

Employment Policy Review

Moldova

International
Labour
Organization



Employment Policy Review

Moldova

Prepared by the International Labour Office
and the Council of Europe
in 2005 and 2006

The opinions expressed in this work are the responsibility of the authors and do not necessarily reflect the official policy of the Council of Europe.

Acknowledgements:

The main authors of this work are:

Ms Mariàngels Fortuny
Employment Specialist
International Labour Organization, Geneva

Ms Manuela Tomei¹
Senior Specialist on Discrimination
International Labour Organization, Geneva

Mr Deniz Sertcan
(former) Associate Expert on Employment Policies
ILO Subregional Office for Central and Eastern Europe, Budapest

The other contributing authors of this work are:

Mr Corentin Dussart
Attaché
Federal Public Service for Employment, Labour and Social Dialogue of Belgium

Mr Youcef Ghellab
Senior Specialist in Social Dialogue and Labour Law
ILO Subregional Office for Central and Eastern Europe, Budapest

Mr Tomas Venckevicius
(former) Administrator
Council of Europe, Strasbourg

This publication has been financed with the support of the Federal Government of Belgium.

All requests concerning the reproduction or translation of all or part of the document should be addressed to the Public Information and Publications Division, Directorate of Communication (F-67075 Strasbourg Cedex or publishing@coe.int). All other correspondence concerning this publication should be addressed to the Directorate General of Social Cohesion, Social Policy Department.

Cover design: Graphic Design Workshop, Council of Europe
© Council of Europe, 2007

1. During the preparation of the report she held the position of Senior Specialist on Discrimination in the ILO InFocus Programme on the Follow-up to the Declaration on the Fundamental Principles and Rights at Work.

Table of contents

	Page
Foreword	5
Introduction	7
1. Economic situation	9
2. Population and labour market	12
2.1. Population trends	12
2.2. Labour market.....	15
2.2.1. Economically active population	15
2.2.2. Employment rates.....	16
2.2.3. Unemployment.....	20
2.2.4. The informal economy	26
3. Equal opportunities for men and women in pay and employment	27
3.1. An overview of men and women in the labour market	28
3.2. Wage disparities between men and women	29
3.3. Gender dimensions of the informal economy	35
3.4. Maternity protection and family policies	38
3.5. Work and family reconciliation measures: a focus on care services for children	40
3.6. Effectiveness and gender sensitivity of national policies and institutions	43
3.7. Women's and men's status in national law	45
4. Main employment policy priorities	47
4.1. Human resources development and active labour market policies	47
4.1.1. Education and human resources development.....	47
4.1.2. Active labour market policies (ALMPs).....	55
4.2. Employment services	60
4.3. Passive labour market policies	62
4.3.1. Unemployment benefits	62
4.3.2. Early retirement and retirement policies.....	64

4.4. Income policy	66
4.4.1. Wage policies	66
4.4.2. Tax policies	69
4.5. Social dialogue.....	72
Appendix I: List of relevant Council of Europe instruments ratified by Moldova	77
Appendix II: List of ILO conventions ratified by Moldova	79
Appendix III: The Bucharest Declaration	81

Foreword

The period of political turbulence and restructuring confronted the countries in South East Europe with important challenges. They needed to restructure their national economies and put them back on a sustainable growth path, renew demand for labour and raise employment, as well as fight unemployment, underemployment and increasing gender inequalities and social exclusion of vulnerable groups.

The South-East European Ministerial Conference on Employment held in Bucharest on 30 and 31 October 2003 acknowledged the serious employment challenges faced by the Stability Pact countries. The Bucharest Declaration adopted at the Conference called for regional co-operation in addressing these challenges so as to achieve major improvements in national employment policies. The International Labour Organization and the Council of Europe were requested to give guidance and support to this effort by reviewing national employment policies, in close co-operation with the social partners and labour market institutions, providing policy recommendations and assisting in their implementation. This joint mandate is carried out under the auspices of the Initiative for Social Cohesion of the Stability Pact for South East Europe. The Ministers of Labour of the Stability Pact countries approve and update the objectives of this co-operation and the activities are designed and supervised by a Permanent High-Level Committee composed of the General Directors of Employment and representatives of National Employment Services.

Meanwhile, the “Bucharest Process” has become a significant reference point for employment policy development in South East Europe. The Sofia Conclusions, adopted at the 2nd Ministerial Conference held in Sofia on 21 October 2005, endorsed the process and placed even more focus on policy coherence and social dialogue.

This series of Country Reviews of Employment Policy (CREP) is the major outcome of this process. Each review is based on a national report produced by the relevant Ministry of Labour in co-operation with the National Employment Service. They are adopted at National Tripartite Conferences organised by the ILO, the promotion of social dialogue being a key component of the process

These country reviews can be used for strengthening labour market institutions and making their employment and labour market policies more coherent and effective within the framework of an integrated policy approach. Particular emphasis is placed on gender equality issues, especially in developing strategies aimed at mainstreaming gender in employment policies and promoting gender equality in follow-up activities.

The review process intends to contribute towards promoting decent and productive employment for women and men in the Stability Pact countries while converging towards the guidelines of the European Employment Strategy and strengthening stability and social cohesion in the region.

Alexander VLADYCHENKO
Director General of Social Cohesion
Council of Europe

Petra ULSHOEFER
Director, Sub-Regional Office for
Central and Eastern Europe
International Labour Office

Introduction

Objectives

This Country Review of Employment Policy focusing on the Republic of Moldova serves various purposes:

- It highlights the main labour market and employment challenges facing Moldova and provides a number of recommendations about addressing them.
- It contributes to the implementation in Moldova of international labour standards and principles related to employment,² and in particular **ILO Employment Policy Convention (No. 122)**, 1964, requiring governments of ratifying countries, in close collaboration with the social partners, to formulate and implement an active policy promoting full, productive and freely chosen employment. The general principles of an active employment policy are set out in greater detail in the **ILO Employment Policy Recommendation (No. 122)**, 1964. The review also seeks to support the implementation of the provisions of the **ILO's Global Employment Agenda (GEA)** that places decent employment at the heart of economic and social policies. Consistent with the Millennium Development Goals, the GEA seeks, through the creation of productive employment, to improve the lives of the millions of people who are either unemployed or whose remuneration from work is inadequate to allow them and their families to escape poverty. The fundamental role played by employment in fighting poverty and social exclusion was also a conclusion of both the World Summit on Social Development in 1995 and the 24th Special Session of the United Nations General Assembly in 2000, which called upon the ILO to develop a coherent and co-ordinated international strategy for the promotion of freely chosen and productive employment.
- The review is also intended to make operational the standards on employment and labour market policy that are defined by the **European Social Charter** and the core elements of the **Revised Strategy for Social Cohesion of the Council of Europe** (2004). The matter states that access to employment for all and the promotion of decent employment are key elements of social cohesion and that *“investment in human resources is one of the most crucial areas of investment for future economic growth”*. The Council of Europe has also drawn up a number of guidelines and recommendations on improving access to employment, especially for the most vulnerable groups.
- This Employment Policy Review is a contribution to Moldova's preparation for future membership of the European Union by converging with the **Guidelines of the European Employment Strategy (EES)**. For this purpose, the present report has been drafted on the model of the Joint Assessment Papers on Employment Policies formulated by the European Commission and the countries preparing for accession.
- One of the ten priority areas of action of the EES (2003-2007) is gender equality in pay and employment.³ The EES recognises that gender equality is central to the

2. See Appendices I and II for a list of international instruments ratified by Moldova.

3. The EES entails a commitment to “substantial reductions” in gender gaps in unemployment, employment and pay and requires a gender mainstreaming approach in the remaining nine priority areas.

achievement of full employment, integral to the notion of job quality and a key to social cohesion and inclusion. The achievement of gender equality in the world of work is also central to the ILO's Discrimination (Employment and Occupation) Convention, 1958 (No. 111) and Equal Remuneration Convention, 1951 (No. 100), which have been ratified by the Government of Moldova. Convention No. 111 requires ratifying countries to develop and implement a national policy to promote equality of opportunity and treatment in employment and occupation on the ground of sex, among others, with a view to eliminating discrimination. Convention No. 100 provides guidance as to how to promote and ensure the application of the principle of equal pay for women and men for work of equal value. These principles and rights are also enshrined in the Revised European Social Charter. While mainstreaming gender issues throughout the text, this Employment Policy Review accordingly includes a chapter that deals in greater depth with the gender dimensions of particular employment and social policies.

Background

Moldova was the fourth country, after Albania, Croatia and Serbia, to have its employment policies assessed by the Council of Europe and the International Labour Office, in compliance with the Declaration adopted by the Ministers participating in the South-East European Ministerial Conference on Employment held in Bucharest on 30-31 October 2003.⁴ The "Bucharest Declaration"⁵ mandated the ILO and the Council of Europe to assess the employment situation of the Stability Pact countries involved in the process of regional co-operation on employment, and draw up recommendations in a Country Review of Employment Policy (CREP). Based on the outline for national background reports jointly prepared by the ILO and the Council of Europe, Moldova drew up, in August 2004, a detailed national report on its labour market and employment policies.

In August 2005, the experts of the ILO and the Council of Europe conducted a mission to Moldova to discuss the report with the national authorities and collect additional information. The draft Review was then prepared and it was discussed and approved at the 4th Session of the Permanent High-Level Committee of the "Bucharest Process" that took place in Budapest in September 2005. It was then presented in Chişinău on the occasion of a National Tripartite Conference that took place on 20 March 2006. The goal of this presentation was to promote a shared vision of the government and the social partners on the employment priorities for Moldova. The Tripartite Conference provided an opportunity to discuss and assess the findings of the CREP and the recommendations proposed.

Both the ILO and the Council of Europe are very grateful to the Moldovan authorities for their active support, guidance and efficient co-operation and, in particular, to the National Agency for Employment and the Ministry of Economy and Trade of the Republic of Moldova.

4. Forthcoming CREP: "The former Yugoslav Republic of Macedonia", Montenegro and Bosnia and Herzegovina.

5. See Appendix III to this report.

1. Economic situation

As a result of the collapse of traditional trade relations due to the demise of the Soviet Union, the breakaway of the most industrialised part of the country (Transnistria) and political instability, Moldova has gone through one of the severest crises of all transition countries. In 1999 Moldova's real GDP stood at only one-third of the 1989 value. Thanks to strong growth since 2001 (6.8% on average for five years) it has reached 47% of the 1989 level, but this is still the lowest score of all transition countries except Georgia. Due to massive emigration, especially in 1992-93, per capita income has not fallen to an equal extent and stood at 54% of the 1989 value in 2004. In purchasing power parity (PPP) terms, per capita income in Moldova is the lowest in Europe; it stood at US\$3 172, which is about half of Ukraine's, a third of Romania's and about a fourth of the figure for the poorest member states of the EU.⁶ However, these figures are partly mitigated by the fact that Moldova is one of the largest recipients of workers' remittances in the world; according to official estimates, remittances add 25% to GDP, but the actual value might well be over one-third of GDP.⁷ Low per capita incomes are exacerbated by income inequality, which is high by European standards, but not excessive:⁸ in 2004, 1.8% of total income went to the 10% of persons with the lowest incomes, while 31.2% went to the 10% of persons with the highest incomes. The incomes of the wealthiest members of the population were 17 times those of the poorest. The share of the population living with less than one US dollar per day was 12% in 2002, which was down on previous years (26.3% in 2000, 18.3% in 2001). A similar picture was noted when analysing the share of the population living with less than US\$ 2.15 per day (taking into consideration PPP) – this indicator dropped from 64.5% in 2000 to 39.8% in 2002.⁹ According to UNDP, Moldova has by far the lowest Human Development Index (HDI)¹⁰ of all the European countries. In 2004 it ranked 113th out of 177 countries surveyed, putting Moldova between Vietnam and Bolivia. As in the majority of countries, the Gender-related Development Index (GDI)¹¹ was slightly lower than the HDI (0.69). Within the Central and Eastern European (CEE) region and Commonwealth of Independent States (CIS) only Tajikistan had a lower GDI than Moldova.

As will be seen below, women are at greater risk of falling into poverty than men. Wage inequalities between men and women, gender disparities in activity rates and women's employment patterns are among the main reasons, as they contribute to women's financial dependence on the family and enhance their vulnerability to poverty. Another contributing factor has been the pressure on national budgets and the resulting cuts in public expenditure (health, education and family-related benefits). As discussed in the subsequent chapters, women, as main carers, have absorbed the costs of caring for the family and raising children to a larger extent than men. This has resulted in an increase in women's unpaid work, thus eroding their capacity to engage in gainful employment.

6. Figures from the UN Economic Commission for Europe.

7. Economist Intelligence Unit (2005): Country Profile Moldova.

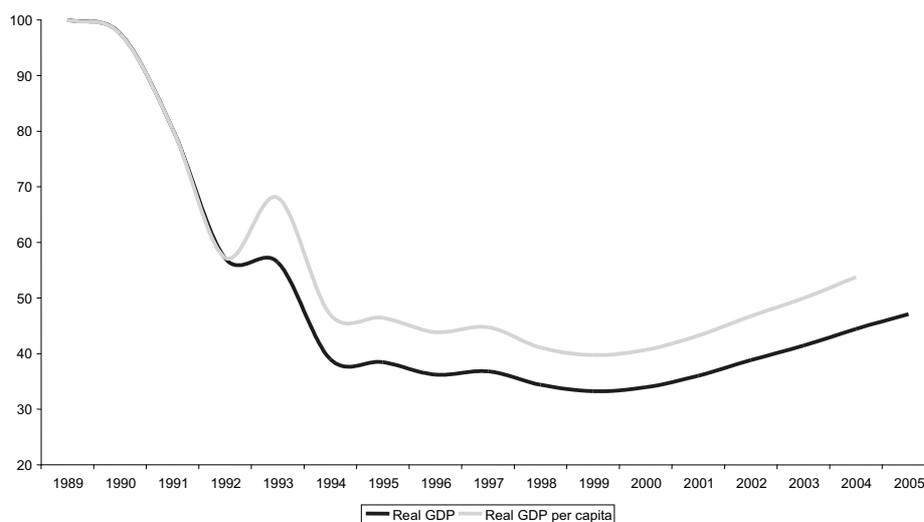
8. While UNDP estimates a Gini coefficient of 0.362, the IMF calculates 0.4. According to UNDP, both Romania and Ukraine had more equal distributions with a coefficient of about 0.3.

9. <http://www.unece.org/stats/documents/2005/05/labour/wp.6.e.pdf>.

10. The HDI measures human development in terms of income, education and life expectancy.

11. The GDI uses the same variables as the HDI but adjusts indices of life expectancy, educational attainment and income to reflect inequalities between men and women.

Graph 1: Real GDP and GDP per capita (1989=100)



Source: National Bureau of Statistics of the Republic of Moldova

Given its past as one of the most important providers of agricultural products in the Soviet Union, Moldova's economic structure is dominated by agriculture and food processing, which makes the economy vulnerable to shocks affecting agricultural production. In the first half of 2004 agriculture accounted for 11% of official GDP, industry (including construction, which contributes 4% of GDP) for 26% and services for 63%.¹² Agricultural production has been largely privatised and the state's share in total land ownership had fallen from three-quarters in 1994 to less than one-third in 2004. Manufacturing industries contributed a mere 18% to total output, with food processing (and notably wine production) accounting for almost half of all industrial output. In recent years production of textiles and footwear has become the second most important manufacturing sector. Albeit scarce, heavy industry is also dependent on the agricultural sector, mainly supplying tractors, fertilisers and glass for bottles. The service sector is developing mostly in the capital Chişinău, while regional disparities in incomes and living standards are large with average wages in many rural areas lower than half the average wage in the capital.

In recent years, the government has made considerable efforts to promote enterprise development. Significant progress has been achieved in reducing the tax burden for employers, simplifying tax returns and facilitating access to financing. Over the 2004-2005 period a range of laws were amended, completed or adopted. Law No. 424-XV on optimising the normative framework of entrepreneurial activity was adopted in December 2004. Further reductions in bureaucratic obstacles are expected following implementation of the "Guillotine Law", passed in February 2005, which will streamline the existing regulations and administrative orders in the commercial sphere.¹³ In the same context, a new draft Law on regulating entrepreneurial activity is currently in the pipeline. This new law will establish the

12. See IMF Country Report 05/48 Moldova.

13. EBRD (2005): Strategy for Moldova.

basic principles of state regulation of entrepreneurial activities and employers' rights and obligations concerning their relations with public regulatory bodies.¹⁴

Nevertheless, Moldovan businesses still have to contend with less favourable conditions than enterprises in neighbouring countries, as government interference in the economy remains high. Corruption is a serious problem, partly due to the state's continued involvement in the economy. According to Transparency International's 2004 corruption perceptions index Moldova ranks 114th out of 146 countries surveyed, with an overall score of 2.3 (10 being the least corrupt).

Moldova's small and medium-sized enterprises were privatised in the early years of independence through a voucher privatisation programme. With a few exceptions, opposition from vested interests has prevented most large-scale privatisations. As the sale of key state-owned enterprises in the wine and tobacco sectors was a sensitive political issue, disposal of the state's assets in the wine sector began only in 2002 – mainly to Russian investors. The biggest privatisation so far has been the sale of three electricity distributors to a Spanish firm in 2000, but sales of the remaining two distributors failed, as did the privatisation of the fixed-line telephone monopoly. Since a poor investment climate, including annulments of some earlier sales, continues to deter many Western investors, less than 60 of around 480 enterprises scheduled for sale were privatised between 2001 and 2004.

The unfavourable business environment and the slow privatisation process have so far held down foreign direct investment (FDI) inflows. In 2004, around US\$150 million (5.7% of GDP) were invested in the country, bringing the accumulated stock of FDI since independence to roughly US\$900 million, which represents only US\$250 per head, a very low value by regional standards. Russia is the largest single investor by far, although EU countries account for around 40% of total FDI. By sectors, energy has attracted the largest share (35%), followed by manufacturing (27%), trade (16%) and transport and telecommunications (12%).¹⁵

Unfortunately there are no hard statistics on privatisation's impact on gender equality in terms of access to financial resources and assets. The little evidence available, however, suggests that women fare much worse than men. According to a survey by INTAS, only 1% of women have assets in Moldova as a consequence of privatisation.¹⁶

The Moldovan Government succeeded in turning a budget deficit of 3.5% of GDP in 2000 into a 0.7% surplus in 2003 by improving tax collection and broadening the tax base; strong growth also helped to achieve this result. Between 2000 and 2005, government debt was more than halved from 84.5% of GDP to 41.2%, which was entirely due to a reduction in foreign debt, as domestic debt remained constant at around 10% of GDP (total external debt, i.e. including private debt, nonetheless remained high, at 58.4%).¹⁷ These developments prompted multilateral creditors to resume lending that had been put on hold. Rate cuts in corporate and personal income taxes and social security contributions as well as increased social spending are expected to send the budget deficit back to 2.5% of GDP in 2005.

14. See: National Report. Labour Market 2004, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

15. See EIU (2005): Country Profile Moldova.

16. O. Kissyelova: Women's economic empowerment and access to financing and assets in CIS countries: issues, good practices and policy options. Regional symposium on mainstreaming gender into economic policies, 28-30 January 2004, Geneva, Switzerland.

17. See IMF Country Report 05/48 Moldova.

Moldova's central bank had managed to reduce inflation from over 30% in 2000 to around 5% two years later. Due to the enormous inflow of remittances from workers living abroad, the bank faces a dilemma: either it lets the leu appreciate, thereby compromising Moldova's export performance, or it tries to keep the leu stable through foreign exchange interventions, thereby increasing the domestic money supply and fuelling inflation. In recent years the value of the leu has been kept stable and inflation has reached two-digit levels again.

On the back of buoyant demand in the region and a stable, or even decreasing, exchange rate, Moldova's exports have more than doubled in recent years (they grew by 108% between 2000 and 2004 in dollar terms). Nevertheless Moldova runs an enormous trade balance deficit of around 30% of GDP, which is funded by workers' remittances from abroad. 48% of Moldova's exports are food and vegetable products, while the textile industry has become more important, now accounting for 17%. Although its share in total exports has fallen by about 20% since 2000, Russia still receives more than a third of all Moldovan exports (36.1%), followed by Romania (10.1%), while the main sources of imports are Ukraine, Russia and Germany.

2. Population and labour market

2.1. Population trends

Moldova is a small country in terms of both territory and population size. With an estimated population of 3.4 million, Moldova ranks as the second smallest of the CIS member states.¹⁸ About 51.2% of the total population is female and 48.2% is male. As shown in Table 1, in recent years, population has declined due to a falling birth rate, increased migration and rising mortality. Fertility rates have fallen dramatically from 2.1 for the period 1990-95 to 1.2 for the period 2000-05.¹⁹

Table 1: Key indicators of natural population change (number of persons)

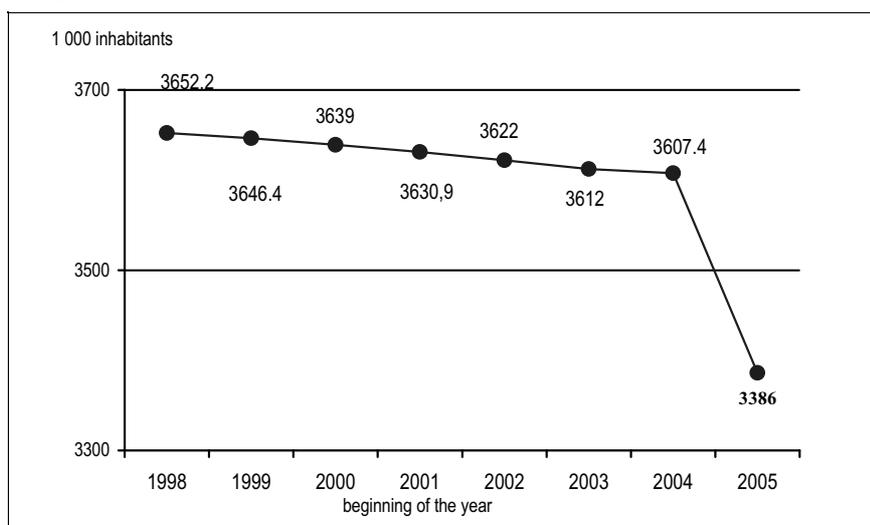
	2001	2002	2003	2004	2005	2005 as % of 2004	2004 as % of 2003
Live births	36 448	35 705	36 559	38 272	37 706	98.5	104.7
Deaths	40 075	41 852	43 047	41 668	44 752	107.4	96.8
of which children up to one year old	597	528	510	464	460	99.1	91.0
Natural decrease	-3 627	-6 147	-6 488	-3 396	-7 046	207.5	52.0
Marriages	21 065	21 685	24 945	25 164	27 205	108.1	100.9
Divorces	10 808	12 698	14 668	14 668	14 517	97.3	104.7

Source: National Bureau of Statistics of the Republic of Moldova

18. Preliminary data of the population census of 5 October 2004. See Moldova National Report. Labour Market 2004. National Agency for Employment. Ministry of Economy and Trade of the Republic of Moldova.

19. Source: World Population Prospects. The 2004 Revision. UN Population Database.

Graph 2: Population of the Republic of Moldova



Source: National Bureau of Statistics of the Republic of Moldova

Note: Beginning of the year

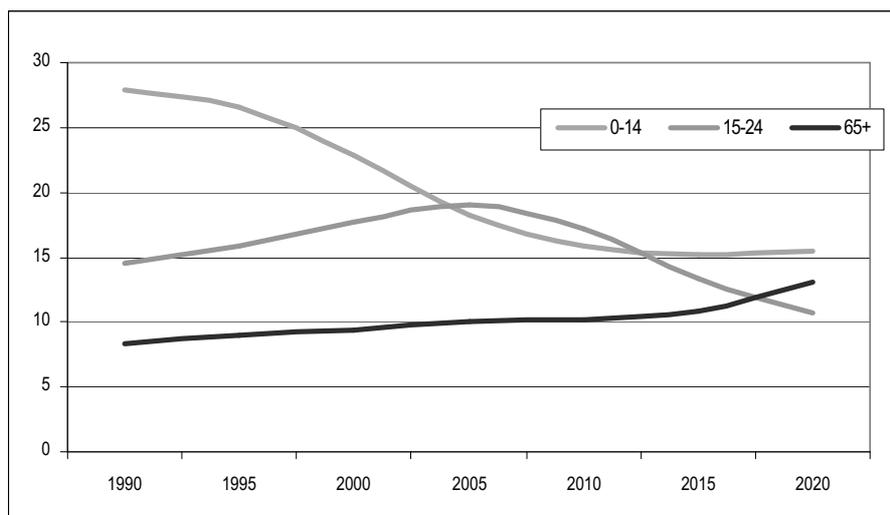
The decrease in population has been accompanied by ageing. Although life expectancy in Moldova is quite low, over the past 50 years it has increased from 58 to 67 and it is expected to increase to 77 by the year 2050. As the graph below shows, the proportion of children and young people is declining while the proportion of older people is increasing. Women represent a large proportion of the older population. About 63% of those aged 65 and over are women.²⁰

Like in all other countries of the region, ageing is posing important challenges to the financing of the already strained social security system. Poverty in old age is also an issue of increasing concern. According to Helpage,²¹ over 80% of older people live below the poverty line and many (mostly older women) work informally to supplement their incomes.

