2007 the Government approved a template of an *intergovernmental Agreement on Social Insurance*, developed based on the European Convention of Social Insurance and according to general laws set by Regulation nr. 1408/71/CEE on the coordination of the social insurance system for employed persons, independent workers, and their family members which have moved to the European Union. The intergovernmental agreement contains un-discriminatory provisions for citizenship or residence principle. The entitled person would benefit from payments regardless of citizenship and even if he or she

resides in another contracting state. The draft of this agreement applies to national legislations of contracting states in regards to the following social insurance payments: payments in the case of maternity and sickness, accidents at work and professional diseases, disability payments (pensions and allowances), old age pensions, survivor pensions, aids in case of death, unemployment aids. As a basic principle, the agreement requires the payment of social insurance contributions in one contracting state – namely, in the state where the migrant worker undertakes his activity. Other agreement principles are: (i) equal treatment of citizens of each party; (ii) determination of applicable legislation; (iii) sum of social insurance periods; and (iv) the export of payments entitles a migrant worker to benefit from payments gained in the states where he or she worked, on the territory of his or her own country (maintenance of gained rights).

- The Government of Moldova has negotiated and signed bilateral agreements in the field of social security and insurance of migrants with Bulgaria (2008), Portugal (2008), Romania (April 2010), Luxembourg (June 2010), Austria (September 2011), Estonia (September 2011), Czech Republic (November 2011), Italia (2011 on labour migration); Belgium (September, 2012). Many states, among which are Greece, Latvia, Austria, Poland, Turkey, and Lithuania, have expressed their will to regulate their relations in the field of social insurance and to sign bilateral agreements with Moldova (<http://mpsfc.gov.md/md/acorduri/>).
- In 2008, within EU Mobility Partnership initiative Moldova was chosen to implement a pilot project in the area of circular migration. The empirical analysis of the content of the Mobility Partnership with Moldova shows that the Partnership barely includes circular migration schemes. Nonetheless, Luxembourg, Bulgaria, Portugal and the Veneto region in Italy have all set up such schemes. The most overarching project within the MP has been implemented by the Swedish Public Employment Service, involving eleven EU Member States. The project deals with the strengthening of Moldova's capacity to manage labour and return migration.
- A unified EU Visa-Centre opened in 2007 and allowed for the simplification of the situation with receiving a visa from EU countries without the involvement of representatives of embassies in Moldova. Since January 1st, 2008, the "Simplified Visa-Regime between Moldova and EU countries" has been in place. Thus, short-term visa registration has been simplified and so has the procedure. Fees for visa issues have been lowered, and the categories of persons who may receive free, multi-purpose and long term visas have been established.
- The visa regime for transit through Romania and Bulgaria has been simplified by certain measures. Since July 11th, 2008, Moldovan citizens have been allowed to transit the territory

of Romania without a transit-visa, for no longer than a 5 days period, if they have a visa or a residence permit an EU country.

- In September 2012, an EU-financed project in the area of Labour Market Migration was launched: “Consolidation of migration management capacities in the Republic of Moldova”. The project envisage support for capacity building activities for the National Employment Agency (NEA) and Ministry of Labor, Social Protection and Family for mainstreaming migration dimension in labour market and VET policies; for improving the labour market situation by strengthening the relations with employers, improving the cooperation with private employment agencies and increasing the level of quality of services provided by NEA; Developing the Social Dialogue on labour market of Moldova; and negotiating and implementing bilateral agreements on migration of labour force.

7.3. Arrangements that Moldova has in operation with Russia

- During the 1990s, the Republic of Moldova signed agreements in the field of pensions with some states from the post-soviet area as Russian Federation (1995), Belarus (1995), Ukraine (1995), Uzbekistan (1995) and Azerbaijan (1997). One of the basic principles of the above-mentioned agreements and of the agreement signed between ex-USSR with Romania and Bulgaria (terminated on January 1st, 2005) is the principle of territoriality, according to which pensions are established and paid by the state on which territory the person lives, regardless of his or her contribution to the public system of social insurance of the resident state. The principles are outdated due to changes in the political and financial-economic relations with these countries.
- There are two key elements in the new Russian legislation that have a direct impact on the regulation of labour migration in Russia and respectively in Moldova: (1) the introduction of a simplified registration procedure – encompassing all foreigners, including Moldovans, who come to Russia on short visit; and (2) the simplification of the procedures for obtaining work permits, which include migrants originating from Moldova that benefit from visa-free arrangements. The new legislative provisions introduce the simplified procedure, according to which temporary migrant workers may register their stay in Russia. It is now also possible for migrant workers to register at their place of employment, thus addressing an important objective, namely that of retaining the existing pattern of predominantly circular or temporary labour migration, which is considered by many to be the preferred type of labour migration for Russia. Finally, the legislation intends to lay the foundation for a migration registration scheme on which to base an official system for the collection of immigration statistics.

- Russia recently implemented a set of laws to facilitate the legalization of CIS workers. The procedures for obtaining a work permit for temporary migrants have been simplified and are now more time-efficient. Migrants from Moldova benefiting from the visa-free regime can now apply for a work permit themselves (previously only the employer could do so) and are issued a work permit within a 10-day period (the only basis for the authorities to refuse the permit, if all the papers are in order, would be the exhaustion of quotas). By allowing Moldovan migrants to apply for the work permit themselves, this provision also has the effect of protecting migrant workers against exploitative working conditions as it enables them to choose and change employers and encourages them to take their rights into consideration. The legislation can therefore be seen as contributing to the ongoing efforts to combat human trafficking and forced labour.
- The progressive nature of the new legislation is also demonstrated by the granting of significant privileges to foreign workers from countries with which the Russian Federation has concluded visa-free entry agreements, viz. Moldova, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine and Uzbekistan.
- Moreover, employers of temporary workers from the CIS do not have to comply with the general requirement to obtain a permit to employ foreign workers, an arrangement which in effect promotes closer cooperation with CIS countries which is in line with the idea to eventually create a common CIS-wide labour market. This approach was supported by the massive 2007 quota of six million work permits for visa-free migrants. This quota was considered to be more than enough to cover the entire labour migration flow from those countries and it helped legalize the employment of irregular migrants already in Russia before the new legislation came into force.

