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THE LABOR MIGRATION OF MOLDOVAN POPULATION: TRENDS AND EFFECTS

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Abstract

After achieving independence in 1991, Republic of Moldova quickly became a typical labor emigration country: more than 500 thousands or about 10% of its citizens are currently working abroad. It is also the only CIS member with a comprehensive migration policy and data on migration and remittances. Migrants' remittances to Moldova amount to about 25-30% of the GDP, one of the highest levels in the world. This paper discusses main migration patterns, structural features of this new migration wave, and the migrants' major destination countries. Special attention is given to the relative costs of movement to various countries, the scale of movement, channels of migrants' remittances as well as their impact on the individual migrant households and Moldova's economy in general.

1. Trends of Moldovan labor migration

1.1. Main Features

The economic crisis, decline of production, inflation, growing unemployment, reduction of social sphere, continuous delays of salary payments, etc. had a determining impact on the Moldovan population and led to the development and eventual growth of labor migration in Moldova. This new wave of migration of Moldovan population started from the second half of 90th.

Though the problem of labor migration has been actualized in the public opinion of Moldovan population for a long time, till now, however, there has not been adequate and full information on the number of Moldovan labor migrants abroad. Figures, which appeared in mass media, varied from 340 thousand to 1 million persons. According to the results of sociological studies conducted on national-representative samples during the last years¹, one third of the able-bodied citizens of the Republic of Moldova were involved in labor migration. According to the results

of census of Moldovan population (November, 2004), about 600 thousands of people are involved in the labor migration². However, in our opinion, the peak of mass participation in the labor migration has not been achieved yet.

While the leading tendency of Moldovan labor migration in the past was mainly to the CIS countries, and first of all to Russia, nowadays new vectors of western and southwestern labor migration emerged along traditional labor migration to the east. At the same time, we have to admit that there is a gradual reorientation of labor migrants to the “old abroad”. Among the countries most attractive to the Moldavian migrants are Italy, Portugal, Spain, Turkey, Greece, i.e. countries which are characterized by a high share of informal sector in their economies.

The western vector of labor migration is preferred by practically the same distance from Moldova to Mediterranean countries and Moldova to Russia; closeness of the Roman group languages for Moldavians; Turkish language for Gagauz, Slavic languages for Russian speaking citizens of Moldova; well developed network of people through the Jewish-Moldavian Diaspora in Germany, Israel, and other countries. We have to mention, that today the Russian-speaking environment in many European countries is a noticeable phenomenon. Also it should be noticed that wages in the West are higher, than in Russia. Another important factor is the criminal situation. The abuse of migrants by employers, police and public officials in the EU countries can not be compared with the criminal situation in Russian Federation, the major consumer of the Moldavian labor migrants on the post-soviet space. Due to migratory amnesties and new migration regulation mechanisms accepted in the EU countries, transforming an illegal status into a legal becomes not only possible but real. At the same time, to do such things in Russia is much more difficult³.

The geography of Moldovan labor migration continues to expand. There is a tendency of developing new spaces of migration. As an “oil spot” Moldovan labor migrants currently explore as nearby neighboring countries, as states which are significantly distanced from our country and which neither have Moldovan Diaspora nor consanguinity, similar language, industrial or other relations with the Republic of Moldova. Our study of urban households shows that Moldovan citizens are working not only across all Europe but elsewhere⁴. Often Moldovan labor migrants can be met in exotic, non-European countries, such as South Korea, Republic of South Africa, Columbia, Malaysia, etc.

Naturally, this army of many thousands of Moldovan labor migrants is not working abroad in one stage. It is a kind of “Brownian movement”, characterized by constant migration in different directions. Undoubtedly, there are certain time “peaks” (months) when most migrants exit the

country for earning and, in opposite, when most migrants return back to Moldova for holidays, rest, treatment, etc.

Sociological investigations show that the process of labor migration penetrates whole Moldovan society. At the initial stage, representatives of national minorities were more active in labor migration. Today, the process of migration involves representatives of all ethnic groups, including main nation. Although the majority of labor migrants are men, women make more than a quarter of all Moldovan labor migrants. The current process of labor migration involves groups of different age and sex, specialty and education. The vast majority of them are young or middle age people. More than 70 % of all migrants are less than 40 years old; almost 40 % of the migrants are younger than 30. An average age of the labor migrant is 35-36 years⁵.