20. World Population Prospects. The 2004 Revision. UN Population Database. <http://esa.un.org/unpp/>.

21. Making our voices heard: older people and decision making in east and central Europe; September 2001. <http://www.helpage.org/images/pdfs/ECE%20summary.PDF>.

Graph 3: Proportion of children (0-14), young population (15-24) and elderly population (65+)



Source: World Population Prospects. The 2004 Revision. UN Population Database.

As can be seen from the next table, about 60% of the Moldovan population live in rural areas, and women represent a large proportion of these rural residents, especially at older ages. Although the risk of poverty is higher in small towns than in rural areas, because the majority of the population live in rural areas rural poverty predominates, and 68% of all Moldova's poor live in rural areas.²²

Table 2: Resident population by area, sex and age, 1 January 2004, in thousands

	Total		Urban		Rural	
	Both sexes	Of which female	Both sexes	Of which female	Both sexes	Of which female
Total	3 607.4	1 879.0	1 477.9	764.4	2 129.5	1 114.6
Of which						
Men and women 0-15	785.7	383.4	279.6	135.8	506.1	247.6
Men 16-59 years; women 16-54 years	2 311.6	1 156.8	1 017.5	508.8	1 294.1	648.0
Men 60 years and over; women 55 years and over	510.1	338.8	180.8	119.8	329.3	219.0

Source: www.statistica.md

22. Recession, Recovery and Poverty in Moldova, November 2004.

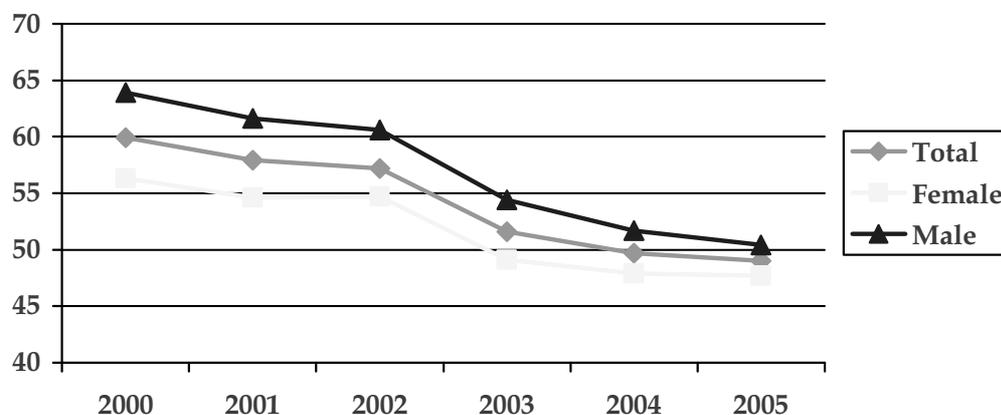
2.2. Labour market

2.2.1. Economically active population

The main source of statistical information on the labour market is the labour force survey which has been carried out continuously every quarter since the fourth quarter of 1998.²³ Since the late 1990s the economically active population in Moldova has fallen steeply from 1.8 million in 1998 to 1.6 million by 2002 and 1.42 million in 2005. This means that, over this period, the economically active population diminished by 15 percentage points. The decline in labour participation cannot be solely due to the above-mentioned decrease in population as the latter is insignificant when compared with the former.

Despite this decline, the total participation rate for 2003 is only 2 percentage points lower than the total average participation rate for the EU 25 (56.5%). Participation rates for women are lower than for men but, as the graph shows, the gap has been narrowing. Furthermore, in 2003 the female participation rate was 1 percentage point higher than in the EU 25 (48.2%).

Graph 4: Activity rates 1999-2005



Source: National Bureau of Statistics of the Republic of Moldova

The next table shows the significant rise in inactivity rates over recent years. This increase has been most pronounced in the youngest age group for both sexes, reflecting the massive out-migration flows. The inactivity rate for older women is also very high compared with men. This is probably due to their early withdrawal from the labour market as their pensionable age is 57.

23. UNECE/ILO/Eurostat Seminar on the Quality of Work (Geneva, 11-13 May 2005). Decent work in Moldova: statistical indicators. Submitted by the National Bureau of Statistics of the Republic of Moldova. Working Paper No. 6, 4 May 2005. <http://www.unece.org/stats/documents/2005/05/labour/wp.6.e.pdf>.

Table 3: Economically inactive population by age group and sex (%)

	Total	15-29	30-49	50 and over
Total				
2000	40.1	54.7	17.8	55
2001	42.1	58.2	20.1	54.4
2002	42.8	59.2	21.2	52.5
2003	48.4	67.4	25.9	57.7
2004	1 448.6	626.7	318.6	503.3
2005	1 483.2	647.3	337.4	498.5
Men				
2000	36.1	51.8	17.3	45.9
2001	38.4	56.3	19.9	44.3
2002	40.0	58.5	22.0	42.3
2003	45.5	65.9	26.4	48.4
2004	654.5	314.1	158.9	171.7
2005	679.0	325.7	173.1	180.2
Women				
2000	43.7	57.7	18.2	61.6
2001	45.4	60.1	20.3	61.7
2002	45.3	60.0	20.3	59.8
2003	50.9	68.9	25.4	64.5
2004	794.1	312.7	159.7	321.5
2005	804.2	321.5	164.3	318.4

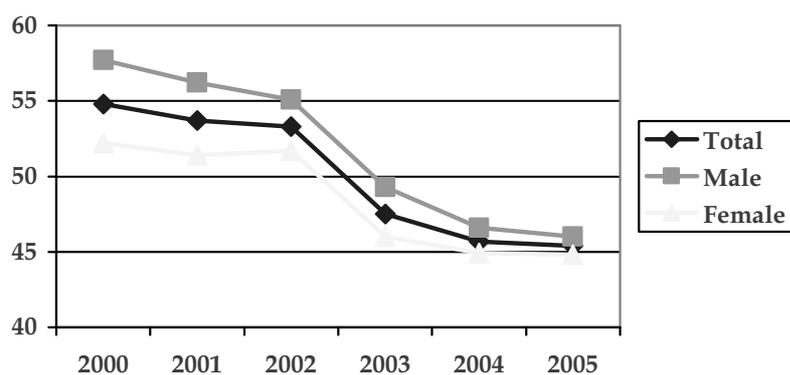
Source: Labour market in the Republic of Moldova in 2005. National Bureau of Statistics of the Republic of Moldova

2.2.2. Employment rates

Employment rates remained practically unchanged between 1999 and 2002, ranging from 53.3 to 54.8%. Employment has sharply declined over the last two years, falling to 45.4% in 2005. An analysis of employment rates by sex also shows a downward trend for both sexes. However, the decline in the male employment rate is steeper (11 percentage points) than for females (7 percentage points). In 2004 the difference between male and female employment rates was less than 1.2%.

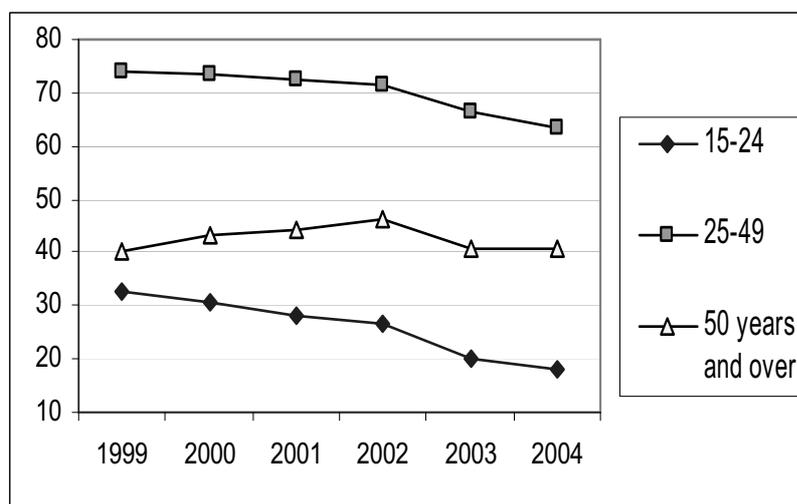
A review of employment rates by age groups shows that young people have the lowest employment rate. The youth employment rate has fallen sharply by about 15% since the late 1990s and was only 17.7% in 2005.

Graph 5: Employment rates by sex



Source: National Bureau of Statistics of the Republic of Moldova

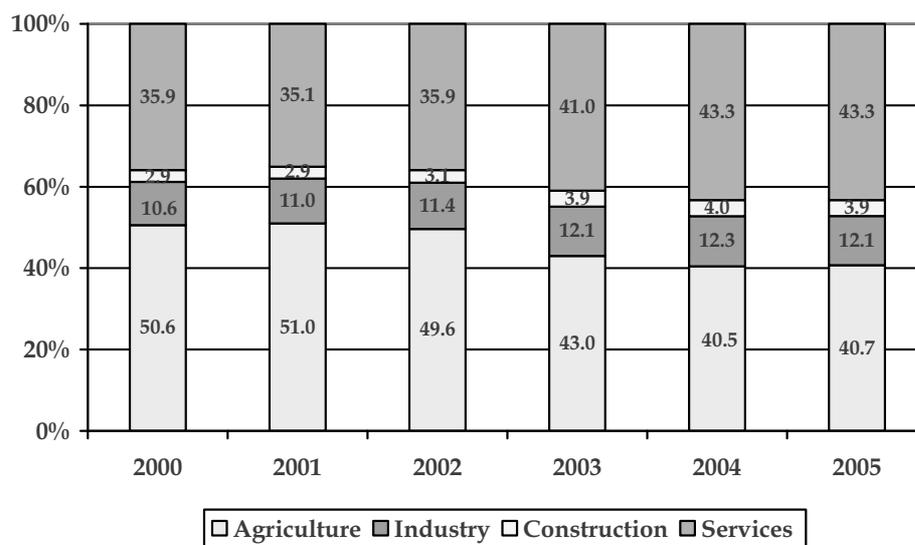
Graph 6: Employment rates by age group



Source: National Bureau of Statistics of the Republic of Moldova

If we look at the distribution of employment by activity sector we can see that until 2003 almost half of the population was working in the agricultural sector. However, over the last three years employment in agriculture has declined, and the services sector accounts for an increasing share of jobs. The proportion of people employed in the industrial sector is quite low and has remained stable since the late 1990s.

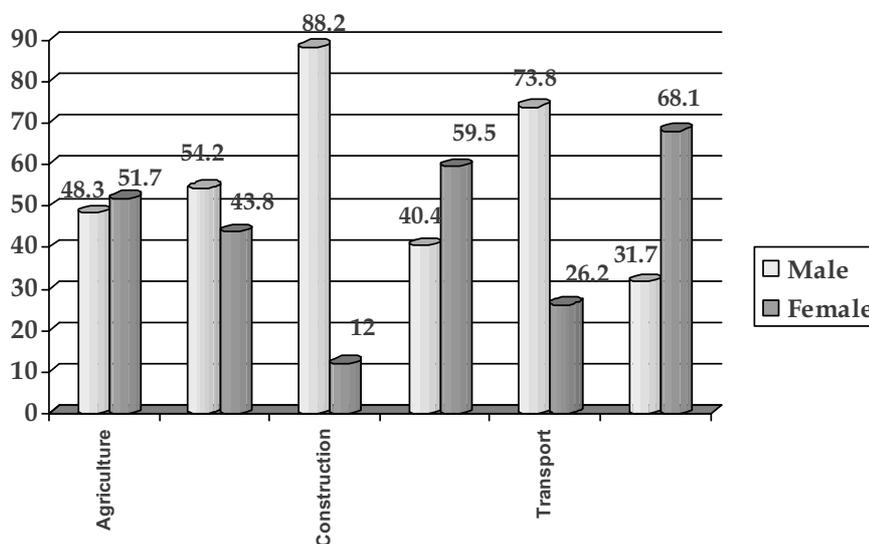
Graph 7: Distribution of employment by sector



Source: National Bureau of Statistics of the Republic of Moldova

Distribution of employment in occupational activities by sex shows a concentration of women in the services sector, especially in education, health and social work (68%) and trade, hotels and restaurants (59.5%). Women also represent more than half the workforce in agriculture (51.7%). The lowest percentages of women employees can be noted in construction (12%), industry (43.8%) and transport (26%).

Graph 8: Distribution of employment in occupational activities by sex, 2005



Source: National Bureau of Statistics of the Republic of Moldova

Table 4: Distribution of employment in occupational activities by sex (thousands), 1999-2005

	1999	2000	2001	2002	2003	2004	2005
Agriculture, hunting and forestry	731	766	764	747	583.2	532.9	536.5
Male		387.3	379.8	368.6	293.2	258.6	259.1
Female		381.7	383.6	376.6	290.0	274.4	277.5
Industry	160	161	165	171	164.5	161.8	159.3
Male		24.4	22.8	23	88.7	88.2	86.3
Female		5.8	5.5	6.2	75.8	73.6	73.0
Construction	44	44	43	46	53.2	52.0	51.6
Male		37.6	37	39.2	46.0	46.1	45.5
Female		6.7	6.3	6.8	7.2	5.9	6.2
Trade, hotels and restaurants	150	163	164	175	175.7	178.7	182.9
Male		65.3	63.9	67.8	71.6	70.2	73.9
Female		82	80.6	87.3	104.2	108.5	108.9
Transport, storage and communications	70	64	64	62	67.7	73.4	71.0
Male		48	48.8	46.1	52.7	56.9	52.4
Female		15.8	15.5	15.6	15.1	16.8	18.6
Public administration, education, health and social work	266	250	241	243	244.0	240.7	239.2
Male		42.8	42.9	42.4	78.7	77.8	75.9
Female		21.7	22.9	23.4	165.3	162.9	163.4
Other services	74	67	58	61	68.1	76.5	78.1
Male					30.4	36.7	36.6
Female					37.7	42.8	41.4

Source: ILO Labour statistics

Table 5: Employed population by age group, sex and employment status in 2004

	Total	15-24	25-34	35-49	50 and over
Male	631 456	66 551	114 682	274 639	175 585
Employees	398 919	44 610	77 401	176 006	100 902
Employers	5 181	0	0	2 917	1 440
Own account workers	223 759	19 428	35 793	95 335	73 202
Other	3 597	2 308	0	0	0
Female	684 586	59 078	134 240	311 777	179 491
Employees	441 998	42 641	94 039	214 633	90 684
Employers	3 247	0	0	2 180	0
Own account workers	229 220	14 168	37 653	91 830	85 570
Other	10 121	2 020	2 210	3 134	2 094

Source: National Bureau of Statistics of the Republic of Moldova

Employment rates in Moldova are well below the EU 25 average of 63.3. Moreover, much of the employment supply is in low productivity jobs. As a result, an increasing number of Moldovans are seeking employment abroad.

In 2003, 2 800 Moldovan nationals applied to the Department of Migration for job placements abroad, 27.5% of whom were women. Of all those applying for job placements abroad, 28% had higher education diplomas, while 72% had specialist intermediate level qualifications. However, the scale of labour migration remains unclear. According to the preliminary results of a census conducted in October 2004, some 260 000 Moldovans were then living abroad, of

whom 90% were working and 10% were students. However, even the Department of Information Technologies, which organised the survey, puts the size of the emigrant labour force at 367 000. Earlier unofficial estimates had put the number considerably higher, at nearer 600 000.²⁴ The loss of human capital and brain drain are important negative effects of migration. However, as mentioned in the previous chapter, migration is bringing a very high level of remittances into the country. Cash inflows from Moldovan migrants abroad accounted for nearly US\$300 million in 2002 – which is almost three times the level of FDI for the year and nearly equals the whole country's 2002 consolidated budget of US\$365 million. According to some estimates, cash inflows from Moldovan migrants abroad accounted for over US\$500 million in 2003.²⁵

Migration in Moldova – Survey results

The most recent migration survey was conducted in September-November 2004 by a local agency, CBS-AXA, in co-operation with the Chişinău branch of the International Office for Migration, the European Commission's Food Security Programme and the IMF.

399 000 Moldovans were working abroad at the time of the survey (over 10% of the population). In addition, it was estimated that a further 171 000 Moldovans currently in the country had worked overseas in the recent past and intended to do so again. 119 000 families surveyed had not sent any member abroad yet but intended to do so in the next six months, bringing the total migrant potential to 690 000.

Russia hosts 60% of the migrants, followed by Italy (19%) and Portugal (5%). Males make up two-thirds of the migrant workforce. They work primarily in sectors such as construction and agriculture. Moldovan women work in either the tourist industry or in private homes.

The survey questions assumptions concerning the brain drain. Less than 20% of migrants have a higher education. However, there is a correlation between education and destination. The better educated head for Western countries (and higher wages), and those with lower educational qualifications are more likely to work in the former Soviet Union.

The remittances that migrants send home play a key role in supporting the economy. However, a recent threat by Russia to impose restrictions on Moldovan workers has underlined the risk that such a policy may be adopted by any of the major host countries. This risk is mitigated by the extent to which Moldovan workers are dispersed throughout Europe and Russia. Furthermore, given Moldova's poor business environment, the majority of remittances continue to fuel consumption rather than production. The survey confirms that Moldovan migrants are reluctant to invest their earnings in their home country because of poor business opportunities, corruption and excess bureaucracy.

Another concern is that migrants will increasingly loosen their ties with the country. Although many Moldovans initially leave with the intention of returning, the development of local Moldovan communities overseas offsets the traumas of living abroad and encourages even more people to leave. It is likely that the remittances will diminish as many of them settle down to a new life.

Source: Moldova at a glance: 2005-2006, Country Report, May 2005

2.2.3. Unemployment

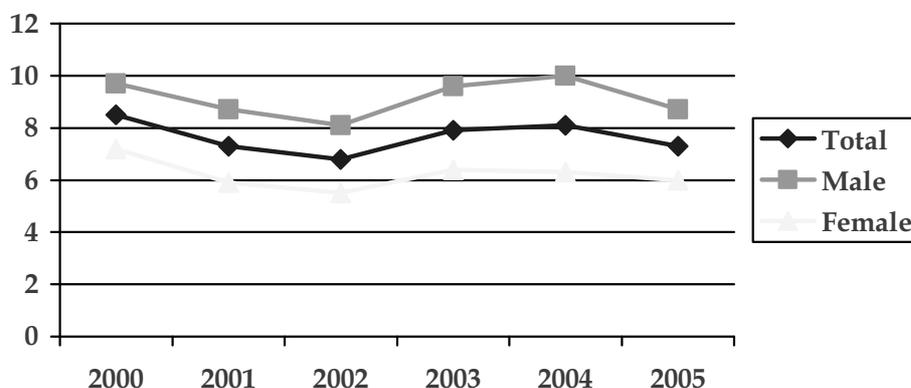
According to a labour force survey, unemployment declined from 11.1% in 1999 to 7.3% in 2005. Female unemployment is lower than male unemployment. Rates of registered unemployment are much lower. However, it is often argued that registered unemployment is

24. Moldova, Country Report 2005, EIU 2005.

25. Quarterly of the Hans-Böckler Foundation. SEER South East Europe Review for Labour and Social Affairs. "The Industrial perspective of the Balkans" Volume 7. No. 4 (2004).

not an appropriate measure of real unemployment and does not reflect genuine labour market tensions as it fails to capture the large number of unemployed who do not bother to register owing to the low benefits available. However, even the labour force survey data probably understate the true level of joblessness, since they fail to take into account the 10-15% of the workforce working only part time or on unpaid leave.²⁶

Graph 9: Unemployment rates (LFS)



Source: National Bureau of Statistics of the Republic of Moldova

Table 6: Unemployment rates (registered unemployment)

1999	2.1
2000	2.3
2001	2.2
2002	2.1
2003	2.0
2004	1.8
2005	2.0

Source: National Bureau of Statistics of the Republic of Moldova

Regarding unemployment by educational level, as shown below, it can be seen that, for both men and women, unemployment declines with the level of education except among those with the lowest levels of education, whose unemployment rates are negligible but who are probably working in the informal economy. We can see that unemployment is higher for those with a secondary vocational education, especially men. Conversely, women with a higher or secondary specialised education have higher unemployment rates than men.

26. See EIU (2005): Country Profile Moldova.

Table 7: Unemployment by educational level (Household Labour Force Survey) (%)

	1999	2000	2001	2002	2003	2004	2005
Higher	9.1	10.1	10.1	12.0	11.2	11.6	11.4
Secondary specialised	15.7	16.3	15.7	16.3	16.0	15.3	15.1
Secondary vocational	30.3	31.6	31.4	32.4	33.7	32.1	30.4
Upper secondary; general intermediate	30.2	27.0	24.8	21.8	20.9	23.4	24.7
Lower secondary	14.1	14.5	16.9	15.8	16.6	16.7	17.2
Primary or no education	0.6	0.5	1.1	1.7	1.5	0.9	1.2

Source: National Bureau of Statistics of the Republic of Moldova, data on employee numbers and pay

Table 8: Unemployed by age group, level of education and sex, 2005

	Unemployed		Age groups, years			
	Number (thousands)	%	15-24	25-34	35-49	50 and over
Male	59.8	100	15,5	12,7	21,9	9.7
Higher	6.1	10.2	1.3	1.6	2.2	1.1
Secondary specialised	8.1	13.5	0.6	2.2	3.3	1.9
Secondary vocational	20.2	33.8	3.5	4.5	8.6	3.6
Secondary general	13.9	23.2	3.5	2.9	5.9	1.6
Gymnasium	10.7	17.9	6.0	1.5	2.0	1.3
Primary or no education	0.8	1.4	0.6	*	*	0.2
Female	43.9	100	13.0	8.5	17.0	5.4
Higher	5.7	13	1.8	1.3	2.0	0.8
Secondary specialised	7.7	17.5	0.6	1.7	3.6	1.7
Secondary vocational	11.3	25.7	2.4	2.1	5.4	1.3
Secondary general	11.7	26.6	3.3	2.9	4.5	1.0
Gymnasium	7.1	16.2	4.8	0.4	1.3	0.6
Primary or no education	0.4	1	0.1	0.1	0.2	-

Source: National Bureau of Statistics of the Republic of Moldova

In addition to the openly unemployed there are large numbers of workers classified as being on “administrative leave”.²⁷ As can be seen from the next graph, the number of employees on administrative leave has substantially decreased. In 2005 the average length of administrative leave was 65 days. The largest number of people on administrative leave was recorded in processing industry (19 259 employees) followed by agriculture, hunting and auxiliary services (4 684 employees) and construction (3 579). The longest period of such leave was observed in the fisheries sector (74 days), followed by industry (73 days) and construction (71 days).²⁸

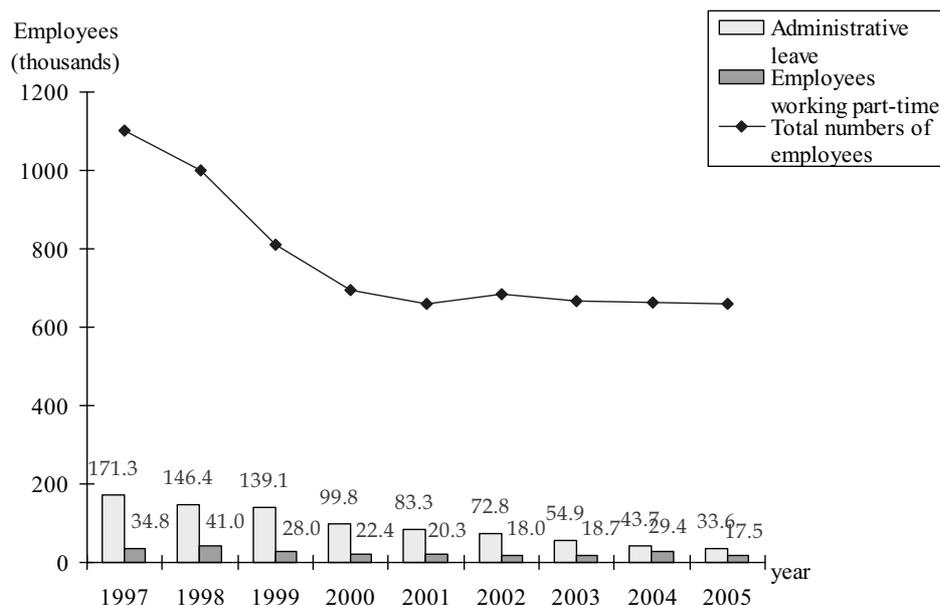
The number of employees working part time is also quite high but decreased between 1997 and 2005. However, in 2005 there was a substantial increase in the number of employees working part time (17 485). Part time work is widely used by the transport and communications sector (4 065), processing industry (4 000) and education (2 601).²⁹

27. This is a form of enforced unpaid leave at the request of the employer in order temporarily to reduce production and the related labour costs.

