

# THE LABOR MARKET IN THE RURAL AREA OF THE REPUBLIC OF MOLDOVA

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## Abstract

Any economic activity, under the conditions of a market economy, objectively associates the factor of production capital, with another essential factor, the labor factor, which is obtained through the labor market, thus constituting a market economy subsystem. The labor market is one of the most important elements of the market economy. The functioning of the labor market is influenced both by the economic factors and by the social-institutional nature. Economic factors are especially important for labor demand. Labor supply is modeled at the same time by economic factors (salary level as the price of this factor), but also by factors with a social or institutional coloration.

**Key words:** rural area, workforce, employed population, unemployment, migration.

In the last decade, the labor market situation in the Republic of Moldova is accompanied by profound imbalances, which are manifested both by the increase of unemployment and the inefficient use of the labor force, the decrease of the labor productivity and the reduction of the real wages of the employees. Equally, there is no effective correlation between productivity, qualification and salary level, which is negatively reflected on the socio-economic situation of workers.

We mention that the employment situation in rural areas is much more difficult than in urban areas. Most of the rural population is employed either in agricultural (informal) activities or in public activities, which have a fairly low share, and wages depend on the limited possibilities of local budgets that cannot provide the necessary income for a decent living. The economically active population in rural areas is practically facing a dilemma: accepting a job that brings a modest and insufficient income to recover the labor force or emigrate to the urban environment in order to get a job more favorable to go abroad looking for a more attractive and better paid job.

## MATERIAL AND METHOD

The methodology is based on the theories and concepts of classical and neoclassical liberals, the visions of K.Marx, L.Walras, J.M.Keynes and contemporary scholars in the field of labor market,

as well as the analysis of specialized literature. From the series of scientific research methods were used: comparative and structural analysis, synthesis, induction, deduction, historical and logical method, methods of statistical data processing, and other methods. The information base used in the drafting of the article includes national legislative and normative sources related to the rural labor market, data from the National Bureau of Statistics, in particular data from Labor Force Survey, as well as data from the National Employment Agency; Reports and studies of "Expert - Grup" analytical centers, IDIS "Viitorul", Institute for Public Policy; websites of international organizations.

## RESULTS AND DISCUSSIONS

The labor market cannot be considered as a market for any other commodity, because it is a market with the narrowest margin of spontaneity. The labor market is not homogeneous, but consists of segments on business areas, economic areas, trades, qualification levels, etc. In this respect, one can disting:

- The local labor market as a geographical subdivision with peculiarities, costs, mobility, etc., which distinguish it from other markets
- The external labor market is a subdivision that refers to a certain number of workers, each available or potentially available to fill the jobs offered by the competition. The behavior of those acting on this market and

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their decisions are rational and based on economic variables;

- The internal labor market is a subdivision of the labor market where demand and supply of labor are internal to each firm and directly accessible to the external labor market. This market concerns the employment of different jobs (functions) by promotion, transfer or competition within the enterprise (Cojuhari A., 2012).

The rural environment, as opposed to the urban one, has some specific criteria and characteristics:

- a) the economic criterion, which is characterized by the dominance of the agrarian activities and the processing industry, and the rural space has as a specific function the agricultural production;
- b) the social criterion, characterized by a specific way of life, a behavior and a system of values distinct from the urban environment;
- c) the geographical criterion, which differs essentially by the way of occupying the space, the way of habitation, etc.

Among the main characteristics of the rural environment can be mentioned:

- ✓ The rural environment is a production area where the activities of the primary sectors have a high share. The rural population is

often included in both agricultural and non-agricultural activities;

- ✓ Population density in rural areas is low, which provides more limited and humanized human settlements;
- ✓ The rural environment, in terms of landscape, flora, fauna, folk customs, is incomparably more beautiful and appreciated than the urban one;
- ✓ Rural way of life, customs traditions form together the culture of village villages; (Bold I., 2003).

The particularities of agricultural activity influence the rhythm and the living standard of the rural inhabitants.

In the Republic of Moldova the majority of the population lives in rural areas. This fact is maintained at about the same level over the last 8 years (*table 1*). As proof, the following statistical data speak: rural population in 2009 amounted to 2,991.4 thousand people and constituted 58.5% of the total population, and in 2016 - 2042.0 thousand persons or 57.5% of the total population. This distribution of population by place of residence has major implications for employment policies, both for the creation of jobs in rural areas and in the alternative production sectors of agriculture.

Table 1

**Stable population dynamics by average, January 1**

Years	Number of population, thousands of inhabitants			Percentage of total	
	Total	Urban	Rural	Urban	Rural
2009	3 567.5	1 476.0	2 091.4	41.5	58.5
2010	3 563.7	1 476.7	2 087.0	41.4	58.6
2011	3560.4	1 481.7	2 078.7	41.6	58.4
2012	3 359.5	1 485.7	2073.8	41.7	58.3
2013	3 559.5	1 493.2	2 067.3	41.9	58.1
2014	3 557.6	1 503.0	2 054.6	42.2	57.8
2015	3 555.2	1 507.3	2 047.9	42.4	57.6
2016	3 553.1	1511.1	2042.0	42.5	57.5

Source: calculated by authors based on data NBS

There are also essential disparities in the distribution of stable population by tertiary environment, which influences the labor market in rural areas. Nearly half of the urban population is concentrated in the Chisinau municipality, and the highest share of the rural population is located in the Center area (80.4%) and in the SUD area (73.5%). The share of the rural population (80-90%) in the Falesti, Anenii Noi, Criuleni, Hancesti, Ialoveni, Soldanesti, Telenesti, Cantemir, Stefan Voda districts is high, and in districts with 70-80% of the republic.