In the last years, there has been an increase in migratory streams to Russia of the labor migrants younger than 25 and over 50 years old. As our research shows, the share of young people (less than 25 years old) has increased in comparison with 1995-1996. At the same time, the share of persons over 50 years has appreciably increased as well⁶. In our opinion, the labor migration to Russia starts to play a subsidiary role in relation to labor migration to the European Union states. Therefore, the share of young and overage migrants to Russia will continue to grow.

The Moldovan labor migration widely involves high qualified and non-qualified labor forces, representatives of budgetary sphere (teacher, engineers, and doctors), industry, transport, construction and agriculture. The migration affects all regions of the country. However, unlike the previous time, fewer inhabitants from the capital of Moldova – Chisinau search for work in Russia. Labor migrants from the capital are basically directed to the European Union countries. Most of people working in Russia are inhabitants of small cities or rural areas⁷ and in contrast to urban migrants represent less dynamical part of a labor⁸.

Labor migrants - men are occupied basically in construction, on transport, in industry, agriculture. According to "IOM-2004", the overwhelming majority of Moldovans work in construction – 51 %. Women - migrants work in service and trade; care of aged, sick people and children, homemade, in sphere of sex-services. The great bulk of labor migrants do not work on a specialty. However, in contrast to West-European countries, where the overwhelming part of labor migrants works not on a specialty (except builders), migrants to Russia have more opportunities to be employed accordingly to their education and skills (construction, agriculture, transport, industry, service, trade, etc).

1.2. Main destination countries

The Moldovan labor migrants are present mostly in Russia and in the European Union. Russia consumes 58.2% of all labor migrants from Moldova. Among the other countries, Italy (19%), Portugal (5%), Spain, Turkey, Greece, Czech Republic, Israel, France, Germany, Ireland, Cyprus, Romania, and Ukraine. Table 1 shows the numbers obtained by two sociological studies conducted in 2003 (AMF-2003) and 2004 (IOM-2004).

Table 1. Major countries of destination of the labor migrants

<i>Country</i>	<i>AMF-2003</i>	<i>IOM-2004</i>
Spain	...	1,5
Italy	18,0	18,9
Russia	54,7	58,2
Turkey	3,9	1,3
Romania	...	1,9
Portugal	4,3	5,0
Cyprus	...	0,5
Germany	...	1,0
Greece	4,4	2,7
Czech Republic	...	0,8
Belgium	...	0,5
Israel	2,1	1,4
Ukraine	2,8	2,2
France	...	0,9
Other countries	9,8	3,0
In total	100,0	100,0
The European Union		31,8
CIS		60,4

While the Moldovan labor migrants are entering Russia, Ukraine and Romania without any problems, by using visa- free travel, for the European Union countries they need visa, which unofficially costs them from 2.500 to 4.500 Euros. As a result, an illegal border crossing is often used for entering the European Union countries.

Also, the labor migration to Russia differs from the migration to European Union countries by its duration. On average, Moldovan gastarbeiters plan to work in Russia for five and half months; though in practice they stay there for more than seven months. In Russia, migrants from Moldova represent a stream of short term, mostly seasonal workers⁹. In the European Union, the Moldovan labors stay more then a year (14-16 month) on average.

2. Remittance flows of Moldovan labor migrants

2.1. Average level of wages / incomes of the labor migrants

According to results of “IOM-2004”, around 75% of all migrants receive salaries from 100 to 1000 US dollars and only 20% of them more than 1000 US dollars. According to the results of our studies on migration and remittances “AMF-2003”, a migrant working abroad receives 543 US dollars on average, while an average salary in CIS countries is 368 US dollars, and in western countries – 600-1000 US dollars (only in Germany it is 1300 US dollars). At the same time, Moldovan labor migrants, which work as builders, have an average wage range from US\$450 to US\$750 in Russia and US\$900-US\$1500 in the EU countries.¹⁰ According “AMF 2003”, the salaries of Moldovan labor migrants depends on a variety of factors and so varies from US\$250 to US\$1300 US. Overall, the salaries of men and women do not differ. The growth of the monthly wage depends on the duration of stay of the migrant in the hosting country.

