

INCREASING THE WELFARE OF THE "WORKING POOR" IN THE REPUBLIC OF MOLDOVA: CHALLENGES, CONSEQUENCES, SOLUTIONS

Dorin VACULOVSKI¹

Abstract: *The initiation of the transition to a market economy in the Republic of Moldova led to a drastic expansion of poverty. It should be emphasized that against the backdrop of hyperinflation at the beginning of the 90s and the privatization processes of the first years of the transition to the market economy, there was a strong decline in the real income of the population. In the category of people below the poverty line, could be included not only those from vulnerable groups, but also workers from the real and budgetary sector of the national economy, whose only source of income was their salary from employment. Thus, a fairly large economic social group was formed, namely the working poor which continues to exist to this day. On the other hand, the new economic realities led to the diversification of the population's forms of income, a phenomenon that was not characteristic of the socialist economy. This fact led to the spread of other forms of income and to the reduction of the role of the salary in the total income of the population. Against the backdrop of the economic transformations of the 1990s, there was a continuous decline in wages as the main source of income for the population. Consequently, the share of wages in the total disposable income of the population decreased to 37.8% by the year 2000. [13].*

The decrease in the role of the salary in the formation of the disposable income of the population in favor of other sources of income is a process of fire in the context the transition to the market economy. The population that managed to adapt to the new challenges of the time, successfully overcame the risk of poverty. Some managed to migrate; others started new businesses or engaged in other economic activities. Against this backdrop, social inequality among people intensifies. Unfortunately, the process of forming a class of prosperous business owners or "businesspeople" was only at the beginning, and they represented an extremely small number. Even to this day, a large expansion of the group of employers and businessmen in the Republic of Moldova is not noticeable. According to the Labor Force Survey, of the total employed population, only 3.9% were business owners (or employers) in 2023 [12], which indicates that there are problems in the chapter "entrepreneurial spirit", an indispensable condition for the development of the market economy.

When the share of wages in the total income of the population becomes extremely small, a shift may occur in the function of reproducing the labor force from wages to other forms of income that are not directly linked to productive activity, such as non-labor-related activities. There is a strong decrease in occupational indicators, and a degradation of the human potential in the Republic of Moldova, thus undermining the functioning mechanism of the national economy for a longer perspective. In the situation where the salary no longer fulfills its basic economic and social functions, i.e. reproduction, motivation, stimulation of economic growth, the population no longer ties the fulfillment of their needs to work and employment in the labor market of the Republic of Moldova, opting instead for labor markets in other countries where wage conditions and working conditions are more favorable. The compromising of the role of wages in the economic life of the Republic of Moldova has led to the intensification of international labor migration and the degradation of the situation on the labor market, which seriously affects the prospect of economic recovery and sustainable economic development in the coming years.

Keywords: *salary, poor workers, employees on the labor market, minimum wage, employment rate, fields of activity.*

UDC: 331.2:330.59(478)

JEL Code: J6

¹ Dorin VACULOVSKI is associate professor at Academy of Economic Studies form Moldova, Chisinau, Republic of Moldova, E-mail: dorinvaculovskyy@yahoo.com, ORCID ID: 0000-0002-1500-0113

Introduction

The economic transformations at the beginning of the transition to a market economy started the formation of new labor relations, respectively, the formation of the labor market in the Republic of Moldova, which led, in a way, to the liberation of labor. In contrast to the socialist economy, where the obligation to provide work services for any able-bodied person persisted, in the new economic conditions workers can make a free decision whether to provide work services for the employer or not, what volume of work to provide, what specialty or job to choose or, in general, to practice another activity as an alternative to the income-generating work. This fact led to the diversification of the economic activities of the economically active population, except for that of providing labor services.

On this background, the inflationary processes of the first years of the transition to the market economy, the mass privatization processes led to the drastic reduction of the activity of several enterprises and, therefore, to the mass dismissal of workers, to the expansion of various forms of disguised unemployment. This fact also led to the drastic erosion of the real income of the population, to the spread of poverty, including among workers whose salaries could not ensure a decent living for themselves or their families. The official statistical data show that the average wage in the economy during that period (1995) was 143.2 lei, which constituted only 46.1% of the *minimum consumption budget*¹, the value of which was 310,6 lei [17].

A rather large specific social group has been created - that of *working poor* who, in the long run, can cause more problems for the social and economic balance and thus quite insecure. These people obtained a profession or a specialty in the socialist economy, and not being quite adaptable and competitive in the new economic conditions. They did not develop the necessary skills to find a more attractive and well paid job (which in reality were extremely few) and were dependent on the wage conditions offered by the enterprise or company in which they worked. For these workers the challenges of the transition to the market economy were a severe blow to their well-being and quality of life.

In the new economic conditions, the wages for this category of workers can no longer fulfill its basic economic and social functions, namely, *reproduction, motivation, stimulation of economic growth*. And the population of the Republic of Moldova stopped tying their work and employment needs to the labor market in the Republic of Moldova, which is in the process of formation, thus choosing the labor markets of other countries, where the salary conditions and job guarantee, in general, income opportunities are more favorable.

