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**Session 2– Invited paper**

**DECENT WORK IN MOLDOVA: STATISTICAL INDICATORS**

Submitted by Department for Statistics and Sociology, Republic of Moldova\*

1. The Republic of Moldova is one of the countries where the Project “Statistical Indicators of Decent Work: Techniques and Peculiarities of Measurement in Moldova” was implemented with technical and methodological support of the ILO.
2. The main objective was, on one hand, to test in practice the ILO-recommended indicators, and, on the other hand, to identify the set of indicators of decent work, which are characteristic and acceptable for our country taking into account national peculiarities.
3. Another project objective was to improve the informational database on labour market in order to determine the methodological scope and directions of statistical measurement and analysis of *decent work* issues, as one of the factors ensuring decent life and poverty reduction in Moldova.
4. We set up a kind of “inventory” of existing indicators, their sources and methods for collection in order to establish their correspondence to ILO indicators. For these purposes, we used to some extent all existent sources of statistical information: business surveys, household budget survey, systems of national accounts, administrative data. However, the main source was

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Labour Force Survey (LFS), which has been carried out quarterly and continuously in Moldova since Quarter IV 1998, according to international recommendations.

5. ILO suggested 30 key indicators, grouped by 10 essential characteristics, which are considered important components of decent work worldwide. These 10 characteristics are completed by the 11<sup>th</sup> group of indicators, which summarizes the key aspects of socio-economic context of decent work and which includes 7 additional indicators (37 in total).

6. We combined the ILO recommended indicators into 3 groups: a) available in our statistical stock and in line with international recommendations (24); b) not available, but obtainable from existent sources (9); and c) not available and their obtaining depends on a series of objective reasons and barriers (4). These are poverty-related indicators (no poverty line has been officially established in the country and the system of statistical indicators is under development), data on strikes and lockouts (no statistics available at the moment), and scope of insurance in case of occupational accidents (no statistics).

7. To enlarge the possibilities of informational database for the analysis of *decent work* aspects, an LFS module on Decent Work (DW) was developed in cooperation with the ILO, which was composed of two parts: *Main Module (26 questions)* and *Child Labour (9 questions)*. Taking into account that *Child Labour Survey* has not been carried out yet in the Republic of Moldova, we agreed with the expert to develop an additional questionnaire to *Decent Work Survey*, containing questions on the economical activity of children aged 5-14 years, because the information on employment of persons aged 15-17 years is collected from the main LFS<sup>1</sup>.

8. *The Main DW Module* contains questions, which either do not exist in LFS or complete the existent questions. These are questions identifying the reasons why respondents work more than 40 hours per week, their willingness and readiness to work more time, reasons why they want to change their main job or have another job, trade union membership, vocational training, amount and timelines of wage payment, working conditions, combination of work and family responsibilities etc.

9. The questionnaire on *Child Labour* contains questions regarding child labour incidence, occupational status, reasons constraining children to work, duration of working time, and the extent to which children's economical activity affects their studies.

10. The DW questionnaires were tested in Quarter IV of 2003, the pilot survey was conducted in Quarter I of 2004, and the results were analyzed together with an ILO expert. It was possible to analyze a lot of indicators in dynamics (over the years of LFS conduct) and identify the outlined trends. We have prepared the draft Report on Decent Work in Moldova and Statistical Indicators and we plan to present it to the main users at the Joint DSS-ILO Seminar that will be organized this year.

11. Hereinafter some indicators of *Decent Work* in the Republic of Moldova are analysed. The following key labour characteristics may be remarked:

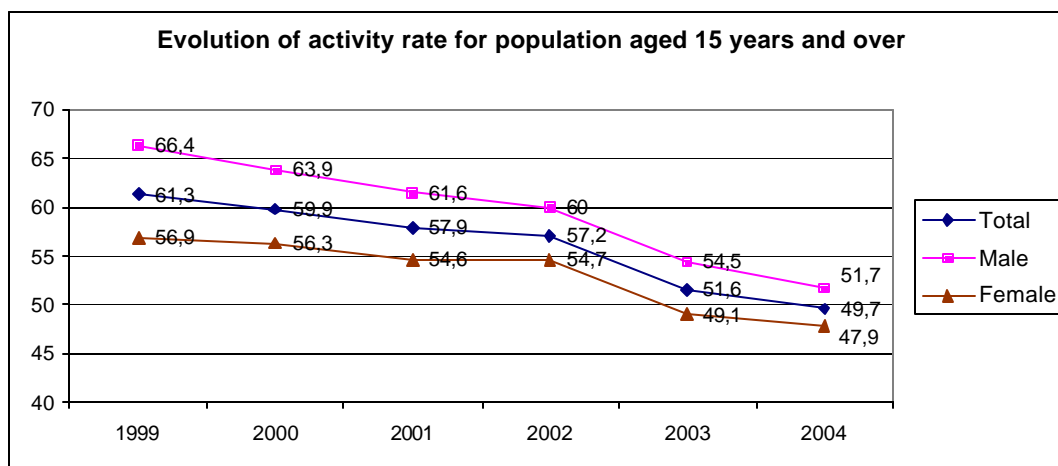
- ***Continuous decrease of economical activity rate, including the population's employment rate.*** In 2004 the economically active population of the country was 1,433 thousand

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<sup>1</sup> According to the 182<sup>nd</sup> ILO Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, the term "child" is applied to all persons aged under the age of 18.

