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FISCAL AND BUDGETARY CAUSES AND CONSEQUENCES OF EMIGRATION – THE CASE OF THE REPUBLIC OF MOLDOVA

CAUZELE ȘI CONSECINȚELE FISCALE ȘI BIGETARE ALE EMIGRAȚIEI – CAZUL REPUBLICII MOLDOVA

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Rezumat. În ultima perioadă cercetătorii în economie încercă să evalueze consecințele migrației populației asupra economiei Moldovei. S-a demonstrat că migrația afectează economia Republicii Moldova atât negativ, cât și pozitiv, în funcție de starea actuală a economiei țării. Fiecare a treia gospodărie din Moldova primește bani din remitențe și pentru jumătate din aceste gospodării remitențele sunt singurul venit pe care îl au. Unde vor fi utilizate aceste venituri depinde de fiecare individ, în funcție de educația, mediul și cultura sa. Pentru a echilibra situația, este necesar ca conducerea țării să aprobe noi legi și strategii prin care să se decidă cele mai bune metode prin care să avantajeze beneficiarii finali a remitențelor în folosirea banilor în dezvoltarea economiei.

Cuvinte cheie. migrație, populație, dezvoltare, bunăstare, depopulare, șomeri, strategii.

JEL CLASSIFICATION: E62, F22, H69, O15, R23.

INTRODUCTION

Emigration is the process by which people leave one country to live in another. People emigrate for a variety of reasons, including increasing employment opportunities or improving their quality of life. Emigration affects the economy of the Republic of Moldova both negatively and positively, depending on the current state of the country's economy.

However, in recent years, starting with the year 2000, the Republic of Moldova registers a high level of emigration, with a significant impact at local and national level.

The Moldovan authorities must urgently approve and implement effective strategies to combat poverty and raise the living standards of citizens not only on paper but also in practice.

Purpose and objectives of the research is to examine the impact of migration on the budget of the Republic of Moldova. To analyze the factors that determine people to leave the country, leaving behind everything they have accumulated in a lifetime. Likewise, to analyze whether the State through its actions somehow influenced the stopping of this phenomenon.

Research methodology. The methodological and theoretical-scientific support used in carrying out the paper was, the normative acts and the laws in force, the Development Strategies, the surveys and the publications made by the Center for Demographic Research. The important source of information technology has also been used in particular by research by local scientists in the field. They were also used information taken from the news, statistical reports posted by the NBM and the National Bureau of Statistics on web – Internet pages.

CAUSES OF POPULATION EMIGRATION TO THE REPUBLIC OF MOLDOVA

Because the Republic of Moldova is a politically and socially divided country incompetent politicians who turned this country into chaos, a part of the population felt the need to make the decision to go abroad for a better life.

A better life means a decent life. And a decent living is when from the salary you can afford to buy food for yourself and your family, pay for utilities, rent, pay for medical care, clothing, and also be able to save for unforeseen expenses.

By the National Institute for Economic Research under the Ministry of Education, Culture and Research at the beginning of 2019 they published the results of the study "What income can ensure a decent living in the Republic of Moldova?".

According to this study, the "rational consumption budget" is calculated for a family with two mature parents and two minor children. So for food would be necessary a healthy diet for a family of four, with two adults and two children, is 10 200 lei per month, based on average prices in February 2019, and for housing and communal services and other non-food expenses, at least over 14 700 lei per month. Thus, the total value of the rational consumption budget for a family of four people, taking into account the consumption basket, would be, on average, 24 955 lei per month. (Details regarding this study can be seen on the website <https://newsmaker.md/ro/noutati/sa-traiesti-decent-in-moldova-cum-adica-si-cat-costa-45628/>)

If that study had been done now, after two years of fighting the COVID 19 and after the sharp rise in the price of oil that led to an increase in the cost of goods and services, then I think the "rational consumption budget" would be much bigger.