2.2. Amount of remittances from Moldovan labor migrants

Remittances of Moldovan labor migrants are sent to the country of origin through either official or informal channels. The amount of money transferred by official channels (i.e. through banks) is counted precisely; and according to statistics they constantly grow from year to year. Table 2 outlines the dynamics of money volumes for the period 1998-2005 and their share in GDP of the country. As we see, the amount of money sent by Moldovan labor migrants in the year 2005 reaches 1 billion US dollars and considerably exceeds a profitable part of the budget of the country. Note that the profitable part of the budget of Republic Moldova in 2005 was 900 million US dollars¹¹.

Table 2. Dynamics of remittances in the Republic Moldova 1999-2005¹²

	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
US \$ mln.	121,0	109,8	159,0	223,0	268,0	461	701	915
% GDP	7,1	9,3	12,3	15,1	16,5	23,5	27	31,7

By the share of remittances in GDP, Republic of Moldova takes the second place in the world, leaving the first place to the island's state of Tonga (in the Pacific Ocean). The African state of Lesotho is at the third place.

According to IMF, 59% of the total remittances to Moldova come via official channels; 26% - from the CIS countries; 15% - from the European Union.¹³ The money flow to Moldova through informal channels is difficult to count.¹⁴ However, as sociological pools reveal, these channels are used quite often. Our study ("AMF-2003") shows that only 45% of the total money transfers are through the bank; 55,0 % are sent via informal channels, i.e. friends, colleagues, or imported personally into the country. Also, the results of "AMF-2003" demonstrate that the correlation of formal and informal remittances is measured by proportion of 44/56. This parameter is well-correlated with the worldwide tendency. According to the United Nations' data, the money resources coming from labor migrants through official and informal channels are distributed in correlation 40:60 for the benefit of informal channels¹⁵.

Table 3. Methods used by migrants to send money to Moldova (remittances channels)

	<i>IOM -2004</i>	
	<i>used once (%)</i>	<i>used more often (%)</i>
Bank transfer	25,7	13,0
Rapid transfer	28,8	19,5
Postal transfer	4,4	1,9
Railway conductors	12,7	7,1
Bus and mini-bus drivers	11,4	6,8
Brought in person	38,9	17,3
Through relatives, friends, acquaintances	29,1	11,7
In parcels with other things	8,7	1,3
Something else	9,4	0,9
No answer		20,6

The choice of money transfer channels depends on many factors, such as the country from which the money is sent; duration of migration; geography; an origin of the sending person (rural or urban). Besides, it depends on the legal migrant's status in hosting country, labor activity of the migrant; his/her age; education and trust to existing bank system¹⁶, presence and affinity of the convenient transport infrastructure providing communication (connection) with the native land (railway, bus service), cost¹⁷, safety of transfer, etc. Our investigation ("IOM-2004") shows that among money transfer alternatives, migrants give priority to: speed (23,9 %), easiness of transfer (10,2 %), easiness of receive (3,7 %), safety (16,3 %), transfer cost (8,8), a habit (0,1 %), convenience (5,3 %), other reasons (15,1 %), have refused to answer (16,6 %). The Moldovan migrants use official channels for making 65.3% of money remittances in Portugal and Spain; 47,7% in France, Germany, Belgium and the Great Britain; 42,9 % in Italy;

33.3% in Greece, Turkey, and Cyprus; 19.9% in CIS (Russia and Ukraine). At the same time, the informal channels has been chosen by 80,1% of Moldovan migrants in CIS; 66,7% in Greece, Turkey and Cyprus; 57,1% in Italy; 52,6% in France, Germany, Belgium and the Great Britain; 34,7 % in Portugal - Spain (“AFM-2003”).

By polling the migrants, which worked on construction in Russia, we found that only each sixth respondent used bank or post services for remittances. In contrary, each second Moldovan migrant engaged in a similar construction work in EU preferred bank transfers. Interestingly, the labor migrants to Russia prefer to bring home cache. One reason is that the duration of labor trips to Russia is much shorter than to the EU countries. So, people can often go for work and then return back with earnings without any problem. They can return back to Moldova for holidays or week-long vacation. Existence of such opportunity in the EU countries or so called states of “old abroad” is less real¹⁸, due to the visa problem, transportation costs, etc. The dependence of both the remittance sums and the money transfer channels from the duration of stay is evident. As results of “AMF-2003” reveal, those migrants which stay in hosting country less than 9 months send home 33,3 % of their earnings by official channels, and 66,7% by informal channels. The longer migrants stay, the more frequently they use official channels. If they stay from 9 to 24 months, then 47,6% of all earnings are sent home by official channels; if longer than 24 months then 45,4%.

