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# **Labor Migration of Moldovan Population from 2014 to 2019: Causes and Effects**

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### **Introduction**

Moldova faces a myriad of domestic and foreign policy challenges, ranging from endemic corruption, human trafficking, to lack of a coherent geopolitical vision, and labor migration. This study specifically focuses on the synthetic characterization of labor migration from 2014 to 2019. The timeframe is not accidental, as it allows for a comprehensive analysis of the main economic factors from the outbreak of the economic crisis in 2014 and the enforcement of the Association Agreement with the EU (2014) until the outbreak of the COVID-19, that adversely affected labor migration. Yet, the scale of the impact assessment is not feasible at this point due to the rapidly changing situation. The study addresses the following research questions: 1. What was the economic situation in Moldova

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from 2014 to 2019? 2. What were the main causes of migration and their socio-economic consequences?

The study builds its empirical argumentation on content analysis, secondary analysis of quantitative data and deduction.

**Keywords:** labor migration, Moldova, migration policy.

### **Economic situation in Moldova from 2014 to 2019**

One of the core features of the Moldovan economy is its huge dependence on exports. This has much to do with low domestic demand, meaning that access to external markets is critical ensuring the country's prosperity. In 2019 the exports amounted to more than USD 3.6 billion, accounting for over 30.5% of the country's GDP (The World Bank, 2020). Any restrictions on market access positively correlate with economic disruption in Moldova, as it was the case in 2015. Notably, while exports to countries of the Commonwealth of Independent States (CIS) tend to increase, trade with the EU countries has been increasing. One of the reasons for this change was the Russian ban on the import Moldovan products. The Kremlin's decision came as a response to Moldova's unstoppable subscription to the Association Agreement with the EU, signed on June 27, 2014. As shown by the data from the National Bureau of Statistic of the Republic of Moldova, the enforcement of the Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the EU, thereby increasing access to European markets, has not resulted in a drastic increases in exports of Moldovan products, as expected by Moldovan policy makers.

**Table 1.** *External trade of goods 2016-2019 (in million USD)*

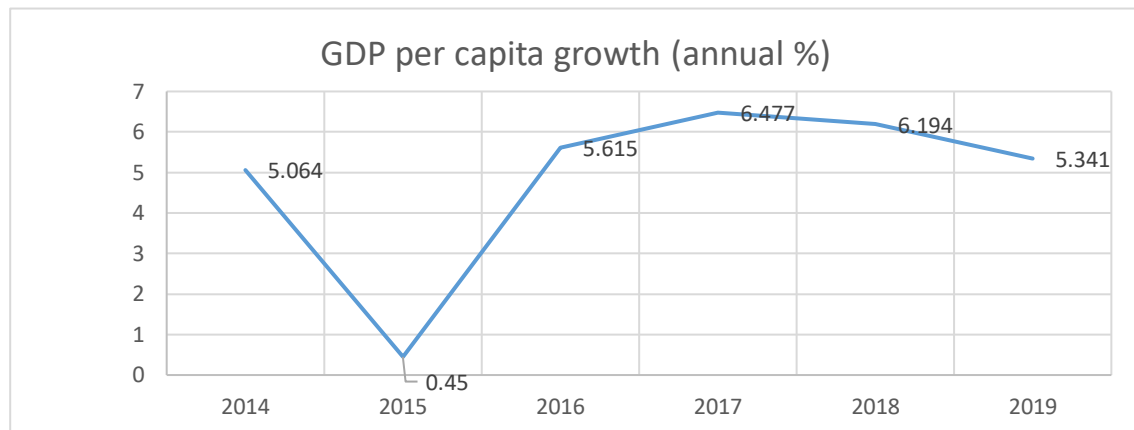
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>CIS countries</b>	414,2	462,9	415,9	435,0
<b>European Union countries</b>	1 331,9	1 596,9	1 861,9	1 830,5
<b>other countries</b>	298,5	365,3	428,4	513,7

Based on: *Moldova in Figures 2019*, National Bureau of Statistic of the Republic of Moldova,  
[https://statistica.gov.md/public/files/publicatii\\_electronice/Moldova\\_in\\_cifre/2020/Breviar\\_2020\\_en.pdf](https://statistica.gov.md/public/files/publicatii_electronice/Moldova_in_cifre/2020/Breviar_2020_en.pdf).

When analyzing the dynamics of GDP per capita growth in Moldova, it is worth noting that lack of transparency in the banking sector of the economy and the Moldovan financial scandal of 2014 contributed to the economic crisis. Around USD 1 million was taken from three Moldovan banks (Całus, 2016, pp.48-49). The banks granted significant loans to companies with appropriate connections with the representatives of the political elite. The banking sector was unable to collect debts from creditors due to the transfer of debts to companies registered in tax havens. The National Bank of Moldova has mobilized millions of euros in aid from foreign exchange reserves to maintain liquidity. Therefore, the government, which is the guarantor of bank loans, decided to issue treasury bonds with a total value of approximately USD 700 million to repay the NBM, which led to an increase in

internal debt. The banking scandal also had the effect of reducing the value of the Moldovan MDL (Calus, 2016, pp. 48-49).