According to the data of the National Bureau of Statistics in the third quarter of 2021, the average gross monthly gross earnings per unit in the real sector with 4 or more employees and all budgetary institutions amounted to 9 175.7 lei, increasing by 13.6% compared to the third quarter of 2020 and by 1.5% compared to the second quarter of 2021. (Fig.1)

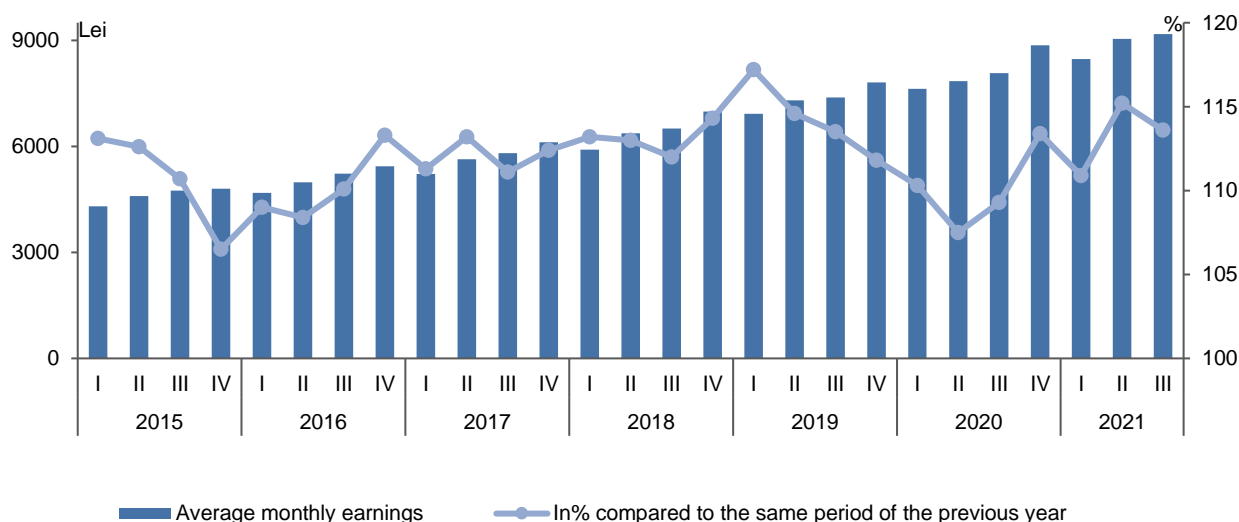


Figure 1: Evolution of average monthly earnings, by quarters, in 2015-2021

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7191>

The highest values of the average monthly earnings in the third quarter of 2021 were registered in the activities (Fig. 2)