The National Bank of Moldova indicates that a great amount of a foreign currency is currently transferred to Moldova through “express-agencies of remittance” or ATP. We explain that by high efficiency and speed of the transfers. Undoubtedly, the preference of official channels also can be explained by low interest rates imposed on small money transfers by the Western Union and other express-agencies. At the same time, many new operators emerged in the market of remittances not only enlarged the ATP network but also made it more competitive. In particular, agencies, such as Migom, Anelik, etc. provide fast remittance at 1-1,5% interest rate.

Another factor which influenced the growth of remittances through official channels is close cooperation between Moldovan banks and foreign banks from Italy, Portugal, Spain, etc. Due to this cooperation, the migrants working abroad receive more favorable tariffs for remittances. Also, more relaxed and fixed tariffs have been recently introduced in Russia for international money transfers. However, illegal status of labor migrants in the CIS prevents legalization of remittances.

Further, the majority of Moldovan labor migrants work in Russia about a half of year. Most of them have seasonal jobs, which last less than three months. In such situation, the amount of

money transferred by the migrants usually is not so big. Besides, not all the migrants return back to Moldova. As the Department of Frontier Troops of the Republic of Moldova reports, that only in 2003-2004, over 218 thousands of people left the country and did not return back¹⁹.

To estimate money flows through the informal channels, the World Bank accounts three streams of remittances:

- 1) Money transfers made by those migrants who stay abroad for more than 1 year;
- 2) Money transfers by migrants working abroad for less than a year;
- 3) Other streams of goods and money, connected to migration (cost of transfer and delivery of goods in the country, return of debts, pensions, etc).

According to World Bank²⁰, these streams relate among themselves as 4:1:2. However, for countries like Republic of Moldova, this relation has to be reconsidered, by lengthening the terms of stay (labor) in the hosting country; redefining categories and conducts of remittances according to purposes of money use in the country of reception (e.g. house purchase, payment for education of children, life insurance and pension, accumulation in banks, etc.). The World Bank experts conclude that remittances to Moldova from migrants working abroad up to one year make up to 70% of all the receipts in the country, while the remittances from the long-term migrants are far more modest²¹. That means that there is a clear consolidation of migrant's incomes in the country of reception but not in the country of departure²².

Our estimates show that the total sum of remittances to Moldova in 2005 was 1,5 - 1,75 billion US dollars.

3. The use of remittances in Moldova and its effects

Independently of the country of stay, remittances from abroad, as a rule, are made in convertible currency (dollars or euros). The inflow of the foreign currency to the home market helps to protect national currency. For the poor countries, including Moldova, money transfers from abroad become one of the largest and stable sources of finance and foreign currency. By remittances from their own citizens from abroad, Republic of Moldova receives more financial aid than from foreign investments into its economy. For comparison, the total amount of subsidies from foreign governments and individual investors for the period of October, 1994 – October, 2005 was 1 billion 151 million US dollars. That is far less than total amount of remittances made by the Moldavian citizens from abroad. Certainly, remittances directly do not increase budgetary incomes of the government. However, they contribute to national savings and currency reserves; it strengthens its national security²³.

Next, the growing amount of remittances positively affects development of the bank system of the country and promotes its consolidation. Table 4 illustrates the dynamics of remittances to Moldova made through commercial banks by individuals living abroad.²⁴ As one can see, the amount increased by almost 4 times just 5 years!

Table 4. Remittances from abroad sent by individuals through commercial banks (million USD)

year	1-st quarter		2-nd quarter		3-rd quarter		4-th quarter		Total for a year	
	1	2	1	2	1	2	1	2	1	2
'99	12.41	5.70	20.23	11.31	26.08	16.08	30.90	19.12	89.62	52.21
'00	29.35	19.49	36.02	23.92	42.37	28.49	45.20	29.87	152.94	101.77
'01	42.64	28.69	45.29	30.98	59.87	38.52	64.19	41.89	211.99	140.08
'02	50.77	32.74	60.21	39.34	73.05	46.20	70.09	43.07	254.12	161.35
'03	61.59	35.58	76.12	42.54	90.94	50.22	89.11	47.71	317.76	176.05
'04	76.80	37.56	91.07	45.71	111.76	60.37	133.07	82.54	412.70	226.18
'05	119.56	80.73								