**Chart 1.** *Moldova's GDP growth dynamics in the 2014-2019*



Based on *GDP per capita growth (annual %) - Moldova*, The World Bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?end=2019&locations=MD&start=2014&view=chart>.

Despite the government's expansionary fiscal policy, which was manifested in tax cuts and wage increases, it should be stressed that Moldova's economic growth has significantly slowed down since 2016, which among other things, owes to lower growth in remittances and higher inflation. Even before the outbreak of the COVID-19 pandemic, economic growth fell sharply in the last quarter of 2019. According to World Bank forecasts, the deepening economic crisis will cause the Moldovan economy to contract in 2020 (The World Bank, 2020). The slowdown of the supply of goods and products and the review of the main trading partners will adversely affect Moldova's exports vital to its economy. The projected deficit is 5.8% (Ibid). In addition to the factors such as, unsustainable economic growth based on remittances and low productivity levels, it is impossible to downgrade the negative economic and social consequences of migration

### **Labor migration and its economic and social consequences**

Along with declining fertility rate, large-scale migration has had a negative demographic impact on Moldova. Notably, the current population of Moldova is around 4 million (World Population Review, 2019). The lion's share of Moldovan migration is labor migration. In 2015, the total number of emigrants was around 753 000 people. Russia was the main destination for significant part of emigrants (more than 55% of people who decided to leave Moldova in 2014 chose this country) and Italy (more than 15% of migration in 2014) (Migration Data Portal, 2019) . The main reason for intensive migration is the unfavorable economic situation, coming down to poverty, low wages, and lack of employment opportunities. In 2015, the average salary in Moldova was only 4,610 MDL (approx. 232 USD), which was the lowest rate in the whole of Europe. Although the Moldovan government worked towards salary increases, and the average salary in 2018 was around 6446 MDL (about USD 367) (National Bureau of Statistics, 2019), the product prices remain disproportionate to the incomes of Moldovans. It is estimated that the basic charges related to the use of the flat (charges for water, electricity, heating and waste disposal) are around 2 200 MDL, while the average monthly cost of renting a flat in the city center is over 4 700 MDL (Numbeo, 2019). Notably, the average monthly salary in Chisinau is about 298 USD. In the ranking of wages of 61 largest cities in Eastern Europe, the capital of Moldova is in the penultimate position, ranking lower than Ukrainian Kharkiv (\$323) and Russian Saratov (\$332) (Numbeo, 2019). It is worth noting that the number of people over the age of 15 working or looking for employment opportunities abroad is increasing every year. In 2018, as many as 352 000 Moldovans left the country for this purpose (National Bureau of Statistics, 2019).

**Table 2.** *Population over 15 years of age working or looking for a job abroad in 2014-2018*

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Women</b>	122.8	114.6	106.7	107.2	114.5
<b>Men</b>	219.0	210.8	212.3	211.3	238.2

Based on: [http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%20sociala\\_\\_03%20FM\\_\\_03%20MUN\\_\\_MUN070/MUN070200.px/table/tableViewLayout1/?rxid=d1dbf033-34ac-49e2-9ef9-947abe5b19e2](http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__03%20MUN__MUN070/MUN070200.px/table/tableViewLayout1/?rxid=d1dbf033-34ac-49e2-9ef9-947abe5b19e2).