7.4. Institutional set-up for migration policies - responsibilities among government agencies

- Currently, about six ministries and departments in Moldova deal with various migration issues. In addition, most of the local delegations of international institutions, numerous NGOs and several foreign embassies are involved in programs where international migration is a major component.
- The key role in migration management is played by the Bureau for Migration and Asylum (BMA) as a unit of the Ministry of Internal Affairs that was created in July 2006. The main competences of BMA within the ministry are: to elaborate, promote and implement national policies and strategies, draft laws and decisions in the field of migration, to control and monitor the implementation of the national legislation in field of migration and asylum, to

elaborate and develop strategies of reform, to collect and process data on migrants, fight against illegal migration and illegal staying of foreigners, to ensure the detention of irregular migrants in special.

- Other authorities with competences in the field of migration are ii) the Ministry of Labour, Social Protection and Family - responsible for Labor migration policies (both emigration & immigration), social insurance issues of migrant workers, development of pre and post-departure policies and reintegration of migrants as well as grants the labour permits for migrants; iii) - the Ministry of Informational Technology and Communications – print and issue residence permits for migrants, including travel documents for stateless persons, for refugees and beneficiaries of humanitarian protection; iv) The Ministry of Foreign Affairs and European Integration is responsible for protection of Moldovan citizens abroad, visa policies and issue entry visas for foreigners; v) Border Service ensures the control and checks of foreigners on the border and vi) the Ministry of Education deals with recognition of migrant education and children with migrant parents.
- In December, 2012 in Moldova has been created a Bureau for relations with Diaspora which is part of the State Chancellery of the Government of Moldova and reports directly to the Prime Minister. The Bureau will work closely to develop diaspora capacities, analyse the diaspora aspects, and will be responsible for design and implementation of social programs for diaspora, as well as for the coordination of all diaspora events at national level.
- The GoM approved an Action Plan (2011-2015) for the Implementation of the National Strategy on Migration and Asylum (2011-2020). The general objectives of the strategy are: Strengthening the national management of migration; Promoting joint initiatives with destination countries on the facilitation of the return of migrants, including the EU – Moldova Mobility Partnership; Participating in the implementation of the Extended Migration Profile as a tool for data collection and evaluation on migration and Promoting returns and supporting the reintegration of returned migrants.
- The specific objectives of the strategy will focus on: i) Developing capacities for negotiating labour migration agreements with some destination countries; ii) Actively participating in projects initiated by international development organizations and local NGOs; iii) Extending cooperation on labour migration within the EU-Moldova Mobility Partnership by launching new projects and initiatives and iv) Initiating and carrying out joint activities with destination states aimed at the facilitation of the return and reintegration of migrant workers

7.5. The role of NGOs in supporting migrants to various destinations

- The Government of Moldova works on consolidating links with the diaspora abroad through the recently created Bureau for relations with diaspora. These activities include: distribution of information about migration trends and progress in the country, investment opportunities for return migrants as well as possibilities for reintegration in Moldova through Information Centres at Moldova's diplomatic missions abroad; negotiations with the EU or other destinations on the provision of legal assistance and logistics for the return of Moldovan citizens; the involvement of all stakeholders, the coordination and efficient implementation of actions included in the national plans for the return of citizens of the Republic of Moldova from abroad.
- In the last few years, with state and donors' support, the agencies of the Government of Moldova together with local and international NGO have been implementing different programs in supporting migrants and the consolidation of relations with the diaspora. The programs were targeted to increase capacity building in the Moldovan diaspora associations abroad; to create a network of diasporas from different countries and enhance of the interrelationship between them. Special attention is given to the implementation of the PARE 1+1 government program aimed at stimulating the set-up of SMEs businesses by migrant workers and their relatives. The program is based on the 1+1 rule, meaning that each invested MDL from remittances shall be complemented by a MDL in the form of a grant. Other programs are under implementation aiming at creating temporary internship placements for young Moldovan graduates of foreign educational institutions who wish to come back to Moldova and to be employed in the public or private sector. Many government programs as well as civil society projects focus on assisting children left in the country without parental care due to migration.

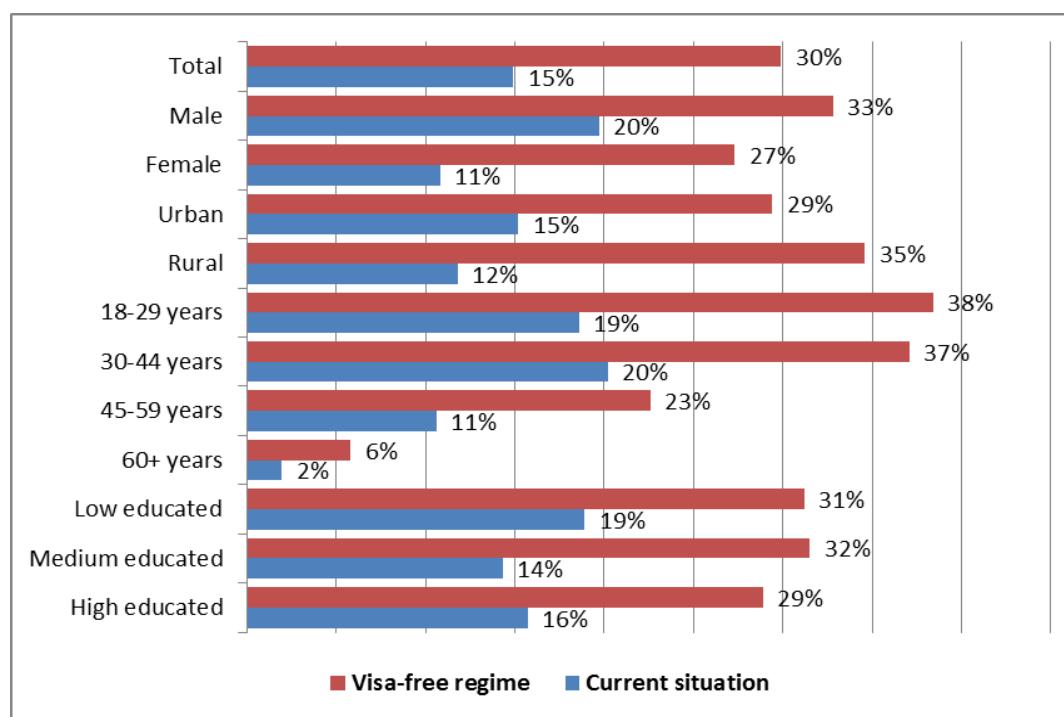
8. Forecasts/ Projections of Migration and Labor Market Trends

8.1. Potential impact of visa liberalization on migration

- Increased migration has often been identified as one of the major consequences of the visa liberalization, which is believed to provide additional pull factors for Moldovan job-seekers on the EU labour market, even though according to EU regulations, visa-free travel does not involve any additional labour rights for foreign job seekers.