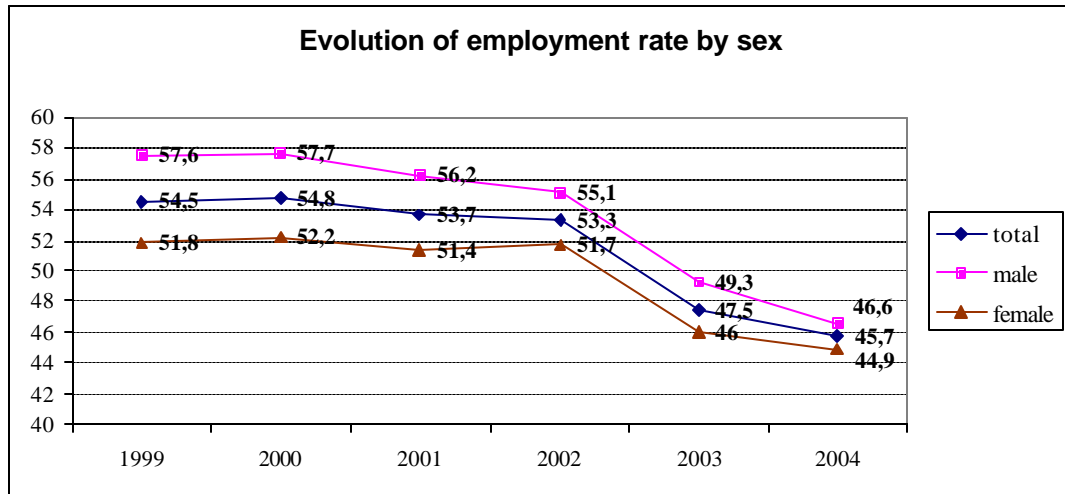
persons in which 96.1% were of working age (15-64 years). The share of young people (15-24 years) was 10.9%, adults (25-49 years) 63.3% and elderly people (aged 50 years and above) 25.8%. Since the LFS launching, the number of economically active population diminished by 15%, decreasing on average by 3.9% every year. The impact of decreasing total country population over the same years is insignificant as the economically active population decreased mainly due to the diminishing population employed in the economy.

12. The *activity rate* of population aged 15 years and over was 49.7% in 2004 compared to 61.3% in 1999. Adult population (25-49 years) had the highest rates (68.9%) compared to other age groups. Youth (15-24 years) and elderly people (50 years and above) had much lower rates (22.6% and 42.4% respectively). The activity rate of the population of working age (15-64 years) was 54.8%.

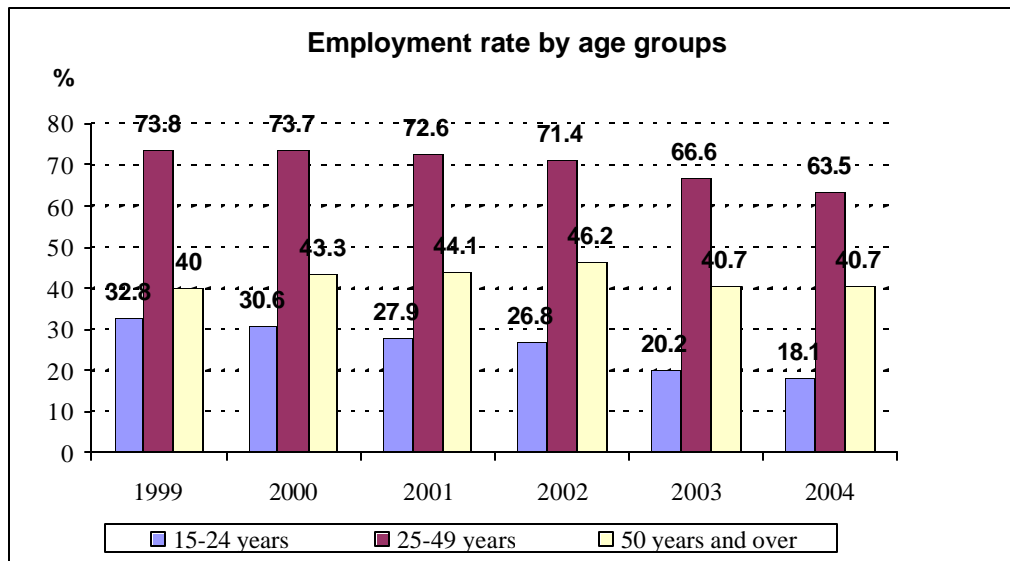


13. When comparing the structure of active population by level of education one could note that women's level of education was relatively higher than men: women with higher education were by 17.0% more than men; with secondary specialized education - by 33.1% more; with lyceum education – by 26.2% more. More men had vocational education, 1.6 times more than women.