The welfare of the working poor was further affected by the economic crisis in the Russian Federation in 1998-1999, which generated major consequences for the national economy of the Republic of Moldova. These consequences were manifested both by inflationary processes and the increase in unemployment, and by the devaluation of the national currency, as well as by long delays in the payment of salaries, a phenomenon that practically persisted in most companies and institutions in the real and budgetary sector of the economy of the Republic of Moldova. Thus, in 2001 the average salary in the economy amounted to 543.7 lei, compared to the subsistence minimum of 468.7 lei. The lowest salaries were recorded in agriculture - 315.1 lei; in education - 336.9 lei in health 314.6 lei [17]. All this has generated an intensification of international labor migration.

¹ *The minimum consumption budget* was an indicator inherited from the socialist economy that was used as a benchmark in income and wage policy. In the 2000s, a new minimum subsistence indicator was introduced, which was used as a benchmark in income and salary policies, being calculated according to a new calculation method.

Public authorities since the beginning of the transition to the market economy, in order to ensure social protection and motivate workers, have intervened with a new Law on wages, namely no. 1306 of February 25, 1993, through which several changes characteristic of the market economy were made. Thus, the removal of salary caps, the implementation of the minimum salary as a form of social protection for workers, in the amount of 3 lei (3000 coupons), as well as the approval of a salary network for various economic fields had to, in a way, ensure a level of social justice in the wage policy at that time and a minimum level of well-being for workers. But the minimum salary of 3 lei (after indexation it became 18 lei and stopped at this value for a longer period of time) could not even remotely cover the minimum necessary of living, for workers, thus, it could in no way fulfill its social protection functions.

A strong process of poverty expansion took place in the Republic of Moldova, including among workers actively engaged in the labor market. The situation was even worse for the rural population and the budget sector workers, whose salaries, already low, were paid with a delay of 6 months.

In 2002, a new "Law on wages" was approved in the Republic of Moldova. 847 - XV, of February 14, 2002 [2], which was closer to the principles of the market economy, which had to ensure social justice in the salary policy of the Republic of Moldova and social protection for poor workers in the Republic of Moldova. However, the implementation of this law did not solve the problem of expanding poverty among workers. However, the minimum wage for many years was still below the subsistence minimum.

The object of this article is the analysis of the evolution of salaries in the Republic of Moldova in correlation with the evolution of the standard of living, during the period of transition to the market economy. The article focuses on the analysis of the main factors that led to the emergence of this social group, as "poor workers", which may be the economic and social consequences for the Republic of Moldova, if this group of "poor workers" will not be eradicated, as well as finding conclusive solutions to combat the poverty of workers who provide labor services. However, under the conditions of the market economy, the presence of this group is practically inadmissible. In the context of an economic recovery in the Republic of Moldova, the presence of the group of poor workers could, in fact, lead to the degradation of human capital, compromise sustainable economic development and competitiveness, as well as expand the deficit of skilled labor, which is critically needed for the ambitious projects currently set by the public authorities.

For a more in-depth analysis of the situation of poor workers, was used a vast literature in the field, studies, monographs, articles, informative notes, official statistical data of government institutions concerned with the issue of wages in the Republic of Moldova. Statistical data from the National Bureau of Statistics, the National Bank, as well as some data taken from various national and international studies conducted in recent years were used.

Salary – defining element of the labor market

The first years of transition to the market economy strongly affected the real incomes of the population of the Republic of Moldova, which has generated an uncontrolled increase of the poverty. Mass privatization of enterprises, reforms in the agricultural sector, excessive economic dependence on the markets of the Russian Federation has led to phenomena such as rampant inflation, the halting of business activities, disguised unemployment, and the intensification of labor migration. Obviously, these challenges also affected the evolution of workers' wages, so that they could no longer fulfill their social, reproductive, motivating, economic growth-stimulating functions.

Table 1, which reflects the evolution of wages from 1995-2001, i.e. in the first years of economic transformations in the Republic of Moldova, shows that the size of the average wages in the economy did not even cover the level of *the minimum consumption budget* of the workers (the minimum standard of living used in those times) (Table 1). Thus, the average nominal wage in the economy in 1995 constituted only 46.1% of the minimum necessary for a decent living, while in 2001 this ratio constituted 51.6%. This period was the most difficult for the workers of the Republic of Moldova, and it was during this time that the relatively large social group of "poor workers" emerged.

Table 1. Evolution of the average monthly salary and the minimum consumption budget (per inhabitant per month), lei, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Average monthly nominal salary of a worker in the economy, lei	143,2	187,1	219,8	250,4	304,6	407,9	543,7
The minimum consumption budget (per inhabitant, per month), lei	310,6	387,8	439,5	473,0	661,8	994,5	1053,0

Source: *Statistical yearbook of the Republic of Moldova, 2002*

It was only starting with the 2000s that market economic relations began to consolidate, and the economic situation started to stabilize. In this situation, wages also began to register a spectacular growth trend. Thus, from 2000 to 2023, salaries increased from 407.9 lei to 12209.2 lei, i.e. about 30 times (Figure 1).