- This perception is fuelled by Moldovans' relatively high propensity to migrate, which is expected to increase after the implementation of a more liberal visa regime. This was confirmed by a recent nationwide survey (see Fig. 37): while under the current circumstances, the likelihood of migrating to the EU for employment reasons in the next 12 months is quite high or very high for 15% of total respondents, under the visa-free regime this share may increase up to 30%. Intentions to go to the EU for employment purposes are similar to present categories among the labour migrants, but they are stronger (i.e. highest for males, persons aged 18-44 and persons with a low level of education).
- The liberalization of the visa regime also increases the desire to emigrate among women (from 11% to 27%), persons from rural areas (from 12% to 35%), and persons with medium and high levels of education.
- The visa-free regime is going to significantly boost the propensity to migrate for only about 30% of the respondents of the barometer of public opinion which points out that one consequence of the visa-free regime will be an increase in migration for short-term employment in the EU. The increase in migration should not be very significant and might stabilise in the nearest future, because many Moldovan nationals, especially the current and potential migrants have or will soon obtain Romanian citizenship, meaning that the visa-free regime will not have any additional impact on their decisions to migrate.

Figure 36. Share of respondents aiming to migrate to the EU for employment reasons (current regime and potential visa-free regime)



Source: Barometer of Public Opinion, Institute for Public Policy, May 2011

- The analysis of migration propensity and trends in recent years and the provisions of the visa-free regime with the EU prove that the pull factors for labour migration are overestimated for several reasons. Among these: i) a visa will imply the authorization of a stay in the EU for no more than 3 months within a 6-month period, therefore, the person is required to return to Moldova; ii) before crossing the border, Moldovans will be asked to provide all relevant documents justifying the purpose of their journey as well as their commitment to return after a certain period of time; iii) the capacity to verify the real purpose and duration of stay will significantly limit the possibilities of Moldovans to overstay and abuse the liberalized regime. Besides, it is important to mention that the intentions to live abroad declared in opinion polls are overestimated in the sense of migration.
- In conclusion, the future visa-free regime will provide limited opportunities for long-term migration.

8.2. Projections of potential increases in the labour force as a result of natural causes and migration

- It seems that households with migrants do not tend to have fewer children than others. This suggests that in the long run, emigration should not negatively influence the demographic trends in the country, which are, in any case, negative, as the current average fertility rate in Moldova is extremely low - 1.26 children per woman. This is similar to other low-fertility European countries such as Poland, Slovenia, Ukraine or the Czech Republic. The results of our survey also indicate that the average number of children in surveyed households does not significantly differ from 1.

Table 11. Evolution of the main labour indicators , 2011 - 2013

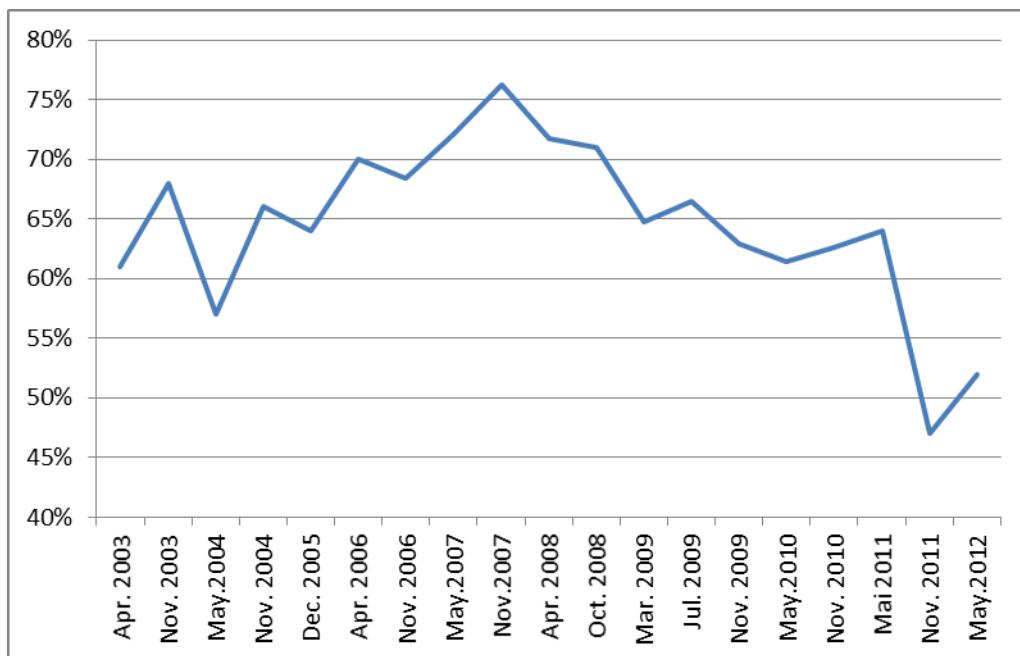
Indicators	Unit	2011	2012	2013
Monthly average nominal salary , as compared to the previous year, nominal	MDL %	3188 107.3	3457 108.4	3741 108.2
Labor remuneration fund		34.3	38.4	42.6
Labor force	Thousands of persons	1257	1242	1229
Number of employees in national economy		1173	1159	1147
Unemployment rate		7,2	7,2	7,1

Source: MET 4: Institute of Economy, Finance and Statistics

- To a large extent, the way things evolve domestically in any of the two above mentioned scenarios (see Figure 15) depends on citizens' perceptions and opinions on European integration. Public perceptions of Moldovan nationals on current European integration issues, prospective reforms and possible evolutions on the EU stage influence the way authorities

tackle problems and allow stakeholders to timely and appropriately address upcoming sensible decisions.