Another specific feature of the labor market in the Republic of Moldova is the fact that the rural population occupies the highest share in the migration. In 2015 the total number of emigrants

constituted 325.5 thousand persons, of which 223.9 thousand persons came from rural localities (68.8%). About the evolution of the population emigration from the Republic of Moldova confess the statistical data. Emigration is particularly affecting young people who, after graduating high schools and general education schools, want to continue their studies in secondary and higher education institutions and who, after their graduation, do not return to their home country. The average age of migrants is 34 years.

This situation can be considered more alarming if unofficial information, which shows a much larger number of people from rural areas abroad looking for a job, has been taken into account.

The aggravation of the demographic situation, which continues to indicate worrying features. The evolution of the demographic

processes in the last years is characterized by the following main indicators of the natural movement of the population (*table 2*).

Table 2

	Alive births			Deaths			Natural growth		
	total	urban	rural	total	urban	rural	total	urban	rural
<b>2009</b>	11.4	10.1	12.4	11.8	9.0	13.8	-0.4	1.1	-1.4
<b>2010</b>	11.4	10.2	12.2	12.3	9.1	14.5	-0.9	1.1	-2.3
<b>2011</b>	11.0	9.8	11.8	11.0	8.4	12.9	0.0	1.4	-1.1
<b>2012</b>	11.1	10.0	11.9	11.1	8.6	12.9	0.0	1.4	-1.1
<b>2013</b>	10.6	9.3	11.6	10.7	8.4	12.4	-0.1	0.9	-0.8
<b>2014</b>	10.9	9.3	12.0	11.1	8.7	12.9	-0.2	0.6	-0.9
<b>2015</b>	10.9	9.0	12.3	11.2	8.8	13.1	-0.3	0.2	-0.8

Source: calculated by authors based on data NBS

In 2015 there was an insignificant decrease in the number of live births by 0.1%, the birth rate being 10.9 live births per 1000 inhabitants. Overall mortality increased by 1% compared to last year, with mortality rates of 11.2 deaths per 1000 inhabitants. The mortality rate by classes of causes of death reveals that most deaths (57.7%) are due to the diseases of the circulatory system, malignancies are 15.2%, 9.4% of the diseases of the apparatus, the accidents, the intoxications and trauma - 6.9%, respiratory diseases - 4.6%, other classes - 6.2%. The natural increase of the population in 2015 constituted in the Republic of Moldova - 0.2 per 1000 inhabitants. The lowest negative level of natural population growth per 1000 inhabitants was recorded in the districts of Donduseni - 7.4, Ocnita - 6.7, Briceni -6.3, Edineț - 4.3, Drochia - 3.5, Soroca - 2 , 9, Florești - 2,7, Râșcani - 2,6, Cimișlia -2,5.

In our opinion, in a medium and sustainable perspective, we will have the prevalence of the elderly on the number of active people on the labor market. Due to unprecedented changes in the demographic structure, the RM faces massive socio-economic transformations because they involve a series of challenges: lower labor market supply, increased pressure on financial and human resources in the health system, social security, the quality of life after retirement. The effects of aging are also felt for the reason that the burden falling on the shoulders of the working population, which declines firmly in the context of the demographic crisis, increases. (Dorofeeva L., 2015)

Taking into account the above-mentioned specific features, we can mention that the demographic situation in the rural environment is considered as critical both for the moment and for a longer perspective, and an improvement of this requires enormous efforts both from the local population, from the local public authorities, as well as from central public authorities and civil society as a whole.

## CONCLUSIONS

Taking into account the requirements of the market economy, we can predict the following consequences:

- labor demand in Moldova will expand in parallel with the growth and modernization of the economy and society;
- changing the economic climate will also lead to important qualitative changes in labor demand both in urban and rural areas;
- increase demand for skilled labor and reduce demand for low or unskilled workforce.

As a result of the signing of the Association Agreement with the European Union, Moldova has a chance to become a more attractive destination for foreign direct investments and as a location for the regional subdivisions of multinational companies. Taking into account the relative advantages of the Republic of Moldova at the moment and in the foreseeable future, these companies will specialize in the production of agricultural goods, food industry, international trade, business and logistics services, assembling of electronic and mechanical equipments. The emergence of new jobs will lead to raising the standard of living of the population and the prosperity of the country as a whole.

In the field of labor market regulation in rural areas, the following recommendations are proposed to the Ministry of Regional Development and Environment, the local public administration bodies:

- \* developing strategic policies to support small businesses;
- \* creation of optimal agricultural enterprises; implementation of European quality standards and assortment of products;
- \* development of non-agricultural activities in rural areas; providing technical and financial support from international donors;

\* improving the legal framework for supporting the small business;

\* the transparency of the founding of agricultural enterprises based on market principles;

\* development of family businesses, which would generate new job creation and substantially reduce the emigration of the young labor force;

\* elaboration of strategic plans for sustainable development of rural localities aimed at improving the production and social infrastructure in rural areas: road rehabilitation and national and local road networks; expanding consumer access to information, postal and telecommunication services; improving tourism infrastructure; development of centralized water supply and sewerage services; the development of infrastructure in the social sphere

\* development of public-private partnership: application of various forms of public-private partnership in rural areas; developing a national concept of public-private partnership; elaboration of the legislative and normative framework regarding the implementation of the public-private partnership in rural areas;

\* Improvement of the motivation system of work: elaboration and implementation of a new salary system based on the individual performances of the employees, including the employees of the rural sector; elaboration and

implementation of individual performance benchmarking criteria used in non-tariff payroll systems; the elaboration and implementation of the single rules and the type-of-work norms (interramural, branch and professional).

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