14. During the entire transition period a *declining tendency in employed population* has been remarked. There were 1 316 thousand people in 2004 and this number diminished over the last 5 years by more than 10%. The activity rates ranged between 53.3% and 54.8% in 1999-2002. This index dropped significantly up to 47.5% in 2003. Last year it was of 45.7%, thus registering the lowest level in all years of LFS conducting. Higher values of this index were registered for men versus women, and for rural population versus urban.



15. The analysis of employment rate distribution by *age group* displays the following trends:  
 a) this index has registered more significant decreases for youth (15-24 years) and adult population (25-49 years) – from 32.8% to 18.1% and, respectively, from 73.8% to 63.5%, whereas for elderly people (50 years and above) this decrease was insignificant; b) the employment rate of women, versus men, is higher for youth and lower for elderly people. No significant difference was registered between adult men and women; c) the employment rate of people of working age (15-64 years) varied between 59.4% in 1999 and 50.2% in 2004.

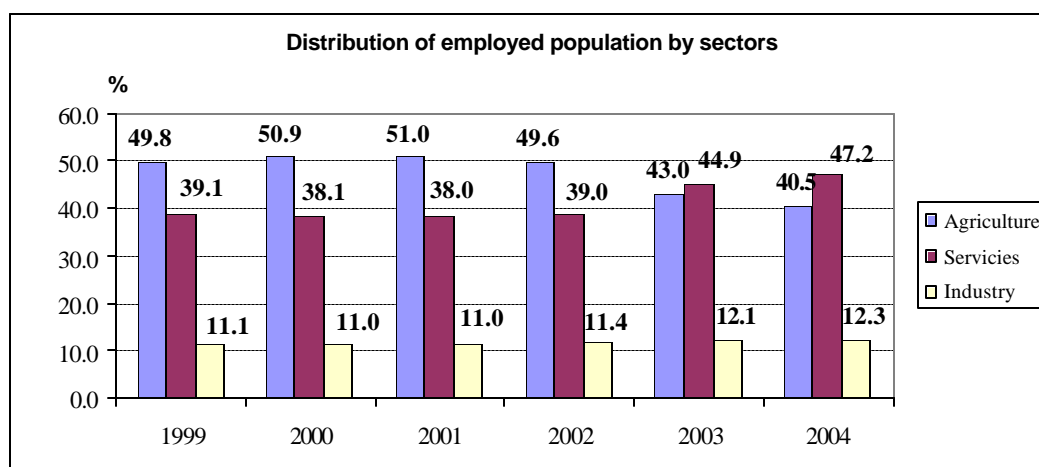


16. The distribution by *employment status* proves that the share of employees (64% in 2004) continues to predominate, and has not much diminished during this period of time. Own-account workers make up one-third, non-paid family workers – 1.0%, employers – 0.6%. From all employees women accounted for more than a half (52.6%), among unpaid family workers they were by 3 times more than men and among employers women were by 1.6 times fewer.

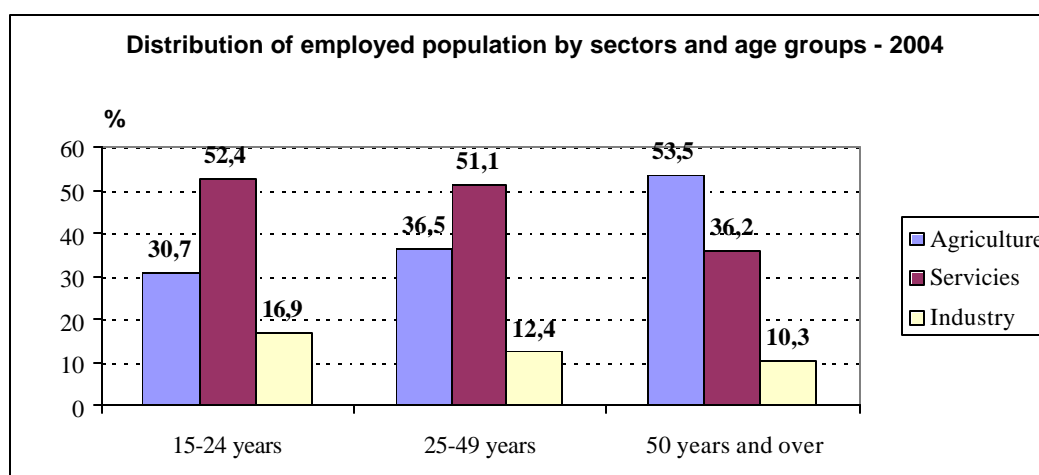
17. Young people (15-24 years) worked basically as employees (69.5%) and as own-account workers (26.7%). In 2004, the employees were concentrated mainly in *services sector* (59.8%), in *industry and constructions* (22.1%) and in *agriculture* (18.1%).

18. The distribution by *economic sectors* outlines a large share of agriculture in employment. Before 2002 inclusively, practically every second person employed in the economy worked in agriculture. During the two last years the share of agriculture declined significantly up till 40.5%, in 2004.