28. Moldova National Report, 2005. National Agency for Employment.

29. Moldova National Report, 2005. National Agency for Employment.

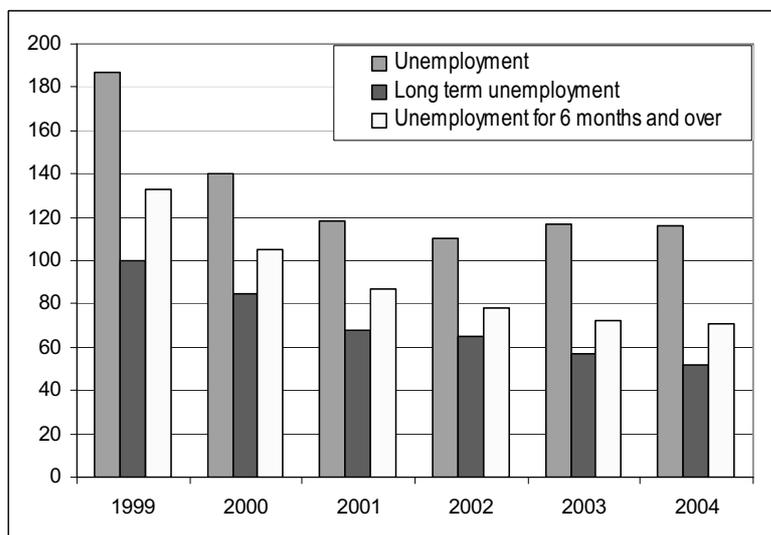
Graph 10: Number of employees working part time and on administrative leave



Source: National Bureau of Statistics of the Republic of Moldova

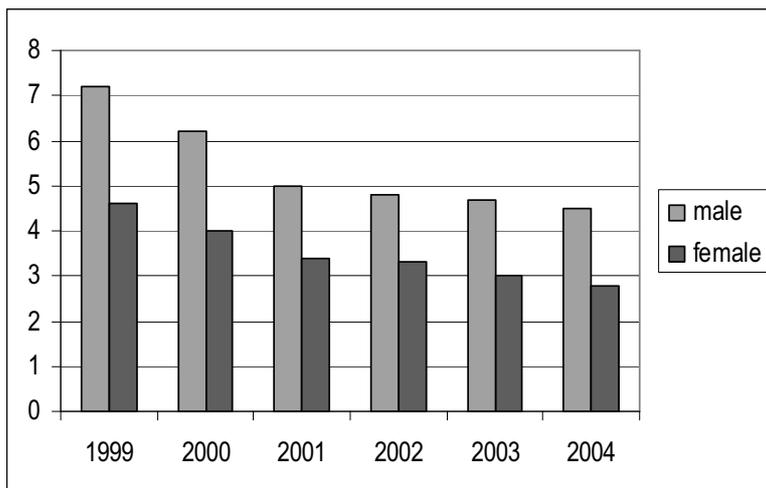
Youth and long-term unemployment rates in Moldova are relatively high. The long-term unemployment figure is quite significant although it has been declining. In 2005 long-term unemployment represented 50% of total unemployment. Long-term unemployment rates for women are lower than for men. Youth unemployment in excess of six months increased from 48% in 2004 to 50.6% in 2005.

Graph 11: Long-term unemployment (in thousands)



Source: National Bureau of Statistics of the Republic of Moldova

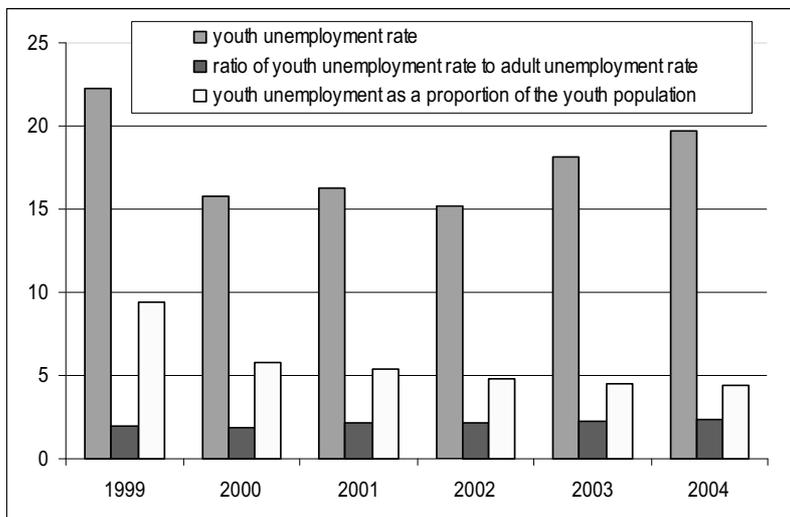
Graph 12: Long-term unemployment rates by sex



Source: National Bureau of Statistics of the Republic of Moldova

Youth unemployment rates are quite high and increased substantially in the last three years. The unemployment rate for young males is higher than for women. Youth unemployment in urban areas is higher than in rural ones. The land reforms undertaken in the agricultural sector in the late 1990s and the creation of many small private farms have provided a buffer for workers displaced from collapsing industries.³⁰ However, in recent years youth unemployment has been decreasing in urban areas and increasing in rural ones. Youth unemployment as a proportion of the youth population has nonetheless substantially decreased. This may be due to the decline in the youth population mentioned in the previous section.

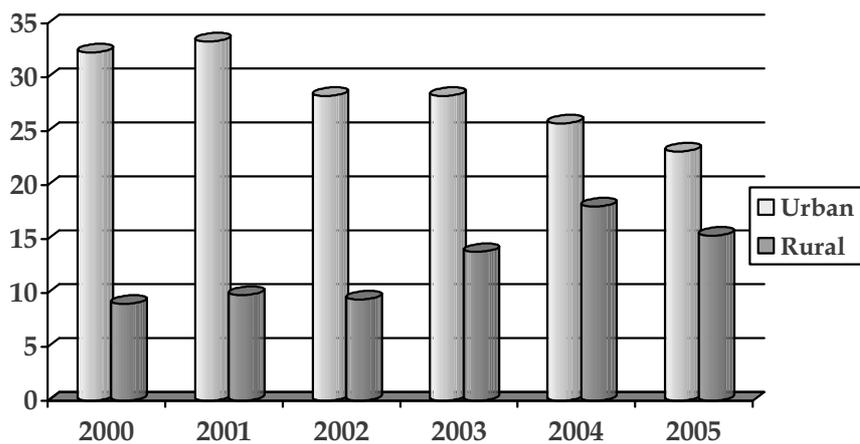
Graph 13: Youth unemployment



Source: National Bureau of Statistics of the Republic of Moldova

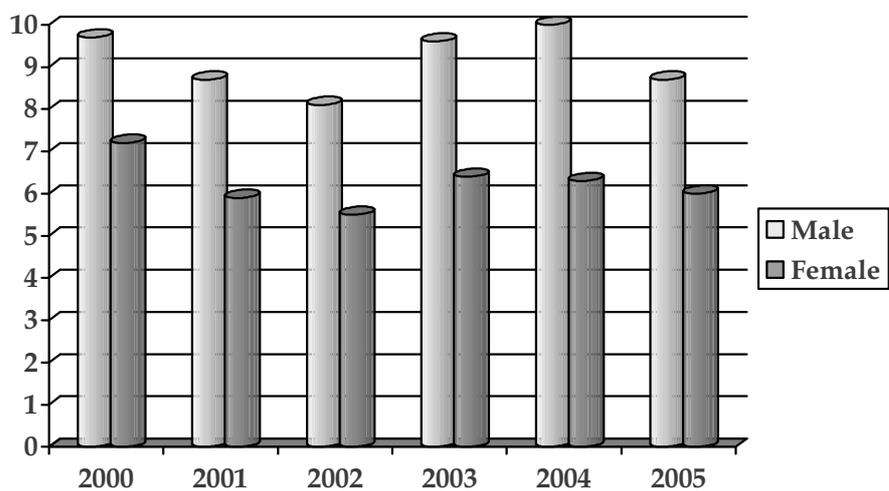
30. Moldova, Country Profile 2004. EIU 2004.

Graph 14: Youth unemployment rates in urban and rural areas



Source: National Bureau of Statistics of the Republic of Moldova

Graph 15: Youth unemployment rates by sex

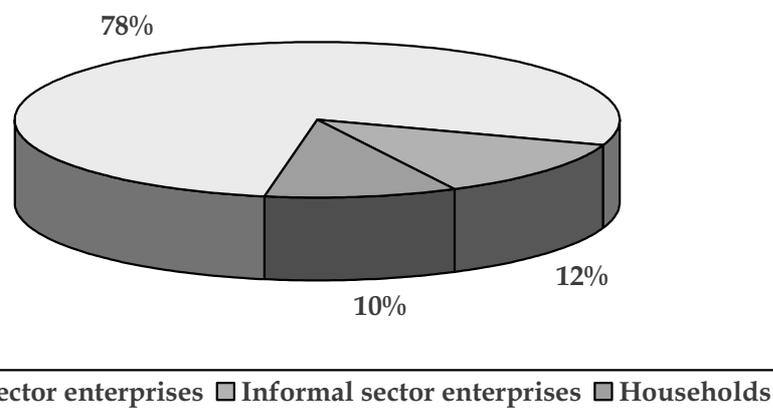


Source: National Bureau of Statistics of the Republic of Moldova

2.2.4. The informal economy³¹

In 2005 there were 1 316 000 employed persons in Moldova. 1 025 000, or 78%, were employed in formal sector enterprises as their main activity, 168 000, or 12%, in informal sector enterprises, and 123 000, or 10%, in households (most of them in the production of agricultural goods for own consumption by the household).

Graph 16: Population in employment, by type of production unit

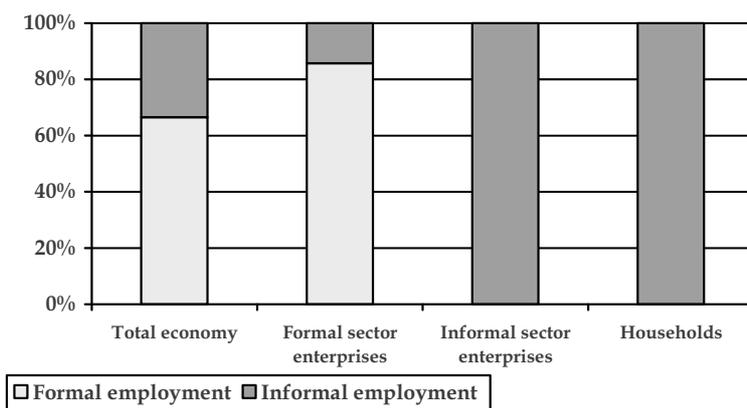


Source: ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova.

The employed population was composed as follows: 14.6% were own-account workers, employers or members of producers' co-operatives in formal employment, 21.3% were own-account workers, employers or members of producers' co-operatives in informal employment, 1.1% were unpaid family workers (considered as being in informal employment), 52% were employees with formal jobs, and 11% were employees with informal jobs. Hence, 67% of the total employed population was in formal employment and 33% in informal employment.

31. The informal economy comprises the informal sector and informal employment. The informal sector includes all persons irrespective of their employment status who, during the survey reference week, were employed in informal sector enterprises as either their main activity or a secondary activity. Informal sector enterprises are defined as enterprises lacking the status of a legal person which are not registered. Informal employment comprises all persons who, during the survey reference week, had any of the following types of job as either their main activity or a secondary activity: own account workers or employers working in informal sector enterprises; members of informal producers' co-operatives; contributing family workers, whether employed in formal sector or informal sector enterprises; employees employed by formal sector enterprises, informal sector enterprises, or as paid domestic workers by households with one or more of the following characteristics: their employer did not pay social contributions for them; they did not have the possibility to benefit from paid annual leave; they would not be given paid sick leave in the event of illness; persons engaged in the production of agricultural goods exclusively for own consumption by their household, if they worked for 20 or more hours during the survey reference week in this activity. This section is based on: "Employment in the informal economy in the Republic of Moldova"; Working Paper No. 41. ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova. ILO, Geneva, December 2004.

Graph 17: Employed population by type of production unit and nature of the job



Source: ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova

Informal employment’s share in total employment was higher in rural areas (41%) than in urban areas (24%). This is because, as compared with urban areas, in rural areas there was more employment in the informal sector and, even more, in the production of agricultural goods by households for own consumption.

As compared with urban areas, in rural areas employment in the informal sector was characterised by a higher percentage of unpaid family workers and a lower percentage of employees. By contrast, employment in the formal sector in rural areas, as compared with urban areas, was characterised by higher percentages of employers, own account workers, members of producers’ co-operatives and unpaid family workers, and by a lower percentage of employees (especially those with a formal job).

Further details can be found in the following chapter, which discusses the specific situations of women and men in the informal economy.

3. Equal opportunities for men and women in pay and employment

This chapter examines issues of particular relevance to the goal of ensuring equal opportunities for men and women in Moldova’s labour market. Gender equality is central to the achievement of full employment, integral to the notion of job quality and key to social cohesion and inclusion. The successful future integration of Stability Pact countries into the European Union will also depend on their capacity to meet the objectives and guidelines of the EES, including those on gender equality in employment and pay.

While gender is mainstreamed throughout the Employment Policy Review, this chapter discusses in greater depth the gender aspects of two issues: wages and informal employment. It also assesses the impact of maternity protection and family policies on the employment patterns of women and men and also on gender relations in the labour market. It reviews the regulatory, institutional and policy frameworks concerning non-discrimination and the promotion of equality between the genders in employment and occupation in the light of the EES objectives and guidelines and of ILO Conventions Nos. 111 and 100. Finally, it provides

some policy recommendations that are closely inter-connected with those of the other chapters. These recommendations do not constitute an add-on, but are an integral component of the Employment Policy Review and are essential for overall policy effectiveness.

3.1. An overview of men and women in the labour market

As pointed out above, the participation rates of both men and women have been consistently declining since 2000. Men's activity rates have dropped by 13.5 percentage points (from 63.9% to 50.4%), while women's have fallen by "only" 8.6 percentage points (from 56.3 to 47.7%), while remaining lower than men's.

Over the same period inactivity rates have therefore increased for both sexes, particularly among the youngest and oldest age groups. In 2005 the inactivity rates of people aged 15-24 and 50 and over were 78.2 and 63.6% respectively. However, when the data are disaggregated by sex, the rate for younger women was 79.5% compared with 77.1% for younger men, while the inactivity rate of older women (69.3%) exceeded that of older men by 12.6 percentage points. Higher inactivity rates for young women may be due to motherhood and the fact that they remain longer in education. In older women's case, the lower retirement age for women (57 years) is probably the most important explanatory factor.

Since 1998 employment rates have shrunk for both men and women, and the gender gap has narrowed. This is because men's employment rates have fallen more sharply than women's: in 2000 the employment rate for men was 57.7%, while for women it was 52.2%; five years later the rates were 46% and 44.8% respectively.

Women's unemployment rates were consistently lower than men's during the 2000-2005 period. In 2000, the unemployment rate for women was 7.2%, while in 2005 it decreased to 6%. The unemployment rate for men also declined, although to a lesser extent, from 9.7% to 8.7%. Lower unemployment rates among women, however, do not seem to reflect the availability of more job opportunities for women, but rather the fact that a growing number of women have become discouraged and dropped out of the labour force. This would be consistent with the higher inactivity rates for women than for men. Moreover, women's lower unemployment rates may also be attributable to women's greater willingness to accept worse employment conditions rather than remain unemployed.

In a context characterised by higher inactivity rates and low employment and unemployment rates among women, it is important to examine and compare women's and men's wages. Wage differentials have major implications for the domestic division of labour and the allocation of women's and men's time to paid and unpaid work. The level at which wages are set, depending on the sector and occupation, plays an important role in either deterring or encouraging women to enter, remain in or re-enter the labour market.

Wage differentials also influence women's motivation to obtain qualifications and the type of education they may pursue. Wage inequalities contribute to women's financial dependence on the family, enhance their vulnerability to poverty and reduce their ability to escape from poverty. Moreover, low pay translates into low training expenditure, high turnover rates and scant attention to productivity and quality. Unequal pay excludes competent female workers from engaging in the most productive activities accessible to them and discourages them from developing their productive potential to the full, thus reducing output gains. Narrowing the wage gap between men and women is the key to achieving genuine gender equality and

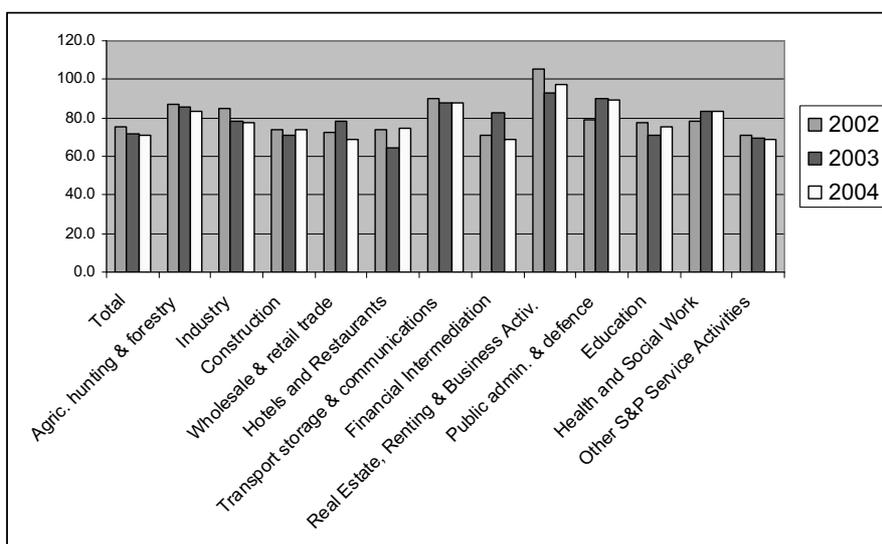
promoting social equity and decent work.³² The implications of the wage gap for the real value of women’s wages in CEE and CIS countries are a matter of particular concern because of the scaling down of social services that used to be provided by the state. The decline of these services has entailed a growing burden for women in terms of both time and financial resources.³³

3.2. Wage disparities between men and women

Addressing the gender wage gap entails knowing how large it is, how it varies over time and why. A clear understanding of these trends and their causes is essential to be able to devise suitable policy measures.

As already mentioned, women’s average wages are lower than that of men in almost all economic sectors in Moldova: women earn on average between 25 and 29% less than their male peers (see graph below).

Graph 18: Female to male average wage ratio, selected sectors, 2002-2004



Source: National Bureau of Statistics of the Republic of Moldova

The wage gap is largest in the financial intermediation sector, where the average monthly wage is the highest (see the section on wages below), other social and personal service activities and wholesale and retail trade, where women earn 31% less than men. Conversely, the wage gap is smallest in real estate and in renting and business activities, where women earn 97.2% of the earnings of their male peers.

The gender composition of the workforce does not seem to have an influence on the size of the wage gap, but does affect overall compensation for both sexes. In other words, the gender composition of the workforce does influence absolute wages in the corresponding sectors. In sectors where women constitute the overwhelming majority, such as the health and social work sector (women account for 81% of employed persons), education (men account for only

32. ILO: Time for Equality at work, ILO, Geneva, 2003.

33. UNECE, op. cit. p. 5.

22%) and hotels and restaurants (women account for 75%), the pay gap is about 16, 24 and 25 percentage points respectively. In sectors dominated by men, such as transport (men account for 78% of employed persons), construction (women account for only 13%) and industry (men account for 75%), the pay gap shows similar patterns. The wage gap ranges from 12 percentage points in transport to 26 percentage points in manufacturing industry.

Between 2002 and 2004 the wage gap declined in a few sectors. In public administration, for example, the wage gap narrowed by 10 percentage points, as the female to male wage ratio rose from 79 to 89%. In the health and social work sector, women's wages increased by 5 percentage points relative to men's. In both sectors, women's nominal salaries increased at a faster rate (34% and 71% respectively) than men's (18% and 60%). The pay gap therefore closed through a levelling up process.³⁴

The decline in the gender pay gap occurred in a context of rises in the average monthly wage of public sector employees. These rises concerned the wages of particular categories of workers, especially in the social sector. As they resulted in a narrowing of the gender wage gap, it can plausibly be concluded that the categories of workers benefiting from these wage increases mainly consisted of women.

The sectors where there was an increase in wage differentials between men and women were real estate, renting and business activities and industry (the wage gap widened by 8.4 and 7.5 percentage points respectively). In both sectors the wage gap widened because women's nominal salaries grew at a slower rate (52% and 40% respectively) than men's (65% and 53% respectively).

Several factors explain the differences in men's and women's wages in Moldova. Horizontal and vertical occupational segregation by sex is one important cause. As in men's case, almost half of employed women are concentrated in the agricultural sector, but women are more likely than men to work on private family plots as "helping family members" (see the next section on the gender dimensions of the informal economy). Furthermore, as can be seen from the table below, women are concentrated in a narrower range of sectors than men .

In addition, the average monthly wage in sectors dominated by men (1 282 lei) is 60% higher than in those where women are in a majority (767 lei). Women's average monthly wage in these sectors is also much lower than the national average monthly wage (938 lei). This may be a consequence of the under-valuation of typically "female" occupations.

Moreover, irrespective of the gender composition of the workforce, women earn less than men on average (see table below). The lower wages paid to women in female-dominated sectors may be due to the existence of barriers preventing them from obtaining promotion (the "glass ceiling" phenomenon).

34. The gender gap "levels up" when women's labour force participation or employment rates or earnings increase, while those of men remain constant or decline. The gender gap "levels down" when both women's and men's labour force participation, employment or earnings decline, but men's decline faster than women's.

Table 9: Wages in sex dominated sectors, 2003

Sex dominated ¹ sectors	Average monthly wage (lei)	Men's average monthly wage (lei) in male-dominated sectors / Women's average monthly wage (lei) in female-dominated sectors	
Male dominated *	1 282.4	1 303.7	
Fishing	449.5	394.1	
Mining	1 313.1	1 354.4	
Electricity, gas and water supply	1 662.1	1 641.4	
Construction	1 470.5	1 551.9	
Transport	1 516.8	1 576.7	
Female dominated **	767.2	693.6	
Hotels and restaurants	1 066.3	926.8	
Education	648.5	589.9	
Health and social work	586.7	564.0	
National average wage	Total	Men	Women
	938.4	1 100.5	791.2

¹ Sex dominated activities are defined as those where workers of one sex constitute more than 75% of the workforce.

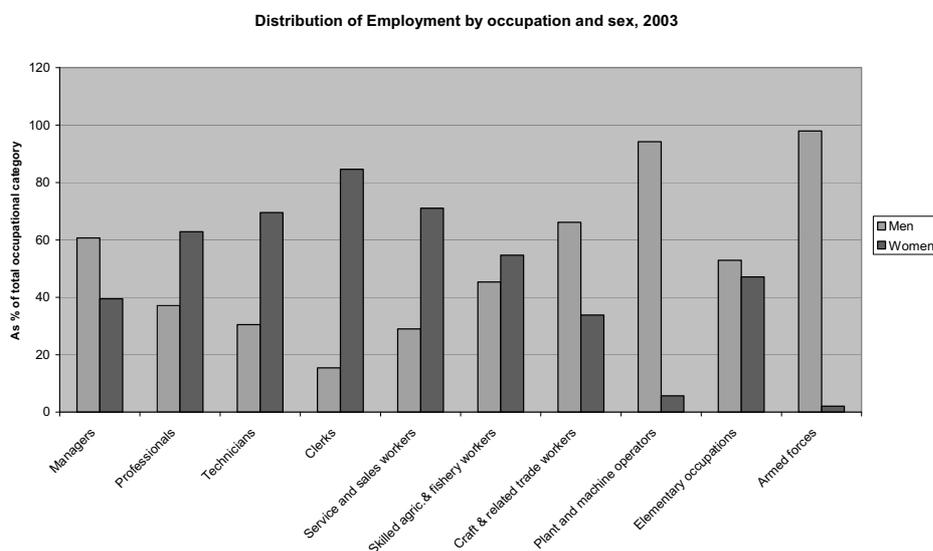
* Men engaged in male-dominated activities accounted for 33% of men's total employment outside the agriculture, fishing and forestry sectors.

** Women employed in female-dominated activities represented 38% of women's total employment outside the agriculture, fishing and forestry sectors.

Source: National Bureau of Statistics of the Republic of Moldova

In addition, women are under-represented at the top of the occupational hierarchy, and it is the wages of high-ranking managers which have grown the most since transition. They also constitute only a small share of plant and machinery operators and craft and related trade workers (see graph below). But women outnumber men in lower level white-collar positions, i.e. professionals, service workers and clerks.