Notes: 1 – all money receipts; 2 – by means of systems of rapid transfer

Furthermore, the outcome of the manpower unused in the country, actually, relieves Moldova from the problem of internal unemployment. At the same time, the huge monetary inflow from its manpower abroad allows the government to support social stability in the country, reduce intensity of social conflicts. Noticeably, there has not been any social conflict in Moldova since the beginning of 1990-th, though the economic potential and life standards of the population has degraded significantly. In comparison to the year of 1990, the economic potential of the country in 2000 was only 34%, while the standard of life of the population was only 19%. We claim that labor migration and remittances of labor migrants play the crucial role in preventing of social conflicts in the country.

The labor migration and the migrant's money sent from abroad have positively influenced the social structure of Moldova, by increasing its middle class and, accordingly, reducing the category of poor and very poor people²⁵. The financial situation of households, whose members are involved in labor migration, usually improves (see Table 5). So these households have more opportunities to avoid transitional risks, public transformations.

Table 5. Financial situation of households through the prism of labor migration ("IOM-2004")

		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Feeding</i>	<i>before migration</i>	1,6	57,1	34,3	5,6	1,4
	<i>after migration</i>	7,4	71,6	18,5	1,0	1,5
<i>Habitation</i>	<i>before migration</i>	1,6	52,1	38,2	6,3	1,9
	<i>after migration</i>	4,7	70,4	21,5	1,6	1,8
<i>Clothes</i>	<i>before migration</i>	1,1	46,9	45,0	5,3	1,7
	<i>after migration</i>	4,5	68,1	24,3	1,4	1,7
<i>Health</i>	<i>before migration</i>	1,6	50,7	38,3	7,6	1,8
	<i>after migration</i>	2,8	57,6	33,2	4,7	1,7
<i>Education</i>	<i>before migration</i>	1,9	47,4	35,5	4,6	10,6
	<i>after migration</i>	3,3	60,1	20,8	1,8	14,0
<i>Entertainment</i>	<i>before migration</i>	1,0	31,8	46,7	12,9	7,5
	<i>after migration</i>	2,3	47,3	35,6	7,1	7,7

The note: 1 – very good, 2 – good, 3 – heavy, 4 – very heavy, 5 – no answer.

Table 6 shows the contribution of the labor migrants to material well-beings of their families. We observe that 2/3 of all households, which have labor migrants, make 65% of their budget from the migrant’s remittances. For 1/3 of households, the remittances contribute to 85 % of the budget.

Table 6: The contribution of the labor migrant to a material well-being of family (“IOM-2004”)

<i>migrant share in material well-being of family</i>	<i>% households</i>
up to 15 %	6,4
from 15 up to 35 %	7,7
from 35 up to 65 %	17,5
from 65 up to 85 %	33,6
over 85 %	34,8

The analysis of family spending (Table 7-8) reveals that majority (43%) of money coming from the labor migrants in poor households is eaten (i.e. spent on food). Some money is paid for “development needs”: education, medical services, tourism, purchase of the goods, computer and communication services, establishing of own business. The latter means not only opening a cafe, a shop or a manufacture. Borrowing or lending money for migration (with a certain interest) is a business as well. We should notice that such a business is not linked to formalization of relations with the state or government officials.

Obviously, Republic of Moldova does not open America. “Living on remittances” is the typical phenomenon of poor countries. Maintenance of worthy conditions of existence, keeping the household at the “living level” is a normal answer, the first reaction to abnormality of people’s life. The analysis of data presented in Tables 7-8 confirms this conclusion. Due to labor migration and money earned outside of the country of origin, people are able to survive.