19. The decreasing number of people employed in *agriculture* was the main reason for the diminution of total employed population and led to a slight increase of the share of *services* in total employment from 39% in 1999 to 47% in 2004. The employment share in *industry* did not change over time, ranging between 11% and 12%.

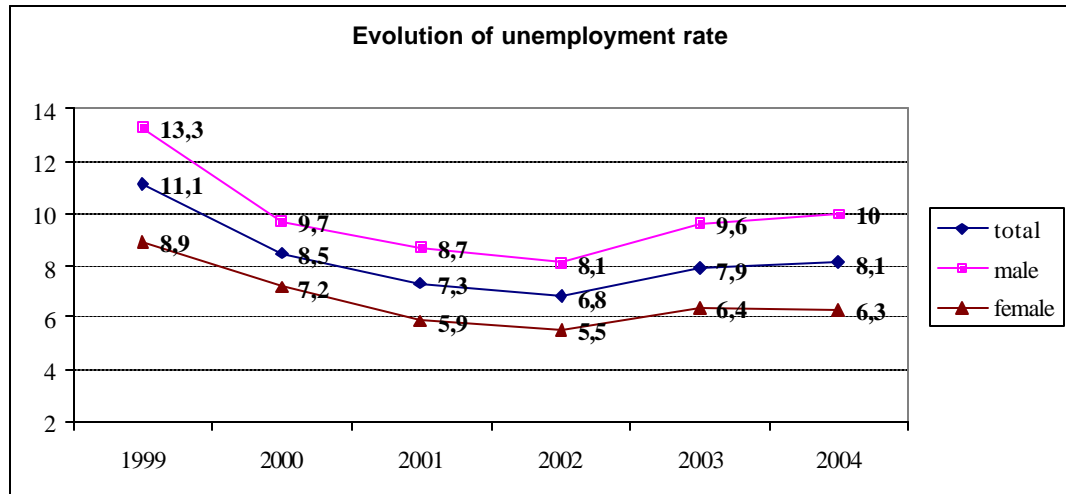


20. In the distribution by *age group*, young people (15-24 years) and adults (25-49 years) predominated in services (52.4% and 51.1% respectively), while elderly people (50 years and over) had the largest share in agriculture (53.5%).



21. The share of employment in non-agriculture was 60%. Population employed in non-agricultural activities predominated in *education, health and social assistance, trade, hotels and restaurants* – 23% each, and in *industry* - 20.7% (of total employment except agriculture).

22. *The women's share in non-agricultural type of activity* was 52,4% which did not differ from the analogical indicator in the economy as a whole.
23. The share of wage employment in non-agricultural employment was 87.9%. Among employees in non-agricultural activities women's share was slightly higher - 54.6%. Over the last 6 years, there was a tendency toward a slight increase in the employment of hired women in these types of activity.
24. Women were predominate in such activities as *hotels and restaurants, education and health and social assistance* (78.8%, 78.9% and 79.3% respectively). Women accounted for more than half in *trade* (60.0%) and *financial activities* (66.7%). The lowest percentage of hired women was registered in *constructions* (14.6%), in *transport* (26.4%) and in *real estate and other services mainly for enterprises* (44.1%).
- ***Maintenance of unemployment at a comparatively low rate, but with long unemployment duration.*** The paradox is that the movement of population from employed people's category did not result in the increase of *unemployment*: the population who left labour market completely to be economically inactive population whose share increased from 38.7% in 1999 to 50.3% in 2004.
25. There were 116 thousand unemployed persons in 2004, of which about 40% were women and 66.2% urban population. Persons, who had worked before, made up three-quarters of total unemployed population. Half of them (46.9%) mentioned that dismissal or staff reduction was the main reason for which they stopped working. There was a large share of unemployed persons with temporary jobs (21.5%), persons whose enterprise became bankrupted (13.4%) and persons who resigned (13%). The large majority of unemployed (98.6%) did not attend any kind of training. The distribution by level of education showed that the unemployed persons with secondary vocational education had the largest share (32.1%), after them followed the ones with complete general secondary and incomplete general secondary education (37,6%).
26. From total unemployed, 17% would have refused an offered job only because of low incomes, 5.6% because of unfavourable working conditions, and 3.2% because of the necessity to change their domicile. Only 3.3% of them mentioned the *lack of labour contract* as reason for their refusal!
27. The *unemployment rate* dropped from 11.9% in 1999 to 8.1% in 2004. The lowest unemployment rate was registered in 2002, at a level of 6.2%. Women's unemployment rate is lower than men's (6.3% and 10.0% respectively), and higher in urban area versus the rural one (11.9% and 5.0%).