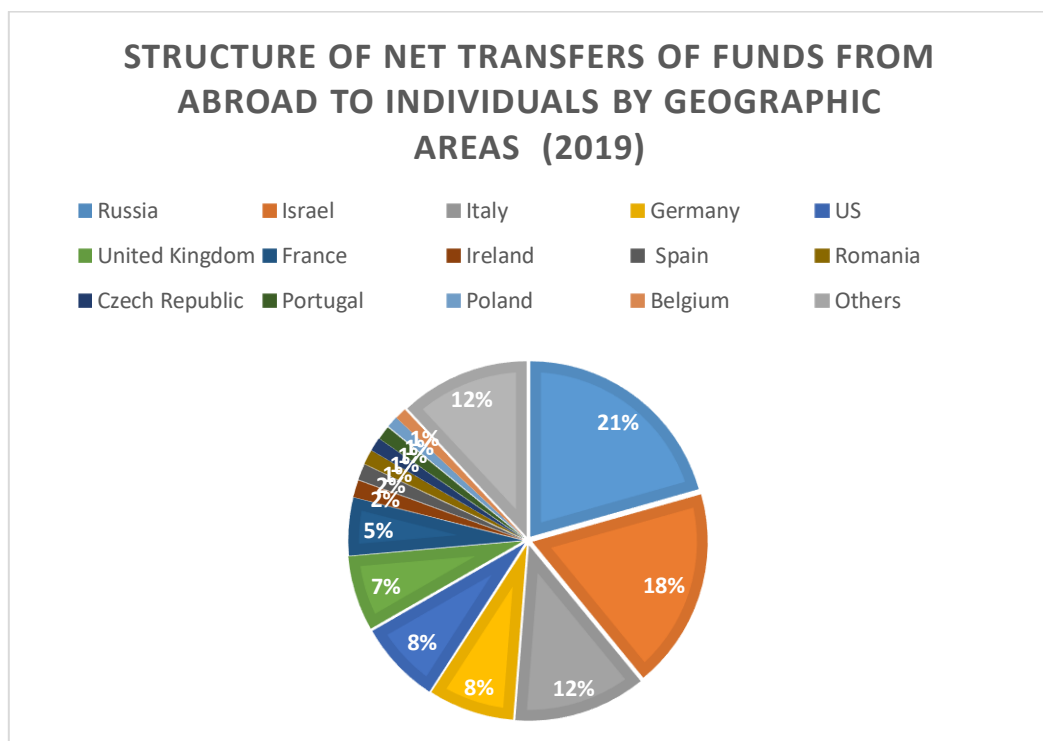
Despite the gradual decrease in unemployment observed in Moldova\*, this trend owes to the labor migration, rather than to the outcomes of an effective policy to address unemployment. Another detectable migration trend is the gradual reduction in the number of people working or seeking employment in the Russian Federation. According to KUSM data, in 2014, there were around 232 000 Moldovans working in Russia, while in 2018, there were already 147 000 (National Bureau of Statistics, 2019). Firstly, it is noteworthy that the figures presented do not contain information on the migration of people living in Transnistria, a separatist region with a pro-Russian orientation, which has de facto functioned as an independent entity from the Moldovan authorities since the 1990s. Secondly, the decreasing migration rate to Russia was not the result of changing preferences of Moldovans. Rather it is the result of the policy implemented by Moscow aimed at limiting the volume of labor migration from Moldova especially in the wake of Moldova's rapprochement with the EU. This appeared to have serious repercussions on the state budget. In 2014 individual remittances from Russia

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\* The unemployment rate in 2018 was 3%.

accounted for about 61% of all foreign transfers, while in 2019 they decreased to about 21%. Russia was followed by Israel (about 19%) and Italy (about 12%) in terms of incoming remittances (National Bank of Moldova, 2020). It is worth noting that the decreasing transfers from Russia were also a result of the depreciation of ruble due to, among other things, the economic sanctions imposed on Russia by European Union countries as a result of the ongoing conflict in Ukraine.

**Chart. 2** *Structure of net transfers by geographic area (in %)*



Based on: *Money transfers from abroad to individuals via banks of the Republic of Moldova in 2019*, National Bank of Moldova, <https://www.bnm.md/en/content/money-transfers-abroad-individuals-banks-republic-moldova-2019-net-settlements> (10.09.2020).

To address this challenge, the Moldovan government, has resorted to legislative steps. More specifically, the following documents have been drafted: The National Development Strategy for 2012-2020 and the National Strategy for Migration and Asylum for 2011-2020 (PARTICIP.GOV.MD, 2019; International Labor Organization, 2019). These documents are testaments to a desire to adapt Moldovan law to European standards in this area. The documents indicate the need to correlate effective management of the migration with the appropriate development of public policies. It specifically focuses on the development of cross-sectoral policies regarding legal migration, management of state borders and respect for human rights.

Remarkably, public opinion surveys show discontent with Moldova's economic situation. When assessing satisfaction with the way of life and the financial means at their disposal, the majority of respondents to the Public Opinion Barometer were quite indifferent to the assessment of life: as many as 43.1% of respondents indicated that they were neither satisfied nor dissatisfied with their life (such apathy is gradually increasing). On the other hand, as many as 44.3% of the respondents did not appear satisfied with their funds and only 4.3% expressed high satisfaction with their work (January 2019) (Republic of Moldova Public Opinion Barometer, 2019). The results of the Moldovan public opinion polls indicate that despite the steps taken by the government in relation to salary increases, the public opinion on welfare policies is not positive. As a result, many Moldovans choose to flee the country in search for better employment opportunities.

To sum up, along with adversely impacting Moldova's domestic policy, the outbreak of COVID-19 has affected the labour migration of the population. The authorities' late response to the spread of the virus has compounded the suffering that COVID-19 has inflicted on the country, not least in terms of unplanned homecoming of labor migrants.



Meanwhile, the movement restrictions that took effect in response to COVID impaired many Moldovans' ability of labor migration. Decreasing remittances from Moldovan migrants that tend to make up a considerable part of GDP, have taken their toll on the Moldovan economy.

Therefore, the Moldovan authorities face formidable challenges in terms of enhancing country's resilience in the light of unwelcome repercussions.

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