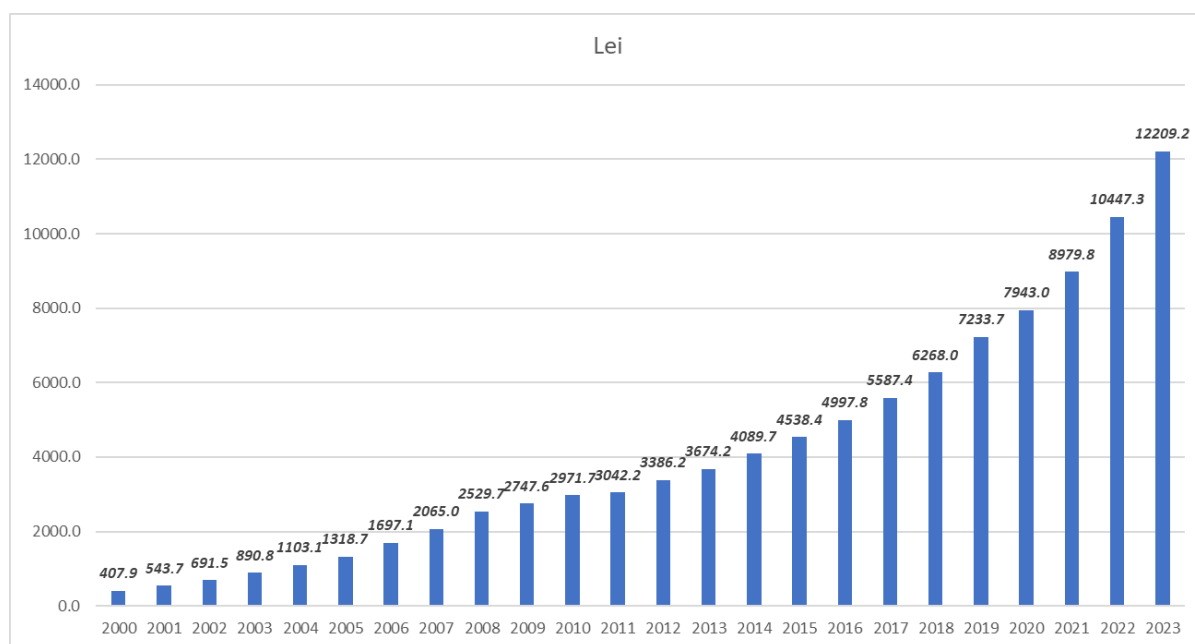


Figure 1. Average monthly salary in the Republic of Moldova, 2000-2023, lei

Source: *National Bureau of Statistics*

However, the same cannot be said regarding the evolution of the standard of living and the quality of life of employees in the Republic of Moldova. The well-being of the population has not progress at the same pace as the evolution of wages. In order to mitigate the existing discrepancies between the evolution of wages and the standard of living expressed by the minimum consumption budget, a new benchmark was developed to measure

the well-being of the population, i.e. the minimum of decent standard of living of the population, namely *the minimum of existence*, which should to be more "realistic" for the existing economic conditions in the Republic of Moldova, than that of the minimum consumption budget.

It should be noted that the value of the subsistence minimum cannot cover all the needs of the population to ensure a decent standard of living. Its use as a benchmark in setting the minimum wage per country led to the fact that about one fifth of the *employed population* fell into poverty [6].

Against the backdrop of the increase in average wage levels, the cost of living of citizens, expressed at that time through this minimum of existence, also increased. From table 2 it can be observed that the average wage in the economy has exceeded the subsistence minimum only since 2002, constituting 691.5 lei compared to 538.4 lei, and the minimum wage in both the real and budgetary sectors of the economy, as a benchmark of social protection of workers was much lower than the subsistence minimum, exceeding it, respectively, only in 2014 in the real sector and in 2021 in the budget sector (table 2, 3).

In a way, the level of salaries in that period reflected the degree of development of the economy of the Republic of Moldova and the level of labor productivity in that period. Wages were low because the level of labor productivity was also extremely low. It should be mentioned that the wages of the workers in the Republic of Moldova, for the most part, were anyway very close in size to the minimum wage, and they could not in any way ensure a decent living for the population. Only through the gradual increase of the minimum wage, as a result of the tripartite negotiations between trade unions, employers and the state, the welfare of workers could increase (Table 2, 3).