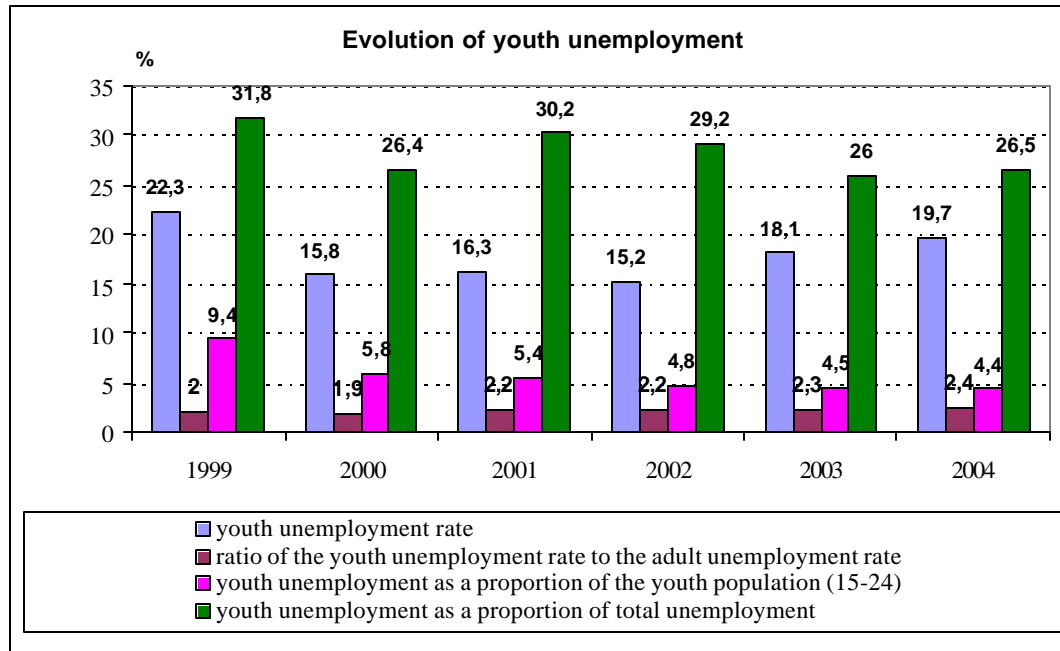
28. Despite some decline of the unemployment rate compared to 1999, in the last two years there was an overall increasing tendency of this indicator for all age groups. The unemployment rate among the population of working age (15-64 years) was 8.5% in 2004.

29. The indicator *unemployment duration* is still high. Despite the remarked decreasing tendency, the unemployment lasts on average for a quite long period – 22 months. The share of unemployed for one-year and more was 60% in 1999-2002 and it dropped to 45% over the last two years. The unemployed for 6 months and more amounted to 60.5% in total unemployment.

30. The shortest average duration of unemployment (10 months) was registered for young persons aged 15-24 years, and the longest (28 months) for elderly persons (50 years and over).

31. The *long-term unemployment rate* dropped from 5.9% to 3.6% in the period 1999-2004. This indicator registered the highest value for men versus women.

32. *The youth unemployment rate* was 19.7% in 2004, which was by 2.4 times higher than the average value in the country as a whole.



33. *The share of youth unemployment in total unemployment was 26.5%. There has been observed a slight decrease of this indicator.*

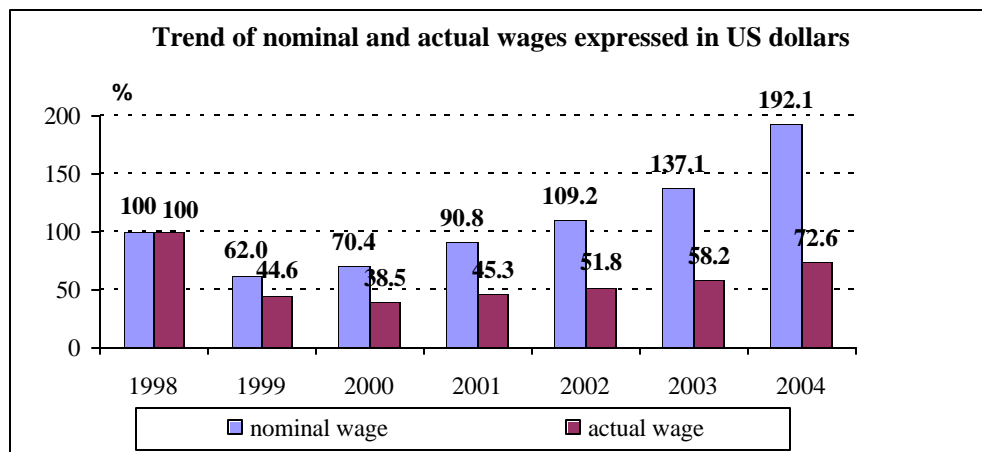
34. *The share of youth unemployed in total young population decreased more than twice: from 9.4% in 1999 to 4.4% in 2004.*

35. There is still a significant difference in this age group between the unemployment rate in urban and rural areas. In urban areas this indicator exceeds the unemployment rate in rural area by several times: thrice in 2001, by 2.8 times in 2002, by 1.8 times in 2003, and by 1.3 times in 2004.

36. The incidence of youth long-term unemployment (weight of youth unemployment with duration of 6 months and more in total unemployed population within this age group) made up 48%, compared to 62.4% in 1999. Higher values of this indicator were registered for youth in urban area (56.4%) and for men (48.8%).