Figure 37. Evolution of the percentage of Moldovan respondents who would vote for Moldova joining the EU (2003-2011)



Source: Barometers of Public Opinion, Institute for Public Policy, 2003-2011

9. Conclusions and Recommendations

Labour migration has substantially altered Moldova's economic and social life over the past twenty year, and it is likely to continue to be an important force to be reckoned with in the future. Even though we argue that the amount of labour migrants has stabilized and might even decline, there are a number of policy measures that can be contemplated by both the Moldovan Government and the EU, to increase the development potential of continuing migratory flows. Such an agenda, building on the impressive work begun in the last decade, could include:

- Improving the safety and security of migrants. Many Moldovan migrants work informally or illegally in EU countries. This has negative impacts on both parties; the host country is affected by fiscal evasion, and the migrants lack legal protection. It is very important that the current labour market be approached with sensible instruments for the integration of migrants into legal employment and the formal economy. Social protection of migrants cannot be provided only by the national social security system, hence the need for coordination between the host country and the migrant's country of origin. This could

facilitate the regulation of migration in general, and specifically circular migration, as a form more welcomed by both the host country and the country of origin.

- Visa liberalization for Moldovans entering EU countries will have positive effects in the context of the efficient use of migration flows from Moldova. On the one hand this may help direct some parts of migration flows from the CIS to EU countries. On the other, the potential of high- and medium-skilled migrants might be better off if used for the benefit and development for both origin and host countries.
- At the same time, it is also recommended that the EU and Moldova develop programs targeting migrants with low and mid-level skills to fill labour shortages in specific sectors of the economy, in which natives are more reluctant to work. For Moldova, migration to the EU of workers with low and mid-level skills would have a greater impact on poverty reduction because unskilled workers come from lower income families and villages and tend to send home a larger proportion of their income.
- A major concern regarding the social costs of migration is the lack of structures and expertise at the community level to tackle the problems of migrant families. Given that migrants are part of family systems, it is recommended that a family perspective is used when developing policies regulating international migration and the migration concerns need to be mainstreamed into national development policies. There are many ways in which support to migrant families or returned migrants could be provided. For example, support programs can be implemented for migrant families and returned migrants and their children by targeting the migrants themselves, the family left behind (spouses, children, the child-caregivers such as grandparents), and the children born in destination countries. The relevant stakeholders interacting on a constant basis with migrant families such as the school system, social protection and health systems should be actively involved in these programs and held accountable for program outcomes.
- Other programs, partly already in existence, could be targeted at migrants themselves, for example while they are preparing to leave the country in order to increase their knowledge about the destination country and its institutions—health and social security systems, education system and labour market requirements. These programs increase migrants' awareness about the impact that migration might have on their families and children and provides some ways in which potential challenges could be prevented. Both the EU and some member states provide assistance in this respect: this is an investment that pays off both in Moldova and in the receiving countries.

Finally, facilitation of labour migration is impossible outside of bilateral cooperation between origin and destination countries. For EU member countries, the main objectives when engaging in bilateral labour agreements with Moldova could be:

- The satisfaction of labour market needs;
- Prevention or reduction of irregular migration through increased possibilities for regular migration;
- The use of bilateral labour agreements to promote and support broader economic relations with Moldova.

For the Moldovan Government, we recommend that migrants' needs are made central to negotiations, by focusing on the following objectives:

- To offer to Moldovan workers wider, facilitated access to the international labour market and at the same time to prevent criminal activities involving smuggling and trafficking of human beings, exploitation, suffering and sometimes deaths of migrants;
- To promote and protect the welfare and the rights of migrant workers;
- To foster provisions in the bilateral agreements that would guarantee that migrants return to Moldova or cooperate in matters involving irregular migration.

References

Government Reports and Reports by Other Organizations

Moldova country report: Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe (2012)

Study: "Recognition of prior learning (RPL) for Returning Migrants in Moldova: Realities and Trends, IDIS Viitorul, Viorica Antonov, Cornel Ciurea, Valeriu Frunzaru (2012);

Data Assessment Report for Moldova, Michel Poulain, Anne Herm, Maria Vremis And Viorica Craievschi Toarta, IOM, 2011

Migration July, 2007: Reaping the fruits of Migration and Development, special edition. IOM

R. Schwartz: O analiza a legaturilor existente intre comunitatile moldovenesti de peste hotare si partia lor, IOM, 2008

M.Luecke, et.. Patterns and Trends of Migration and Remittances in Moldova, June 2007, The Kiel Institute for the World Economy (www.ifw-kiel.de)

CBS-AXA (2005) Migration and Remittances in Moldova. Report prepared by CBS-AXA Consulting for International Organization of Migration mission in Moldova, European Commission Food Security Programme Office in Moldova and International Monetary Fund Office in Moldova.

Ghencea, B. and Gudumac, I. (2004) Labour Migration and Remittances in the Republic of Moldova. Moldova Microfinance Alliance and Soros Foundation in Moldova.

Perspectivele privind includerea in Dezvoltare: oportunitati de utilizare eficienta a remitentelor pentru Moldova, IOM. 2008

Migration, Development and Poverty Reduction, IOM, Dakar Workshop Report, 2006

The linkage between Migration and Development. DG EuropeAid, July 2007. ARS Progetti srl.

Oportunitati de Afaceri pentru Beneficiarii de Remitente, 2010

Evaluarea rapida a necesitatilor de angajare in regiunile Balti si Cahul din Moldova. December 2006, CRS, CIVIS, Moldova Employment and Training Alliance, 421 pages

Working Paper, C10, Migration and Poverty Reduction in Moldova, Maria Cristina Pantiru, Richard Black, and Rachel Sabates-Wheeler, Sussex Centre for Migration Research, Institute for Development Studies, February 2007

ADE (2006) FSP 2004: Study on Remittances and Social Protection in Moldova. Report prepared by ADE at the request of the European Commission.

BNS (Biroul National de Statistica al Republicii Moldova) (2003) 'Tinerii Republicii Moldova'. Biroul National de Statistica al Republicii Moldova.
http://www.statistica.md/statistics/dat/331/ro/TineriiRM_11noiem03.htm

Cuc, M., Lundbäck, E. and Ruggiero, E. (2005) Migration and Remittances in Moldova. Washington DC: International Monetary Fund.