Table 2. Evolution of the average wage in the economy, the minimum wage and the minimum wage, 2001-2012, lei

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
The existence minimum	468.7	538.4	628.1	679.9	766.1	935.1	1099.4	1368.1	1187.8	1373.4	1503	1507.5
The average wage in the economy	543.7	691.5	890.8	1103.1	1318.7	1697.1	2065.0	2529.7	2747.6	2971.7	3042.2	3386.2
The minimum wage in the real sector, lei	550	700	700	700	700	700	900	900	900	1100	1100	1300
The minimum wage in the budget sector, lei	100	100	100	100	100	200	400	400	400	600	600	600

Source: National Bureau of Statistics

However, according to the table 3, it can be seen that the share of the minimum wage in the total monthly average wage in the economy ranged between 15.9% in 2013 and 32.7% in 2023. Therefore, there were categories of employees who had wages well above the minimum wage, which generated social inequalities between different groups of people based on their place of residence, specialization or profession, or the form of ownership of the companies in which these individuals worked.

Table 3. The existence minimum, the minimum wage in the budget sector and the real sector of the economy, 2013-2023, lei

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
The existence minimum	1612.3	1627.1	1734.1	1799.2	1862.4	1891.0	2031.2	2088.4	2154.0	2628.4	2877.1
The minimum wage in the real sector, lei	1400	1650	1900	2100	2380	2610	2775	2775	2935	3500	4000
The minimum wage in the budget sector, lei	200	400	400	1000	1000	1100	2000	2000	2200	3500	4000
The average monthly salary in the economy	3674.2	4089.7	4538.4	4997.8	5587.4	6268.0	7233.7	7943.0	8979.8	10447.3	12209.2
Share of the minimum wage in the average monthly wage %	15,9	24,0	21,7	19,7	17,5	15,5	37,7	34,2	32,2	33,5	32,7

Source: National Bureau of Statistics

It should be noted that the situation in the budgetary sector was even more critical than in the real sector of the economy. The minimum wage was much lower in the budget sector compared to that in the real sector of the economy, which determined both a lower standard of living for budget workers and an enormous fluctuation of them. They were leaving the public sector either for a job in the real economy sector or to work abroad. This has generated an enormous shortage of workers in some areas of the budget sector (Table 3). All this also led to the fact that a large part of active workers in the national economy lived in poverty. This fact is reflected in the multiple studies on poverty from Republic of Moldova [7].

It should be mentioned that together with the development of the methodology for calculating the the minimum subsistence level, in the context of the implementation of the Strategy for Economic Growth and Poverty Reduction 2004-2006 [6], the official methodology for measuring the level of poverty in the Republic of Moldova was also developed. According to this methodology, a person is considered poor if the sum of his monthly consumption expenses is lower than the absolute poverty threshold. According to table 4, it can be seen that the absolute poverty threshold from 2006 to 2014 evolved from 747.4 lei in 2006 to 1257.0 lei in 2014, the value of which is not as low as the subsistence minimum in those years (935.1 lei in 2006 compared to 1650 in 2014) (table 4, 3). The poverty rate, calculated according to the official poverty thresholds of those years, decreased significantly, from 30.2% in 2006 to 11.4% in 2014. This evolution of poverty did not even remotely reflect the real situation of poverty in the Republic of Moldova in those years.

Table 4. Poverty indicators 2006-2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Absolute poverty threshold (lei)	747,4	839,3	945,9	945,9	1015,9	1093,1	1143,4	1196,0	1257,0
Absolute poverty rate (%)	30,2	25,8	26,4	26,3	21,9	17,5	16,6	12,7	11,4
Depth of absolute poverty (%)	7,9	5,9	6,4	5,9	4,5	3,2	2,9	2,0	1,5
Severity of absolute poverty (%)	3,0	2,1	2,3	2,0	1,4	1,0	0,8	0,5	0,3
Extreme poverty threshold (lei)	404,2	453,9	511,5	511,5	549,4	591,2	618,4	646,8	679,8
Extreme poverty rate (%)	4,5	2,8	3,2	2,1	1,4	0,9	0,6	0,3	0,1
Depth of extreme poverty (%)	1,0	0,5	0,5	0,4	0,3	0,1	0,1	0,0	0,0
Severity of extreme poverty (%)	0,4	0,2	0,1	0,1	0,1	0,0	0,0	0,0	0,0

Source: Information note *POVERTY IN THE REPUBLIC OF MOLDOVA 2015*, nota informativa saracia 2015.docx

It should be noted that against the background of the rather high poverty rate (21.9% in 2010), there were also quite a large number of active workers employed in the labor field below the poverty line. In 2010, around 44.9% of employees in the agricultural sector, 10.1% of employees in the non-agricultural sector, and 36.5% of self-employed workers in the agricultural sector were below the poverty line. Against the backdrop of the decrease in the poverty rate, these workers were, anyway, quite numerous: in 2014, around 27.1.9% of employees in the agricultural sector were below the poverty line, 4.7% of employees in the non-agricultural sector, 21.2% of workers on own account in the agricultural sector (Table 5). This table shows how urgent it is to solve the problem of the "working poor" and how numerous they are. Indeed, most of the *working poor* are active in the agricultural sector. However, failure to resolve the issue in a timely manner will lead to an increase in the shortage of agricultural workers. According to the statistical data [9] from that period, it is noted that about 70% of all labor migrants are from the countryside and practice agricultural work.