*- Low wages/earnings and existence of arrears.* Despite the constant increase of the nominal wage (also the real one) in the national currency registered every year, its size is not yet sufficient to ensure a decent living standard. The majority of poor in our country represents “poor, employed in the economy”. The main problem is that well paid jobs are not sufficient to help the population to escape poverty. The average wage amounted to 1 103 Moldovan Lei (MDL) or US \$ 89.5 in 2004.



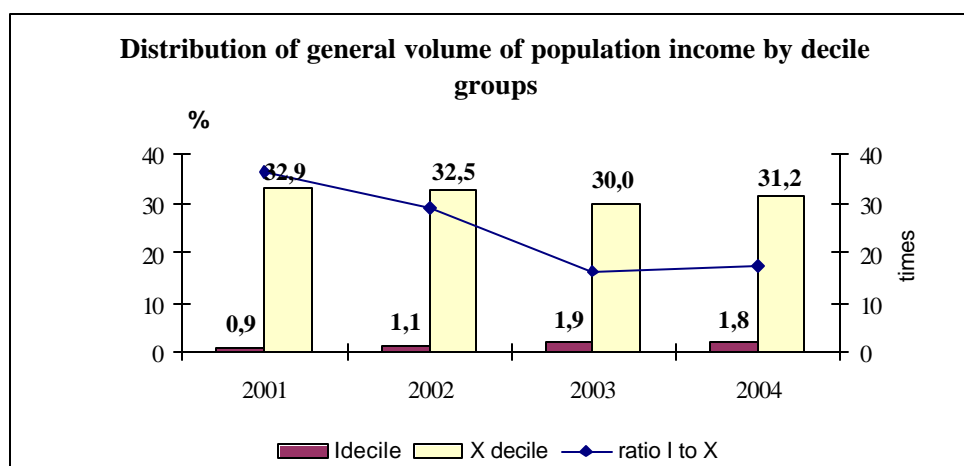


37. There is also the problem of *arrears of wages*. Notwithstanding the liquidation of arrears in the budgetary sector, they still exist in the real sector of the economy, registering considerable amounts: from 20% to 28% on average from monthly labour remuneration.

38. Some gender discrepancies were registered in labour remuneration. Although both sexes have equal rights to work and remuneration, women's remuneration rate is lower than men's one. It made up from 72% to 75% of men's remuneration rate on average in the economy over the last years. These discrepancies were noticed in almost all types of economic activity.

39. Last year, the incomes from employment amounted to 329.8 MDL on average per capita (US \$ 26.8) and made up 67.1% of available incomes of the population (according to Household Budget Survey data). It should be mentioned that only 69.1% of incomes from employment are in cash, the rest is the consumption of products from own subsidiary plots.

40. The inequality in incomes distribution remains quite impressive. Thus, in 2004, 1.8% of incomes fell to the share of 10% of persons with the lowest incomes, while 31.2% of incomes fell to the share of 10% of persons with the highest incomes. The incomes of the wealthiest part of population exceeded those of the poorest part by 17 times.



41. According to the calculations made by the Ministry of Economy of the country, the share of population living with less than US \$ 1 per day was 12% in 2002, showing a decreasing tendency in comparison with previous years (26.3% - in 2000, 18.3% - in 2001). An analogical picture was observed when analysing the share of 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.

- ***Spreading of informal sector and informal employment.*** Informal sector became an integral part of the economy and penetrated deeply into all its fields. Another phenomenon develops simultaneously with the *informal sector* – informal employment. These are jobs practically not covered by the existing legislation on conditions of employment, social insurance, etc. Therefore, statistical measurement of these phenomena became absolutely necessary, and it was greatly important that these indicators were included in the series of indicators characterizing *decent work*. The definition of employment in informal economy was developed together with ILO and Eurostat experts within TACIS Program as early as 2003, thus we had no problem in obtaining the corresponding information within the LFS.

42. In 2004, every eighth person employed in the economy (13%) worked in *informal sector enterprises*, and one person in three (34.6%) had an *informal job*.

43. *Formal employment* consisted mainly of *employees* (78.5%). *Informal employment* consisted of 60.7% of own-account workers, and 36.4% of *employees*. In other words, every fifth person in all employees and more than two-thirds of own-account workers had informal jobs. The majority (94.1%) *employees with informal jobs* worked in formal sector enterprises. More than half (56.7%) of *informal self-employed* worked in *informal sector enterprises*, and 43.3% - in *households*, as producers of agricultural products for own final use.

44. In urban areas informal employment are generated by formal sector enterprises, while in rural areas the production of agricultural goods for own consumption by households represents an important share of informal employment.

45. Two-thirds of employed persons (65.5%) from those with informal jobs have signed labour contracts, and three-quarters (76.7%) can hope for some social protection from state, as their employers pay social contributions for them. But only 17.1% and, respectively, 14.7% of informally employed persons benefit of paid annual and sick leaves.

46. The shares of young people (15-24 years) and elderly people (50 years and above) were higher among informally employed persons (11.2% and 30.3% respectively) in comparison with formally employed persons (8.7% and 25.2% respectively). And vice versa, informally employed adults (25-49 years) accounted for 58.5% and formally employed adults 66.1%. Persons with formal jobs made up 67.3% and those with informal jobs 32.7% of the population of working age (15-64 years).