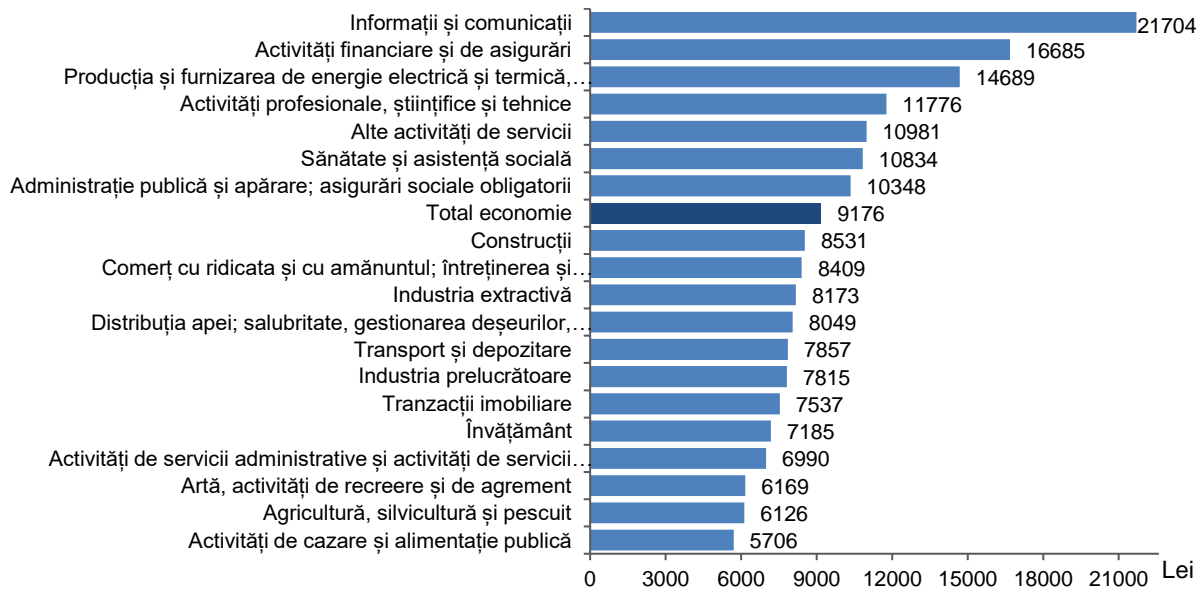


Figure 2: *Gross average nominal monthly earnings in the third quarter of 2021, by economic activitie*

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7191>

- information and communications – 21703.6 lei;
- financial and insurance activities – 16684.9 lei;
- production and supply of electricity and heat, gas, hot water and air conditioning – 14689.4 lei.

The lowest values of the average monthly earnings were recorded in:

- accommodation and catering activities – 5706.4 lei;
- agriculture, forestry and fishing – 6126.0 lei;
- art, recreation and leisure activities – 6169.1 lei.

The people of the Republic of Moldova expect from the authorities to fulfill their obligations, to offer their people what they deserve, namely: high level of education, good health, people's well-being, existence of opportunities for self-realization, full use of labor (capitalization of the dividend demographic), social protection and social security, safe environment.

In the scientific publication “Analysis of the situation of the population in the Republic of Moldova” the authors mention that according to World Bank experts who studied the situation in the Republic of Moldova concluded that approx. 40% of the Republic's workforce Moldova is abroad.

According to them, Moldova is currently the poorest country in Europe. The Moldovan authorities conducted experiments on economic growth without job creation that led to the emigration of skilled workers abroad who send money home.

Remittances from abroad are an essential source of maintaining the well-being of the population, and every fourth household in the Republic of Moldova is dependent on remittances from abroad.

By approving the National Development Strategies: Preliminary Poverty Reduction Strategy 2000, Growth and Poverty Reduction Strategy (2004–2006), National Development Strategy 2008–

2011, National Development Strategy "Moldova 2020" - did not have the expected impact, that of improving people's lives.

The Government Decision nr.377 of 10 July 2020 explains that these failures can be attributed to the quality of the planning documents themselves. Among the weaknesses of the strategic planning documents, elaborated during the last 25 years, the following 3 are defining:

- excessive focus on the phenomenon of economic growth
- arbitrary setting of development priorities.
- limited quality of data and indicators.
- development strategies have failed to integrate into the core of administrative processes.
- the uncertain role assigned to national development strategies in the overall policy framework.
- generalized deficit of financial resources.
- generalized shortage of professional human resources in public administration.
- lack of general monitoring and evaluation framework.
- depreciation of the relevance of strategic planning.

FISCAL AND BUDGETARY CONSEQUENCES OF EMIGRATION TO THE REPUBLIC OF MOLDOVA

Reducing emigration has an important reserve for improving the demographic and economic situation. With growth the number of people leaving for work has significantly increased the volume of transfers from abroad of individuals, with a registered influence on the main indicators macroeconomic. The increase in Gross Domestic Product in recent years is largely attributed to income remitted by Moldovan migrants working abroad.

According to the NBM Report from the Republic of Moldova, in 2020, the total volume of bank transfers of funds from abroad in favor of individuals from the Republic of Moldova amounted to \$1,486.74 million (Fig. 3).

The total value of USD transfers in 2020 increased by 21.6 percent compared to 2019 (\$ 1,222.89 million), including by 3.3 percentage points, mainly due to the appreciation of EUR against USD (calculations according to the official daily rates of the NBM).