Table 5 Poverty rate according to the socio-economic status of the household

	2010	2011	2012	2013	2014	2014
Employees in the agricultural sector	44,9	32,4	37,1	31,3	25,5	27,1
Employees in the non-agricultural sector	10,1	7,6	6,9	5,9	6,8	4,7
Self-employed workers in the agricultural sector	36,5	33,6	27,8	21,7	19,8	21,2
Retirees	28,1	22,3	22,6	14,7	14,6	10,1

Sursa: Information note POVERTY IN THE REPUBLIC OF MOLDOVA 2015, nota informativa saracia 2015.docx

Considering that the methodology used to measure poverty did not reflect the realities of those years, there was a need to revise the methodology for estimating the poverty threshold in the context of the socio-economic evolution in the country over the last 10 years. The structure of the population's incomes and expenses has changed, but also the culture and consumption pattern of the population. These premises were the basis of the recalculation of the poverty threshold established in 2006, given that it did not reflect the real situation in the country. In the developing of the methodology, the changes that were made in the *Household Budget Research* (CBGC), the basic instrument for measuring both the level of poverty and the subsistence minimum, were taken into account.

Table 6. Evolution of the poverty threshold in the Republic of Moldova, 2014-2022, lei

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Absolute poverty threshold (lei)	1558,6	1709,8	1819,2	1939,3	1998,4	2095,1	2174,1	2285,2	2942,0	3 336,8
The existence minimum	1627.1	1734.1	1799.2	1862.4	1891.0	2031.2	2088.4	2154.0	2628.4	2 877,1
Absolute poverty rate (%)										
Total per country	29,5	25,4	26,4	27,7	23,0	25,2	26,8	24,5	31,1	31,6
Urban	15,6	11,2	11,6	11,8	10,6	11,2	14,0	11,9	17,1	17,7
Rural	39,5	35,6	37,1	38,8	31,6	34,5	35,3	32,8	40,3	42,0

Source: National Bureau of Statistics.

According to the new methodology for calculating the poverty threshold, although it has become very close in size to the subsistence minimum (1558.6 lei compared to 1627.1 lei in 2014), the poverty level has increased significantly. This adjustment of the poverty line led to an increase in the poverty rate in 2014 from 11.4% to 29.5% in 2019. This indicates how vulnerable the economy of the Republic of Moldova is and that a large part of the population lives on one income very close to the poverty line, and a simple, insignificant increase in the

poverty threshold resulted in such a significant rise in the poverty rate, by two and a half times. Table 6 shows that the poverty rate calculated according to the new methodology in the period 2014-2023 fluctuated between the values of 29.1% and 31.6%. It is noted that in the rural areas, the poverty situation is even more critical – the poverty rate in the reference period 2014-2023 has evolved from 39.5% to 42.0% (Table 6).

Using the new methodology for calculating the poverty line, the number of *working poor* became even higher. According to Figure 2, which reflects the poverty rate by the main source of income of the head of the household, in 2019, the year when the new poverty measurement methodology was implemented, a significant increase in poor workers is observed: Employees in the agricultural sector - 43.2%; Employees in the non-agricultural sector – 11.9%; Self-employed in the agricultural sector – 22.0%; Self-employed in the non-agricultural sector – 22.0% (see Figure 2).

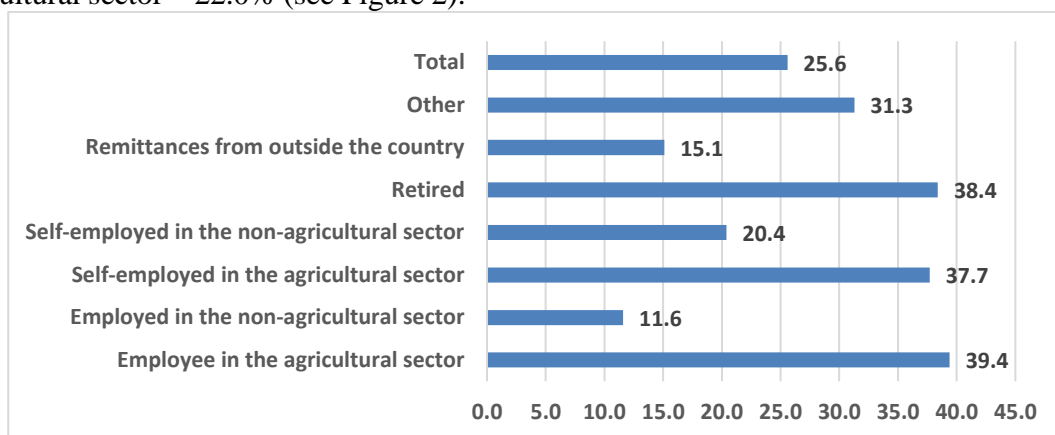


Figure 2. Poverty rate according to the main source of income of the head of the household

Source: National Bureau of Statistics.

