

EMPLOYMENT IN THE REPUBLIC OF MOLDOVA IN THE CONTEXT OF THE COVID-19 PANDEMIC

VACULOVSKI DORIN,
PHD IN ECONOMY, ASSOCIATED PROFESSOR, ASEM
e-mail: dorinvaculovsky@yahoo.com

Abstract

The current COVID-19 Pandemic had a significant impact on the economies, especially the labor markets of the world. Hundreds of millions of workers around the world have felt the negative consequences of the pandemic. The main problem related to the impact of the pandemic on employment was the intensification of unemployment and the worsening of working conditions. Another challenge related to the pandemic was the development of new types of employment, in particular the expansion of distance employment services. Public authorities from almost all countries of the world make considerable efforts to overcome issues related to the impact of the pandemic on employment. The COVID-19 pandemic also had a strong impact on the labor market in the Republic of Moldova, especially on migrant workers, which is an important part of the human potential in the Republic of Moldova. The impact of the pandemic on employment in the Republic of Moldova, as well as the quality of intervention of public authorities in the Republic of Moldova to overcome the challenges related to the impact of the COVID-19 pandemic in the Republic of Moldova is the object of research of this article.

Keywords: Pandemia, labour market, unemployment labour migration,

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1. Introduction and context of the study

The current COVID-19 Pandemic has had a significant impact on economies, especially on the world's labor markets. Many experts call the current crisis the biggest crisis of the 21st century. The negative consequences of the pandemic have been felt by hundreds of millions of workers around the world. The main problem related to the impact of the pandemic on employment was, first of all, the increase of unemployment and the worsening of working conditions.

At the same time, a significant pandemic challenge has been the expansion of new types of employment, in particular remote employment services. The problems related to the impact of the pandemic on employment, being aware by public authorities, practically from all countries of the world, have imposed considerable efforts to overcome this scourge, and sometimes even new forms of intervention. However, the socio-economic situation of pandemic workers varies greatly from country to country (some countries have proven to be better prepared to deal with these economic and social threats).

The COVID-19 pandemic also had a strong impact on the labor market in the Republic of Moldova, including migrant workers, which is a fairly important part of the human potential in the Republic of Moldova. Although unemployment indicators did not increase significantly, the employment rate was still affected. In this context, the public authorities of the Republic of Moldova have taken a series of measures to overcome the crisis situation created. The impact of the pandemic on employment in the Republic of Moldova, as well as the effectiveness of intervention measures of public authorities in the Republic of Moldova in order to overcome the challenges related to the impact of the COVID-19 pandemic in the Republic of Moldova is the object of research. For a more in-depth analysis of the research topic, a vast literature in the field, studies, monographs, articles, informative notes, official data of government institutions concerned with the issue of employment was used. Statistical data from the National Bureau of Statistics, the National Bank were used, as well as some data taken from various national and international studies conducted in recent years.

1. The impact of the COVID-19 pandemic on the labor markets of the world

Today, the COVID-19 pandemic, which has persisted in the world for more than 1.5 years, has had a significant impact on global and national economies and labor markets around the world. Hundreds of millions of workers around the world, including migrant workers, feel the negative economic consequences of the pandemic. Strict restrictions imposed by the authorities of all Central and Eastern European states in the spring of 2020, but also some less drastic restrictions in the next period have led to a decline in GDP, in virtually all countries. According to IMF estimates, these decreases ranged from country to country between October 2019 and October 2020 between 11.7% in Croatia and 4.6% in Lithuania. For the Republic of Moldova, too, the IMF's forecast regarding the evolution of GDP is not optimistic, being estimated at the level of -8.3% (NBS data show a decline in GDP of 7%). Although the IMF forecasts for 2021 are more optimistic compared to the impact of the pandemic estimated for 2020, the situation remains quite uncertain (Table no. 1).

Table 1 GDP growth of Central and Eastern European countries, IMF forecast

Country	oct. 20 versus oct.19	2021
Albania	-11,6	6,1
Armenia	-9,3	3,5
Bulgaria	-7,2	4,1
Croatia	-11,7	6,0
Czech Republic	-9,1	5,1
Estonia	-8,1	4,5
Latvia	-8,8	5,2
Lithuania	-4,6	4,1
Moldavia	-8,3	4,1
Macedonia	-8,8	5,5
Poland	-6,6	4,6
Romania	-8,3	4,6
Russia	-6	2,8
Serbia	-6,5	5,5
Slovakia	-9,8	6,9
Slovenia	-9,6	5,2
Ukraine	-10,2	3,0

Source: IMF, World Economic Outlook¹

It is observed that the negative effects of the COVID-19 pandemic are felt more strongly in the countries dependent on the economic sectors most affected by the pandemic, such as: tourism, HoReCa, transport, etc. Even if the IMF estimates that all countries will recover their economy, only Lithuania, Poland and Serbia would return to the volume of GDP in 2019 earlier than 2022.