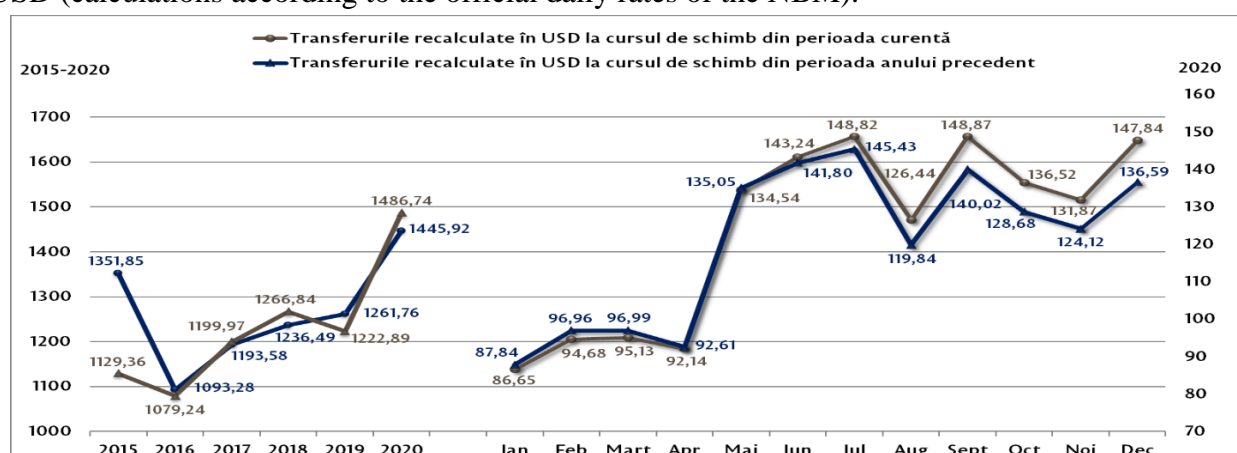


Figure 3: Evolution of the impact of USD / EUR and USD / RUB exchange rates on total transfers in 2020, million USD.

Source: BNM, Statistica operațiunilor bancare internaționale.

As mentioned above, permanent emigration, especially of young people, affects the demographic structure of the population of the Republic of Moldova.

The decrease in the number of people of reproductive age, who will no longer contribute to the reproduction of the population of the Republic of Moldova, leads to the aging process of the country's population, increasing the demographic burden, which is achieved through the processes of natural movement. In addition, the permanent migration of young people negatively affects the economy, on the one hand, by the loss of jobs and, on the other hand, by the fact that it is not compensated by remittances.

According to 2019 statistics, the depopulation process of the Republic of Moldova has continued, although the population of the Republic of Moldova is constantly moving in terms of the number of migrants and emigrants.

Of the total number of emigrants, about 43% are young people in the 20-29 and 30-39 age groups, 21% and 22% respectively. A similar situation is specific for immigrants, the same age groups have a share of about 42% of the total, (19% for the 20-29 age group and 23% for the 30-39 age group (Figure 4).

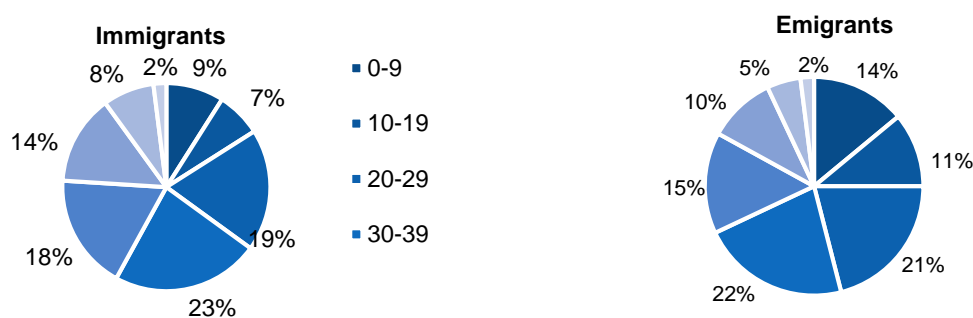


Figure 4. Distribution of immigrants and emigrants by age groups in 2019

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7057>

Economists talk about the importance of economic growth for the Republic of Moldova, which will contribute to expanding labor demand and increasing its costs. Given that declining population and aging population are a problem for most European economies, regional competition for labor is expected to increase in the coming decades, and the gap between living standards and wages in Moldova and other countries will increase.