Graph 19: Distribution of employment by occupation and sex, 2003



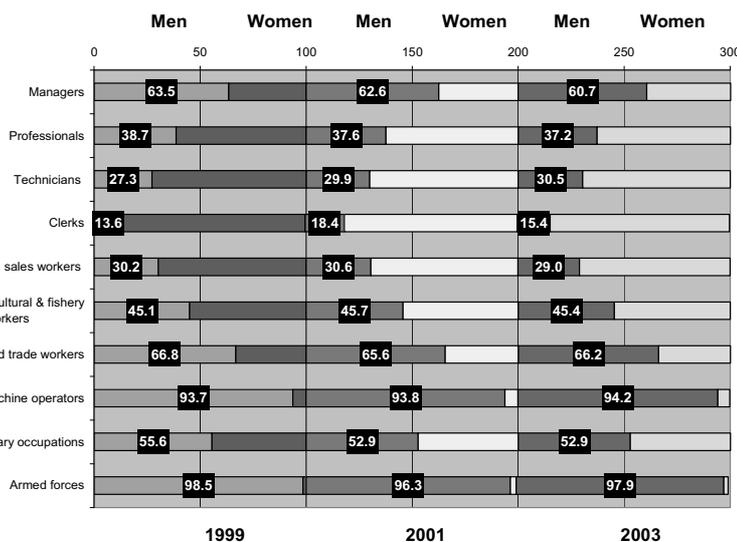
Source: Moldova Labour Force Survey in ILO-LABSTAT

Between 1999 and 2003 no major change was observed in the occupational patterns of women and men (see graph below). One trend common to both sexes has been the decrease in the share of men and women working as skilled agricultural workers (by 28.6 percentage points in the case of women and 26 percentage points in the case of men). During the same period women’s share of managerial and professional jobs increased slightly, while their proportion among technical jobs declined somewhat. On the other hand, men’s share of clerical and technical jobs increased slightly.

It is important to mention the consequences that the suggested introduction of a new flexible pay system in the public sector (see the chapter on wage policies) is likely to have on gender disparities in wages. The more flexible wage-fixing mechanism proposed is aimed at recruiting and retaining staff, particularly amongst the highly skilled, given the significant wage disparities between the private and public sectors.³⁵ The suggested pay system introduces more contingent forms of remuneration related to skills, responsibilities, education and performance. All categories of workers are concerned, although to differing extents. As in other countries,³⁶ the performance bonus is far higher for senior managers as a percentage of basic salary. This may result in a widening of gender disparities, as women are under represented in high-ranking positions.

Another issue warranting attention, from the standpoint of ensuring equal pay for work of equal value, is avoidance of subjectivity and bias in the criteria to be used for assessing workers’ performance. This is a particularly challenging task given the difficulty of identifying strictly quantitative indicators in the public sector.³⁷ But is a matter that must be addressed in order to prevent the gender wage gap from widening.³⁸

Graph 20



Source: Moldova Labour Force Survey in ILO-LABSTAT

35. See: Ministry of Economy and Trade of the Republic of Moldova; National Agency for Employment: National Report: Labour Market 2004, Chişinău 2005, p. 21.

36. F. Eyraud: Notes on pay in the civil service in industrialised countries, Moscow, 28-29 June 2005.

37. *Ibidem*.

38. Th. Aubert Monpeyssen: “Principe: A travail égale, salaire égale et politiques de gestion de rémunérations” in *Droit Social*, No. 1, January 2005, pp. 18-30.

Another factor that may explain gender disparities in earnings is the different number of hours that men and women devote to paid work. In Moldova men are more likely to work overtime, which is also a result of legal provisions that bar particular categories of women from working overtime and/or at night.³⁹ These bans have a disparate impact on the gender division of labour and on hours worked by men and women as paid labour. There is now a consensus that the protection of women workers must be pursued in the broader context of improving the living and working conditions of all workers, regardless of sex, and with a view to achieving equal opportunities.⁴⁰ It would be advisable to review these protective measures in the light of this principle, with a view to ensuring that workers of both sexes are fully protected and that women's employment opportunities are not undermined.

Apart from these legal restrictions, the unequal division of domestic tasks and family responsibilities between men and women also helps to reduce the number of hours that women can assign to paid work. No time-use survey exists in Moldova, but there is a consensus that transition from a planned to a market economy resulted, as in other transition countries,⁴¹ in a spectacular increase in women's unpaid work.⁴² Women have had to make up for commodities they could no longer buy and for services they could no longer afford or which are no longer provided. This obviously places them in a disadvantaged position in the labour market, thus undermining their chances of obtaining higher-paid jobs and their possibilities of enhancing their skills. This is not a new phenomenon, but it has certainly increased in importance as a result of the transition to a market economy.

Human capital factors do not appear to account for the wage gap in Moldova. As mentioned earlier, overall women spend more years in education than men, and they are over-represented among university degree holders. Nonetheless, women tend to be "clustered" into typically "female" disciplines, such as education and health care. At the beginning of the 2002/2003 academic year, for instance, 57% of students attending universities and colleges were women: 89% of female university students and 69% of female college students were enrolled in education courses and 85 and 65% respectively in health care courses. On the positive side, a growing number of women have begun diversifying their educational paths and are entering less conventional disciplines, such as law and economics.⁴³

39. The 2003 Labour Code restricts overtime work, defined as work performed in excess of normal working hours that cannot exceed 40 hours per week (Article 95), and night work, defined as work performed between 10 p.m. and 6 a.m., in the case of employees under the age of 18; pregnant women; women on postnatal leave; women with children under the age of three; women with children aged three to six (in the case of invalid children, under the age of 16) and persons combining parental leave with work. These restrictions also apply to employees taking care of sick members of the family on the basis of a medical certificate. These workers can work overtime provided they consent in writing.

40. In a number of cases protective measures may have to be extended to men as well. Regarding provisions on hazardous work, the ILO calls for prohibitions to be based on objective grounds, as it may constitute an abuse to prevent women in general from working in specific areas. A general ban on women engaging in work requiring the use of chemicals or close to hazards may be in breach of the equal treatment principle enshrined in Convention No. 111. See: ILO, Night work of women in industry, Report III (1B), International Labour Conference, 89th Session, Geneva, 2001.

41. E. Fodor: Women at work. The status of women in the labour markets of the Czech Republic, Hungary and Poland, UNRISD Occasional Paper No. 3, February 2005, p. 14.

42. UNDP: Republic of Moldova: Economic policies for growth, employment and poverty reduction, UNDP Moldova 2005, p. 30.

43. Republic of Moldova, Ministry of Labour and Social Protection: Annual Social Report 2003, Chişinău 2004.

Recommendations:

- *The government should review the labour law provisions that ban particular categories of women from night work and overtime work. The review should establish which prohibitions are based on objective grounds and which may unduly prevent women from working in specific areas, thus restricting their professional options. Such a review should bear in mind the protection of all workers, irrespective of sex, as well as the principle of equal opportunities for men and women.*
- *Gender biases in education and training curricula that “confine” women to sectors and occupations deemed more “suitable” for them must be eliminated. Women, especially young women, should be encouraged to broaden/diversify their occupational options and pursue career patterns that are in demand and ensure higher earnings.*
- *Guidelines on job evaluation methods⁴⁴ that ensure an objective and gender-bias-free assessment of the value of jobs should be developed and disseminated among trade unions, employers’ organisations and labour inspectors. This would help revalue the jobs typically done by women and lead to an increase in pay levels in the sectors where women prevail. These guidelines should also be borne in mind when wages are fixed through collective bargaining.*
- *The flexible wage-fixing system that the government is considering introducing in the public sector should rely on performance assessment criteria that are free from gender biases.*
- *Measures should be taken to ensure a higher representation of women in high-ranking positions in the public sector. These could include, among others, setting numerical targets for the proportion of women in such positions and timeframes within which these targets should be achieved.*

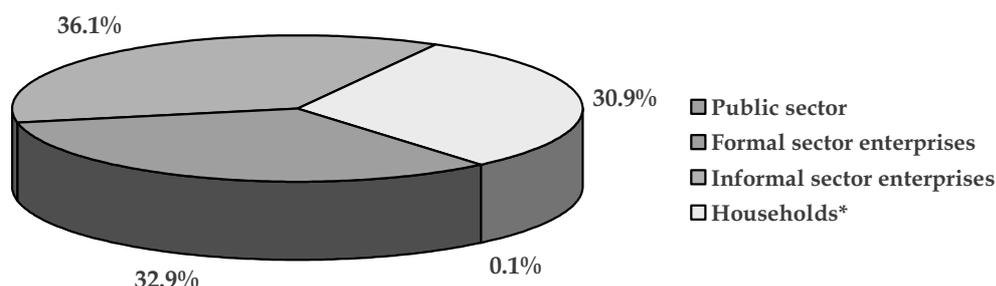
44. Job evaluation systems /methods (JEMs) free from gender bias are meant to address the (differing) valuations of “typically female” and “typically male” jobs. These methods/systems are based on the assumption that “typically female” jobs might be better valued if jobs were assessed according to objective criteria and from a gender perspective. The final purpose of JEMs is to measure the relative value of all jobs at the enterprise level. To this end, four criteria/factors are to be borne in mind: 1) skills: intellectual and physical qualifications acquired through experience, training, education or natural ability. The means whereby employees have acquired these skills shall not be considered; 2) effort: intellectual and physical efforts entailed by the performance of the job; 3) responsibility: employee’s technical, financial and/or human resources responsibilities; 4) working conditions: physical and psychological working environments, including noise, temperature, isolation, physical danger, health hazards and emotional stress shall be considered. Each of these factors can be broken down into sub-factors so as better to reflect job differences and cover all the relevant aspects. However, the key to the JEM approach is the weighting assigned to each factor: this is the job evaluation process proper. The assessment must be based on job requirements not on the specificities of the person holding the job. This stage is vital to prevent gender prejudices and biases from affecting the value assigned to particular job classes. For a brief overview of related initiatives being carried out in the EU 15 see: EIRO, Gender pay equity in Europe, available at: <http://www.eiro.eurofund.ie/print/2002/01/study/TN0201101S.html>.

3.3. Gender dimensions of the informal economy

The National Bureau of Statistics of the Republic of Moldova has carried out, with the ILO's support, a survey of the informal economy that sheds light on this growing but unexplored phenomenon. Gender-disaggregated data on informal economy employment make it possible to compare men's and women's places in the informal economy.

As already mentioned, in 2005, 33% of the employed population were in informal employment (see above). The bulk of these workers were employed in the informal sector and in households (most of them as producers of agricultural goods for their own consumption), while the remaining 36% worked for formal enterprises in the non-public sector (see graph below).

Graph 21: Employed persons with informal jobs, by type of production unit



*Persons employed in the household production of agricultural goods exclusively for own consumption (if working 20 hours or more) and persons employed as paid domestic employees by private households.

Source: ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova.

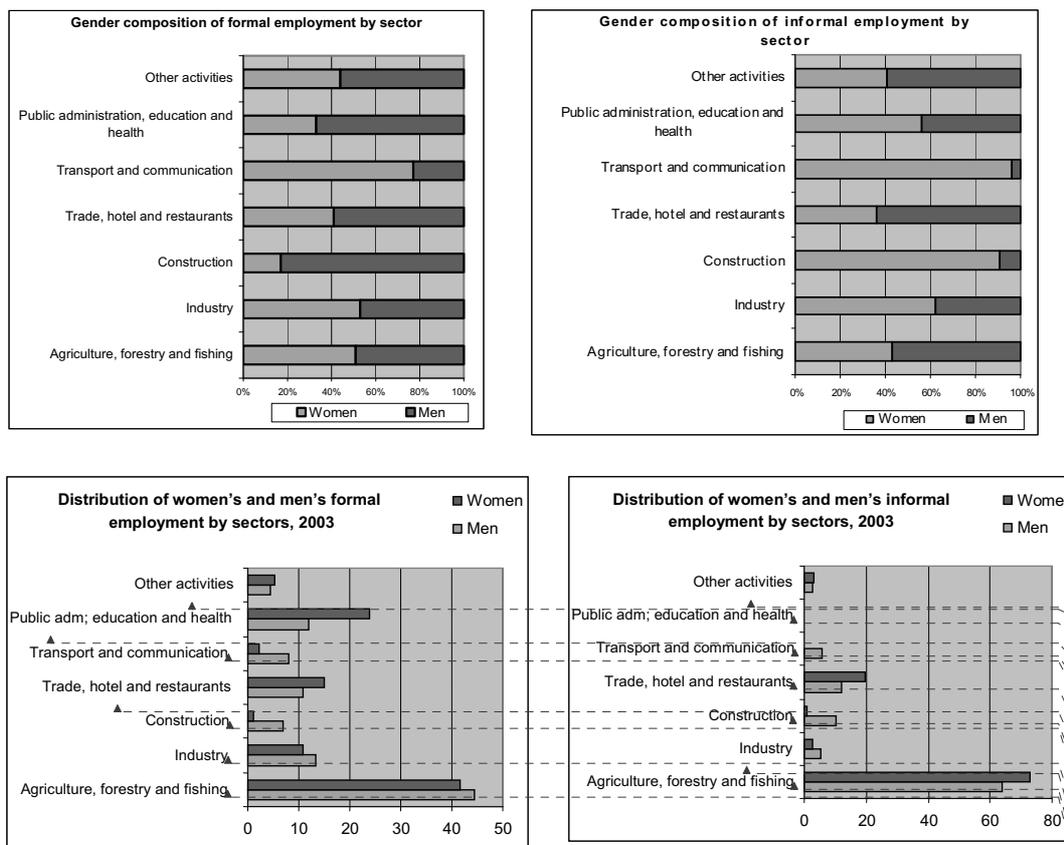
Informal employment is mainly a rural phenomenon. Almost 70% of those in informal employment were working in agriculture, forestry and fishing, 16% in trade, hotels and restaurants and 5% in construction. Women constituted the majority of persons employed in the first two sectors, while men prevailed in the construction sector (see graph below). Horizontal occupational segregation by sex is more marked in the informal labour market than the formal one. In the latter, women are also present in a significant proportion in sectors other than agriculture and trade and hotels, such as education, health and social work, and industry (see graph below).⁴⁵

An analysis of the distribution of women's informal employment by branch shows that women are concentrated in the agriculture, forestry and fishing sector (73% of the total) and in the trade, hotels and restaurants sector (20% of the total). A sizeable proportion of women employed in the formal sector are also to be found in these industries (42 and 15% respectively). Nonetheless, a large percentage of women also work in public administration,

45. Sectors are defined according to the Classification of Activities of the Republic of Moldova harmonised with NACE rev.1.

health and education, which is the second largest employer of women (23%), and in manufacturing industry (10%).

Graph 22



Formatted: Font: 6,5 pt

Sources: ILO: Employment in the informal economy in the Republic of Moldova, Working paper No. 41, ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova. December 2004. Author's calculation based on Table 3 – p. 38 of Statistical Annex

If agriculture, forestry and fishing were excluded, the “face” of informal employment in the Republic of Moldova would change drastically. It would become a predominantly male, urban phenomenon, centred on salaried jobs in the formal sector, and the informal sector would be an urban and male domain. This seems to confirm that transition and the privatisation of agriculture have had particularly disruptive effects on women's employment patterns and on women's job quality.⁴⁶

As shown in Table 10, comparing the employment status of men and women in the informal economy, 63% of men are own account workers, compared with 65% of women, although women constitute more than half of the total of own account workers with informal jobs. Men are more likely to work as employees (35%) than women (31%). On the other hand, women

46. O. Kissyelova: Women's economic empowerment and access to financing and assets in CIS countries: issues, good practices and policy options, Regional symposium on mainstreaming gender into economic policies, 28-30 January 2004, Geneva, p. 4.

are over-represented among unpaid family workers (66% of the total). They constitute the most vulnerable group of workers, since they have no control over either the means of production or returns to work.

Table 10: Informal employment distribution by type of employment and sex in 2005

	Total	Men	Women
Total	441.0	208.0	232.9
Own account workers	281.5	130.0	151.5
Unpaid family workers	14.6	5.0	9.6
Employees	144.9	73.0	71.9

Source: ILO Bureau of Statistics in collaboration with the National Bureau of Statistics of the Republic of Moldova.

The proportions of young people (aged 15-29) and the elderly (50 and over) were higher among people in informal employment (21.6% and 29.9% respectively) than among those in formal employment (16% and 24.7% respectively). This applied to both sexes as well as to rural and urban areas. This confirms the higher barriers that workers at both ends of the age spectrum face in obtaining a formal job. It also suggests that the “inactivity” rate of younger and older workers may be over-estimated.

There is an inverse correlation between the size of an establishment and the share of its workers who hold informal jobs: the smaller the enterprise, the larger the proportion of informal workers. 67% of those employed in small enterprises (less than five employees) worked informally. This was particularly the case of women and people living in urban areas.

Working time patterns of people in informal employment are considerably less regular than those holding formal jobs. However, within the informal economy, the situation varies depending on whether the informal worker works in a formal or an informal enterprise. Those with informal jobs in formal sector enterprises or in paid domestic work, where women are more likely to be employed, report longer hours of work than workers in formal employment, while people employed in the male-dominated informal sector work fewer hours.

Irrespective of the type of production unit and of job, there is usually a higher proportion of men with a secondary vocational education than women. People in urban areas tend to have a higher level of education than those in rural areas.

Only 3.5% of people with higher education and 9.6% of those with secondary vocational education were employed in the informal sector. However, as many as 20.1% of people with incomplete general secondary education and 29.7% with only primary education or no education were employed in the informal sector.

Recommendations:

- *It is essential to promote productive non-farm employment through targeted employment programmes for rural women, especially young mothers and older women, who account for a disproportionately high percentage of unpaid family workers and producers for self-consumption. These programmes could take the form of entrepreneurship development schemes for rural women or vocational training schemes in occupations for which there is a demand in the countryside.*

- *Any such targeted programme should be accompanied by measures aimed at strengthening rural institutions, especially land markets, while ensuring that both men and women have equal access to and control over land ownership.*
- *Any entrepreneurship or vocational training schemes targeting rural women must include provision of care services for children or sick or elderly family members.*

3.4. Maternity protection and family policies

Maternity leave, parental leave, family benefits and child-care provision have a considerable influence on women's and men's life and employment choices, as well as on gender relations.

The burden of household and care tasks in Moldova still falls largely to women, as in many other countries around the world. In the present context of plummeting birth and fertility rates and an ageing population, it is vital to keep women, in particular working mothers, in the workforce where they will make pension contributions and pay tax to finance welfare provision for the aged and those in poor health. We therefore need to examine whether existing work/family policies help maintain women's labour market skills and assist working parents to reconcile their family and child rearing responsibilities with paid work.

Maternity benefits include allowances granted to working mothers during pregnancy and confinement, while family benefits include payments to mothers and other eligible insured persons who withdraw temporarily from the labour force to take care of young children, as well as general allowances paid as a wage supplement, depending on the number of children in a family, and to compensate families for the cost of raising children.

The maternity and family benefit reforms introduced in Moldova during transition were similar in many respects to those implemented in many EEC countries. Three patterns can be identified: (1) the provision of greater support to large families, (2) the transformation of some employment-related family benefits into universal ones targeting low-income families, (3) and the levelling of benefits for men and women caring for children aged from eighteen months to three years (see box on page 37).⁴⁷

Income support for large families reflects a clear concern about the welfare of children of this type of family as they are at greater risk of falling into poverty. Expenditure on families with children absorbed about 3.5% of the total social insurance budget for 2003, compared with 1% allocated to the Unemployment Fund. The Families with Children Fund covered a broad spectrum of expenditure ranging from pregnancy and childbirth benefits to benefits paid to single mothers taking care of children aged between 18 months and 16 years and benefits for mothers caring for children aged under 18 months or between 18 months and 16 years. The vast majority of the recipients of these allowances were uninsured persons.

The Employees Insurance Fund ranked second in terms of total expenditure under the state social insurance budget (7.5%). In 2003, almost 12% of the total resources of this Fund were absorbed by pregnancy and childbirth benefits.

The 2003 Labour Code entitles both mothers and fathers and other relatives to take parental leave, whether paid or unpaid, in order to take care of children up to the age of six (see box on

47. See: E. Fultz, M. Ruck, S. Steinhilber: The gender dimensions of social security reform in Central and Eastern Europe, ILO-SRO Budapest, Budapest 2003.

page 40). This is a positive step towards the achievement of a more balanced distribution of family responsibilities between men and women. However, the low levels of benefits granted during child rearing periods deter parents, especially men, from taking advantage of parental leave. No statistics are available on the use of childcare benefits by men and women in Moldova, but evidence from other EEC countries shows that the take-up rate among fathers is insignificant.⁴⁸ This is mainly due to the resulting economic loss to the family budget, as men typically earn more than women. Cultural and social perceptions of mothers' and fathers' roles also influence the sharing of care work and domestic tasks within the family. As mothers are perceived as having primary responsibility for childrearing, they are more likely to take parental leave, even if both parents are equally entitled to do so.

For parents with two or more children under the age of 14 (or a disable child under the age of 16), unpaid leave is available only to married women and unmarried parents living alone. Married fathers are excluded from these entitlements, and this can constitute a barrier to equality in employment for women.

At the same time, extended periods of absence from work can cause women to encounter difficulties in returning to paid work and may reinforce employers' perception of women as unreliable and costly. While it is true that labour law in Moldova provides for short-term job protection for mothers who take extended parental leave, the instability of the labour market and the volatile situation regarding the formation, growth and collapse of businesses make it difficult for mothers to re-enter the labour market. Moreover, the fear of losing one's job or being reassigned to a less favourable one may push working mothers not to take advantage of their parental leave entitlements. Although no statistical evidence is available in Moldova to support this argument, it is confirmed by information from other countries.⁴⁹ Shortages in the supply of childcare services (see below), even for children in the 3-6 age bracket, add to the challenge of reconciling work with a family, enhancing women's dependence on family support and reducing their options for participation in paid employment.

Another cost associated with protracted parental leave is the depreciation of women's labour market skills to the detriment not only of women themselves, but also of families and society. Moreover, evidence shows that skill depreciation is greater for women than for men: wage penalties on returning to employment after a period of absence from the labour market are higher for women than for men.⁵⁰ Family support measures that help reduce the need for prolonged breaks to care for children and other dependent family members make it possible to preserve women's skills and capitalise on investments in education. The experience of other countries has shown that measures to support parents during the transition from parental leave back to employment are equally useful.⁵¹

48. E. Fodor: *op. cit.*, p. 18.

49. In Ukraine, for example, in the Labour Force Survey-based Modular Decent Work Survey the vast majority of women respondents reported that they had no maternity, childcare or extended childcare entitlements. See I. Chernyshev: *Socio-economic security and decent work in Ukraine: Findings and assumptions Working Paper, Policy Integration Department, Statistical Development and Analysis Group, ILO Geneva, 2005 (forthcoming)*, p. 25. See also: E. Fultz, M. Ruck and S. Steinhilber, *op. cit.* p. 27.

50. Jill Rubery, Damian P. Grimshaw and Hugo Figueiredo J. Rubery: *The Gender Pay Gap and Gender Mainstreaming Pay Policy in EU Member States. Synthesis Report for the Equal Opportunities Unit in the European Commission, 2003*, p. 7.

51. C. Hein: *Reconciling work and family responsibilities: Practical ideas from global experience*, ILO Geneva 2005.

Maternity and child care benefits in Moldova

Under the 2003 Labour Code women employees and apprentices are entitled to maternity leave of 126 days (starting from the 30th week of pregnancy for 126 calendar days) with payment of a benefit corresponding to 100% of their average monthly wage for the six months preceding maternity leave. Maternity leave can be extended up to 140 days in the event of childbirth complications or a multiple birth. Unlike the law previously applicable, the 2003 Labour Code also extends the maternity leave entitlement to the dependent wives of men employees. Furthermore, the insured person is entitled to partially paid leave to take care of the child until she/he reaches the age of three. Childcare benefit is payable at a monthly rate of 20% of the average monthly wage for the six months preceding maternity leave, but not less than 100 lei. The new Labour Code introduced two innovations: it considerably increased the duration of partially paid childcare leave from 1.5 years to 3 years after the child's birth, and it allowed not only the mother, but also the father or the grandmother or the grandfather or any other eligible relative to take child care leave. The Code also envisages the possibility for mothers or fathers or other eligible relatives to take additional leave, albeit unpaid, in order to care for children aged between three and six years. Both partially paid and unpaid childcare leave are taken into account for the purpose of calculating seniority, work experience and pension entitlements. The insured person's job is secure during the period of paid or unpaid extended child care leave, although protection is relatively short-term. Maternity and child care benefits are charged to the State Social Insurance Budget.

Recommendations:

- *It is essential to introduce measures, such as non-transferable parental leave available only to fathers as in Slovenia, to provide an incentive for men to take parental leave. This would contribute to a more equitable division of family responsibilities between men and women and help challenge the image of women as a secondary, more costly and less reliable source of labour.*
- *The government should consider reducing the length of partially paid or unpaid childcare leave and use the corresponding savings to increase the supply and quality of pre-school care facilities. This would enable more parents, especially mothers, to look for and engage in gainful employment and would help redress employers' perception of women workers as being costly and less well matched with recruitment needs in the more dynamic economic sectors.*
- *Measures should be envisaged to promote re-entry of women into the labour market after a period of absence due to parental leave. These measures could include the opportunity of acquiring a second degree for free, or measures in support of vocational training or retraining ("refresher courses") with a view to avoiding the depreciation of women's labour skills.*

3.5. Work and family reconciliation measures: a focus on care services for children

The availability of affordable and reliable child-care facilities and services helps reconcile work and family responsibilities. It permits working parents, especially mothers with children below school age, to enter or remain in the labour force.