The expansion of the number of working poor, especially in the agricultural sector, actually explains the degradation of the occupational indicators in the Republic of Moldova, which during the last years, regardless of the efforts made by the public authorities to improve the situation on the labor market, do not register any growth. The evolution of the situation of poor workers in the reference period 2014-2023, shows that big changes in increasing their well-being have not happened.

Table 7. Absolute poverty rate by the main source of income of the head of the household, 2014-2023, %

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
The wage in the agricultural sector	51.5	50.1	51.9	42.7	39.9	43.2	37.9	35.1	39.2	41.3
The wage in the non-agricultural sector	19.5	14.9	14.6	14.9	12.0	11.9	14.5	12.9	19.1	19.2
Individual agricultural activity	46.5	44.1	46.1	54.0	42.2	38.4	35.4	36.5	42.5	50.9
Individual nonm-agricultural activity	22.0	19.1	19.2	21.0	17.9	22.0	25.1	17.1	30.4	26.8
Retirees	37.7	29.8	32.7	34.6	28.9	38.3	39.5	38.2	45.8	46.1
Transfers from outside the country	21.7	21.2	18.9	21.9	19.7	16.1	25.3	18.2	20.8	21.1
Others	46.0	40.0	43.6	48.4	51.8	46.2	48.8	46.3	58.5	57.8

Source: National Bureau of Statistics.

Such a situation is unacceptable. A plausible solution for increasing the wages of the working poor would be a gradual increase in the minimum wage. Or, in addition to the fact that the value of the minimum wage, being close to the poverty threshold, leads to the spread

of the risk of poverty among the employed population. This situation would also lead to a strong reduction of occupational indicators, respectively, to a worsening of the situation related to social security, to an even greater intensification of international labor migration with all the consequences related to it (worsening of the demographic situation, accelerated aging of the population, etc.), as well as compromising the functionality of the national economy and slowing down the pace of development.

Therefore, raising the minimum wage would lead to an increase in the standard of living of the working poor, reduce wage inequalities, increase worker motivation, reduce poverty and state spending on social protection, and reduce social exclusion and informal employment.

On the other hand, an unjustified increase in the minimum wage, and consequently in wages, that does not correlate with the level of labor productivity or with the budgetary possibilities of the state, can lead to unpredictable situations regarding the economic situation in the country: inflationary increases, higher costs in creating new jobs, unemployment, especially among young people, etc.

However, at the country level, the situation regarding the distribution of employees according to the amount of salaries is not so critical. In 2014, the number of people who received a salary below the poverty threshold (1558.6 lei) is about 12% (Figure 3). At the same time, the question arises as to how relevant this appreciation is and to what extent it correlates with the size of the cost of living.

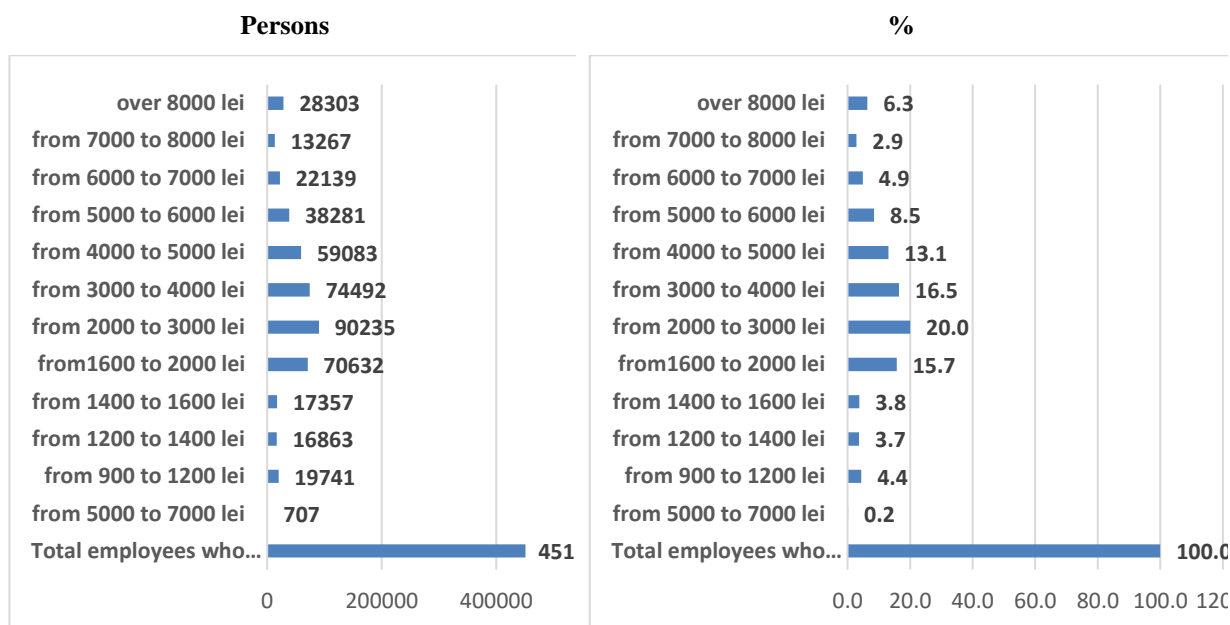


Figure 3. Distribution of employees according to the size of the salary calculated for the month of September 2014

Source: National Bureau of Statistics.