In fact, the pandemic and the restrictions imposed by the authorities have directly and indirectly affected most economic sectors. At the same time, the sectors directly affected by the restrictions imposed during the emergency period, in particular HoReCa and transport, suffered the most in the first half of 2020. In the same context, we can mention the industrial sectors dependent on external demand, such as the production of automotive components and the textile industry, which also experienced a drastic decline in activity during the state of emergency. Although they saw a recovery in activity, it proved to be at a lower level than at the end of the previous year. Only sectors that have been able to manage telework more effectively, such as the information technology sector, have maintained their growth rate in previous years. The large share of small and medium-sized enterprises in the sector meant that employees could be made redundant directly.

¹ Taken from the publication: Marcel Spatari "Who pays the pandemic bill? The socio-economic impact of the coronary crisis", December 2020.

Therefore, the lack of effective tools to mitigate the impact of the crisis in some countries has meant that the pandemic has hit workers in the first place.

The situation created has led to rising unemployment in virtually all countries. According to IMF estimates, unemployment would exceed 7% in the Baltic countries, Croatia, Romania, Slovakia, Slovenia and the Republic of Moldova, where the problem of labor shortages claimed by employers in recent years in some sectors of the economy will be overcome. At the same time, in countries where unemployment is already a major problem (Albania, Armenia, Macedonia, Serbia, Ukraine), the pandemic will make matters worse. It should be noted that the forecast for 2021 is pessimistic for virtually all countries, with unemployment remaining above the level of 2019 (Table no. 2.).

Table 2. Unemployment rate

Country	2019	2020	2021
Albania	11,5	11,8	11,5
Armenia	18,9	22,3	21,1
Bulgaria	4,2	5,6	4,5
Croatia	7,8	9,3	10,3
Czech Republic	2,0	3,1	3,4
Estonia	4,4	7,8	6,1
Latvia	6,3	9,0	8,0
Lithuania	6,3	8,2	7,5
Moldavia	5,1	8,0	5,5
Macedonia	17,3	20,2	17,8
Poland	3,3	3,8	5,1
Romania	3,9	7,0	6,0
Russia	4,6	5,6	5,2
Serbia	10,9	13,4	13,0
Slovakia	5,8	7,8	7,1
Slovenia	4,6	8,0	6,0
Ukraine	8,5	11,0	9,6

Source: IMF, World Economic Outlook

The current pandemic has also hit migrant workers hard. It can be said that the current crisis has practically turned into a crisis of mobility, and the worsening of the socio-economic situation of labor migrants is ubiquitous. Among the main negative consequences of the COVID-19 crisis, which migrant workers around the world face, are: border closures and traffic restrictions; problems with obtaining and / or extending documents related to migration in the countries of origin and destination; rising unemployment and worsening working conditions (labor exploitation).

Since January 2020, millions of migrants around the world have found themselves in a difficult situation, as more than 170 countries have introduced various travel restrictions. For migrant workers, this has led to more serious problems for them and their families, who have stayed at home in their country of origin. The closure of borders and the restriction of traffic has led to a complete cessation of contact with relatives left at home, which generates serious psychological, social, emotional consequences for people.

The main problem for migrant workers is unemployment. IOM estimates indicate significant increases in unemployment and underemployment due to the spread of the virus. Thus, forecasts based on different scenarios of the impact of COVID-19 on the evolution of the global economy show an increase in the level of unemployment from 5.3 million to 24.7 million people (ILO, 2020). Rising unemployment and underemployment are also accompanied by worsening working conditions and the exploitation of the labor force of migrant workers. The situation created forces migrant workers to accept any conditions of employment, only not to lose their jobs.

However, for certain groups of migrant workers, their work has become more demanding during the current pandemic. These are health care providers (doctors and nurses), seasonal

agricultural workers, caregivers, domestic workers, etc., as well as scientists dealing with COVID-19. Many countries encourage labor migration in these areas of activity, providing them with facilities for completing migration documents, as well as wage increases (especially in developed countries where most migrant workers are employed in unskilled labor). There is a high demand for labor in agriculture during the harvest season.