In Moldova, pre-school institutions comprise nurseries for children from one-and-a-half to three years old and kindergartens for children from three to six years old. Under the Law on Education, pre-school education is compulsory for children between the ages of five and seven. As can be seen from the table below, the 1990s saw a drop in the number of children

enrolled in kindergarten. While 353 000 children attended these institutions in 1989, 13 years later only one-third did so.

Attendance varies considerably according to the region concerned, ranging from 26% of children in the Western part of the country to 60% in the East. In addition, children in urban areas are almost three times as likely to attend early learning activities as children in rural areas.⁵²

The reduction in the number of kindergarten places available was particularly marked in urban areas. Several factors were behind this decline: a drop in the birth rate; cuts in public funding that led to the shutting down of kindergartens run by state enterprises; the administrative and financial problems encountered by municipal authorities, with whom responsibility for managing child-care facilities lies under the new policy on pre-school education, and the introduction of expensive user fees.⁵³ This explains why the demand for kindergarten services, especially in rural areas, declined faster than the supply of such services, as shown by the occupancy rates in the table below. Low enrolment rates in pre-school institutions not only limit working mothers' possibilities to remain in or re-enter the labour market, but also have negative effects on the rate of enrolment in primary school and enhance the likelihood that a child will drop out of education.⁵⁴

Table 11: Places, occupancy and enrolment rates in kindergartens, 1989-2002

Variable	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Children in kindergarten (thousands)	353	336	311	213	202	182	161	147	138	126	101	94	97	104
Places (thousands)	294	268	270	218	216	205	194	182	177	166	152	143	145	150
- Urban	...	...	...	...	...	...	...	...	83	80	74	65	64	64
- Rural	...	...	...	...	...	...	...	...	94	86	78	78	81	86
Occupancy rate (%)	120	125	115	98	93	89	82	81	78	76	66	65	66	69
- Urban	...	...	...	...	...	...	...	...	85	81	72	73	74	78
- Rural	...	...	...	...	...	...	...	...	73	71	61	58	60	63
Net enrolment rate (%)	...	...	...	...	...	...	...	...	50	49	44	44	47	54
- Males	...	...	...	...	...	...	...	...	73	66	53	49	50	54
- Females	...	...	...	...	...	...	...	...	66	60	48	45	46	50

Sources: Elaboration on Trans MONEE Database (for the data 1989-1996), and DSS (2003).

As regards the age of children attending pre-school institutions, as shown in Table 12 the vast majority (almost 88% of children enrolled) are above the age of three, and this trend grew over the 2001-2004 period. Among younger children, the enrolment rate is higher in urban than in rural areas although it has been decreasing in both. This means that mothers of young children have greater care responsibilities than they used to. This is consistent with the high and growing inactivity rates that young women between 15 and 29 years old experienced in

52. See: Multiple Indicator Cluster Survey. <http://www.childinfo.org/MICS2/newreports/moldova/moldova.pdf>.

53. These fees covered school meals, uniforms, heating and bus services and absorbed a significant share of the declining average wage. See UNDP, Republic of Moldova. Economic Policies for Growth, Employment and Poverty Reduction UNDP Moldova, 2005, p. 167.

54. UNDP: 2003 National Human Development Report: Good Governance and Human Development, UNDP Moldova 2003, p. 23.

2000-2003. Over this period their inactivity rate rose by 14 percentage points, i.e. from 55 to 69%, exceeding (for the first time) the inactivity rate of women aged 50 or over (see above).

Table 12: Children below the age of six attending pre-school institutions, by area and age group, selected years

(In thousands)	2001	2002	2003	2004	2001- 2004
Children younger than three	14.9	11.4	12	13	-13%
Urban	9.5	7.8	7.7	8.3	-13%
Rural	5.4	3.6	4.3	4.7	-13%
Children older than three	81.5	92.6	94.5	96.7	19%
Urban	38.3	41.7	42.4	42.5	11%
Rural	43.2	50.9	52.1	54.2	25%

Source: Children Situation report 2004. National Bureau of Statistics of the Republic of Moldova. Report available only in Moldovan, p. 9.

In 2004 only 22% of women in the 20-49 age bracket with children below the age of six worked, as compared with 58% of other women in the same age category with or without children.⁵⁵ Such a difference in working mothers' activity rates depending on the child's age is most probably related to the inadequate supply of affordable, suitable kindergartens and nursery facilities. Of the women with children under six who worked, only about 13% sent their children to kindergarten, while almost 49% relied on personal, informal childcare arrangements (grandparents, neighbours, etc.).

The likelihood that a child will attend an early childhood education programme appears to be strongly linked to the mother's educational level. The percentage of children attending pre-school institutions increases from 22% to 39% as the mother's standard of education increases from gymnasium to lyceum. Lastly, attendance of organised early childhood education programmes is strongly influenced by the socioeconomic status of the household. It ranges from 7% in the poorest quintile to 58% in the richest.⁵⁶

One out of ten working mothers with children below six worked more than 40 hours, compared to one out of four working men in similar circumstances. This confirms that childcare is women's primary responsibility, but is also due to legal restrictions that bar certain categories of women, for example those with children under the age of three or aged between three and six, from overtime work.

Empirical evidence shows that there is a close correlation between a household's poverty and a high dependency rate. Moreover, households with pre-school children faced a higher risk of falling into poverty than households with school age children.⁵⁷ This suggests that increasing the number of wage-earners in large families, through the promotion of women's employment, would help lift them out of poverty.

55. These data were gathered through the Moldova Labour Force Survey-based Modular Decent Work Survey that the National Bureau of Statistics conducted with the assistance of the ILO from 5 January to 5 April 2004. Data provided by SDA, INTEGRATION, ILO Geneva.

56. See: Multiple Indicator Cluster Survey. <http://www.childinfo.org/MICS2/newreports/moldova/moldova.pdf>.

57. See: UNDP, Republic of Moldova. Economic Policies for Growth, Employment and Poverty Reduction UNDP Moldova, 2005, p. 100.

Recommendations:

- *Regularly conduct a time-balance survey to acquire a more accurate picture of trends in the gender division of paid and unpaid work. This would help in designing more effective, gender-sensitive work and family reconciliation measures.*
- *It is essential to supply affordable, suitable child-care facilities and services, especially in rural areas where poverty and extreme poverty are widespread and the drop in children's enrolment in pre-school institutions has been greatest. It would be useful to explore and encourage innovative ideas for providing care for infants and pre-school children such as community crèches and schemes run with public/private funding.*
- *Explore ways of developing services at a reasonable cost and of decent quality for the care of sick or elderly persons through home-based or community-based delivery.*
- *There is a need for an improved understanding within the government and employers' and workers' organisations of the issues confronting workers and workplaces in reconciling work and family life, apart from child-care provision. The government could initiate a tripartite social dialogue with employers and trade unions in order to explore solutions likely to encourage "family friendly" workplaces, e.g. tax relief, a prize for the best family friendly enterprise, information kits on childcare and care for the elderly.*

3.6. Effectiveness and gender sensitivity of national policies and institutions

Since gaining independence in 1991, the Republic of Moldova has ratified a number of international legal instruments providing inter alia for non-discrimination and equality of opportunities between men and women. These include ILO Convention No. 111, ratified in 1996, the Convention on Eliminating All Forms of Discrimination Against Women (CEDAW), ratified in 1998, and ILO Convention No. 100, ratified in 2000. A number of important legal and institutional initiatives have since been taken with a view to complying with these international commitments.

A multitude of bodies was created with the aim of following up the objectives laid down in the Platform of Action adopted at the Fourth World Conference on Women (Beijing, 1995). Some were short-lived⁵⁸ while others still exist. These comprise the government's Commission for Women's Problems, the Equal Opportunities and Family Policies Department of the Ministry of Health and Social Protection and the gender focal points within line ministries and departments.

The government also adopted a National Plan for the Promotion of Gender Equality in Society (2003-2005) that aims, among other things, to eliminate gender discrimination in the labour market. Parliament, in turn, adopted a National Human Rights Action Plan (2004-2008) (NHRAP) that covers, inter alia, the promotion of equality of opportunity and treatment on the basis of sex.

58. The Parliamentary Sub-Committee for Equal Opportunities (1998-2000), the Family Policy and Equal Opportunities Directorate within the Ministry of Labour and Social Protection (1999-2001), local level specialists in equal opportunities (2001-2003), the Commission for Women and Family Problems created by the President of the Republic of Moldova (1999-2001). See: Republic of Moldova, Ministry of Labour and Social Protection: Annual Social Report 2003, Chişinău 2004, pp. 115.

The NHRAP identifies priority tasks, sets timeframes and designates institutions (both governmental and non-governmental) responsible for giving practical effect to certain human rights and freedoms. An entire chapter of the NHRAP is devoted to the issue of women's rights in the context of equality.⁵⁹ The bulk of the activities provided for concern amendments to existing laws, such as introducing provisions to ban job advertisements that discriminate on the basis of age and sex, or the adoption of new laws, including the draft Law on Equal Opportunities for Men and Women and the enactment of laws granting preferential loans to women in order to promote women's entrepreneurship, especially in SMEs. Other measures aimed at enhancing women's status in the labour market include: the promotion of flexible work arrangements for both working mothers and fathers with children under school age; the development of methodologies and mechanisms for tracing and eliminating discriminatory forms of behaviour based on gender; training of management at all levels; and teaching education staff and parents about equal opportunities for men and women. This explains the attention paid to reviewing schoolbooks and teaching methods with a view to eliminating stereotypical images of men and women and gender-specific roles.

However, progress has been rather slow so far. Political instability, frequent changes in government, under-staffing, the lack of financing and the reform of administrative territorial boundaries that reduced the number of local units of experts on equal opportunities are among the main causes.⁶⁰ Both the National Plan for the Promotion of Gender Equality in Society (2003-2005) and the NHRP (2004-2008) lacked clear provisions assigning responsibility for overseeing, co-ordinating and monitoring the implementation of their respective gender equality components, which has also constituted a significant impediment to progress.

Recommendations:

- *It is essential that the National Employment Agency develop and reinforce a system of consultation with the various gender equality bodies to ensure greater consistency and co-ordination between employment policies and other related policies, such as education, family and social protection policies. This would enhance both the general effectiveness of employment policies and women's employability.*
- *It is important to develop meaningful indicators to measure and monitor progress and policy effectiveness in relation to gender equality in employment and occupation. The Decent Work Statistical Indicators developed by the National Bureau of Statistics of the Republic of Moldova, in co-operation with the ILO, constitute an important move in this direction, but further work is needed.*
- *It is essential that the National Employment Agency establish a gender focal point or gender and employment unit and develop the expertise, know-how and tools (gender equality methodologies and evaluation procedures, training and awareness efforts, etc.) required to design gender-sensitive and gender-inclusive employment policies. Adequate financial and human resources should be assigned to this end.*

59. National Human Rights Action Plan of the Republic of Moldova for 2004-2008, approved by parliament.

60. Republic of Moldova, Ministry of Labour and Social Protection: Annual Social Report 2003, Chişinău 2004, p. 5.

3.7. Women's and men's status in national law

There have been some encouraging developments in national law. The Constitution recognises the equality of all citizens before the law and public authorities, including on gender grounds. The new Labour Code (section 5) recognises the right to free choice of work, prohibits discrimination and promotes equality of rights for all workers as basic principles of labour relations. It forbids direct and indirect discrimination on grounds of gender or age, among others, and extends this prohibition to the recruitment process. Companies must include provisions in their internal regulations with a view to observing the principle of non-discrimination and eliminating any infringement of dignity at work.

The new Labour Code also introduces the notion of equal pay for work of equal value. Employers must ensure equal pay for women and men performing the same or similar jobs or jobs that differ in content but are equal in worth. However, this principle is not enshrined in section 5 of the Code establishing the "basic principles regulating labour relations". Ensuring that in practice jobs of equal worth receive equal pay entails making a comparison between jobs to determine their relative value.

Since men and women tend to work in different occupations, it is important to have systems that can objectively measure the relative value of these jobs. However, no job evaluation methods seem to have been adopted up to now in Moldova. Similarly, no measure has been taken, either in law or in practice, to ensure that the principle of equal pay for work of equal value is taken into account in collective bargaining.

Enforcement of the legislation on equality in employment and employment relations relies on a monitoring system involving the trade unions and the labour inspectorate.⁶¹ According to information provided by the government to the ILO,⁶² the Moldovan labour inspectorate has not yet detected any cases of unequal remuneration. As no methods or guidelines to identify discrimination in remuneration are presently applied in the country, the lack of breaches of the principle of equal pay for work of equal value may reflect a gap in knowledge rather than the absence of discrimination. Training for both the labour inspectorate and the trade unions in this field may be desirable (see the example of the Czech Republic's approach described in the box below).

61. Y. Ghellab: Non-discrimination in employment and occupation: Meeting of the Labour Legislation Network of South Eastern Europe, Final report, Dubrovnik 2004, Sub-Regional Office of Budapest, in Focus Programme on promoting the Declaration of Fundamental Principles and Rights at Work, Geneva (Geneva, ILO 2005), p. 33.

62. Report on the application of Convention No. 100 prepared and submitted to the ILO by the Government of Moldova under Article 22 in August 2004.

Strengthening the labour inspectorate in the Czech Republic to ensure the application of C. 100

The Ministry of Labour and Social Affairs' Methodological Instruction No. 9/2002, addressed to labour inspectors, explains the legal provisions on gender equality in force, including the principle of equal remuneration for men and women workers for work of equal value, and highlights the role of labour inspectors in ensuring their application. The Instruction provides practical guidance to labour inspectors on how to conduct equality inspections.

In addition, on 25 October 2003 the Ministry issued detailed methodological instructions for inspections regarding equal remuneration. This document instructs inspectors to use an analytical method for assessing jobs' value in order to identify cases of wage discrimination. The measure provides labour inspectors with the necessary instructions and know-how.

Kaat Landuyt: *Briefing note on recent trends in the application of the Equal Remuneration Convention, 1951 (No. 100)*, February 2005.

The Labour Code still contains special protective measures that, as pointed out by the CEDAW,⁶³ may create obstacles to women's participation in the labour market. These measures bar women from working in a number of industries and occupations involving harsh or harmful working conditions. They also impose standards of maximum permissible weights for women whose jobs entail manual lifting and/or the transport of loads.⁶⁴ There is agreement that the protection of women workers must be pursued in the broader context of improving the living and working conditions of all workers, regardless of sex, and with a view to achieving equal opportunities.⁶⁵

A very positive recent development was the adoption by the Moldovan Parliament of the Law on Ensuring Equal Opportunities for Women and Men on 9 February 2006. The new law provides a more coherent and comprehensive legal framework for the advancement of women's status and the promotion of gender equality, including in the labour market. It addresses equality between men and women in the public domain (Chapter II), socio-economic sphere (Chapter III) and education and healthcare (Chapter IV). Each chapter of the law sets out the specific requirements that must be met within the corresponding area of concern. The law also outlines the institutional arrangements for its enforcement (Chapter V). Bodies charged with enforcing the law include: parliament, the government, the Governmental Committee for Equality between Women and Men, the Ministry of Health and Social Protection (specialised body), ministries and other central administrative authorities (gender units) and local government authorities (gender units) (Article 15). Lastly, the law confers an entitlement to reparation for violations of its provisions and holds those who violate the law liable (Article 24).⁶⁶ The new law incorporates many of the recommendations formulated by the CEDAW: the establishment of an Equal Opportunities Ombudsperson with powers to receive and investigate complaints of discrimination, the introduction of measures

63. CEDAW: Consideration of reports of States: Republic of Moldova, Initial report, 23rd Session, 12-30 June 2000.

64. Government Decision No.624 of 6 October 1993.

65. In a number of cases protective measures may have to be extended to men as well. Regarding provisions on hazardous work the ILO calls for prohibitions to be based on objective grounds, as it may constitute an abuse to prevent women in general from working in specific areas. A general ban on women engaging in work requiring the use of chemicals or close to hazards may be in breach of the equal treatment principle enshrined in Convention No. 111. See: ILO, Night work of women in industry, Report III (1B), International Labour Conference, 89th Session, Geneva, 2001.

66. Law on ensuring equal opportunities for women and men, No. 5-XVI of 9 February 2006. See full text of the law: http://www.stopvaw.org/sites/3f6d15f4-c12d-4515-8544-26b7a3a5a41e/uploads/Gender_Equality_Law_Moldova.doc.

for a more balanced division of family responsibilities and the promotion of employment policies explicitly targeting particularly disadvantaged groups of women.

Recommendations:

- *It is important to re-examine the existing legal and other provisions that ban women from working in a number of industries and occupations involving harsh or harmful working conditions and impose standards of maximum permissible weights for women whose jobs entail manual lifting and/or the transport of loads. This review should aim at ascertaining whether these prohibitions are consistent with the twin objective of ensuring the effective protection of workers of both sexes and promoting equal employment opportunities for women.*
- *It is important to reinforce the capacity of the trade unions and the labour inspectorate to monitor enforcement of the Labour Code and other legal instruments aimed at ensuring gender equality in employment, occupation and pay, including the Law on Ensuring Equal Opportunities for Women and Men. Some training, for both the labour inspectorate and the trade unions, to enhance in particular their understanding of what the principle of “equal pay for work of equal value” means and how to achieve it, including through job evaluation methods free from gender bias, would be highly recommended.*
- *It is equally crucial that employers and business associations acquire an awareness of the content and implications of the relevant provisions of the Labour Code and the Law on Ensuring Equal Opportunities for Women and Men. It will be necessary to assist them - through guidelines, the sharing of good practice and training - in developing non-discriminatory recruitment and selection procedures and more generally non-discriminatory human resource management policies.*

4. Main employment policy priorities

4.1. Human resources development and active labour market policies

4.1.1. Education and human resources development

By international standards, literacy levels in Moldova are high particularly among the younger urban population. However, there are still 10 000 illiterate young people, most of whom are young men. Illiteracy among the female adult population is a particular concern, as there are more than two times as many illiterate adult women as there are illiterate adult men.

Table 13: Youth (15-24) and adult (+15) literacy rates by sex for 200-2004

	Total	Male	Female
Adult literacy rate (%)	96.2	97.5	95.0
Adult illiterate population (thousands)	126.0	39.0	87.0
Youth literacy rate (%)	98.7	98.3	99.1
Youth illiterate population (thousands)	10.0	6.0	3.0

Source: UNESCO Institute for Statistics, May 2005. <http://stats.uis.unesco.org/ReportFolders/reportfolders.aspx>

The next box provides an overview of the structure of the education system in Moldova.

Structure of the education system in Moldova

Pre-school education:

Starts at age three and ends at age six or seven; preparation for school is compulsory from the age of five, although it can be carried out either in preparatory groups or within the family.

Primary education:

Comprises grades 1 to 4; children start attending school at age six or seven.

Secondary education**General secondary education:**

Gymnasia cover grades 5 to 9. After primary school pupils continue their education in a gymnasium. Education is compulsory from grade 1 to 9.

General culture secondary schools (the higher grades of which are grades 10-11) are a leftover from the former system of education. Some of these schools are being reorganised into either lycea or gymnasia.

Lycea correspond to the new standard of higher secondary education, which under the Law on Education of 1995 is to replace general secondary education. It lasts three years (grades 10 to 12). Enrolment is by competition.

Vocational secondary education:

Polyvalent schools provide training in several qualifications. The courses on offer cater for general secondary education graduates. Schooling lasts up to five years for gymnasia graduates and up to three years for the graduates of lycea and general culture secondary schools. The programme is organised in three steps. Step I lasts two years and provides training in a qualified trade. A certificate is awarded enabling graduates to enter the labour market or to continue their education to the next step, during which the schooling provided is equivalent to lyceum education. Step II lasts two years. It extends qualifications to the foreman (maistru) level and provides initial training in how to manage a business. After this step a certificate is awarded which enables students to continue their education or to enter the labour market. Lyceum equivalent education ends after this step. Graduates can take exams leading to a baccalaureate diploma, which grants them the right to enter a higher education institution. During step III, vocational training continues up to the qualification of technician. Step III lasts one year and ends with the award of a technician's diploma.

Schools-of-trades provide vocational training in one or several trades. Graduates of general secondary education can apply. With the approval of the Ministry of Education, members of specific population groups who have not finished nine grades but have already reached the age of 16 can also be enrolled. The courses last from six to eighteen months, at the end of which a certificate is awarded. The difference between school-of-trades and polyvalent school is that the first is occupationally oriented.

Higher education

Short-term: Lasts from two to three years. It is organised in colleges. In the former Soviet Union, colleges (technicums) offered a specialist secondary education and were an intermediate type of educational institution between vocational schools and higher education. According to the Law on Education of 1995 colleges can function as autonomous institutions or as part of a university.

Long-term: Universities offer courses from four to six years. Graduates who pass the licence exam are awarded a licentiate diploma.

Post-university: Organised for those with licence diplomas, provides specialised education in a chosen field.

Source: Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs. European Training Foundation, October 2003. www.etf.eu.int

Since the late 1990s, despite the strain on incomes and the fiscal adjustment necessitated by the economic difficulties, gross enrolment rates⁶⁷ in education have been maintained and have even increased. This suggests that, overall, reduced employment opportunities have outweighed the need to complement family income and led the majority of young people to remain in education rather than seek work. As can be seen from the next table, there are no significant gender differences in enrolment rates at primary level. However, at secondary level and especially university level, women's enrolment rates are higher than men's.

Table 14: Gross enrolment rates by level of education, 1998-2002

67. According to UNESCO the Gross Enrolment Rate is the enrolment at a given level of education, regardless of age, expressed as a percentage of the population in the theoretical school-age group corresponding to this level of education. For the higher level, the population used is the five-year age group following on from the secondary school theoretical leaving age. (www.uis.unesco.org/glossary).

	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
Pre-primary					
Total	40	36	36	39	47
Male	41	36	37	40	48
Female	39	35	35	38	46
Primary					
Total	84	85	85	85	86
Male	84	85	85	86	86
Female	84	84	85	85	86
Secondary					
Total	72	71	71	72	73
Male	72	71	71	71	72
Female	73	72	72	73	75
Higher					
Total	29	29	28	29	30
Male	26	25	25	25	26
Female	33	33	32	33	34

Source: UNESCO Institute for Statistics. <http://stats.uis.unesco.org/ReportFolders/reportfolders.aspx>

Although enrolment rates have remained quite stable, inequity in access to non compulsory education has continued. According to the World Bank, by 2002 the average Moldovan between 18 and 30 years of age had completed about twelve years of education. However, the average urban resident had completed two more years of formal schooling than the average rural resident, the non-poor about one year more than the poor, and the average woman about half a year more than her male counterpart. Between 1997 and 2002, disparities in enrolment between poor and non-poor and rural and urban dwellers persisted at the upper secondary level and increased at the higher level. The disparities start from the end of the compulsory cycle of nine years, as poorer children are more likely to discontinue their education at that point. The unavailability or closure of pre-school facilities was cited by three out of five households as the main constraint at the pre-school level. In contrast, the low perceived benefits relative to costs (including opportunity costs) of continuing with education are most significant among 16-18 year olds. About 73% of those who are not enrolled in secondary education are from rural areas, and nearly 86% of these individuals are working. There is some evidence that children whose mothers are not living at home (most probably because they have out-migrated) are less likely to continue with upper secondary education.⁶⁸

Data on the number of graduates is scarce and is not disaggregated by sex. However, as the next table shows, there has been a significant increase in graduates from university combined with a sharp decrease in graduates from college (short term higher education) and secondary vocational institutions. The situation of vocational institutions will be dealt with in the next section.