In the Republic of Moldova, there are no other practices for estimating the cost of living than calculating the subsistence minimum. However, various international centers focused on estimating the cost of living (Expatisan, Numbeo, US State Department), including in the Republic of Moldova show that it is much higher depending on the existing prices. Thus, according to Numbeo data [21], in 2023 the cost of living for a family in the Republic of Moldova composed of four people (two adults and two children) is estimated at 35,223.2 lei without rent. The estimated monthly costs for a single person are 10,666.4 lei without rent. The cost of living in the Republic of Moldova is, on average, 52.6% lower than in the United States.

Rent in the Republic of Moldova is, on average, 79.1% lower than in the United States [22]. This data is quite useful in comparative analyzes of the cost of living in different countries and can represent a strong argument in tripartite minimum wage negotiations.

During the next 9 years, the situation of employees in the Republic of Moldova improved significantly. Wages have risen above the subsistence level and the poverty rate. Thus, according to figure 4, only 3.6% of employees had salaries of up to 4000 lei and 4000 lei (Figure 4).

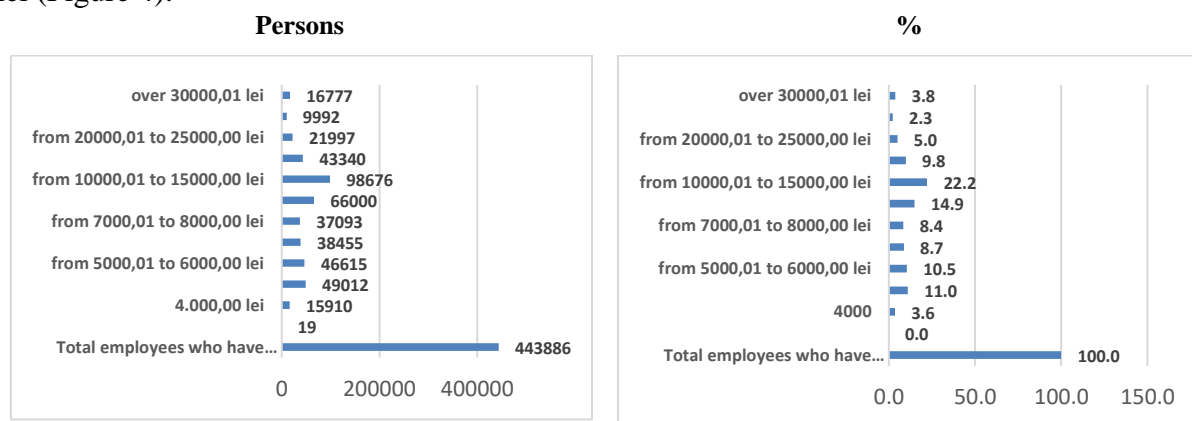


Figure 4. Distribution of employees according to the size of the salary calculated for the month of September 2023

Source: National Bureau of Statistics.

However, it cannot be said that the wage level meets welfare standards comparable to those in European countries. The Republic of Moldova continues to be classified as the poorest country in Europe, respectively, with the lowest level of wages. Table 8, reflects the salary situation in European countries.

Table 8. Average hourly wages in European countries

Country	Average hourly wages	Country	Average hourly wages
Norway	41.7	Malta	14.0
Sweden	26.3	Denmark	42.0
Finland	30.5	Poland	11.9
Luxemburg	47.2	Austria	30.0
Ireland	39.5	Estonia	11.4
Portugal	13.7	Lithuania	14.0
Spain	18.2	Latvia	10.7
France	28.7	Greece	22.6
Italy	21.5	Bulgaria	8.1
Iseland	21.5	Romania	10.4
Germany	31.6	Hungary	11.0
Belgium	36.3	Czech Republic	13.6
Netherland	33.0	Croatia	12.7
Slovakia	12.5	Slovenia	21.9

Source: https://bani.md/harta-salariilor-in-europa-moldova-e-la-coada-clasamentului/?feed_id=36379&unique_id=661a6d9416207

Analyzing the levels of average wages in European countries with those in the Republic of Moldova, for a large part of poor workers there is the temptation to go on the labor migration to these countries. Moreover, the intensification of international labor

migration will inevitably lead to the degradation of the human potential of the Republic of Moldova, which will be very difficult to recover.

In general, the wage is formed as a result of the confrontation between the demand and the supply of labor on the labor market. In the case of a clear surplus of supply over the demand for labor, the amount of the salary tends to decrease, and for employees on the lower levels this amount can fall below the limit of ensuring a decent standard of living. In such situations, the need for state intervention has arisen in order to ensure social protection of the most exposed categories of employees. By negotiating the minimum wage between the social actors on the labor market, its alignment with a certain minimum level of decent living is ensured.