47. The distribution by age group outlines that informal employment predominates in marginal groups (15-19 years and 60 years and above).

48. The analysis of informal employment by level of education shows the following tendency – the lower the education level is, the higher is the share of informally employed persons.

49. *Agriculture* (53.8%) and *construction* (57.8%) are the activities where informal employment predominates. Almost one-half (46.6%) of persons informally employed in *trade*, 42.4%, in *hotels* and *restaurants*.

50. Informal employment is characteristic for micro-enterprises. Three-quarters of informally employed persons worked in establishments with less than 10 persons engaged. Two-thirds from the total employed in micro-enterprises (1-9 persons) worked informally.

51. From all employees working more than 40 hours per week, 38.2% worked informally, and from those who worked 50 hours per week and more, every second person worked informally. From all informal wage employees, every fourth person worked more than 40 hours.

52. Thus, the following conclusions may be drawn:

a) all *informal employment* and *informal sector* refer to private sector, and by conversely, almost all persons employed in enterprises with other ownership than private ones were in formal employment and refer to formal sector,

b) *formal sector* is the sector of *wage employment* sector and, by contrast, *informal sector* is a *self-employment sector*.

53. If *agricultural activities are excluded* then:

- The share of informal employment decreases from 34,6% of total employment to 21,5% of total non- agricultural employment. At the same time, the share of employees with formal jobs increases from 51,3% to 73,3% of total employment.
- For men, the percentage of those in informal employment decreases from 34,2% to 25,0%, and for women from 35,0% to 18,4%. The share of men in informal employment increases from 47,4% to 55,3%, while the share of women in informal employment decreases from 52,6% to 44,7%.
- The share in informal employment of persons living in urban areas increases from 32,8% to 78,4%, while the share in informal employment of persons living in rural areas decreases from 67,2% to 21,6%.
- The number of self-employed persons in informal employment decreases considerable, while the number of employees decreases less.
- The share in total employment of persons employed in the informal sector decreases from 12,7% to 7,5% (men: from 14,0% to 10,7%; women: from 11,6% to 4,6%; urban areas: from 9,2% to 8,2%; rural areas: from 15,4% to 6,0%). The male share in employment in the informal sector increases from 52,6% to 67,7%, and the female share in employment in the informal sector decreases from 47,4% to 32,3%.

54. Thus, if agriculture, forestry and fishing are excluded, informal employment in the Republic of Moldova becomes more of a formal sector, wage employment, male and urban phenomenon, and the informal sector become, very much an urban and male domain. Although the share of employees in the informal sector increases slightly, the informal sector continues being a self-employment sector.

- *Time-related underemployment* is one of labour characteristics determined by the duration of working time. Last year, the number of underemployed made up 3.5% (46.7 thousand people) of total employed population. Despite the relatively low share, this category of employed people is important because they work fewer hours unwillingly and they want and are ready to

work additionally. Both the number and the share of underemployed people in total employed population decreased over the last five years.

55. Every second person in total underemployed population was 35-49 years old. Women made up half 50.2%. More than three-quarters (79.9%) of total underemployed population lived in rural area. The vast majority of underemployed people (83%) worked part-time.

56. Moreover, the results of the survey on Decent Work showed that from total employed population, two persons in five wanted and were ready to work for additional hours in order to get additional earnings. Slightly more than half of them (51.6%) wanted to work additionally but not more than 10 hours per week, 39.2% more than 10 hours, but less than 20 hours. There were 40.6% of persons who expressed their willingness to work additionally in their main activity, 28.9% of persons wanted to work additionally to their current activity, and every fourth person (24.7%) would have liked another job with longer working time. Every two persons in five would have liked to change their current job. Unsatisfactory remuneration rate was the main reason for the majority of them (61.3%). For 19.5% of people, the main reason for changing the job was the wish to work according to their qualification.

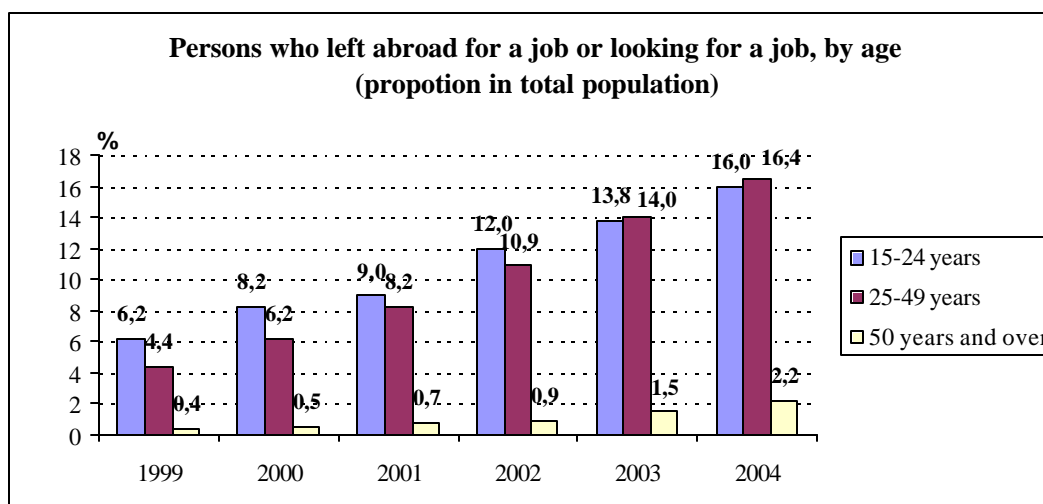
57. It is worth mentioning that every fifth person employed in the economy worked less than 30 hours per week (18.7%). 5.1% of employees had temporary jobs.