The National Bureau of Statistics informs that, according to the results of the Labor Force Survey (AFM) 2, in the third quarter of 2021 the labor force (active population) of the Republic of Moldova, which includes the employed population and the unemployed, amounted to 908.3 thousand people, being in increase by 1.6% compared to the third quarter of 2020 (893.6 thousand).

In the labor force, the share of men (52.9%) was higher compared to that of women (47.1%), and the share of economically active people in rural areas was higher than the share in urban areas (56, 4% and 43.6%, respectively).

The labor force participation rate of the population aged 15 and over (the proportion of the workforce aged 15 and over in the total population of the same age category) was 42.8%, up from the previous year (in third quarter 2020 - 41.5%) (Fig. 5). This indicator reached higher values among the male population - 48.8% compared to the female population - 37.7%. The respective average rates registered the following values: 47.4% in urban areas and 39.8% in rural areas.

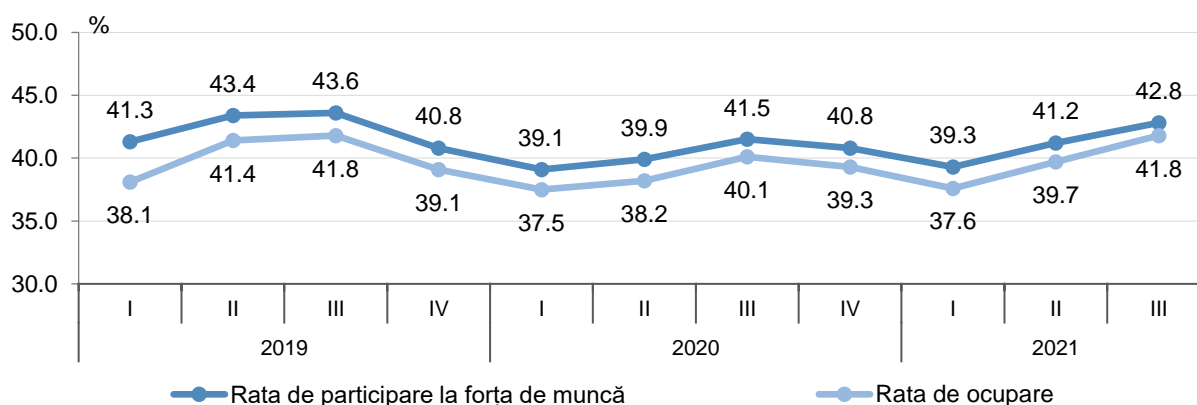


Figure 5: Evolution of labor force participation and employment rates, per quarter, years 2019-2021

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7199>

Unemployed population aged 15 and over in the third quarter of 2021 accounted for 1212.4 thousand people or 57.2% of the total population of the same age group, down 3.6% compared to the third quarter of 2020 (1257.4 thousand and 58.5% of the total population, respectively). Among the inactive population, the highest share, 48.1%, belongs to the category of pensioners. These are followed by the group of family carers (housewives) (13.6%) and the group of pupils and students (13.2%). Other inactive people also include people who do not work and are not looking for a job in Moldova, because they already have a job abroad or intend to work abroad (11.0% compared to 13.1% in the third quarter of 2020). Another group consists of people (declared by households) who went abroad to work or look for a job for a period of less than a year (5.6% or 67.6 thousand), the latter number being decrease. by 18.7% compared to the third quarter of 2020 (respectively 83.2 thousand). The rest are made up of other non-labor population. Men who have a job abroad or intend to go abroad predominate among men and people who go abroad to work or look for a job (18.7% and 9.5% for men, respectively compared to 5.5% and 2.8% for women, respectively) and Family care activities are more characteristic of women (22.3% compared to 1.5% for men) (Figure 6).