68. Recession, Recovery and Poverty in Moldova, November 2004, World Bank.

Table 15: Graduates from educational institutions (thousands)

	1990	1995	2000	2001	2002	2003
Graduates from:						
Secondary vocational institutions	30.1	15.0	14.0	15.4	14.9	15.5
Colleges	15.6	6.0	7.4	6.6	5.1	4.3
University	8.2	7.2	12.2	12.5	14.5	15.3

Source: National Bureau of Statistics of the Republic of Moldova

There are no reliable data concerning dropout rates. The available data show the number of students leaving general secondary schools or vocational education and training schools before graduation. Concerning general secondary education, most of the students who leave enrol in other general secondary schools or other educational establishments. There are a number of people whose fate after leaving school is unknown. If the dropout statistics are compared with unemployment by levels of education, it can be noted that people with an incomplete secondary education make up the largest group among the unemployed. Furthermore, unemployed people with an incomplete secondary education are primarily to be found in rural areas.⁶⁹

Table 16: The fate of early leavers from general secondary school (GSS), 1999-2003

	1999-2000	2000-2001	2001-2002	2002-2003
Total leaving GSS grades 5-11	22 789	28 601	25 478	22 278
<i>before completion and graduation</i>				
To other GSS	16 884	22 045	19 397	17 139
To colleges	682	643	435	307
To polyvalent VET schools	630	537	445	450
To trade schools	406	480	323	274
To jobs	1 485	1 783	1 672	1 246
To special schools	20	19	6	12
Fate unknown – dropouts	2 682	3 094	3 200	2 850
% of total	11.8	10.8	12.6	12.8

Source: Thematic Review of National Policies for Education, Moldova, OECD, 07 June 2002.
<http://www.oecd.org/dataoecd/20/63/2717704.pdf>

As can be seen from the next table, educational spending as a percentage of GDP has been almost halved since the mid-1990s. Some areas of education have been extensively cut back, notably pre-school education, with the number of kindergartens down from almost 1 700 in 1995 to just over 1 100 in 2001. Facilities for children with disabilities are inadequate, and a considerable number of disabled children receive no education at all.⁷⁰ The schooling infrastructure is deteriorating, no new facilities are being built and it is difficult to afford maintenance and school equipment.⁷¹

69. Study of the Moldovan Vocational Education and Training System and its Relevance on Labour Market Needs. European Training Foundation, October 2003.

70. See EIU (2005): Country Profile Moldova.

71. For a comprehensive overview of the problems of education financing see G. Girnet “The current state of general education in the Republic of Moldova” in Reforming the Education System. Institute of Public Policy, Moldova (2003).

Table 17: Spending on education as a percentage of GDP

	1990	1995	2000	2002
Total spending as % of GDP	5.6	9.0	4.0	4.9
Current spending per student (% of per capita GDP)				
Primary Level	-	-	14	18.1
Secondary Level	-	-	21.3	26.6
Tertiary Level	-	-	19.3	19.7

Source: Summary Education Profile: Moldova, World Bank www.worldbank.org/md

The decline in expenditure on public education has gone hand in hand with an increase in household financing of education. According to World Bank data, in 2002 private expenditure on education accounted for 1.6 to 1.8% of GDP, while public expenditure stood at about 5.5%. Just under 40% of private expenditure is incurred for college or university level education – mostly by better off households- but nearly half is incurred for basic education. The high share of private expenditure at the college and university levels reflects the policy of formal fee payments practised at this level: about 70% of university students were fee-paying in 2002.⁷²

Recommendations:

- *Public spending on education should be increased and the quality of the infrastructure improved. Since the age cohorts entering education will be getting smaller some reallocation of resources might be possible in order to improve the quality of the services provided.*
- *There is a need to ensure equal access to quality education especially between urban and rural areas. Furthermore, efforts must be made to ensure a substantial improvement in education provision for the most vulnerable groups, such as children with disabilities.*
- *In order to develop effective, targeted policies it is important to work on the desegregation of education statistics especially by sex, age and ethnic origin.*
- *Public spending on pre-school education and early childhood facilities should be increased (for instance through targeted subsidies). This measure is vital to foster women's employment and thereby supplement the incomes of poor households, helping to lift families out of poverty.*

Concerning vocational education and training (VET), the Ministry of Education implemented a VET reform between 1998 and 2000.⁷³ Despite the difficulties encountered, the Ministry of Education has made considerable progress. The VET policy is formulated in the following documents: (i) The new Concept on vocational guidance, training and upgrading of human resources (Decision No. 253 XV of the Parliament of the Republic of Moldova, 19 June 2003) and (ii) the rules on vocational guidance and psychological support for the population in career matters (Decision No. 450 of the Government of the Republic of Moldova, 29 April 2004). The legislation aims to make efficient use of Moldova's human resources, to

72. "Recession, Recovery and Poverty in Moldova", November 2004, World Bank.

73. For further information on the reform and its main directions see: V. Nogai "Secondary Vocational Education Reform in the Republic of Moldova" in Reforming the Education System, IPP, 2003.

increase the competence and mobility of its labour force and to improve the adaptability of different groups to changing conditions in the labour market. The Concept also aims to create a unified national system for all types of vocational training and vocational guidance. As a result of the reform, most provisions of this new legislation have been enforced.⁷⁴

There has been a significant decline in the number of entrants into VET in recent years. According to the OECD,⁷⁵ in 1994/95 about 70% of grade 9 students continued with some kind of education and 36.2% went into VET. In 1999/2000 the proportion of grade 9 students continuing in some kind of education was 82%. Of this cohort, 20% went into VET. By 2000/01, only 17% of the cohort enrolled in VET schools. This means that, since the mid-1990s, the proportion of students moving on to VET schools after compulsory education has more than halved. As can be seen from the next table, the number of students in VET schools has decreased by over 50% since 1990. The proportion of state-budget financed students enrolled in VET schools has also decreased, and this shortfall has not been made up by the number admitted as contract students (those that pay for themselves). Therefore, there are fewer students in total in VET schools, with a lower number financed by the state budget and a growing number who fund their education themselves. This raises the issue of equitable access to VET. Gender-disaggregated data are unavailable.

The table below shows that the number of students in private schools was quite high at the end of the 1990s, when almost 4 000 students were enrolled in such institutions. During the 2000s, however, the proportion of students in private VET schools has fallen sharply. This suggests that individuals have fewer resources and that these schools may be experiencing survival problems.

Table 18: Number of students in VET schools – 1990-2001 (annual statistics and cumulative change)

	1990	1995	1996	1997	1998	1999	2000	2001	2001-1990
Total	47 200	35 000	34 500	36 600	36 100	28 300	22 800	23 000	-24 200
State schools	47 000	34 500	33 600	34 400	33 500	24 400	22 400	22 500	-24 500
<i>Of which</i>									
Budget	47 000	34 100	32 900	32 600	32 300	22 800	20 500	19 900	-27100
Contract	0	400	700	1 800	200	1 600	1 900	2 600	2 600
Private schools	200	500	900	2 200	2 600	3 900	400	500	300

Source: Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs. European Training Foundation, October 2003

74. See National Report “Labour Market in the Republic of Moldova”, Ministry of Labour and Social Protection, National Employment Agency, Chişinău 2004 and Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs. European Training Foundation, October 2003.

75. Thematic Review of National Policies for Education – Moldova. Stability Pact for South Eastern Europe. Task force on education, 7 June 2002, OECD.

Table 19: Number of students enrolled in VET schools and percentage financed by the state budget (annual statistics and cumulative change) – 1990-2002

	1990	1995	1996	1997	1998	1999	2000	2001	2002	2002-1990
Total	22 400	17 700	18 600	19 600	19 8 02	20 500	16 000	16 700	17 100	-5 300
Financed by state budget	21 500	17 200	16 900	16 400	15 700	15 300	15 700	14 600	14 900	-6 600
Percentage of total	96	97.02	90.9	83.6	79.3	74.6	98.1	87.4	87.1	-30.7

Source: Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs. European Training Foundation, October 2003

The VET system has also suffered from a lack of funds and reduced public finance allocations.⁷⁶ Since VET schools often have large buildings, sometimes including dormitories, they have heating, lighting and other outlays involving the purchase of increasingly costly energy resources. These costs are more difficult to cut than teachers' salaries, for example.⁷⁷

Adult VET institutions must be accredited by the Ministry of Education. These institutions derive their funding from sponsors, donations and other legal sources. Students who have attained a certain level of knowledge have the right to take exams, and once they have passed these they are awarded a certificate. The government approves a list of trades and specialisations in which certificates can be obtained through self-education. Ministries, enterprises and other legal entities can run training, retraining or upgrading courses – organised either with an educational institution or independently.⁷⁸

As regards VET for the unemployed, it can be noted that there has also been a decline in the number of people enrolled. However, there has been a substantial increase in the number of persons that have completed the training and in the number that have been placed in jobs. In 2005 a large proportion of those who enrolled in training courses were women (72%) and young people (75%). Of those who completed training courses, 69% were first time trainees, 21% were unemployed people undergoing retraining courses and 10% were undergoing courses to upgrade their skills. 80% of the unemployed that completed training were young people and 72% were women. It is noticeable that, although women's unemployment rates are lower than men's according to the Labour Force Survey, women outnumber men among the registered unemployed and jobseekers undergoing retraining courses. This may be due to several factors: the low pay and low quality of the jobs generally made available through the employment services, which women are more willing to accept than men; men's greater reluctance to admit openly that they are jobless, because of the social stigma attached to such status; and their relying to a larger extent than women on social networks and informal channels as a means of finding work.

76. According to the 1999 OECD data comparing the allocation of public funding to different levels and institutions in the education system, primary education received only 1.2% of the total amount spent on education. Vocational education and training schools received only about 7%. Secondary general education was the largest recipient of education funds (37.7%). Thematic Review of National Policies for Education – Moldova. Stability Pact for South Eastern Europe. Task force on education, 7 June 2002, OECD. <http://www.oecd.org/dataoecd/20/63/2717704.pdf>.

77. See Thematic Review of National Policies for Education – Moldova. Stability Pact for South Eastern Europe. Task force on education, 7 June 2002, OECD.

78. See National Report "Labour Market in the Republic of Moldova", Ministry of Labour and Social Protection, National Employment Agency, Chişinău, 2004, and Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs. European Training Foundation, October 2003.

An analysis of the distribution by occupational categories of the unemployed trainees shows that 9.2% followed tailoring courses, 16.1% computer courses, 13.5% hairdressing, 11% cookery, 15.3% accountancy, 5.6% secretarial courses, 6.2% electric and gas welding, 3.5% painting and 3.5% car mechanics. Regarding placement rates by occupations, the highest score was obtained for tomato canning line operators, with 100% placement, followed by sales staff (79%), tailors (70%), electric and gas welders (62%), accountants (52%), secretaries (51%), manicurists (50%) and hairdressers (47%).⁷⁹ It is interesting to note that the occupations corresponding to the highest placement rates did not coincide, except for “tailoring”, with the occupations that attracted the largest proportions of trainees. This underscores the need for more effective matching of the training supplied and employer demand.

Table 20: Vocational training of the unemployed, 2000- 2003

Year	Enrolled	Completed training	First-time trainees	Retrained	Upgraded their skills	Number placed	% placed
Total							
2000	6 383	5 253	3 635	1 497	121	2 009	38
2001	3 467	5 325	4 039	1 151	135	2 142	53
2002	7 090	4 846	3 025	1 253	568	1 561	32
2003	4 774	6 000	4 186	1 330	484	3 280	55
of whom:							
Females							
2000	4 590	3 801	2 577	1 117	107	1 446	38
2001	2 407	3 715	2 777	816	122	1 470	40
2002	5 286	3 633	2 219	967	447	1 157	32
2003	3 638	4 543	3 165	990	388	2 320	51
Young people (16-29)							
2000	5 442	4 326	3 416	878	32	1 562	36
2001	2 979	4 635	3 824	735	76	1 616	35
2002	5 704	3 669	2 757	716	196	1 161	32
2003	3 597	4 943	3 993	758	192	2 416	49

Source: National Report “Labour Market in the Republic of Moldova” Ministry of Labour and Social Protection, National Employment Agency, Chişinău 2004

Moldova is currently working on the elaboration of educational standards. In 2004, a working group was set up by the Ministry of Education, Youth and Sports with the aim of drawing up a “nomenclature of occupations and trades for higher educational institutions” in line with European requirements and labour market demands. The draft nomenclature is based on the International Standard Classification of Education (ISCED), EUROSTAT and on the nomenclatures of other European countries.⁸⁰

Major efforts are also being made to introduce a lifelong learning policy. In 2002 the government adopted a “Strategy on labour force employment”, which sets out a number of measures aimed at guaranteeing continuing education and training for unemployed people. For the first time the Labour Code (2003) refers to “continuing professional training” and includes specific provisions.⁸¹ Furthermore, under Government Decision No. 1424 of

79. National Report “Labour Market in the Republic of Moldova”. Ministry of Labour and Social Protection, National Employment Agency, Chişinău 2005.

80. National Report. Labour Market 2004, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

81. See Chapter III of the Labour Code of the Republic of Moldova, (N 154-XV from 28 March 2003) entitled “Apprenticeship contract and the contract of continuous vocational training” (Articles 213-221).

9/11/2004 a National Council for Continuing Professional Education has been established and a “Regulation on the “organisation of continuing professional education” has been approved.⁸²

Recommendations:

- *Closer links should be fostered between education and training and labour market requirements in order to ensure that the education and training curricula keeps pace with the changing requirements of the labour market. It is therefore important to encourage collaboration between the Ministries of Education and Economy (National Employment Agency) and the social partners.*
- *Training standards need to be raised to bring them into line with employers’ expectations and requirements. The institutionalised involvement of the social partners when developing educational and training standards is vital so as to ensure that these fully meet employers’ needs.*
- *It is necessary to continue with the reform and modernisation of the VET system. Trainer’s skills need to be upgraded and tools for designing and delivering learner-centred, demand-driven, flexible training programmes need to be developed. In this respect the introduction of modular approaches and competency-based training may be appropriate.*
- *Measures need to be taken to remove gender biases from education and training. Gender stereotyping, which encourages young women to train in occupations traditionally performed by women and prevents them from taking part in training that could lead them to higher earnings in the long term, should be avoided.*
- *It is important to develop a framework for a lifelong learning strategy. To this end, it is crucial to take into consideration issues of equality of opportunity (e.g. gender equality) in order to ensure that lifelong learning opportunities are genuinely available to all. Such a framework could draw inspiration from the substantive work of the EU in this field.⁸³*

4.1.2. Active labour market policies (ALMPs)

As can be seen from the table below, like many other countries of the region, Moldova devoted the bulk of post-transition expenditure on labour market policies to passive measures. However, the trend has now changed as it has been proven that this passive approach does not solve the unemployment problem. ALMPs can play a crucial role in combating unemployment,⁸⁴ and Moldova’s institutions are slowly taking a more positive approach towards active measures.

82. See: “Towards the European higher education area”. Bologna process. Reports from new members of the Bologna process. www.bologna-bergen2005.no/EN/national_impl/New/0411_Moldova.pdf.

83. Information on the EU policy on lifelong learning:
http://europa.eu.int/comm/education/policies/ll/ll_en.html.

84. See detailed analysis of the advantages of ALMPS in promoting employment in transition economies in: A. Nesporova, “Employment and labour market policies in transition economies”, ILO, Geneva, 1999.

As the next table shows, most ALMPs are devoted to vocational training (which has been discussed above) and vocational guidance. Other areas covered are public service jobs, micro-credits and information, counselling and mediation services. In 2002 these represented only 4% of expenditure on ALMPs. It can be noted that very few resources are devoted to micro-credit programmes.

Table 21: Public expenditure on labour market policies – 1998-2002

	1998	1999	2000	2001	2002
Total (lei)	1 424 0163	20 351 382	21 904 158	17 818 914	19 092 896
% of GDP	0.18	0.18	0.16	0.11	0.10
1. Passive policies – % of total (unemployment benefits)	60.5	61.7	66.8	57.1	41.9
2. Active policies – % of total, of which	24.1	20.3	17.1	17	29.7
Vocational guidance and training, retraining	99.9	99.9	99.9	94.5	96
Work place subsidies	0	0	0	0	0
Public service jobs	-	-	-	-	1.2
Micro-credits	0	0	0	0	0.1
Information, counselling and mediation	-	0	-	5.3	2.7
3. Employment services maintenance – % of total	15.4	18	16.1	25.9	28.4

Source: “Study of the Moldovan Vocational Education and Training System and its Relevance to Labour Market Needs”. European Training Foundation, October 2003

Law No. 102-XV on Employment and Social Protection of Persons Seeking Employment, passed by the Moldovan Parliament on 13 March 2003, is an important step towards the implementation of ALMPs. This law encourages the government, in co-operation with the social partners, to promote ALMPs. The promotion of ALMPs was also a priority of the 2004 National Employment Programme. The National Employment Agency has made significant efforts to implement the programme and, as a consequence, 28 000 new jobs have been created (5 553 in agriculture, over 2 000 in industry and 913 in the transport sector).⁸⁵

Recommendations:

- *It is crucial that Moldova continue its efforts to promote a more active approach to labour market policies. Labour market institutions should therefore adopt such an approach and expand employment promotion programmes to reach a wider range of jobseekers, with particular emphasis on disadvantaged groups.*
- *The relevance and quality of labour market policies should be regularly assessed, including from the viewpoint of their effectiveness in providing equal opportunities for men and women. Mechanisms for the monitoring and evaluation of ALMPs should therefore be established with the participation of the social partners.*
- *In order to effectively target, monitor and evaluate ALMPs it is imperative to collect relevant labour market information disaggregated by age and sex. For instance, information should be collected on the number of participants, their regional distribution, their socio-economic status, the number of drop-outs, the number of job placements etc. Such information can lead to improvements in programming, clearer instructions to local labour office staff and financial savings.*

85. National Report. Labour Market 2004, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

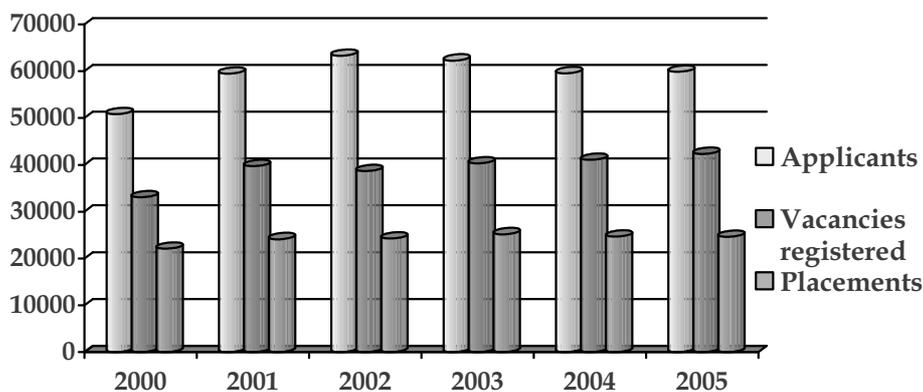
- *It is crucial to involve the social partners in the formulation and implementation of ALMPs. For instance, social partners can help identify the most appropriate forms of ALMPs for the job opportunities available. It also means that they become stakeholders in the whole process and are committed to its success.*

Labour mediation

Article 16 of the abovementioned Law No. 102-XV concerns labour mediation, which is one of the key ALMPs implemented by the National Employment Agency. It includes publication of information regarding job vacancies, the organisation of job fairs and computerised job search facilities. Labour mediation services include shortlisting of applicants according to their qualifications, aptitudes and interests.

As can be seen from the next graph, the number of registered vacancies has increased over recent years. In 2005 the number of vacancies was 42 357 (1 274 more than in 2004).⁸⁶ The number of placements has also increased. In 2005 the number of job placements was 24 639 (41.1% of the total number of applicants). Most vacancies were offered by the private sector (52.1%), and 42% of them concerned industrial activities.⁸⁷

Graph 23: Placement of jobseekers 2001-2005



Source: Annual Social Report, Ministry of Labour and Social Protection. Republic of Moldova, 2005

The National Employment Agency (NEA) is also co-operating with national radio to run a special radio programme entitled “Labour Market: Vacancies”, aimed at informing Moldovan jobseekers about current job vacancies. The Agency has also launched a newsletter entitled “Labour market”.

86. National Report. Labour Market 2005, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

87. See Annual Social Report, Ministry of Labour and Social Protection. Republic of Moldova, 2005.

Use of information technology in the labour mediation field is a key priority for the NEA. One recent activity undertaken by the NEA is electronic mediation. The Agency is working on the implementation of a computerised labour market information system. In 2004 software modules were developed and tested before being implemented in two local employment agencies in Chişinău (Ciocana district and Ialoveni district).

Recommendation:

- *A well developed Labour Market Information System is crucial to the proper functioning of the labour market. It is essential to continue working on development of a computerised LMIS allowing easy access to a wide range of labour market data and information, such as an efficient job matching service.*

Job fairs

Since 1999 the NEA has been organising job fairs in partnership with employers, trade unions, local public authorities, non-governmental organisations and educational institutions. In 2005, 86 job fairs were organised with the participation of 766 employers, who announced 14 560 vacancies. 21.4% of job fair participants have found a job by this means.

Vocational guidance and counselling

Provisions concerning vocational guidance and counselling are laid down in Parliament Decision No. 253, dated 19 June 2003, on Adoption of the Blueprint for Vocational Guidance, Training and Upgrading of Human Resources.

Over the period from 1997 to 2004 (first five months), 141 410 persons benefited from vocational guidance services. The majority of requests for assistance originated from women and young people. Each year, about 70% of recipients of vocational guidance services provided by the National Employment Agency are young people, and 60% are women. It should be noted that, each year, almost 55% of those contacting the NEA for vocational guidance services are people who have never undergone any form of vocational training.

The NEA together with local government authorities and NGOs organises a range of briefings and vocational guidance events aimed at final year students. These events include one-to-one counselling, seminars, round table discussions, open days, etc. Special Work Clubs are also organised for the long term unemployed. These include psychological support, vocational guidance and practical help in finding a job.⁸⁸

Recommendation:

- *All ALMPs should include a preliminary guidance and counselling phase. This should be carefully deigned to meet the needs of specific target groups such as youth, older people and women. Vocational guidance and counselling can play an important role in promoting gender equality in the workplace, for instance by encouraging more women to enter non-traditional fields of employment such as ICT.*

88. See National Report "Labour Market in the Republic of Moldova" Ministry of Labour and Social Protection, National Employment Agency, Chişinău 2004.

Public services

Local programmes for the promotion of public services are drawn up annually and approved by the NEA. In 2005, 3 097 unemployed persons were placed in public service jobs with 378 employers. These figures are similar to 2004, when 255 businesses were involved for 2 510 placements. Unemployed people performing such jobs receive a monthly allowance from the unemployment fund equivalent to 30% of average salary for the previous year.

Recommendation:

- *It is important that public service job programmes are accompanied by other ALMPs that contribute to improving the employability of jobseekers, such as skills development and vocational guidance. This will increase jobseekers' chances of finding employment on leaving the public service programme.*

Special assistance for disadvantaged people

The unemployment problems of vulnerable population groups are “a result of their reduced access to the services provided by the public employment agencies as well as inadequate involvement of ministries, local public authorities, NGOs and other institutions.”⁸⁹

In 2005, 14 201 persons applied for assistance from the employment agencies without having “unemployed” status: 226 were under sixteen, 303 were pensioners, 294 were students, 181 were people with disabilities. The largest number of applicants (2 089) were women whose childcare leave entitlement had expired.⁹⁰

One major group in need of assistance are the victims of trafficking, who are mainly young women. In 2004 the NEA provided support to 131 victims of trafficking. 42 of them (32%) attended vocational training courses financed out of the Unemployment Fund. With the public employment agencies' backing, 29 of the victims found jobs.⁹¹ In order to improve the quality of the services offered by local employment agencies, the International Center for Protection and Promotion of Women's Rights, “La Strada”, offered special training courses⁹² for local employment agency personnel involved in assisting the victims of trafficking.

Recommendation:

- *ALMPs need to be carefully targeted at specific groups according to their needs, such as particular categories of women (victims of trafficking, older women, rural women or women heads of households) as well as young people. Poorly targeted programmes run the risk of devoting significant resources to individuals who are not in need of help or of helping only some individuals at the expense of others.*

89. As stated in the National Report. Labour Market 2004, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

90. Annual Social Report, Ministry of Labour and Social Protection. Republic of Moldova, 2003.

91. National Report. Labour Market 2004, Chişinău 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment.

92. See further information on La Strada training courses at www.lastrada.md.

4.2. Employment services

The National Employment Agency (NEA) was set up in 2003 on the basis of the “State Employment Service”. Following the elections of March 2005 it was transferred from the Ministry of Labour and Social Protection to the Ministry of Economy and Trade.

According to the Law on Employment and Social Protection of Persons Seeking Employment, dated 13 March 2003, the National Employment Agency is governed by an Administrative Board. This Board is a tripartite body comprising nine members (three government representatives, three trade union representatives and three employers’ representatives).

The NEA consists of 35 employment agencies: 32 at regional level, two at municipal level and one in the Autonomous Territorial Unit of Gagauzia.

By law the NEA is responsible for the implementation of national employment policy, the social protection of persons seeking employment and prevention of unemployment. It also co-ordinates the work of the regional employment agencies. In order to fulfil its terms of reference, the NEA promotes policies, strategies and programmes designed to improve the social protection of persons seeking employment and to develop the labour market. It is also in charge of disseminating information to employers and jobseekers, international co-operation, producing labour market forecasts, vocational guidance and training, provision of social protection for the unemployed population and registration of unemployed persons.

The NEA is also responsible for the implementation of programmes dealing with vulnerable groups, in particular persons with disabilities, women with children up to 14 years old (16 in the case of children with disabilities), persons released from detention and victims of trafficking in human beings. The Law on social integration of people released from detention stipulates that this category shall be entitled to receive a special indemnity. In 2004 this indemnity was paid to 1 050 ex-convicts.