Ellerman, D. (2003) 'Policy Research on Migration and Development'. Washington DC: The World Bank. Policy

Research Working Paper, 3117. Euractiv.com (2006) 'The EU's New Neighbours'
<http://www.euractiv.com/en/enlargement/eu-newneighbours/article-129625>.

European Commission (2004) European Neighbourhood Policy – Moldova Country Report. Brussels.

IMF (2006a) Republic of Moldova: Poverty Reduction Strategy Annual Evaluation report 2005. IMF Washington.

IMF (2006b) Republic of Moldova: Poverty Reduction Strategy Paper. Annual Evaluation Report 2005—Joint Staff Advisory Note. IMF Country Report No. 06/186.

IOM (2004) 'Trafficking in Human Beings in South Eastern Europe: 2004 - Focus on Prevention in: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Romania,

Prohnitchi, V. (2006) Poverty of the Children of the Moldovan Migrants. Chisinau: EXPERT-GROUP.

Sander, C., Nistor, D. Bat, A., Petrov, V. and Seymour, V. (2005) Migrant Remittances and the Financial Market in Moldova. Report prepared for USAID.

Tamas, K. (2006) Moldovan Migration – Not Quite the Saviour: A Migration for Development Analysis. A study commissioned by the Sida office in Chisinau, Moldova.

Tomiuc, E. (2004) 'Moldova: Mass Migration Threatens Country's Future'. At

<http://www.rferl.org/featuresarticle/2004/10/e5121611-5370-4d9c-bfa3-a3310e3efa39.html>

US Department of State (2006). Trafficking in Persons Report 2006. At
<http://www.state.gov/g/tip/rls/tiprpt/2006/>

World Bank (2006) Moldova: Poverty Update. World Bank Human Development Sector Unit Report no. 35618-MD, Washington DC.

Legal and institutional documents

Detailed list of legislation on migration subjects are provided in Annex 2

Articles and internet links:

Governance and democracy in Moldova, ADEPT e-journal, year IX, issue 176, October 1-31, 2011

<http://econ.worldbank.org/HYPERLINK>

"<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>"wbsite/external/extdec/extdecprospects/HYPERLINK

"<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>"0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html

<http://kilm.ilo.org/kilmnet/>

Annex

Annex 1. Key Data

Table 1. Key data

Year	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current US\$)	835	477	354.0	407.7	458.7	548.3	720.9	831.2	950.6	1230.8	1696.0	1525.5	1630.7	
Unemployment rate (% of total labour force)	-	14.4	8.5	7.3	7.3	7.9	8.1	7.3	7.4	5.1	4.0	6.4	7.4	
Poverty headcount ratio at national poverty line (% of population)	-	-	67.8	54.6	40.4	29.0	26.5	29.0	30.2	25.8	26.4	26.3	21.9	
Population (ths.)	4364.1	4345.7	3644.1	3635.1	3627.8	3618.3	3607.4	3600.4	3589.9	3581.1	3572.7	3567.5	3563.7	3560.4
Economically active population (ths.)		1654.7	1616.7	1615.0	1473.6	1432.5	1422.3	1357.2	1313.9	1302.8	1265.3	1235.4	1257.5	
Activity rate		59.9	57.9	57.2	51.6	49.7	49.0	46.3	44.8	44.3	42.8	41.6	42.3	
Inactive population aged 15 years and over (ths.)		1109.4	1175.9	1208.5	1380.5	1448.6	1483.2	1576.0	1617.9	1639.0	1693.1	1733.3	1717.6	
Number of population in working age (16-56/61) (ths.)		2180.1	2210.5	2244.2	2282.9	2311.6	2342.7	2362.7	2342.9	2355.5	2364.6	2371.3	2374.8	
Total number of population aged 15 years and over (ths.)		2764.1	2792.6	2823.5	2854.1	2881.1	2905.5	2933.2	2931.8	2941.8	2958.4	2968.7	2975.1	
Population aged 15 years and over, working or looking for work abroad (total) (ths.)		138.3	172.0	231.3	291.0	345.3	394.5	310.1	335.6	309.7	294.9	311.0	316.9	
out of these:														
Men (ths.)	93.1	120.1	160.9	199.1	230.8	262.8	197.8	219.3	201.5	185.8	198	204.4		
Men (%)	67.3%	69.8%	69.6%	68.4%	66.8%	66.6%	63.8%	65.3%	65.1%	63.0%	63.7%	64.5%		
Women (ths.)	45.2	51.9	70.3	91.8	114.4	131.7	112.3	116.3	108.3	109.1	113	112.5		
Women (%)	32.7%	30.2%	30.4%	31.5%	33.1%	33.4%	36.2%	34.7%	35.0%	37.0%	36.3%	35.5%		
15-24 years	53.2	58.9	80.5	93.8	111.2	120	87.2	82.6	75.9	69.9	69.7	71.2		
25-34 years	37.9	47.8	65.2	76.7	90.8	111.5	89.8	99.2	85.8	84.1	102.2	105.9		
35-44 years	33.4	46.3	59.6	79.5	87.9	93.6	72.7	82.8	79.6	69.4	68.6	65.8		
45-54 years	13	18	24.2	38.4	51.3	63	55.2	63.7	60.1	60.6	58.3	58.7		
55-64 years	0.8	0.9	1.8	2.5	4.1	6.2	5.2	7.3	8.4	10.7	12.2	15.1		
65 years and over	..	..	..	..	..	0.1	..	..	0	0.2	0	0.2		
Urban (Ths)	56.2	68	78.7	89.7	106.6	112.1	92.7	103	97.1	89.5	90.6	92.7		
Urban (%)	40.6%	39.5%	34.0%	30.8%	30.9%	28.4%	29.9%	30.7%	31.4%	30.3%	29.1%	29.3%		
Rural (Ths)	82.1	104	152.5	201.3	238.7	282.4	217.4	232.6	212.6	205.4	220.5	224.2		