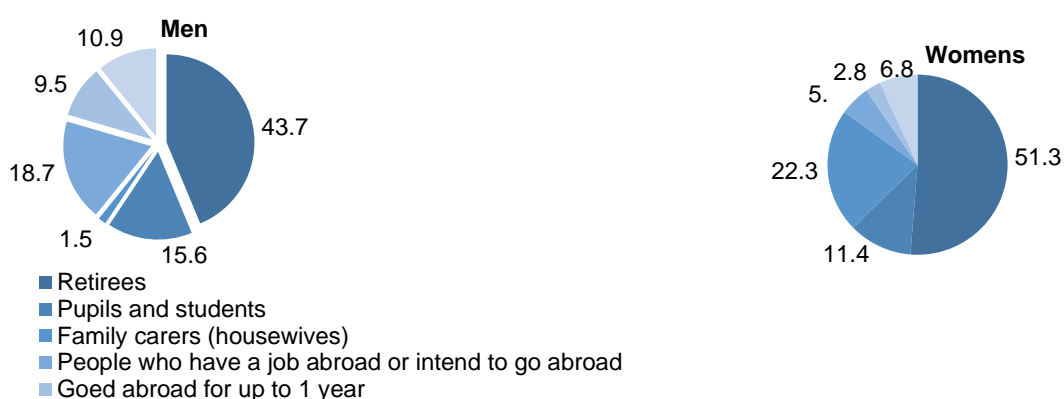


Fig. 6 Out-of-work population by category and sex, third quarter 2021, %

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7199>

As mentioned above, the disposable income of the population of the Republic of Moldova includes:

- income from work (both from wage activity and from individual agricultural and non-agricultural activity);
- property income;
- social benefits;
- **other income, including transfers from abroad.**

If we stop to analyze the living standards of the citizens of the Republic of Moldova, then we can remember the poverty rate. This indicator is influenced both positively and negatively by the mass emigration of the population.

As stated by NBS, in 2019 the **absolute poverty line** was on average 2095.13 lei per person per month and, respectively, the **absolute poverty rate** was 25.2%. At the same time, the threshold of **extreme poverty** was on average 1689.7 lei per month per person, and the **rate of extreme poverty** was 10.7%.

Extreme poverty line - the estimated value of food consumption needs based on consumption structure the least insured population.

The absolute poverty line - the value of the food basket and non - food, calculated as the sum of the cost of food consumption and expenditure on non - food products and services of households that spend on food an amount equal to the cost of consumption food.

The important factors that determine the level of well-being of the population are the environment of residence, the level of education and the main sources of income.

The poverty rate in 2019 in rural areas was 34.5% compared to 11.2% in urban areas. Also, the regional profile shows that the poverty level is much higher in the Southern region (40.4%), while in Chisinau it is much lower (4.4%) (Fig. 7)