Table 7: The use of remittances from abroad (“IOM-2004”)

Items	%
Food, clothes	43,1
Public services	18,2
The goods for a house (without electronics)	17,2
Repair of a house / apartments	15,3
Education (payment)	12,8
Treatment	12,5
Payment of debts	11,7
Payment of debts on trip	10,4
Agricultural works	10,5
On a “rainy day” (savings)	8,5
Bank accounts	1,6

Table 8. Planned use of the money earned abroad in the “next 12 months”

	"AMF-2003"	"IOM-2004"	
		1 st priority %	2 nd priority %
Returning of debts	8,3	11,8	5,1
Current expenses (products, clothes, payment of public services, other)	21,7	45,4	21,7
Special expenses (education, health, purchase of the modern expensive goods, landing money, other)	20,0 (money in a duty – 4,2)	10,6	24,6
Domestic investments (purchase of the automobile, property, repair of an apartment / house, wedding, funeral, bank depositing)	22,0	15,5	22,8
Investments into production (purchase of the ground, lorries and agricultural machinery, alive stocks, cattle and birds)	6,5	1,5	4,8
Another		0,7	0,2
Savings (bank deposits)	20,7 (11,4)	-	-
No answer		9,8	2,4

Interesting that only 16,8% of respondents of "IOM-2004" planned to accumulate money coming from migrants and start their own business. The most attractive spheres for business

investments are the following: (in the order of priorities): agriculture, entrepreneurship, transport, restaurant or bar, purchase of the equipment, entertainment, and mortgage.

Usually, migrants maintain families and decrease pressure on budgetary expenses. Monetary investments stimulate consumption and raise import of the goods. Customs charges from import are a significant part of the budget of the state.

Influence of remittances on economic development is not limited to direct monetary investments into enterprise activity. Although, the activity growth was not evident in migrant's families, the number of the enterprises providing various services and goods for increased demands, e.g. in construction, had grown. Even though these services are dedicated for consumption and at some extent for the capital investment, they inevitably lead to economical development.

Some amount of the money earned by labor migrants goes to development of local community in which migrants were born or where they lived before moving abroad. According to our study "MOM-2004", each ninth labor migrant (11,7 %) provides a financial support for community, church, sports clubs, etc.²⁶ However, as representatives of local public administration report, these processes do not take place everywhere. In many settlements and communities, the role of labor migrants in development of local communities is insignificant.²⁷

Negative consequences. The most negative consequence of remittances from abroad is the unreasonable increase of the prices for goods and services, demanded by migrants and their families. For example, in the last few years, the prices for apartments and real estate have grown in direct proportion to the amount of remittances from abroad. In comparison to 1999, these prices increased by 3-4 times. Thus, the abilities of others to buy an apartment or to build a house have decreased. Similar trends influence prices of other goods. So, as a consequence, an average ability of monetary consumer has decreased. As result, families, which do not relate to the international labor migration, have become poorer. That situation stimulates people that do not receive financial help from abroad to search for a work abroad and, in turn, amplifies labor migration.²⁸

The low earnings in the country and higher incomes abroad are still the main causes of departure of highly skilled workers²⁹ and workers predisposed for a long-term or a permanent job. This phenomenon destructively impacts on human resources in the Republic of Moldova, leading to general disqualification of workers. It does not only impede the economic

development, but also hamper education, destroy professional system, and finally impact on the country's budget.

Social losses are important as well. On one hand the labor migration contributes to the strengthening of the family from the financial point of view, but from the other hand it has a destructive effect on its morality. The labor migration misbalances the social structure. Moreover, it leaves the country without the most active part of population – the youth. As our studies show, 85%-90% of students perceive migration as an opportunity of getting a high-paid job.

An important factor of understanding problems of migration is linked to the plans of labor migrants for the future. Noticeably, each fifth respondent working in the EU countries is not going to return back home. He or she had already aspired for a constant residence in the hosting country. Among the labor migrants working in the Russian Federation, this parameter is twice lower. As shown above, this has been influenced by many factors that reduce opportunities and desires of people to be integrated into the Russian society.³⁰ Evidently, this issue might transform the short-term migration into a long emigration probably result in decrease of amount of remittances in the future.

Another negative impact of migration is low level of entrepreneur initiative. The migration neither stimulates personal initiative, nor motivates citizens in their attitude towards business. The number of citizens directly involved in entrepreneur activity in Moldova does not increase. As possible reasons, we can list unfavorable conditions for business in the country, an absence of jobs with worthy payment, constantly growing cost of life, etc.

4. Migratory policy / remittance-related policy in context of practical social policies

A German researcher Matthias Lucke made a mid-term forecast (till 2010) of evolutions of the population, GDP and remittances to Moldova in context of labor migration in the country (see: the table in Annex). According to his forecast, the labor migration in Republic of Moldova will be growing regardless of any evolution of a social and economic situation in the country. Optimistic and pessimistic forecasts differ only in the number of able-bodied population involved in the process: the optimistic scenario - from 36,42% up to 43,77%; the pessimistic - from 43,70% up to 52,59%³¹. Such an evolution threatens with depopulation, an outflow of young people and qualified workers, transformation of Moldova into a “sleeping-car” country; creates real danger for national security of the state.