The local employment agencies ensure that employment policies are implemented evenly throughout the country. They also organise, co-ordinate and run vocational training and deal with labour market information.

The staff of the NEA comprises 243 persons, of whom 34 are employed centrally in the NEA and 209 in the local agencies. In 2004, due to restructuring, the staff of the agency was reduced by some 30%. Considering the tasks assigned to the agency, this number of employees appears to be very low. On the basis of the estimated 103 700 unemployed and 59 900 persons registered as unemployed with the NEA at the end of 2005, this means there is one counsellor per 86 registered jobseekers and one per 479 unemployed persons. The relatively large discrepancy between the number of unemployed according to the Labour Force Survey and the registered unemployed is in all likelihood due to the fact that very few registered unemployed receive unemployment benefits.

During the ILO-Council of Europe fact-finding visit to Moldova, the NEA also stressed the need to improve the qualifications of its own staff. Although some training has been carried out by the Swedish International Development Cooperation Agency, and is currently being continued by the Council of Europe, this has only benefited a small number of employment

service personnel. The need for training is most acute in rural areas, which account for almost 60% of the population of Moldova.

The NEA also stressed the need to upgrade its IT system, which is at a rudimentary stage. The local agencies have their own databases, which are often not harmonised. The effectiveness of the employment service could be significantly improved by introducing modern IT and upgrading the existing system, which would allow an improvement in the collection of data on the labour market and in matching labour supply and demand.

Furthermore, the fact that employers do not always declare their vacancies, even though they are required to do so, makes it even more difficult to provide correct information on the labour market.

The workload handled by the NEA is illustrated by the figures for 2005, when 59 894 persons were registered with the NEA as unemployed; 24 639 of those registered found a job during the year, 4 621 of registered persons took part in vocational training courses and 3 097 were assigned to remunerated public service jobs.

According to the NEA figures, 55.5% of those registered as unemployed are from rural areas. Women represented 42.5% of the total number of registered unemployed in 2005. The small proportion of women as compared to men may be explained by the low activity rate of the female population.

In 2005 the NEA paid unemployment benefits to 2 966 persons, or less than 5% of the registered unemployed. This represented a decrease compared with the 46.7% figure for 2000. Recent amendments to the Law on Employment and Social Protection of Jobseekers are expected to raise the percentage of unemployed receiving unemployment benefits (up to 60% according to the NEA). However, given its staffing levels, the NEA may encounter difficulties in reaching this objective.

At national level the social partners, as members of the Administrative Board of the NEA, take part in the preparation, implementation and monitoring of national employment programmes. Employers are represented by the National Confederation of Moldovan Employers while the trade unions are represented by the Trade Union Confederation of Moldova and the Confederation of Free Trade Unions.

At regional level, the social partners take part in employment policy through the tripartite Advisory Council. This Council is responsible for supporting and co-ordinating the regional employment agencies and also provides guidance for the local agencies. Co-operation with employers at the local level is somewhat weak, since there are no employers' organisations at that level.

The first private employment agencies were set up in 1998, and there are currently eight such agencies in the Republic of Moldova. According to the official data the number of persons served by private employment agencies increased from 4 800 in 2002 to 5 867 in 2005. This may be partly explained by the fact that co-operation between the private employment agencies and the National Employment Agency is not very well established, and the private agencies do not provide the NEA with appropriate information.

Recommendations:

- *By comparison with other countries in the region and in the EU, the number of staff employed by the NEA is low. Considering the tasks assigned to the NEA and the total number of unemployed persons in Moldova, the NEA should be reinforced, in particular to enhance its capacity to provide counselling for jobseekers and allow improved administration of unemployment benefits and better targeting of vulnerable groups. The NAE would also benefit from general training programmes for its staff.*
- *The NEA has undergone a number of reorganisations and reforms in recent years. Organisational stability and continuity would help to improve the quality and reach of employment services and would enhance the chances of retaining qualified staff in the NEA.*
- *Only a proportion of the estimated unemployed are registered with employment agencies. The NEA should seek to improve its coverage, in particular among vulnerable groups who may face obstacles in seeking employment through the NEA.*
- *The NEA should seek to simplify its procedures for awarding unemployment benefits, which effectively exclude the most vulnerable groups, such as the illiterate or Roma, from obtaining such benefits. It can be noted that recent changes in employment policy are aimed at increasing the proportion of the unemployed who receive unemployment benefits.*
- *The use of information technologies is crucial. This would allow the NEA to improve matching of labour supply and demand. It would also help it develop the indicators essential to policy monitoring and improved forecasting .*
- *Regarding co-operation with the social partners, although the Administrative Board plays an essential role in employment policy, and in the strategy of the NEA in particular, there is a need to strengthen co-operation with employers' and workers' organisations. Co-operation with employers is crucial in order to obtain information on job vacancies as well as to keep pace with changing labour market requirements. This is essential in order to design and implement ALMPs and improve the matching of labour supply and demand.*

4.3. Passive labour market policies

4.3.1. Unemployment benefits

Unemployment benefits and eligibility conditions are defined in the abovementioned Law on Employment and Social Protection of Persons Seeking Employment (March 2003). Under the new legislation, in order to draw unemployment benefit, a person must have contributed to the social security system for a certain number of months. All persons meeting the following criteria qualify for unemployment benefit: (i) have contributed to the social security system for at least twelve months in the last 24 and (ii) not be in receipt of any taxable income. The box below shows the categories of jobseekers entitled to unemployment benefit.

Individual requirements for claiming unemployment benefit

Age between 16 and statutory pensionable age.
Fitness for work in terms of physical and mental health
Actively seeking employment and available to start work
Not enrolled in an educational institution where daytime attendance is mandatory
Registered with a regional employment office of the NEA close to their place of residence.
Previous employment contract terminated for one of the following reasons:
Restructuring of the workplace
Resignation due to transfer of the workplace, transfer of spouse to another locality or for health reasons.
Unsuitability for the job due to under-qualification or health problems
Expiry of the employment contract under the conditions established in the Labour Code (see Title III "Individual work contracts")

Source: National Report. Labour Market 2004, Chişinău, 2005. Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment

Under this legislation unemployment benefit is paid for a period of six months if the length of service was five years or less, nine months if the length of service was between five and ten years and twelve months if the length of service was over ten years. Benefits are not taxable and are calculated according to the length of service: the amount corresponds to (i) 50% of the average wage of the previous year for a compulsory length of service of up to five years (ii) 55% for a length of service between five and ten years and (iii) 60% for a length of service of more than 10 years.

As can be seen from the next table, the number of recipients of unemployment benefits fell dramatically as from 2003. In 2005 only 2 966 unemployed persons received benefits (1 964 of whom were women), corresponding to 4.9% of the total number of registered unemployed and only 0.2% of the active labour force. This dramatic fall can be attributed to the fact that workers on enforced unpaid leave who are made redundant do not have the necessary contribution history, as required by the new 2003 law, to qualify for unemployment benefit.

Table 22: Recipients of unemployment benefits 1996-2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number registered with employment agencies	46 333	49 518	63 296	57 834	50 848	59 505	63 327	62 273	59 581	59 894
Number of recipients of unemployment benefits	1 9653	18 180	19 921	25 351	23 740	16 066	12 623	7 607	3 302	2 966
<i>As % of registered unemployed</i>	42.4	36.7	31.5	43.8	46.7	27	20	12.2	5.5	4.9
<i>As % of active population</i>	1.2	1.1	1.1	1.5	1.4	1.0	0.8	0.5	0.2	0.2

Source: Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment, National Report. and own calculations

Regarding the level of unemployment benefits, the next table shows that, despite an annual increase in the absolute amount of benefits, unemployment benefit as a percentage of the average national wage is quite low. Between 2001 and 2003 it was less than 30% of the national average wage. However, in 2005 there was a substantial increase of 16%. This was due to the implementation of the new legislation, which, as mentioned above, stipulates a minimum level of unemployment benefit equivalent to 50% of the national average wage. Despite this improvement, the level of unemployment benefits is still very low.

Table 23: Level of unemployment benefits 1999-2005

	1999	2000	2001	2002	2003	2004	2005
Average unemployment benefit (lei)	101.0	119.8	133.88	132.25	205.35	429.10	511.74
Average national wage	303.4	407	519.2	692	892	1 103	1 320
Unemployment benefit as percentage of average wage	33	30	26	19	23	40	39

Source: Ministry of Economy and Trade of the Republic of Moldova, National Agency for Employment, National Report and own calculations

Recommendations:

- *Despite improvements in the unemployment benefit system it is important that Moldova should continue working on development of an appropriate social protection policy so as to provide a decent income to those who are not able to work or who cannot find work. In this connection, the low registered unemployment rates (compared to the unemployment rate measure by the labour force survey) suggest that the unemployment benefit system may need further revision.*
- *Apart from providing jobseekers with income support it is important to encourage them to become more active in their efforts to find work. Unemployment benefit could therefore be combined with activation measures such as job-search support, requiring contact with employment services and participation in training and retraining programmes after a certain period of unemployment.*⁹³

4.3.2. Early retirement and retirement policies

Unlike in other transition countries, the use of early retirement as a measure to mitigate the effects of economic restructuring has not been widespread.⁹⁴ However, the social security system in Moldova has also been burdened by developments linked to the transition process.⁹⁵ These include a drop in employment, massive out-migration and the rapid growth of the informal economy. All this, together with the ageing of the population, contributed to a decrease in the proportion of contributors to beneficiaries.

Since 1999 Moldova has been raising the official retirement age. In 1999 a law was adopted to increase the official retirement age from 60 to 65 for men, and from 55 to 60 for women.

93. OECD countries have been implementing measures in this direction. However, “providing income support for jobseekers while at the same time strengthening their incentive to work is a puzzle that most OECD countries are still trying to solve”. See OECD Policy Brief “From Unemployment to Work”, June 2005. www.oecd.org/dataoecd/44/23/35044016.pdf.

94. See “Employment promotion policies for older workers in the EU accession countries, the Russian Federation and Ukraine” M. Fortuny, A. Nespорова and N. Popova. Employment Paper, 2003/50. ILO, Geneva.

95. “One of the legacies of the socialist era in CEE countries was the state’s key role in providing retirement benefits: pensions were a major responsibility of government, and there were almost no private arrangements. Pensions were financed on a pay-as-you-go basis through transfers of funds from state-owned firms to a social security budget within the state budget. Direct contributions from workers were rare and, when required, usually only symbolic. Benefits for different contingencies (old age, disability, survivor’s) were financed from the same budget or pool of resources. There was little transparency in the collection and allocation of resources. Retirement ages in CEE countries were somewhat lower than in OECD countries. In many CEE countries male workers could retire at age 60 with 25 years of service, while women could often retire at 55 or, in some countries, at an age determined by the number of children raised.” See “Pension reform in Central and Eastern Europe: An Update on the Restructuring of National Pension Schemes in Selected Countries” by E. Fultz and M. Ruck, ILO, Central and Eastern European Team, Budapest, 2001.

The number of contribution years was also increased from 25 years for men and 20 for women to 35 years for both men and women. However, these measures have not been fully implemented, and in 2003 a decision was taken to leave the retirement ages at 62 for men and 57 for women. Furthermore, under the amendments introduced on 2 April 2004 to the Law on state social insurance pensions No. 157-XIV of 14 October 1998 (hereinafter the Law on pensions), the length of service necessary to obtain a full pension is 30 years for both men and women. The 2004 Law stipulates lower retirement ages for those who have been working in difficult conditions (54 for men and 49 for women) as well as for mothers who have raised five or more children (age 54). These categories benefit from advantageous conditions for calculating the compulsory length of service determining pension entitlement.

Despite a growing number of newly awarded pensions, the total number of pensioners is decreasing. Since the beginning of the pension reform in 1999 there has been a decrease of 73 441 pensioners.

Table 24: Number of pensioners by type of pension

	1999	2000	2001	2002	2003	2004
Total pensioners	682 217	668 127	648 157	622 007	616 632	608 776
Retirement pensions	535 186	516 861	495 841	472 556	465 792	456 255
Invalidity pensions	111 735	113 022	115 526	115 220	117 085	119 925
Survivor's pensions	34 493	37 470	36 012	33 515	33 019	31 889
Old-age pensions	803	774	778	716	736	707

Source: National Social Insurance Scheme

Despite some major increases in the level of pensions, these are still low, and poverty in old age, especially among older women, is an issue of concern. For instance in 2002 about 87% of pensioners received a pension income below the poverty line, and many pensioners attempt to supplement their income with part-time or informal employment.⁹⁶

Table 25: Average rate of pension, lei

	1999	2000	2001	2002	2003	2004
Total pensions						
Retirement pensions	85.43	86.12	140.34	166.87	217.98	336.75
Invalidity pensions	80.26	82.06	139.59	163.10	195.20	293.45
Survivor's pensions	64.41	63.15	88.31	107.28	138.96	209.13
Old age pensions	127.27	142.76	171.21	225.42	306.11	499.86

Source: National Social Insurance Scheme

96. Recession, Recovery and Poverty in Moldova, November 2004, World Bank.

Recommendations:

- *Raising retirement age is a key measure to ensure the financial sustainability of pension systems.⁹⁷ However, the increase in retirement age should go hand in hand with other complementary measures that allow older people to remain active longer. In this sense, targeted ALMPs and improved working conditions are crucial.*
- *Equalising women's and men's retirement ages is essential to ensure gender equality. It is important that Moldova should continue to work in this direction. However, equalising retirement ages requires women to adjust more than men. For instance, a higher retirement age for women is likely to create a considerable strain on established patterns of childcare provision within the family and new demands on institutional childcare services, which need to be addressed.*
- *It is important to give practical effect to the provisions of the Labour Code concerning the prohibition of age-based discrimination. This is vital to facilitate the integration of older workers in the labour market, especially older women, who suffer from dual discrimination due to ageist and sexist stereotypes.*

4.4. Income policy

4.4.1. Wage policies

Over the period from 1996 to 2003, labour productivity grew at 4.8% per annum in all sectors. As shown in the table below, the most rapid growth took place in services (6.9% per annum), especially trade related services (11.4%). Industry had the slowest growth, at 2.2%.

Table 26: Labour productivity by sectors and annual growth rates, 1996-2003 (base year: 1996=100)

	1997	1998	1999	2000	2001	2002	2003	Growth rate
Agriculture	116.5	99.8	98.8	96.1	103.2	111.4	130.3	3.9
Industry	91.1	81.0	88.7	97.3	101.3	98.0	116.4	2.2
Services	99.0	106.8	135.2	131.7	141.7	151.8	159.1	6.9
Construction	88.9	67.9	93.1	64.9	82.6	81.6	87.0	-2.0
Trade	92.6	143.3	285.0	200.5	202.3	195.7	213.9	11.4
Transport	96.0	82.4	88.2	117.1	127.7	144.2	143.1	5.3
Public admin	106.3	100.1	86.4	92.2	95.0	110.2	111.1	1.5
Others	101.5	108.3	139.3	176.7	216.1	232.4	235.7	13.0
Total	102.3	96.5	107.5	106.4	113.7	120.6	139.1	4.8

Source: Republic of Moldova: Economic Policies for growth, employment and poverty reduction, UNDP, Moldova 2005.

97. The EU has set targets for a progressive increase in retirement ages and employment rates of older workers: The Barcelona European Council concluded that "a progressive increase of about 5 years in the effective average age at which people stop working in the EU should be sought by 2010". The Stockholm European Council agreed to "set an EU target for increasing the average EU employment rate among older women and men (55-64) to 50% by 2010" Barcelona and Stockholm target. See: Commission Staff Working Paper "The Stockholm and Barcelona targets: Increasing employment of older workers and delaying the exit from the labour market". Brussels, 2 April 2003.

In 2004 the average wage in Moldova was a very low 1 103 lei or €72 per month.⁹⁸ Although the rate has been increasing since 2000, the average wage still only corresponds to about three-quarters of the official subsistence minimum. The unequal distribution of income in general is reflected in wage levels; in 2003, 42.6% of all wage-earners earned less than 56% of the average wage. After rising somewhat during the second half of the nineties and falling sharply during the Russian crisis in 1998, average real wages have more than doubled since 2000. Between 2001 and 2004 wages rose by 24% on average each year. This enormous wage growth was partly a result of lower inflation, which boosted the real value of wages, but was also due to high economic growth in these years. However, wages grew much faster than productivity and GDP over the period, thereby squeezing profits and increasing the labour share. Although this development can be welcomed in the light of the very low standard of living of many wage-earners and their dependents, it is also possible that the precipitous fall in total employment and the employment rate (by more than 15 %) between 2002 and 2004 is a result of rapidly growing wages.

Graph 24: Average Real Wages and Real GDP (1995=100)



Source: National Bureau of Statistics of the Republic of Moldova

Wages are distributed unevenly along different lines. In the public sector, i.e. public administration, education, social and health services (but excluding public enterprises), wages are significantly lower than in the private sector. In spite of significant pay rises, especially for teachers and social workers, in 2004 the average wage in the public sector was 828 lei or 75% of the average wage in the private sector, while in enterprises with mixed ownership and those with foreign capital participation the average wage was up to 50% higher. Based on an analysis by economic sector, the highest wages by far (3.3 times the average wage) are paid in financial services, while they are lowest (around two-thirds of the average) in services related to education, health and culture and agricultural activities. An analysis by occupation gives, a more complex picture: the highest wages (excluding financial services) were paid to air

98. The analysis in this chapter is based on official data provided by the National Bureau of Statistics of the Republic of Moldova or drawn from a background study by the Ministry of Economy and Trade.

transport personnel, followed by university professors, the printing professions, railway personnel and telecom operators. The lowest wages were to be found in the agricultural professions as well as in services such as trade and hotels and restaurants and services related to health and education. These data may indicate that the pay structure has so far failed to allocate labour effectively to its most efficient use through differential investment in human capital. They would rather seem to reflect short-term shortages alongside some traditional characteristics (i.e. relatively high pay for manual labour during the Soviet era). Large regional imbalances in wage levels continue to exist: higher incomes are concentrated in the capital Chişinău (where wages are 39% higher than on average); it is only there and in the large municipality of Balti and the district of Basarabeasca that workers earn more than the country average, while in some remoter rural districts average wages are less than half the country average.

Table 27: Real wages by sector, 1996-2003 (base year: 1996=100)

	1997	1998	1999	2000	2001	2002	2003	Growth rate
Agriculture	99	96	84	94	107	127	144	5.3
Industry	111	120	106	107	117	136	154	6.3
Manufacturing	111	117	104	109	119	136	152	6.2
Mining/quarry	104	103	90	85	103	129	135	4.4
Utilities	112	130	109	97	108	132	159	6.9
Services	102	106	88	86	106	130	148	5.8
Construction	118	121	102	99	114	133	170	7.8
Trade	104	102	89	85	91	119	135	4.4
Transport	112	121	105	112	138	161	198	10.3
Finance	109	138	147	158	139	149	152	6.1
Real estate	103	112	105	102	122	142	162	7.1
Health/education	97	95	72	69	86	113	133	4.1
Public admin	99	109	88	80	104	132	133	4.2
Others	99	112	83	80	96	118	141	5.0
Total	105	110	97	99	120	146	168	7.7

Source: Republic of Moldova: Economic policies for growth, employment and poverty reduction, UNDP, Moldova 2005.

In certain sectors of the population wages are considerably lower than the national average (agricultural workers earn less than 60% of the average wage)⁹⁹ and, as discussed in previous chapters, there are also important gender disparities. The majority of the poor in Moldova are working poor as there are not enough well paid jobs. Only about 30% of the income of Moldovan households, and only a quarter of that of the poorest households, is derived from salaried employment.¹⁰⁰ Wages account for only a fraction of overall incomes, and the purchasing power of most Moldovans is somewhat better than the wage data imply because of earnings from the informal economy and, most significantly, remittances from relatives working abroad.

The wage-setting process takes place on several levels. The minimum wage for all industries is set by government decree and has been 200 lei (€13) per month since the end of 2004. This amount is much lower than the average wage even in the lowest paying occupations; it is therefore unlikely that many workers actually receive the minimum wage only, also because the amount represents less than a sixth of the official subsistence minimum. Wage setting proper takes place under a tripartite framework, in which the government plays a decisive

99. EIU Moldova Country Report, 2005-2006.

100. Recession, Recovery and Poverty in Moldova, November 2004. Europe and Central Asia Region, Human Development Sector Unit. World Bank.

role. On the basis of tripartite consultations, the government sets the basic wage for qualification category I (the lowest skill level), which serves as a de facto minimum wage. Currently this wage stands at 440 lei per month. Collective agreements between the social partners at the national, regional, branch and enterprise levels (which currently cover more than 50% of employees) can set higher wages for the basic category and the salary system founded on it. In the public sector wages are set directly by government decree following tripartite consultations.

Although wage arrears have been reduced by almost 50% since 1999, they still continue to be a problem and exacerbate the plight of low-wage earners. At the beginning of 2005 total arrears stood at around 350 million lei, which represents about three monthly salaries per employee.¹⁰¹

Recommendations:

- *Given the high wage increases and the sharp drop in the employment rate in recent years, the government and the social partners should use the tripartite and bipartite wage setting institutions in order to achieve more wage moderation, especially in the private sector. Further wage increases should be more in line with GDP growth.*
- *Wage negotiations should be introduced in the public sector too, instead of unilateral wage setting by the public authorities. As wages in the public sector are lagging far behind wages in the private sector, it is important to raise wages in the public sector in order to guarantee a satisfactory standard of public service provision, especially in the health and education sectors.*
- *The minimum wage is currently too low to cover even the most basic needs and should therefore be raised in line with ILO Recommendation 135.*
- *Wage arrears should be eliminated as they seriously compromise the purchasing power of workers, many of whom already live in poverty. Workers' claims to wages should be legally enforced. Where enterprises are unable to pay, the government might consider paying outstanding wages on their behalf and subsequently claim the amounts back from the enterprises concerned. In cases of insolvency workers should be treated as privileged creditors, as provided for in ILO Convention No. 95 (ratified by Moldova) and their wages protected through a wage guarantee institution, as provided for in ILO Convention No. 173 (not yet ratified by Moldova).*
- *As mentioned in the recommendations set out in Chapter 3, positive steps should be taken to promote equal pay for equal work or work of equal value. Action to address gender pay gaps in both the public and private sector is therefore necessary, and the relevant national legislation should be enforced.*

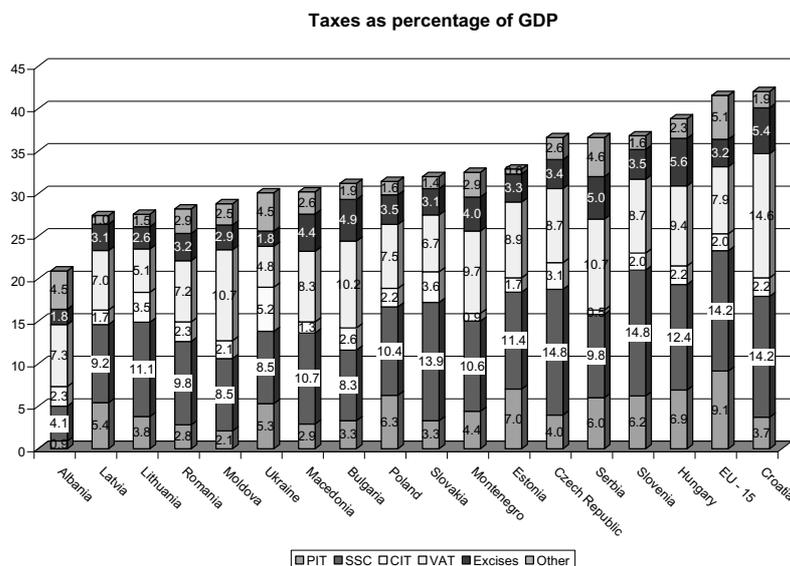
4.4.2. Tax policies

In 2004 Moldova collected 28.9% of its GDP in taxes. This is similar to the tax share of neighbouring countries and represents a rather low level compared with other transition economies. As regards the composition of taxation, Moldova's tax system is employment friendly since it collects only a very small part of domestic income (10.6%) in direct taxes, i.e. personal income tax (PIT) and social security contributions (SSC). Among the transition

101. See Economist Intelligence Unit (2005).

economies only Albania (which has unusually small tax revenues in general) has lower revenues from direct taxation. On the other hand, Moldova has one of the highest VAT shares in total tax revenue (37%) of all the European transition economies. Thus, based on an international comparison, Moldova's tax system gives few disincentives to work while its redistributive function is somewhat under-developed. In 2005 reforms aimed at curtailing the informal economy were introduced, which will shift the tax burden further towards indirect taxation. This entailed reducing the income tax rate by 1-2 percentage points and the employer's contribution to the social fund by one percentage point to 27 % of gross wages.