Conclusions

Currently, the Republic of Moldova is characterized by an extremely low level of wages that generates a wage labor crisis and is manifested by the emergence and expansion of the working poor class, who are tempted to migrate for work in other countries.. This fact also leads to the degradation of the situation on the labor market;

Due to low wages, some economic sectors face an acute shortage of qualified personnel, and staff turnover and difficulties in hiring employees lead to an increase in work intensity, without this being accompanied by a commensurate increase in employee incomes;

Against the background of low wages, employers are willing to pay part of the of the compensation "under the table," leading to the expansion of the informal sector of the economy. Under these conditions, companies that practice legal remuneration are at a competitive disadvantage (bearing higher costs);

The low level of wages, which, respectively, also determines a low level of population consumption, It presents a significant obstacle to the growth of industrial production and aggregate demand;

Setting a minimum wage level that correlates with strong arguments related, on one hand, to the cost of living and, on the other hand, to the possibilities of the national economy, would lead to an increase in the standard of living of the population, including the working poor, and to the assurance of social justice. This would contribute to the increased functionality of the labor market and the national economy as a whole.

As a solution in combat the phenomenon of of the working poor would also attract the foreign investments necessary for the creation of new productive and well-paid jobs. The creation of these new jobs must be accompanied by an increase in spending on professional training for future candidates to fill these new productive and well-paid jobs. This process would lead to the reduction of international labor migration and the stimulation of return migration of those who have already left.

Acknowledgement

This paper was developed within the framework of Subprogram 030101 „Strengthening the resilience, competitiveness and sustainability of the economy of Republic of Moldova in the resilience, competitiveness, and sustainability of the Republic of Moldova in the context of the accession process to European Union, institutional funding.

References

The law on wages nr. 1306 din 25 februarie 1993, [HP1306/1993](#)

The law on wages, nr. 847 - XV , din 14 februarie 2002, [Legea Salarizării în Republica Moldova №847 din 14.02.2002 cu schimbări 2022](#)

- LAW No. 270 of 23.11.2018 regarding the unitary salary system in the budget sector.
<lex.justice.md/md/378184/>
- National Employment Program 2022-2026 particip.gov.md/ro/download_attachment/17245
- National development strategy "European Moldova 2030" intr40_12_0.pdf (gov.md)
- Economic growth and poverty reduction strategy, 2004-2006, SCERS_ro.doc
- Empirical evaluation of the minimum wage for an evidence-based social dialogue in the Republic of Moldova, Chisinau, ILO, 2023
- Aspects regarding the standard of living of the population of the Republic of Moldova (results of household budget research), Chişinău, 2023
- The workforce in the Republic of Moldova. Employment and Unemployment, 2009 Edition, NBS, <Forța de muncă în Republica Moldova. Ocupare și șomaj, edițiile 2008-2024>
- Alic Bîrcă , " Paying staff " , Chişinău , 2001.
- Iurie Morcoțîlo, The minimum wage: between economic efficiency and social equity. Economic analysis and forecast document, Chishnau, Expert-grup, 2015. 1334_6c7d03559ddf4949b348f75d95fd1555 (expert-grup.org)
- Marcel Spatari, Ștefan Guga, *The situation of employees in the Republic of Moldova: a structural crisis*, Syndex, 2019, p.48, [Syndex_-
Situatia Salariatilor din Republica Moldova O Criza Structurala 1 .pdf](Syndex_-_Situatia_Salariatilor_din_Republica_Moldova_O_Criza_Structurala_1.pdf) (fes.de)
- [Minimum wage - Wikipedia](Minimum_wage_-_Wikipedia), [Минимальный размер оплаты труда — Википедия](Минимальный_размер_оплаты_труда_—_Википедия) (wikipedia.org)
- The workforce in the Republic of Moldova. Employment and unemployment, 2022. Labor Force Surve, BNS, FM_editia_2022.pdf (gov.md)
- Statistical yearbook of the Republic of Moldova 2002, [Anuarul Statistic al Republicii Moldova](Anuarul_Statistic_al_Republicii_Moldova), edițiile 2002-2023
- Statistical yearbook of the Republic of Moldova 2021, [Anuar statistic editia 2021.pdf](Anuar_statistic_editia_2021.pdf) (gov.md)
- BNS, Labor Force Survey, 2023, [Populatia ocupata pe Statut profesional, Grupe de virsta, Nivel de instruire, Ani, Sexe și Medii](Populatia_ocupata_pe_Statut_profesional_Grupe_de_virsta_Nivel_de_instruire_Ani_Sexe_si_Medii). PxWeb
- Evlampie DONOS, Minimum Wage - Trends and Realities Intellectus, 2/2022, CZU: 331.23 <https://doi.org/10.56329/1810-7087.22.2.13>
- [Cost of Living in Moldova. Prices in Moldova](Cost_of_Living_in_Moldova.Prices_in_Moldova). Updated Nov 2023 (numbeo.com)