The current trend of labor migration in Moldova allows us to conclude that by many parameters the migration process advances along the pessimistic scenario. For example, the line of 1 billion dollars in remittances has been crossed already in 2005. According to the pessimistic forecast it should had happen at the end of 2006, under the optimistic forecast - at the end of 2007. The National Bureau of Statistics and Sociology of Moldova showed that 420 thousand labor migrants have left Moldova in the 3-rd quarter of 2005 in a quest for work³². This number relates to annual rate in the pessimistic scenario, and for 2 years period in the optimistic scenario. The exchange rate of national currency in relation to the American dollar reached 12.50 to 1 in 2005. And this was much worse than in both optimistic and pessimistic forecasts.

This development in the labor migration in Moldova points out on necessity of adequate and effective migration policy capable of minimizing predicted dangers and risks. However, there is no unity on priorities which make a core of such policy. At the moment there are three basic approaches.

The first approach deals with poverty reduction, creation of working places and, through it, decrease of migratory moods. The analysis of electoral programs used by candidates on parliamentary elections-2005 shows that communists (the ruling party) and the parties representing various segments of opposition, support this approach in general³³. A difference is only in quantity of working places which they promise to create.

The problem, however, is not in availability/absence of workplaces in Moldova. The labor migrants are leaving the country not only (and not so much) because there are no workplaces but because they have already experienced that for the same work they could receive more either in Russia or in the EU countries or somewhere else. The labor force has already understood its real cost on international labor market and, as result, became “whimsical” in the country of origin.

The solution is not in preventing the labor force of ability to compare by means of a “new Iron Curtain”, but by making the work in the home country more attractive and comparably favorable. The labor migrant should trust authorities and the state, believe its promises and proceedings, believe that working at home would be in advantage. As Georges Tapinos said when “a person decides to emigrate, - it is its personal decision, but when the person decides to remain, - it is the trust to the government and market”.

The second approach is less obvious. It is popular enough, though not in governmental institutions of the country.³⁴ The key idea consists in propagation of the Philippine’s policy of

exporting the labor force. However, the experience of Turkey, socialist Yugoslavia, Philippines, and other countries engaged in the international export of national labor force is difficult to apply to modern Moldova. The problem is that these countries were characterized by authoritative political regimes, which practiced a strict control over the departure of the citizens. Also, departure from Philippines is complicated by the fact that this is the island state. The sea acted as a natural barrier on the way of illegal mass immigration. This allowed the state to be not just active, but *dominantly* active force in the process of management of labor migration and dictate the “rules of the game”.

In our case, the situation is different. The post-communist transition in the states of Central and the East Europe including Moldova at the end of 80-th – beginning of 90-th of XX century has radically changed the character of political regimes in these countries, leading to liberalization of departure/entry procedures. In conditions of economical crisis, labor migration became a mass phenomenon, out of state regulation and control. This means that a large part of labor migrants left these countries independently, i.e. without any support or help from the governmental institutions. The state has appeared to be actually “out of game” or playing its “own game” with civilized rules.

At the second half of 90-th of XX century, migration of Moldovan population and integration of governmental structures in a common migratory space were two independent and not cooperating processes. In condition of a democratic political state, regulation of migratory processes is possible probably only by building trust of people through actions, which are supported by the population³⁵.

The third approach has dominated in specialized state structures but not widely supported by mass media. Therefore, representatives of the state structures, trade unions and business consider that here is no adequate migratory policy in Republic of Moldova³⁶.

The main idea is to interpret migratory policy in a context of practical social policies, consider them through the prism of national priorities, put in perspective with the prospects of country’s development. It assumes that Republic of Moldova is a “small country with open economy”. So, an outflow of the labor force from the country is natural and inevitable phenomenon. The only way to reduce the number of labor migrants is to revive national economy by increasing direct investments into production (see: “Revival of economy - revival of the country”).