Year	1991	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Rural (%)		59.4%	60.5%	65.9%	69.2%	69.1%	71.6%	70.1%	69.3%	68.6%	69.7%	70.9%	70.7%	
Remittances (mil. USD)		1.03	178.6	243.3	323.74	486.63	705.24	920.31	1181.72	1498.23	1897.3	1210.76	1363.4	1611.65
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Distribution of migrants by level of education														
Higher		7.7%	7.4%	7.4%	7.9%	7.6%	7.9%	8.5%	8.3%	9.5%	10.7%	10.7%	10.6%	
Secondary specialized		13.6%	13.9%	12.3%	12.0%	11.9%	12.4%	13.8%	13.7%	12.4%	13.3%	13.1%	12.7%	
Secondary professional		34.1%	35.5%	33.3%	32.2%	32.0%	28.4%	26.0%	27.5%	28.8%	28.3%	25.6%	24.7%	
Secondary school		26.5%	24.5%	26.5%	26.5%	26.6%	28.2%	27.3%	27.9%	27.5%	25.0%	25.5%	25.9%	
Gymnasium		17.7%	18.4%	20.1%	21.1%	21.4%	22.3%	23.8%	22.1%	21.3%	22.0%	24.5%	25.5%	
Primary or no education		0.4%	0.3%	0.3%	0.3%	0.6%	0.7%	0.6%	0.5%	0.5%	0.6%	0.6%	0.5%	
Distribution of population aged 15 and over by level of education														
Higher		9.2%	9.5%	10.1%	10.7%	11.2%	11.1%	13.4%	12.7%	13.4%	14.1%	14.6%	15.8%	
Secondary specialized		12.2%	12.0%	11.7%	11.2%	10.8%	11.5%	13.2%	12.7%	12.5%	12.6%	12.4%	12.9%	
Secondary professional		21.3%	21.6%	21.5%	21.9%	21.6%	20.0%	18.2%	19.2%	19.9%	20.7%	18.9%	18.2%	
Secondary school		23.1%	21.8%	21.8%	21.6%	22.4%	23.4%	22.9%	23.2%	23.1%	22.1%	22.9%	22.3%	
Gymnasium		22.0%	22.5%	23.0%	23.4%	23.5%	23.8%	23.0%	23.5%	23.0%	23.0%	24.1%	24.2%	
Primary or no education		12.1%	12.5%	11.9%	11.2%	10.4%	10.2%	9.3%	8.8%	8.2%	7.5%	7.1%	6.6%	
Economically active population by level of education														
Higher		11.8%	12.5%	13.5%	15.2%	16.5%	16.6%	20.2%	19.8%	20.6%	21.7%	22.8%	23.5%	
Secondary specialized		14.5%	14.2%	14.1%	14.2%	13.9%	14.8%	17.0%	16.7%	16.4%	16.2%	15.6%	16.2%	
Secondary professional		26.3%	26.6%	26.4%	28.1%	27.4%	25.5%	23.5%	24.8%	25.6%	26.2%	24.3%	23.2%	
Secondary school		24.1%	23.0%	22.0%	21.6%	22.2%	22.5%	20.2%	20.5%	20.1%	19.8%	20.9%	20.1%	
Gymnasium		18.0%	18.6%	19.1%	17.8%	17.3%	17.8%	16.9%	16.6%	16.2%	15.1%	15.8%	16.2%	
Primary or no education		5.4%	5.1%	4.9%	3.0%	2.6%	2.9%	2.2%	1.6%	1.2%	0.9%	0.7%	0.7%	

Employed population by economic sector (ths)												
Economic activities - total	1514.6	1499	1505.1	1356.5	1316	1318.7	1257.3	1247.2	1251	1184.4	1143.4	1173.5
Agriculture, forestry; Fishery	770.4	764.8	747.1	583.2	532.9	536.5	422.4	408.6	388.6	333.7	314.7	323
Industry	166.1	165.1	171.4	164.5	161.8	159.3	161.3	158.1	163.4	155.4	145.8	153.2
Construction	44.4	43.2	46	53.2	52	51.6	67.3	75.7	82.8	72.9	67.5	66.8
Trade; Hotels and Restaurants	165.3	163.8	174.8	175.7	178.7	182.9	196	197.9	208.9	217.4	213.4	223
Transportation, Communications	63.9	64.3	61.7	67.7	73.4	71	65.3	68.7	70.8	68	63.7	67
Public administration; Education; Health and social work	240.2	237.5	243.3	244	240.7	239.2	256.7	250.5	248.2	248.6	250.7	250.2
Other	64.4	60.2	60.8	68.1	76.5	78.1	88.3	87.8	88.4	88.4	87.6	90.4
Activity rate (total)	59.9	57.9	57.2	51.6	49.7	49	46.3	44.8	44.3	42.8	41.6	42.3
Activity rate (men)	63.9	61.6	60	54.5	51.7	50.4	50	47.8	47.3	46.2	45	45.6
Activity rate (women)	56.3	54.6	54.7	49.1	47.9	47.7	43	42.2	41.5	39.7	38.6	39.3

Employment rate (total)	54.8	53.7	53.3	47.5	45.7	45.4	42.9	42.5	42.5	40	38.5	39.4
Employment rate (men)	57.7	56.2	55.1	49.3	46.6	46	45.5	44.8	45.2	42.6	40.9	42.1
Employment rate (women)	52.2	51.4	51.7	46	44.9	44.8	40.5	40.5	40.1	37.7	36.4	37.1
Unemployment rate (total)	8.5	7.3	6.8	7.9	8.1	7.3	7.4	5.1	4	6.4	7.4	6.7
Unemployment rate (men)	9.7	8.7	8.1	9.6	10	8.7	8.9	6.3	4.6	7.8	9.1	7.7
Unemployment rate (women)	7.2	5.9	5.5	6.4	6.3	6	5.7	3.9	3.4	4.9	5.7	5.6
Activity rate (youth 15-24)	36.4	33.3	31.6	24.6	22.6	21.8	22.8	20.7	20.8	21.5	21.9	22.3
Employment rate (youth 15-24)	30.6	27.9	26.8	20.2	18.1	17.7	18.9	17.7	18.5	18.1	18	18.9
Unemployment rate (youth 15-24)	15.8	16.3	15.2	18.1	19.7	18.7	17.1	14.4	11.2	15.4	17.8	14.9
Monthly average earnings (MDL)	304.6	407.9	543.7	691.5	890.8	1103.1	1318.7	1697.1	2065	2529.7	2747.6	2971.7

Table 2. Inactive population aged 15 and over by main reason for not working (2011)