- **Hidden unemployment.** (Data source: business statistics). Persons on leave at the initiative of the administration are not included in the category of unemployed. If we would declare people from this category as unemployed, the unemployment rate may increase. The wage is maintained partially in accordance with the labour legislation only for 10% of people on forced leaves; 85% are non-paid leaves. In the last 4 years, the share of people on forced leaves in total employees decreased from 13.9% in 2000 to 7% in 2004, however the duration of such leaves per worker remains quite long at 72 days. Such leaves are more frequent in industry and constructions – every fourth worker (74 and 90 days respectively).

- **Excessive hours of work.** According to the results of the module survey on Decent Work, about 20% of total employed population stated that their working week lasted more than 40 hours. There were 70.3% of them who worked from 41 to 49 hours per week, 29.7% - from 50 hours and over. Almost every second person (47.7%) worked more than 40 hours per week, because that was the requirement set by the employer, every third person wanted higher wages or incomes.

In total number of employed with more than 40 hours per week men were more (59.3%) than women. Men working more than 40 hours had a share of 25.9% of the total employed men, and women – 16.4%. Women predominated in *trade, education and health and social assistance. Agriculture*, where more than one-third worked, trade – more than 27% and industry – about 11%, are distinguished from the types of activity with excessive duration of working week. From all employees, 22.5% worked more than 40 hours per week.

- **Labour force migration.** Although this indicator was not included in the Decent Work Indicators, we should take it into consideration as labour migration has a direct impact on Moldova's labour market. More and more people consider migration as a means of escaping poverty, unemployment and other social or economical constraints. This phenomenon influenced the diminution of employed population in the economy and the maintenance of unemployment rate at relatively low level (6-7%) in comparison with developed countries and other countries with economies in transition. According to LFS, the number of people declared by household members as gone abroad to work or to look for work raises: from 99 thousand in 1999 to more than 345 thousand in 2004, constituting respectively 24% of economically inactive population of the country, or 12% in total population aged 15 years and over.



- ***Paid child labour.*** An additional questionnaire of parents with children aged 5-14 years was carried out within the survey on Decent Work. Every sixth child aged 5-14 years from surveyed households worked, in other words performed an economic activity. The predominant majority of children (93.0%) had the status of unpaid family workers, 5% worked on their own account. Only 2% of them worked as employees in enterprises or for private persons. Practically all children (97%) carried out physical work.

58. For 84% of children, the main need to work was *the wish to help their families. Financial difficulties* faced by the family forced 7% of children to work. The same number of children worked for *a more efficient utilization of free time.*

59. In parents' opinion, for the large majority of children work either had a positive impact on their studies (70.7%) or completed their studies (11.5%). Six percent of children worked during vacation. At the same time, some parents consider that work did not always influence positively the studies. For 8.4% of children work either made studies difficult or forced them to repeat the curriculum.

60. It should be emphasized that the questionnaire on child labour within *Decent Work* Survey proved to be insufficient for a fundamental analysis of all aspects of child labour.

61. Undoubtedly, the ILO recommended indicators of decent work gave the possibility to evaluate *Work* both from quantitative and from qualitative point of view. They strengthened the current LFS as an informational and analytical instrument. We made the decision, together with the expert, not to organize in future the module survey on Decent Work, and that is necessary to improve consequently the contents of existent LFS questionnaires. For example, the questions on excessive hours of work, working conditions have already been introduced in the LFS questionnaire for this year. With a view of obtaining more qualitative information, at present, we continue working with ILO experts on improving the contents of LFS questionnaires. This will enable us to evaluate some aspects of Decent Work or its deficit. In particular, these are the blocks of questions which will help us to measure better the time-related underemployment and volume of time-related underemployment, inadequate employment from the point of view of qualification, atypical situations in employment, long absence from work, level of income from employment, trade union membership, labour migration (only main characteristics) and others.

62. Of course, LFS will not be able to cover completely the entire spectrum of decent work. It is necessary to develop, within separate surveys, such aspects as: vocational training, child labour, labour force migration, traumatism and professional diseases, harmonized combination of work activity with family responsibilities, social dialogue etc.

63. Certainly, the indicators of Decent Work or, otherwise speaking, the indicators of the Quality of Work, allow for a better and multifaceted assessment of work not only as production factor, but through people, to assess their interests and welfare.

64. It is necessary to continue and develop the multilateral cooperation with ILO, Eurostat and other international organizations in developing a new approach to work (employment).

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