Unfortunately, direct investments into production are not growing³⁷, though there is a certain economic growth of investments in a national economy (see Table 9, annexes). However, this

growth is a short-termed because it is based on increased consumer demands caused by the growing amount of remittances from Moldovan labor migrants and by 75% increase of monetary flow in the budget from the customs structures. The current economic growth depends on the remittances of labor migrants and existing system of import taxation.

Table 9: Direct foreign investments into economy of Moldova

	2000	2001	2002	2003	2004	2005
Inflow of foreign direct investments (million US\$)	129,1	155,9	110,8	43,0	143,9	158,8
Per one inhabitant (US\$)	35,0	43,0	31,0	12,0	42,4	46,8

Source: National Bank of Moldova

Hopes for increase of direct foreign investments into Moldovan economy are quite illusive. There are several reasons for it. The first one is insufficiently favorable investment climate of the country. Although the investment legislation corresponds to the Central European standards, the respect by the state of its obligations to obey the “rules of the game” is the subject of situational change caused by social risks. Besides, the growing labor migration “washes away” the qualified labor force from the country. Because industrial orders could not be carried out qualitatively, foreign investments become unfavorable to businessmen. Also, the fiscal system of the country is still limiting business opportunities and private initiative; it requires a long-term reformation.

Virtually, the remittances of the Moldovan citizens from abroad should be a basic source of direct investments into the national economy. According to the most conservative estimates, 20-30% of these money resources can be really used for these purposes, since 6% of the remittances from abroad are already invested in business; 15-20% are accumulated in bank accounts; 4-10% - are invested into migration (borrowed).

We should mention that investment of labor migrants into sphere of service (cafe, bars, shops, etc) is a natural and normal phenomenon. It had already led to a fast turnaround and growth of capital. However, the country’s saturation by bars and shops is inevitable, and investments into this sector soon will be low profitable or even unprofitable. In this context, the state must define other priorities for capital investments. It is well known, the state priorities and interests do not always coincide with the private ones. A compromise between the common and private interests assumes financial/fiscal stimulation of private initiative, directing it in necessary spheres of economy. Remittances of the Moldovan labor migrants should be stimulated for investment into

local projects, development of local settlements and communities where the labor migrants live. On this way, the state had already adopted a program called “Moldavian village”.

Undoubtedly, the reduction of poverty in the country requires improvement of a macroeconomic situation, stabilizing state financing, making new workplaces³⁸. However, in conditions of the open market economy the labor force becomes more whimsical, knowing its real international cost. In these conditions, an important task of the state is to make Moldova competitive on the international labor market. This means developing and reforming legislation, education and public health system. Certainly, a part of the well-qualified Moldovan labor force will eventually emigrate and will not return to the country. However, the state will receive the credit of trust from the population, labor migrants, which in a long term will bring positive effects.

The government studies opportunities of legal, temporary labor migration of Moldovan population in EU and Russia, legal and social support of the labor migrants, by means of international and bilateral mechanisms of protection³⁹. This work has already resulted in multilateral and bilateral agreements within CIS, re-admission agreements with 10 European countries, intergovernmental agreement with Italy, ratification of the international conventions in the field of protection of rights of migrant workers, cooperation with the International Organization on Migration, the International Labor Organization, etc⁴⁰. Recently the parliament of the country has ratified the European Convention on a legal status of workers-migrants, etc.

Summary

In this paper, we addressed the problem of labor migration and the role of remittances in social and economic stabilization of the Republic of Moldova. Both the growing labor migration, and the money remittances of the Moldovan labor migrants strongly affect the socio-economic stabilization of the country, by reducing of social conflicts and consolidating the banking system, improving material well-being of the population, decreasing poverty, facilitating formation of the middle class, etc. However, opportunities created by the labor migration and remittances are not efficiently used by the state and Moldovan society. Moreover, as the labor migration of Moldovan population is growing, the more evident are negative effects of the migration. The state structures and civil society of the Republic of Moldova are not ready to overcome or minimize these negative effects.

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- ¹⁶ Also Russian researcher E.Tjurjukanova pays attention to such specific feature of post-soviet time as mistrust of the population to official institutes: "mistrust to official institutes, fear to lose money. Reasonably, taking into account recent bank crises in Russia and an unstable situation in the majority of the receiving countries. Also to this is added the Soviet habit not to trust money to banks, and prefer informal relations, which frequently appear more effectively then formal. Another important factor – illegality of a presence in the recipient country". (see:

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