	Total	Men	Women
Attending school or professional training	24.6%	29.0%	21.7%
Family responsibilities	12.4%	1.1%	19.8%
Sickness	3.4%	4.0%	3.0%
Pension (age limit, disability, etc.)	42.5%	38.2%	45.3%
Don't want to work	1.8%	2.6%	1.3%
Working abroad	9.2%	16.4%	4.4%
Off-season in agriculture	5.8%	8.0%	4.3%
Other reason	0.4%	0.6%	0.2%

Table 3. Employed population by economic activities

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number (thousands)												
Agriculture	770.4	764.8	747.1	583.2	533	536.6	422.3	408.6	388.6	333.6	314.6	323
Industry	166.1	165.1	171.4	164.6	161.8	159.4	161.3	158.1	163.3	155.4	145.8	153.2
Constructions	44.3	43.2	46	53.2	52	51.7	67.3	75.7	82.8	72.9	67.4	66.8
Services	533.7	525.9	540.5	555.6	569.3	571.2	606.3	604.8	616.2	622.3	615.5	630
% in total employed population												
Total employed population	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Agriculture	50.9%	51.0%	49.6%	43.0%	40.5%	40.7%	33.6%	32.8%	31.1%	28.2%	27.5%	27.5%
Industry	11.0%	11.0%	11.4%	12.1%	12.3%	12.1%	12.8%	12.7%	13.1%	13.1%	12.8%	13.1%
Constructions	2.9%	2.9%	3.1%	3.9%	4.0%	3.9%	5.4%	6.1%	6.6%	6.2%	5.9%	5.7%
Services	35.2%	35.1%	35.9%	41.0%	43.3%	43.3%	48.2%	48.5%	49.3%	52.6%	53.8%	53.7%

Table 4. Employed population by forms of ownership of the unit

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number (thousands)												
Total employed population	1514.5	1499.0	1505.0	1356.6	1316.1	1318.9	1257.2	1247.2	1250.9	1184.2	1143.3	1173.0
Public	387.2	344.7	336.8	327.9	332.9	337.5	338.9	326.3	330.4	329.2	324.5	323.9
Private	1036.2	1065.4	1088.6	962	913.8	918	861.1	871.1	872.4	793.1	745.8	779
Other forms	91.1	88.9	79.6	66.7	69.4	63.4	57.2	49.8	48.1	61.9	73	70.1
% in total employed population												
Public	25.6%	23.0%	22.4%	24.2%	25.3%	25.6%	27.0%	26.2%	26.4%	27.8%	28.4%	27.6%
Private	68.4%	71.1%	72.3%	70.9%	69.4%	69.6%	68.5%	69.8%	69.7%	67.0%	65.2%	66.4%
Other forms	6.0%	5.9%	5.3%	4.9%	5.3%	4.8%	4.5%	4.0%	3.9%	5.2%	6.4%	6.0%

Annex 2. Legislation on Migration

Legislation on Migration **(available online at www.justice.md in Romanian and Russian)**

Laws of the Republic of Moldova

Law on migration 1518-XI / 06.12.2002;

Law of foreigners no 200-XIX/16.07.2011

Law on legal status of foreigners and stateless in the Republic of Moldova 275-XIII / 10.11.1994;

Law on exit and entry from/to the Republic of Moldova 269-XIII / 09.11.1994;

Law on labour migration 180-XVI / 10.07.2008;

Law on asylum in the Republic of Moldova 270-XVI / 18.12.2009;

Law on citizenship of the Republic of Moldova 1024-XIV / 02.06.2000;

Law on identity documents in the national passport system 273-XIII / 09.11.1994;

Law on transparency of the decisional process 239-XVI/13.11.2008;

Government Decisions

Governmental Decision on some measures in the national passport system regarding staying rules of foreigners and stateless on the territory of the Republic of Moldova 376 / 06.06.1995;

Governmental Decision Regulation on issuance of invitations for foreigners and stateless persons 33 / 22.01.2004;

Governmental Decision on Creation of the Center for temporary placement of foreigners 71/ 30.01.2004

Government Decision on approval of the Regulation of the Center for Temporary Placement of foreigners 493/6.07.2011.

Governmental Decision on Concept of the Informational Integrated Automatic System "Migration and Asylum" 1401/13.12.2007;

Governmental Decision on Regulation regarding the organization and functioning of the Ministry of Interior, structure and central apparatus" 778/27.11.2009;

Governmental Decision on Regulation on Ministry of Interior service 334/08.07.1991;

Governmental Decision Creation of the Commission for coordination of some activities regarding the migration process 133/23.02.2010;

The Decree of the Minister of Interior on Regulation regarding the organization and functioning of the Bureau for migration and asylum 82/23.03.2010;

Government Decision on the approval of the minimum quantum of means for support for foreigners in Moldova 332/5 May 2011.

Government Decision on the issue of invitations for foreigners 331/5 May 2011

Government Decision on determining the level of knowledge of the state language by foreigners who are applying for permanent residence in the Republic of Moldova 491/6.07.2011.

Government Decision on the approval of the Instruction regarding the return, expulsion and readmission of foreigners from the territory of the Republic of Moldova 493/6.07.2011.

Government Decision on approval of the quantum of money aid to refugees and beneficiaries of humanitarian protection for 2011

Mol Order on Methodological recommendations in the field of combating illegal staying of the foreigners 90/6.04.2011.

Governmental Decision on creation of the One-stop-shop for the documentation of foreigners within the Bureau for migration and asylum

International Conventions

Convenția cu privire la agențile private de ocupare (ratificată prin Legea nr.482-XV din 28.09.2001),

Convenția Europeană referitoare la statutul juridic al lucrătorului migrant, format pdf, 1779KB

Convenția 97 privind Migrația în scop de Angajare (revizuită), 1949; Law 209/29.07.2005 - Lege pentru ratificarea Convenției Organizației Internaționale a Muncii nr.97 privind migrația în scop de angajare, Monitorul Oficial 107-109/579

Decree of the President

1638/30.08.2000 Decret privind susținerea persoanelor originare din Republica Moldova, domiciliate peste hotare, și colaborarea cu acestea //Monitorul Oficial 115/822, 07.09.2000