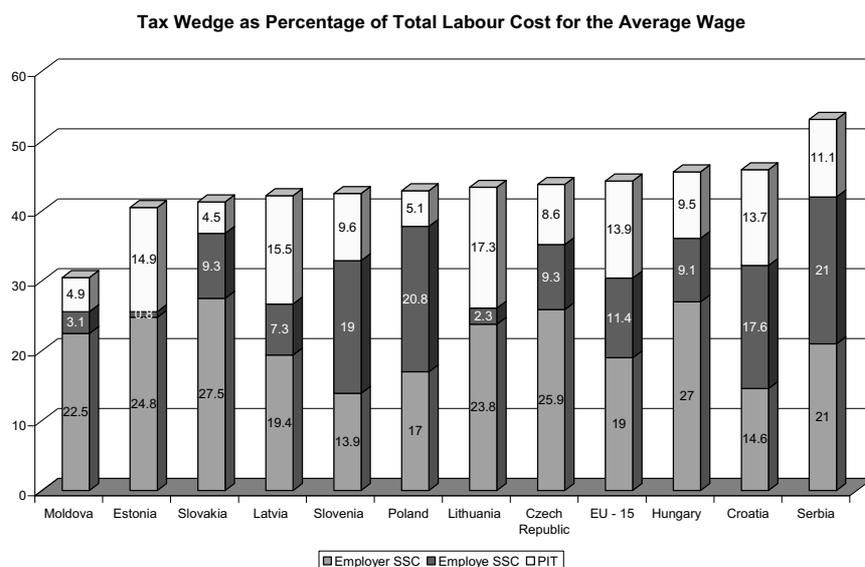
Graph 25: Taxes as percentage of GDP



Source: IMF Country Reports, 2004 and 2005

The employment-friendliness of the Moldovan tax system is even more apparent when the tax wedge on labour is considered. The tax wedge is defined as the total of taxes and social security contributions as a share of total labour cost (i.e. the gross wage plus employers' social security contributions). Taxes on labour in Moldova are composed of personal income tax, which is very low for a person earning average wages (6.3% of the gross wage), and contributions to the Social and Health Funds (in 2004 the fund covering health insurance became independent of the Social Fund). The employer contributes 27% of the employee's gross wage to the Social Fund and 2% to the Health Fund. The employee contributes 2% to each fund. All these contributions together amount to a tax wedge of 30.5%, which is by far the lowest in a sample of transition economies covering the new EU member states and two ex-Yugoslav countries.

Graph 26: Tax Wedge as Percentage of Total Labour Cost for the Average Wage



Source: World Bank: EU-8 Quarterly Economic Report, April 2005 and own calculations

On the expenditure side, the Social Fund is allocated to an array of different state insurances, with the largest share (83%) going to pensions while the remaining expenditure incurred is for temporarily incapacitated workers (7%), maternity (6%), unemployment benefits and active labour market policies (1%) and work accidents (0.1%). Both the Social Fund and the Health Fund are in deficit and together require about 50% of additional funds from the general budget.

Recommendations:

- *Low tax rates in Moldova are employment friendly and should generally be maintained. Government efforts to improve tax collection have already had some effect and should be continued in order to increase public revenue and ensure fair taxation.*
- *As the revenue derived from personal income tax in Moldova (and the tax wedge) is very low by international standards, income tax should not be reduced further and could possibly be raised. In order to avoid any further decline in the standard of living of low wage-earners and the emergence of recruitment disincentives tax rates should be raised for higher incomes only.*
- *The employees' contribution to the Social and Health funds should gradually be raised. Both funds are in permanent deficit and should receive more funding from contributions in order to become financially sustainable. Employees' contributions to the funds (and the tax wedge in general) are very low by international standards and, as wages have already risen considerably in recent years, employers are unlikely to be willing to contribute more to the funds (as can be seen from the size of the informal economy).*

- *Thought might be given to dividing the Social Fund up into several insurance funds for specific risks since this would increase the transparency of the social security system. In the course of this reform spending on labour market policies should also be increased.*

4.5. Social dialogue

Despite some attempts, from 1993, to develop tripartite social dialogue in order to address the initial social and economic consequences of the collapse of the economy, in Moldova dialogue did not effectively take shape until 1999. It was introduced by a government decision taken after consultation with the social partners.¹⁰² This government decision sets out the objectives (solving problems via consensus building), the principles (independence and equality of the parties, observance of agreements reached, etc.) and the structure of social dialogue in the country. It also specified the roles of the three parties to social dialogue, namely the government itself, trade unions and employers' associations.

Tripartite commissions for social dialogue were created at three levels - national, sectoral and territorial - thus offering fora for negotiations and tripartite consultation between the public authorities and the social partners at both higher and lower levels.

Since 1999 tripartite social dialogue in Moldova has mainly resulted in the conclusion of tripartite agreements at the national, sectoral and territorial levels. As can be seen from Table 28, at the territorial level far fewer agreements have been signed. This is because the development of territorial social dialogue has been hampered by the weakness of the social partners, particularly on the employers' side.

Table 28: Tripartite agreements concluded at national, sectoral and territorial levels 2000-2003

	2000	2001	2002	2003 (first semester)
National agreement	1	1	Extension of 2001 agreement with new clauses	Extension of 2002 agreement with new clauses
Sectoral agreements	10	17	14	3
Territorial agreements	/	/	/	3

Source: Ministry of Economy and Trade

National tripartite agreements, usually concluded for a period of one year only, addressed a wide number of issues, including macroeconomic policy measures to boost growth, wage increases, working time arrangements, support for workers with family responsibilities and the obligation to promote peace in the workplace. In the area of employment, they included measures aimed at protecting workers against mass redundancies (mainly in the public sector) and unfair dismissals (in all sectors).

Sectoral agreements focused on four issues: wage tariffs, working conditions, labour disputes settlement and occupational safety and health. Labour market issues do not seem to top the agenda here. The main aim of the territorial agreements concluded appears to be the implementation of local level job promotion initiatives.

102. Decision No. 356 of 23 April 1999.

While the institutional framework for tripartite social dialogue at national, branch and territorial levels is recent, attempts to promote bipartite social dialogue and collective bargaining between workers and employers date back to 1993, when two Acts were adopted by Parliament, the Collective Agreements Act¹⁰³ and the Act on Labour Disputes Settlement.¹⁰⁴ The legal framework regulating bipartite social dialogue was later supplemented with laws on trade unions and employers' associations¹⁰⁵ and further consolidated by the new Labour Code adopted in October 2003. This last piece of legislation indeed specified the overall rules of “*social partnership in the sphere of labour*”.

The existence of a comprehensive legal framework for bipartite social dialogue has so far not led to any breakthrough in the development of collective bargaining within the country. For example, only a few hundred enterprise agreements have been registered by the Ministry of Economy and Trade, while the number of enterprises potentially concerned by collective bargaining exceeds 20 000. Collective bargaining currently tends to be confined to the shrinking public sector, while in the expanding private sector hardly any collective agreements are signed. As a result, in the latter sector the only protection enjoyed by workers, if any, is that guaranteed by law. Needless to say, the weak trade union presence in private enterprise (agriculture, construction, services, trade, transport, etc.) and the reluctance of individual employers to engage in collective negotiations with employees constitute the main obstacles to the development of bipartite social dialogue in the private sector.

Table 29: Enterprise agreements

	2000	2001	2002	2003 (first semester)
Enterprise agreements	630	622	504	157

Source: Ministry of Economy and Trade

The social partners

At present two confederations of trade unions represent the workers, the Trade Union Confederation of the Republic of Moldova and the Confederation of Free Trade Unions of Moldova, ‘Solidarity’, while employers’ interests are defended by the National Confederation of Employers’ Associations of Moldova (CNPM).

The two confederations of trade unions are mainly active in the public sector (education, health, state-owned companies). They are also attempting to reach out to workers in the expanding private sector, with limited success for the time being. The relationship between the two confederations had been tense due to alleged government interference in the trade unions’ internal affairs. However, there have been some efforts to improve their bilateral relations, a process supported by the international trade union movement.

CNPM is the sole Employers’ Confederation in Moldova. It is a member of the International Organisation of Employers. Its members mainly come from the following sectors: food industry, agriculture – together representing about 50% of Moldova’s GDP - wine production, construction, transport and the building materials sector. CNPM is involved in social dialogue with the government and the trade unions. It has been a party to all the national tripartite

103. Act on Collective Agreements No. 1303-XII of 25 February 1993.

104. Act on Labour Disputes Settlement No. 1298-XII of 24 February 1993.

105. Act on Employers No. 976/XIV of 11 May 2000 and the Act on Trade Unions No. 1129-XIV of 7 July 2000.

agreements concluded so far in Moldova and to some sectoral agreements – that is those concluded in the sectors where it is present. Currently, CNPM's main concern is the implementation of the ILO resolutions of 1995, 2000 and 2005 concerning the tax deductibility of employers' association membership fees.

While recognising the efforts made by the government over the last six years to build a comprehensive institutional framework for social dialogue, similar to that found in mainstream Europe, the social partners consider that the system is still state-dominated. Indeed, the strong state presence in all existing social dialogue fora tends to reduce the scope for autonomous social dialogue between workers and employers.

The social partners also criticise the formal character of tripartite consultation with the government representatives and the ineffectiveness of the National Commission for Consultation and Collective Bargaining. This Commission indeed seems to be encountering a number of difficulties in its functioning. Firstly, it is convened on a very irregular basis by the government to examine social and economic issues of concern to the social partners, before they take decisions. Secondly, the Commission lacks the resources it needs to operate. For instance, it has no premises nor does it have a secretariat with technical, human and financial resources to support its work.¹⁰⁶ According to the social partners this situation invalidates the work done by the commission because there is no secretariat to ensure that its proceedings are given any form of follow-up. At the same time, the lack of a secretariat prevents commission members from monitoring the implementation of tripartite agreements. The Commission's lack of resources is not the only problem with negative implications for the quality of tripartite social dialogue in Moldova. There are other obstacles, among which mention can be made of the lack of interest in social dialogue with the social partners shown by other ministries (finance, trade, etc.).

To address the above-mentioned shortcomings, the government has passed a law aimed at improving the functioning of the National Commission for Consultation and Collective Bargaining (National Commission) and strengthening its prerogatives.¹⁰⁷ The social partners were consulted during the drafting of this law.

Social dialogue and employment

Social dialogue concerning employment at national level takes place mainly in the National Commission for Consultation and Collective Bargaining (Tripartite Commission). In 2002 the government requested the social partners to give an opinion on the National Strategy for Employment (2002-2008). Whether this opinion has been taken into consideration by the policymakers remain to be seen. Tripartite discussion of employment issues also takes place on a yearly basis in the course of the negotiation/extension of tripartite national agreements. However, as mentioned earlier, these agreements do not appear very innovative in addressing the employment challenges facing the country, particularly as far as active labour market policies are concerned. This gap could be filled through the recent reorganisation of the public employment service, whereby a tripartite administrative board has been established. The latter is responsible for the elaboration and implementation of labour market policies. Similar bodies have been set up at district level. It is important to ensure that a clear link is

106. Ghellab, Y., Vylitova, M., op. cit.

107. Law 245-XVI of 21 July 2006, published in the Official Gazette "Monitorul Oficial" n. 142-145/698 of 8 September 2006.

established between these social dialogue institutions on employment and the tripartite institutions existing at the national, sectoral and territorial levels.

Recommendations:

- *Complete the reform of the National Commission for Consultation and Collective Bargaining in order to strengthen its functioning and prerogatives and endow it with the necessary resources (budget, secretariat, human resources).*
- *Enrich the content of national tripartite agreements in particular with regard to employment issues and improve monitoring of their implementation.*
- *The roles of the social dialogue institutions should be more clearly defined and better organised in order to avoid overlapping and conflicts of jurisdiction.*
- *Pressure should be exerted on the technical ministries to ensure their effective participation in the work of the Tripartite Commission and in tripartite social dialogue in general, because social dialogue should not solely be a matter for the part of the Ministry of Economy and Trade which deals with labour issues.*
- *Strengthen bipartite social dialogue, especially wage bargaining, by giving the social partners the possibility to conclude bipartite agreements also at the branch, regional and national levels without state intervention.*
- *Strengthen the capacity and presence of trade unions in the private sector.*
- *Strengthen the capacity and the presence of the National Confederation of Employers' Associations at the territorial level.*

APPENDIX I

List of relevant Council of Europe instruments ratified by Moldova

Convention	Ratification date	Status
Revised European Social Charter	08.11.2001	Ratified
Framework Convention for the Protection of National Minorities	01.02.1998	Ratified

Moldova has accepted 63 of the Revised Charter's 98 paragraphs. It has not agreed to be bound by the "collective complaints" procedure. Moldova submitted its third report in 2006.

APPENDIX II

List of ILO conventions ratified by Moldova

Convention	Ratification date	Status
C11 Right of Association (Agriculture) Convention, 1921	04.04.2003	ratified
C29 Forced Labour Convention, 1930	23.03.2000	ratified
C47 Forty-Hour Week Convention, 1935	09.12.1997	ratified
C81 Labour Inspection Convention, 1947 (and its Protocol)	12.08.1996	ratified
C87 Freedom of Association and Protection of the Right to Organise Convention, 1948	12.08.1996	ratified
C88 Employment Service Convention, 1948	12.08.1996	ratified
C92 Accommodation of Crews Convention (Revised), 1949	12.12.2005	ratified
C95 Protection of Wages Convention, 1949	12.08.1996	ratified
C97 Migration for Employment Convention (Revised), 1949	12.12.2005	ratified
C98 Right to Organise and Collective Bargaining Convention, 1949	12.08.1996	ratified
C99 Minimum Wage Fixing Machinery (Agriculture) Convention, 1951	04.04.2003	ratified
C100 Equal Remuneration Convention, 1951	23.03.2000	ratified
C103 Maternity Protection Convention (Revised), 1952	14.02.1997	denounced on 28.08.2006
C105 Abolition of Forced Labour Convention, 1957	10.03.1993	ratified
C108 Seafarers' Identity Documents Convention, 1958	23.03.2000	denounced on 28.08.2006
C111 Discrimination (Employment and Occupation) Convention, 1958	12.08.1996	ratified
C117 Social Policy (Basic Aims and Standards) Convention, 1962	12.08.1996	ratified
C119 Guarding of Machinery Convention, 1963	04.04.2003	ratified
C122 Employment Policy Convention, 1964	12.08.1996	ratified
C127 Maximum Weight Convention, 1967	09.12.1997	ratified
C129 Labour Inspection (Agriculture) Convention, 1969	09.12.1997	ratified
C131 Minimum Wage Fixing Convention, 1970	23.03.2000	ratified
C132 Holidays with Pay Convention (Revised), 1970	27.01.1998	ratified

C133 Accommodation of Crews (Supplementary Provisions) Convention, 1970	12.12.2005	ratified
C135 Workers' Representatives Convention, 1971	12.08.1996	ratified
C138 Minimum Age Convention, 1973	21.09.1999	ratified
C141 Rural Workers' Organisations Convention, 1975	04.04.2003	ratified
C142 Human Resources Development Convention, 1975	19.12.2001	ratified
C144 Tripartite Consultation (International Labour Standards) Convention, 1976	12.08.1996	ratified
C150 Labour Administration Convention, 1978	10.11.2006	ratified
C151 Labour Relations (Public Service) Convention, 1978	04.04.2003	ratified
C152 Occupational Safety and Health (Dock Work) Convention, 1979	22.01.2007	ratified
C154 Collective Bargaining Convention, 1981	14.02.1997	ratified
C155 Occupational Safety and Health Convention, 1981	28.04.2000	ratified
C158 Termination of Employment Convention, 1982	14.02.1997	ratified
C181 Private Employment Agencies Convention, 1997	19.12.2001	ratified
C182 Worst Forms of Child Labour Convention, 1999	14.06.2002	ratified
C183 Maternity Protection Convention, 2000	28.08.2006	ratified
C184 Safety and Health in Agriculture Convention, 2001	20.09.2002	ratified
C185 Seafarers' Identity Documents Convention (Revised), 2003	28.08.2006	ratified

Source: ILO Database on Labour Standards, ILOLEX, August 2007

APPENDIX III

The Bucharest Declaration

South East Europe Conference on Employment (SEE-EC)
Bucharest, 30-31 October 2003

Improving Employment in South Eastern Europe

The Delegates to the Conference of Bucharest, meeting under the chairmanship of Mrs Elena Dumitru, Minister of Labour, Social Solidarity and Family of Romania, at her invitation and at the invitation of the Council of Europe and of the Belgian Federal Public Service Employment, Labour and Social Dialogue, under the auspices of the Initiative for Social Cohesion of the Stability Pact for South Eastern Europe,

Bearing in mind the expectations with regard to further co-operation with the EU and within the region,

Recalling the Thessaloniki Declaration adopted on the occasion of the EU-Western Balkans Summit on 21 June 2003,

Considering the important preparatory work leading to this Conference,

approved unanimously the following declaration:

We, the Ministers responsible for Employment of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Moldova, Romania, Serbia and Montenegro and “the former Yugoslav Republic of Macedonia”, as well as the Head of the Economic Administration of UNMIK,¹⁰⁸ recognise the common problems we face in the area of employment as a result of the restructuring linked to the transition to market economies, insufficient levels of investment as well as the damaging effects of the conflicts in the region in the 1990s.

We acknowledge:

- the substantial reduction in employment and, despite the reforms and restructuring already under way, the consistently high unemployment and relatively slow pace of job creation, the wide skill mismatches and regional disparities, and their adverse consequences for poverty and social cohesion;
- the need to improve employment policies and employment services, including training;
- the need to further develop specific measures and programmes to improve access to employment of vulnerable groups;

108. Associated to this process according to Security Council Resolution 1244 on Kosovo.

- the need to promote labour mobility and to remove obstacles preventing it;
- the need to improve social dialogue.

Together and in partnership with relevant national and international institutions, we are convinced that we can better address these common problems, through improvements of our policies, reinforcement of our institutional capacities, pooling of our expertise in employment matters, and improved co-ordination of available international assistance.

We commit ourselves to a process of regional co-operation in the areas of employment, labour markets and training, as described in detail in the Appendix to the present Declaration. The process, intended to better addressing the above-listed problems, is aimed at:

- **preparing our future integration into the European Union** by converging towards the objectives and guidelines of the European Employment Strategy;
- **implementing the Council of Europe standards in employment matters** – the European Social Charter and the Revised Social Charter – and creating a situation conducive to the application of Council of Europe Recommendations concerning the promotion of employment; and
- **making operational the core elements of the International Labour Office’s Global Employment Agenda in our countries.**

We are aware that the success of our effort will depend on the creation of a favourable investment climate based on macro-economic stability, full co-operation with social partners, sound legal and regulatory frameworks and governance standards as well as on the development of small and medium enterprises. In this context, we commit ourselves to concentrate our efforts on the following areas:

- promotion of entrepreneurship;
- greater mobility, by:
 - fostering a more flexible labour market but balanced with reasonable employment and income security for workers;
 - examining the possibility of promoting the free movement of workers in the region by means of bilateral agreements;
- incentives for employment creation and training;
- improvement of the performance of the national employment services;
- non-discrimination in access to employment, in remuneration and in working conditions, with particular attention to gender equality;
- handling of the social consequences of privatisations and restructurings;

- improvement of the quality of employment (contracts, remuneration, skills and qualifications, health and safety at work, employment related social protection, etc.);
- specific programmes for vulnerable groups (including access to credit);
- improvement of social dialogue and enhanced involvement of social partners in the formulation and implementation of social and economic policies;
- the transformation of undeclared work into regular work;
- adequate and comprehensive labour market information.

We issue a plea for assistance from international stakeholders to achieve the goals of this Declaration. We acknowledge the important support we have been receiving from international and bilateral institutions. In particular, we acknowledge the important analytical and policy development work of the International Labour Organization, the Council of Europe and the World Bank.

Under the auspices of the Initiative for Social Cohesion of the Stability Pact for South Eastern Europe, we look particularly to the Council of Europe and the International Labour Organization for strategic guidance and support in ensuring an efficient follow-up to our meeting along the lines described in the Appendix.

We commit ourselves to meet again in the Spring of 2005 to assess progress achieved over the next 18 months in implementing the goals set out in this declaration.

Done in Bucharest on 31 October 2003

Valentina LESKAJ
Minister of Labour and Social Affairs
Albania

Safet HALILOVIĆ
Minister of Civil Affairs
Bosnia and Herzegovina

Rumen SIMEONOV
Deputy Minister of Labour and Social Policy
Bulgaria

Davorko VIDOVIĆ
Minister of Labour and Social Welfare
Croatia

Valerian REVENCO
Minister of Labour and Social Protection
Moldova

Elena DUMITRU
Minister of Labour and Social Solidarity
Romania

Dragan MILOVANOVIC
Minister of Labour and Employment
Serbia and Montenegro

Jovan MANASIJEVSKI
Minister of Labour and Social Policy
“The former Yugoslav Republic of
Macedonia”

as well as **Jürgen VOSS**
Associate Head for Economic Reconstruction
United Nations Interim Administration
Mission in Kosovo

We, the representatives of the Stability Pact for South Eastern Europe, the Council of Europe and the International Labour Organization, commit ourselves to ensure the follow-up to this Conference.

Miet SMET
Chair, Initiative for Social Cohesion

Gabriella BATTAINI-DRAGONI
Director General of Social Cohesion

Stability Pact for South Eastern Europe

Council of Europe

Bernard SNOY
Director, Working Table II
Stability Pact for South Eastern Europe

Göran HULTIN
Executive Director – Employment Sector
International Labour Organization

Appendix

Operation of the process of co-operation on employment in South Eastern Europe

1. **The Council of Europe** is in charge of co-ordinating the process of co-operation, in close relation with the **International Labour Office**, under the auspices of the **Social Cohesion Initiative of the Stability Pact for South Eastern Europe**.

2. **The Ministers responsible for employment of the beneficiary countries of the Stability Pact for South Eastern Europe** will approve and regularly update the objectives of the co-operation on employment as well as the programme of activities. They will meet every 18 months. The next meeting will take place in the Spring 2005.

3. **An assessment process of national employment policies will be launched for each country:**

3.1. This assessment process will take into account the key elements of the Global Agenda for Employment of the International Labour Organization, the European Employment Strategy and the relevant Articles of the European Social Charter and of the Revised Charter and relevant Recommendations of the Committee of Ministers of the Council of Europe;

3.2. In the case of Bulgaria and Romania, the assessment process will rely on the Joint Assessment Papers (JAPs), prepared with the European Commission;

3.3. The national social partners will be fully associated in the process;

3.4. The assessment process will be inspired by the methodology applied between the European Commission and candidate countries in their co-operation on employment within the framework of the EU enlargement;

3.5. Employment experts from Belgium and other EU member states will be invited to contribute with their experience in implementing the European Employment Strategy.

4. **A Permanent High-Level Committee (PHLC) composed of the General Directors of Employment** of the beneficiary countries of the Stability Pact for South Eastern Europe will design the programme of activities; set up working groups; mobilise human and financial resources in support of the programme of activities; supervise its implementation and prepare the ministerial meetings.

4.1. The following partners will be able to participate in the meetings of the Permanent High Level Committee, as observers:

4.1.1. the social partners of the countries concerned by the review of national reports;

4.1.2. representatives of international organisations of social partners (IOE, ETUC);

- 4.1.3. representatives of interested international organisations (UNDP, UNECE, OSCE, OECD,...) and international financial institutions (World Bank, CEB, EBRD, EIB,...);
- 4.1.4. representatives of interested donor countries.
- 4.2. The technical contribution of the European Commission will help the process of co-operation.
- 4.3. The Permanent High-Level Committee will meet at least twice in between ministerial meetings. It will meet in Working Groups with experts to examine, in particular, the following questions:
 - 4.3.1. **Review of national employment policies (Working Group I).** The Working Group I will meet under the leadership of the **ILO**;
 - 4.3.2. **Capacity-building, quality of service delivery in employment services and improvement of programmes specifically designed for vulnerable groups (Working Group II).** The Working Group II will meet under the leadership of the **Council of Europe**;
 - 4.3.3. Each Working Group will meet at least once in between ministerial meetings.
- 4.4. The Working Groups will pay particular attention to the identification of projects to be funded by international stakeholders and donors. **The collection and co-ordination of demands and offers for assistance will be monitored by the Initiative for Social Cohesion of the Stability Pact for South Eastern Europe.**

5. **The terms of reference and rules of procedure** of the Working Groups will be set up at the first meeting of the Permanent High-Level Committee, to take place in Brussels on 9 and 10 December 2003, at the invitation of the Belgian Federal Public Service for Employment, Labour and Social Dialogue.

6. **Financing the co-operation process:**

The above-mentioned international organisations and international financial institutions are invited to provide long-term assistance to our process of co-operation on employment.

In particular, we ask for support from the stakeholders of the ISC of the Stability Pact for South Eastern Europe.

7. **Entry into force of the process of co-operation:**

The process of co-operation, as described above, will enter into force on **9 and 10 December 2003**, at the occasion of the first meeting of the Permanent High-Level Committee.