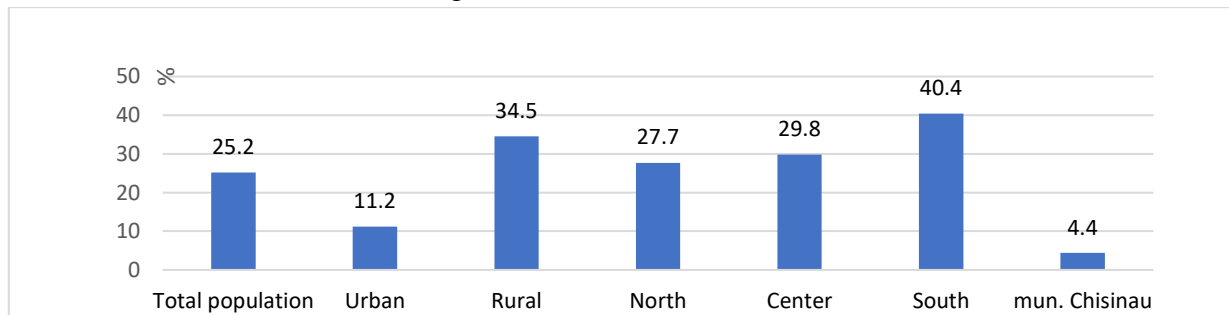


Figure 7. **Absolute poverty rate by area of residence and statistical regions 2019**

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6865>

Each additional level of education of the head of the household means a decrease in the poverty rate, from 78.3% for households where the head of the household has primary or no education, to 4.6% for households where the head of the household has higher education (Fig. 8). The probability of being poor is lower in the case of households with a higher level of training of the main breadwinner.

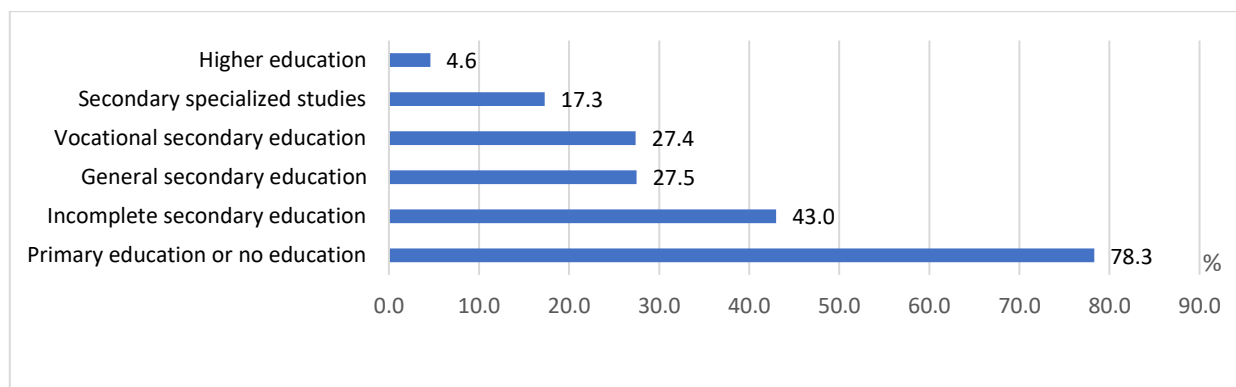


Figure 8. Absolute poverty rate according to the level of education of the head of the household in 2019

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6865>

Depending on the main source of income of the head of the household, the most vulnerable to poverty are households where the head of the household is employed in the agricultural sector (43.2%) or benefits from other transfers, such as social payments, alimony, scholarships, etc. (46.2%), as well as households with the head of the household being self-employed in the agricultural or pension sector (about 38% each) (Fig. 9)