Parliament Decision

397/16.03.95 Hotărîre pentru ratificarea Acordului privind colaborarea în domeniul migrației forței de muncă și protecției sociale a lucrătorilor migranți //Monitorul Oficial 23/232, 27.04.1995

1360/18.03.93 Hotărîre privind autorizarea eliberării elevilor, studenților și aspiranților (doctoranzilor) străini a permiselor de reședință //Monitor 5/138, 30.05.1993

C.I.S. Acts

Acord din 15.04.94 privind colaborarea în domeniul migrației forței de muncă și protecției sociale a lucrătorilor migranți //*Tratate internaționale 17/111, 1999*

Acord din 13.11.92 cu privire la crearea consiliului consultativ pentru problemele muncii, migrației și protecției sociale a populației statelor membre ale Comunității Statelor Independente //*Tratate internaționale 25/12, 2001*

Hotărîre din 25.01.2000 cu privire la Regulamentul bazei de date generale cu privire la migranții ilegali și persoanele, cărora intrarea în statele-membre ale Acordului de colaborare a statelor-membre ale CSI în lupta cu migrația ilegală este interzisă în conformitate cu legislația națională în vigoare, și ordinea schimbului de informații privind migrația ilegală

Acord din 06.03.98 privind colaborarea statelor-membre ale Comunității Statelor Independente în lupta cu migrația ilegală

Bilateral Agreements

Acord din 22.02.2007 între Guvernul Republicii Moldova și Guvernul Republicii Azerbaidjan privind colaborarea în domeniul migrației //*Tratate internaționale 40/56, 2009*

Acord din 27.07.2001 între Guvernul Republicii Moldova și Guvernul României privind readmisia străinilor //*Tratate internaționale 29/274, 2002*

Government Dispositions

106/09.11.2011 Dispoziție cu privire la aprobarea Planului de acțiuni privind ameliorarea situației în domeniul imigrării străinilor //*Monitorul Oficial 197-202/932, 18.11.2011*

90/26.09.2011 Dispoziție cu privire la soluționarea problemelor curente ale cetățenilor Republicii Moldova aflați permanent peste hotare (diaspora) //*Monitorul Oficial 160-163/803, 30.09.2011*

82/24.08.2011 Dispoziție cu privire la ameliorarea situației în domeniul imigrării străinilor în Republica Moldova și facilitarea condițiilor pentru obținerea dreptului de sedere de către investitorii străini și alte categorii de imigranți //*Monitorul Oficial 146/710, 28.08.2011*

32/22.04.2010 Dispoziție cu privire la realizarea acțiunilor de protecție a copiilor rămași fără îngrijire părintească ca urmare a migrației părintilor peste hotare, prevenirea acestui fenomen, asigurarea condițiilor optime pentru dezvoltarea multilaterală a copiilor //*Monitorul Oficial 62-63/373, 27.04.2010*

Annex 3. Focus Groups' Questionnaires

Questionnaire/Guide to Discussion for Migrants' Focus Group

(Questions for individual migrants)

Q. 1: How long have you been a migrant? What were the main reasons that led you to go to a specific destination? Have you migrated to different countries for work purposes?

Q. 2: What is your level of education? What kinds of jobs have you held, and have they provided you with use of your skills?

Q. 3: What have been the main problems encountered in each of the country destinations you have been to? List them in order of importance. How have they affected your inclination to migrate again to that country?

Q. 4: What kind of visa/work permit have you obtained, if any? How difficult was it to get?

Q. 5: How have you gone about the practicalities of life (housing, bank accounts, transportation, food)? Have you obtained assistance from your employer(s)? From local authorities?

Q. 6: What kind of support/assistance has been provided by the embassy or other office of your country? Have you worked with NGOs/migrant organizations?

Q. 7: How have you taken care of your family at the times you have been working abroad? Are there any specific problems/experiences you would like to share?

Q. 8: (for migrants mainly to Russia) How likely would you be to migrate to a European Union if the visa regime were made less strict? Would you consider temporary migration contracts? Would you be likely to try and migrate on a permanent basis?

Q. 9: (for migrants mainly to EU countries): Are you considering returning to a EU country? How likely would it be if the work permits were to become

(Questions for migrants' associations/NGOs)

Q. 1: What types of migrants do you work with/represent? What specific destinations do you deal with?

Q. 2: What are the typical problems related to labor migration you have encountered in your work? Are there any differences according to destination?

Q. 3: Do you work with migrants' families, and if so what kind of problems do you address?

Q. 4: How likely do you think it is that migration towards European Union countries might increase if easier rules were implemented? What about temporary migration schemes? What about schemes targeted to professional migrants?

Questionnaire/Guide to Discussion for Migrants Officials

Q. 1: Please describe the role of your agency in the migration process.

Q. 2: Are there mechanisms of coordination among government entities dealing with migration, and how effective, in your opinion, have they been in the past?

Q. 3: What are the stated objectives (if any) of migration policies in Moldova with respect to
(i) Outmigration; and (ii) Immigration?

Q. 4: How would you describe your cooperation with migration officials in the most important countries of destination of migrants from Moldova? In particular, can you comment on avenues for discussion with the Russian Federation, with the European Union (as an entity) and with individual European Union member states?

Q. 5: What are the most important problems that you presently see with respect to migration flows with the European Union? Can you break this down into categories, for instance (i) business travelers; (ii) students and higher education migrants; (iii) migration of skilled workers; (iv) Migration of unskilled workers.

Q. 6: Are you aware of backlogs in applications for migration to the EU by residents of your country? If so, have these backlogs been discussed with EU officials?

Q. 7: What changes in EU policies for migration you think would be most desirable for Moldova? Are there any ongoing negotiations with the EU and with individual member countries, pointing to an agenda for change in these policy areas? What is your impression of the EaP framework for migration issues?

Q. 8: We are asking here to speculate (without commitment, of course). What do you think would be potentially the results of (i) complete liberalization of migration to the EU; (ii) institution of “quotas” for selected categories of migrants (for instance, skilled health workers)

Q. 9: (for statistical officials) How well are you able to monitor migration flow in and out of Moldova? Do you have any programs for improvement of statistical coverage? Are you collaborating with official agencies, including those in the most important recipient countries?

Q. 10: (for officials dealing with remittances, if any): What are the top priorities in dealing with migrant's remittances at this point in time? Are you seeking collaboration from EU counterparts in this respect?