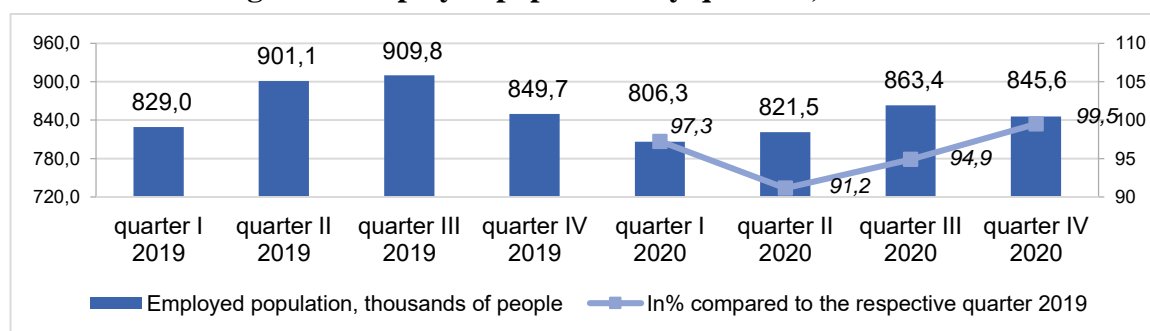
Increasing unemployment and changing working conditions implicitly affect the volume of remittances. The COVID-19 pandemic has affected many sectors of the labor market that depend on migrant workers. As a result, remittances are declining and remittances are leading to a transfer of the economic crisis from rich to poor countries. Clearly, a significant reduction in migrant transfers will primarily affect countries of origin where remittances are an important source of income for the population. Thus, the COVID-19 pandemic represents a serious economic challenge for poor countries, among which the Republic of Moldova can be placed.

2. The impact of the Covid-19 pandemic on the situation on the labor market in the Republic of Moldova

The effects of the Covid-19 pandemic on the labor market in the Republic of Moldova were felt, in particular, in the first months of imposing restrictions, with the establishment of a state of emergency in the country (starting with March 17, 2020). As such, the Covid-19 pandemic continued to affect the labor market in the following quarters. The biggest effects were recorded in the second quarter of 2020, when every fourth employed person stated that the pandemic affected their relationship with the labor market (NBS).

Thus, the data of the National Bureau of Statistics show that in 2020 the number of employed population decreased by 4.4% compared to 2019. Decreases in employment took place in virtually all quarters of last year. At the same time, the largest decreases were registered in the quarters in which the effects of the pandemic were most felt on the labor market, respectively, in the second quarter (-8.8% or with 80 thousand people) and in the third quarter (-5, 1% or with 46 thousand people) (Fig. no. 1)

Figure 1. Employed population by quarters, 2019-2020



Source: National Bureau of Statistics

At the same time, it is observed that certain occupational groups were affected to a greater extent compared to others. Thus, the gender distribution reveals more pronounced decreases in the employment of women compared to that of men. If in the second quarter of 2020, the number of employed women decreased by 10%, and in the third quarter, respectively, by 8.2% compared to the respective quarters of 2019, the number of employed men decreased respectively by 3.6% in the first quarter and by 7.6% in the second quarter.

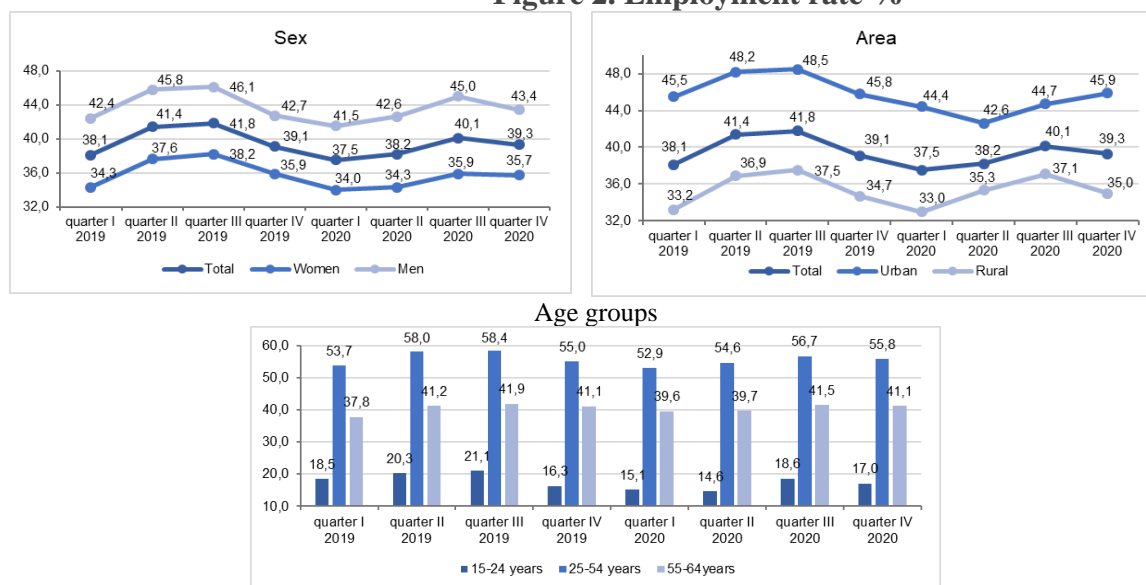
Much more pronounced decreases in the employed population were recorded in urban areas compared to rural areas (respectively 13.6% in urban areas and 4.7% in rural areas in the second