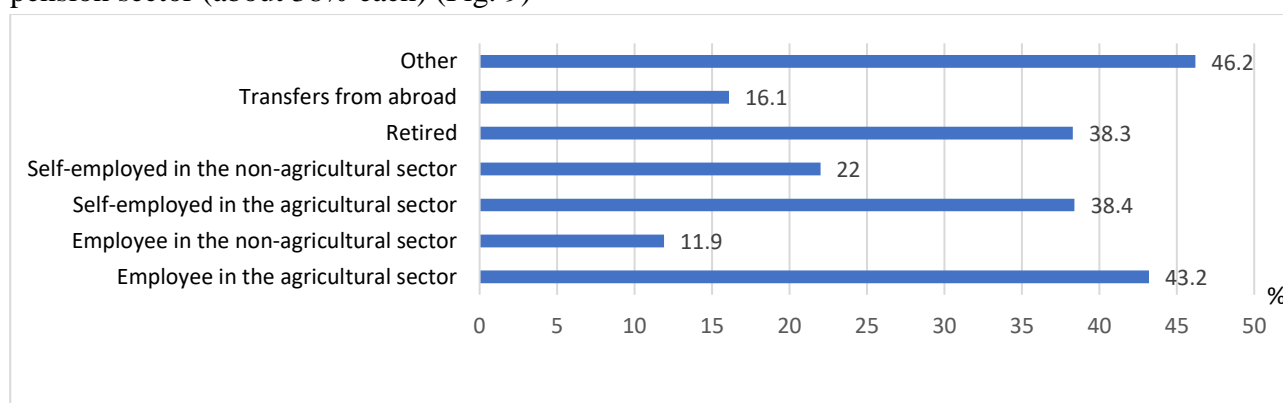


Figure 9. Absolute poverty rate according to the main source of income of the head of the household in 2019

Source: NBS <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6865>

Dr. Hab. in sociology, The National Institute for Economic Research, Mrs. Olga GAGAUZ, in her scientific paper “The current demographic situation and long-term evolutionary trends of the population of the Republic of Moldova”, mentions the moments of crisis in which the Republic of Moldova is.

She rightly pointed out when she wrote: "It will be difficult, but rather impossible to replace citizens who have left the country, labor market and society civil. No growth investments in the physical sector, capital and infrastructure, no use of remittances not can compensate for the variety lost human potential composed of young people and adults educated and able to work"

ACTIONS PLANNED FOR THE COMING YEARS BY THE STATE OF THE REPUBLIC OF MOLDOVA IN ORDER TO STOP THE MASS EMIGRATION OF THE POPULATION.

After analyzing the scientists in the country and those in abroad, the population of the Republic of Moldova will be declining in the coming years. Because for the most part the fertile population emigrates, and the elderly population remains in the country. Therefore, we lose the number of productive population, this phenomenon has a negative effect on the field socio-economic, demographic, political, cultural, etc.

Governments, as mentioned above, have developed and implemented Development Strategies that have not had the expected effect.

Analyzing, the failures and advantages of the respective strategies are working on the Moldova 2030 strategy.

The Moldova 2030 strategy is based on the principle human life cycle, rights and quality of life, and includes 4 pillars of sustainable development, with 10 corresponding long-term objectives, namely:

- sustainable and inclusive economy:
 - 1) increasing revenues from sustainable sources and mitigating inequalities economic;
 - 2) increasing people's access to physical infrastructure, public utilities and living conditions;
 - 3) improving working conditions and reducing informal employment;
- robust human and social capital:
 - 4) guaranteeing quality education for all and promoting opportunities lifelong learning;
 - 5) ensuring the fundamental right to the best physical health and mental;
 - 6) solid and inclusive social protection system;
 - 7) ensuring a work-life balance;
- honest and efficient institutions:
 - 8) ensuring efficient and inclusive governance and the rule of law;
 - 9) promoting a peaceful, secure and inclusive society;
- healthy environment:
 - 10) ensuring the fundamental right to a healthy and safe environment.

As stated in the document, "Achieving these goals, by applying the principle, no one should be lagging behind, will guide the Republic of Moldova towards sustainable development".

Let's hope that the Governors of the Republic of Moldova will start working and forgetting the political color and thinking about the people who voted for them and fought for freedom, democracy and well-being here in the country.

CONCLUSIONS

If things do not change for the better, economically, socially, demographically, culturally and last but not least politically, people will continue to leave the country and few will want to return.

The authorities, on the one hand, must take all possible measures to reduce emigration and, on the other hand, create conditions for the integration of returnees.

As described above, emigration has negative and positive effects on the economy.

Every third household in Moldova receives money from remittances and for half of these households' remittances are the only income they have. And in rural areas the dependence on remittances is even more pronounced.

Where these revenues will be used is up to each individual, depending on their education, background, and culture.

In some cases, the beneficiaries of these transfers invest the money in the purchase of valuable goods, for example apartments, houses, cars, etc. But there are also those who, together with their families, set up a business.

The Republic of Moldova needs people, not only for numbers but also for productivity.

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