quarter and 8.0% in urban areas and by 2.7% in rural areas in the third quarter of 2020 compared to the respective quarters of 2019).

Significant reductions were registered for young people aged 15-24: by 22.9% in the first quarter, respectively, by 31.8% in the second quarter and by 16% in the third quarter of 2020 compared to the respective quarters of the year 2019. The largest decrease in employment was registered by women aged 15-24: by 39% in the second quarter of 2020 compared to the second quarter of 2019, while for men aged 15-24 there were decreases of -27.6% and -26.1% in the first and second quarters of 2020.

In this context, the employment rate was also affected, which decreased both in total and by sex, place of residence, age groups (Fig. no. 2).

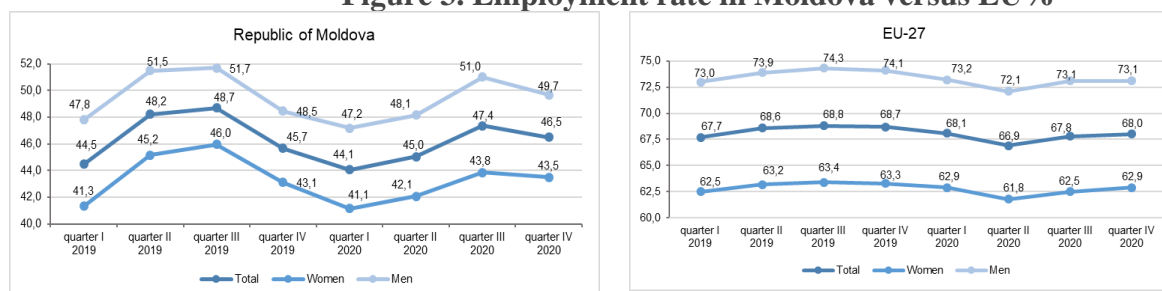
Figure 2. Employment rate %



Source: National Bureau of Statistics

Unlike the countries of the European Union (EU-27), the employment rate for the population aged 15-64 in the Republic of Moldova registered significantly lower values, both in total and by sex. Thus, in 2020, the value of the estimated indicator for women in EU-27 countries was higher than the value of the indicator at national level by 17-22 p.p. and, respectively, for men - with 22-26 p.p. (Fig. no. 3).

Figure 3. Employment rate in Moldova versus EU%



Source: National Bureau of Statistics

At the same time, in the EU-27 countries the employment rate is much less influenced seasonally, compared to the Republic of Moldova, where the share of the agricultural sector was on average 21% in 2020 compared to 4.3% in EU countries. Or, in addition to the repercussions of the

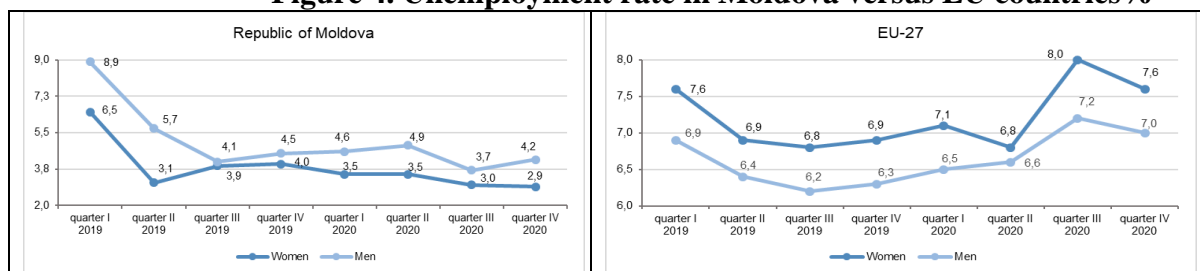
pandemic, in the Republic of Moldova the year 2020 was marked by drought, which brought to the fore another major vulnerability of the country - increased exposure to climate shocks.

Therefore, the given analyzes highlight the groups most affected economically by the pandemic crisis: young people aged 15-24; women who have been affected more than men (they are employed in sectors that have partially or completely stopped working for a period of time); low-income people whose jobs are either low-skilled or informal; self-employed persons (eg patent holders) and those employed informally, as well as those employed in micro (0-9 employees) and small enterprises (10-19) whose employers have a low financial capacity to absorb shocks economic; persons employed in professions for which physical presence at work is a mandatory requirement (eg industry, construction); the employed population in the urban area which was more severely affected than those in the rural area.

Another issue related to the impact of the pandemic on employment was job security. Survey data (BOP, 2020) showed that jobs are less secure in rural areas than in urban areas. Thus, 24.3% of respondents in rural areas considered that they would lose their jobs in the coming months, compared to 19% of respondents in urban areas.

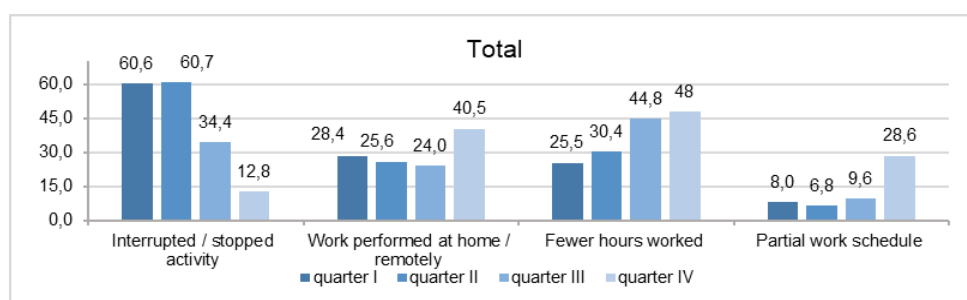
Against the background of deteriorating employment indicators, the evolution of unemployment in the Republic of Moldova during the pandemic crisis was not so dramatic compared to EU countries. Despite the gloomy forecasts made by the IMF, the analysis of data presented by the NBS shows that the pandemic did not cause a significant increase in the unemployment rate in the Republic of Moldova, being a slow increase compared to 2019, unlike EU-27 countries, where this indicator registered values between 6.7% -7.6% during 2020. Thus, in the Republic of Moldova, this indicator registered much lower values both in total and by sex compared to the unemployment rate in EU countries. (Fig. no. 4).

Figure 4. Unemployment rate in Moldova versus EU countries%



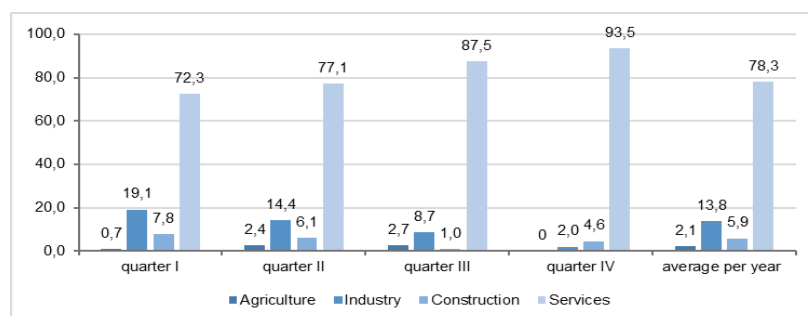
Source: National Bureau of Statistics

The impact of the pandemic on the situation at work was manifested mainly by: interruption / cessation of activity, provision of work at home, reduction of working hours actually worked, transition to part-time work, etc. At the same time, these situations evolved differently during 2020. Interruption / cessation of activity predominated at the beginning of the pandemic, with over 60% of those affected in the first and second quarters. The performance of work at home / distance took place in all quarters, having the highest level in the fourth quarter - 40.5%. In the second half of last year, most people, among those affected, worked fewer hours per week: 44.8% in the third quarter and 48.0% in the fourth quarter (Figure 5).

Figure 5. Persons affected by the situation at work by categories by quarters, 2020, % of total affected persons

Source: National Bureau of Statistics

The analysis of employment by economic sectors shows that COVID-19 was most affected by the services sector (on average 78.3% of the total employed persons affected), followed by the industry sector (13.8%) and construction (5, 9%). People in the agricultural sector were least affected (on average 2.1% of the total employed people affected) (Fig. no. 6).

Figure 6. Share of employed persons affected by Covid-19 at work by economic sectors for the quarters of 2020, %

Source: National Bureau of Statistics

The COVID-19 pandemic also significantly affected the situation of migrant workers in the Republic of Moldova. Many of them lost their jobs, becoming vulnerable, which led them to return home. Thus, statistical data (Labor Force Survey, 2020) indicate a reduction in the number of migrant workers in 2020 compared to the previous year - 90.4 thousand people compared to 105.8 thousand people. Even in the first quarter of 2021, the situation of migrant workers did not improve, registering only 81.9 thousand people compared to the same period of 2020, when they constituted 120.2 thousand people. With the lifting of the restrictions, the situation returns to normal in this regard as well.

Therefore, it can be concluded that the COVID-19 pandemic had some repercussions on the labor market in the Republic of Moldova, and the efforts of public authorities have only partially succeeded in mitigating these negative effects. The analysis of the efforts of the public authorities of the Republic of Moldova will be presented in the following.

3. The role of public authorities in the Republic of Moldova in overcoming the labor market crisis in the Republic of Moldova affected by the COVID-19 pandemic

For the Republic of Moldova, as well as for other countries in the region, the COVID-19 pandemic proved to be a rather serious challenge that affected all areas of social life, including employment. Therefore, the public authorities, aware of this fact, tried to manage this situation as efficiently as possible. Like most countries in the world, the government of the Republic of Moldova has imposed isolation at home and social distancing as a measure against the spread of the virus. For almost two months, from mid-March to mid-May, these measures worked largely similarly or even in some cases more effectively than in other Eastern European countries. At the same time, the impact of the pandemic on the economy and the labor market in the Republic of Moldova was conditioned by a series of specific characteristics, among which: an important share of the agricultural sector in the total economic activities; an increase in industrial activities dependent on international value chains in recent years; a strong dependence on remittances from abroad and a very high share of informal activities; a fairly rigid labor market legal framework; a chronic wage labor crisis (extremely low employment rate compared to EU countries); a rather weak financial capacity of the state to meet all challenges. Under these conditions, the government managed the socio-economic impact of the crisis with minimal effort (due to the weak financial capacity of the state), channeling resources, primarily, to the medical field and limiting spending to support the economy and employment. Among the measures taken by the authorities were: the establishment of the Commission for Exceptional Situations of the Republic of Moldova; establishing the state of emergency for 60 days (until May 15, 2020); imposing travel restrictions, including in international traffic, and introducing quarantine; cessation of the activity of several HORECA enterprises; expanding distance work (including in education); imposing social protection measures for certain categories of the population, including migrant workers returning home in the first months of the pandemic crisis, etc. In two months of exceptional state, these measures have been replaced and supplemented by: the establishment of a state of emergency in public health; the gradual resumption of the activity of medical institutions and services, including dental, as well as personal care enterprises, such as barbershops; gradual resumption of the activity of HORECA institutions; opening markets with certain conditionalities; relaxation of the international movement of persons and the transport of goods; opening of resorts in some countries for the citizens of the Republic of Moldova, etc.

These socio-economic measures taken by the authorities, considered quite modest during the pandemic, exposed employees to the risk of redundancies and job losses and income, leaving most companies to cope with the loss of income alone, which led to a reduction in the degree of trust and therefore of compliance of the population with the sanitary measures imposed by the government.

CONCLUSIONS

It can be concluded that the Republic of Moldova does not have a viable anti-crisis and post-crisis strategy, becoming vulnerable to all challenges. It is, first and foremost, about the flexibility of monetary and fiscal policies that would ensure that financial security, as well as the resources needed to offset the losses incurred by companies and the population from the pandemic. On the other hand, state programs are needed to support the business environment, which would allow a faster post-crisis recovery. In the same context can be mentioned the subsidies and state guarantees for loans meant to increase the level of technological endowment of companies and the orientation towards economic activities with high added value (eg: advanced processing of local raw materials). Finally yet importantly, measures are needed to make the labor market more flexible, which would allow the transfer of redundant people from the sectors most affected by the crisis to

those who manage to maintain or even develop. These measures should target mainly the most vulnerable groups in the context of the crisis: Small and Medium-sized Enterprises, but also women, young people, people in rural areas and those with the lowest incomes.

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