

SOCIAL INEQUALITY IN MOLDOVA AND ITS IMPACT ON DEVELOPMENT

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Abstract: Social inequality is a phenomenon characteristic of all societies, regardless of their degree of development, because wealth and income are not and cannot be equally distributed among the members of these societies. Inequality is a natural social phenomenon of human existence that must be fought only if it does not contradict the principles of social justice in society. Social inequality can also be a consequence of the manifestation of different forms of discrimination. In recent years, against the backdrop of the economic growth trends recorded by the Republic of Moldova, an improvement in the quality of life has been observed. This is manifested both by the increase in the population's disposable income and wages, as well as by the increase in the population's standard of living. However, both inequality and inequity persist in income distribution. This remains, for now, an unsolved problem that risks turning into a characteristic feature of the economic development model of the Republic of Moldova.

The contemporary perspectives of economic development in the Republic of Moldova generate a series of social inequalities that implicitly lead to the inhibition of sustainable development in the country. The analysis of inequalities, the highlighting of the sources of inequality, as well as the ways to overcome them represent the basic purpose of this article.

Keywords: social inequality, discrimination, poverty, social exclusion

JEL Classification: I30

1 Introduction

Social inequality is a phenomenon characteristic of all societies, regardless of their degree of development, because wealth and income are not and cannot be equally distributed among the members of these societies. People, in essence, are different, have different skills and talents and therefore contribute differently to the production of national wealth. Inequality is a natural social phenomenon of social existence that must be fought only if it does not contradict the principles of social justice in society. Social inequality can also be a consequence of the manifestation of various forms of discrimination, in the situation where a group of people, for example women or people with disabilities, is treated at a disadvantage, unfairly compared to other members of society. For this reason, policies to combat social inequalities must be oriented not so much towards "levelling" society as towards overcoming any forms of inequality that can lead to poverty, social exclusion and compromising development.

During the last years, against the background of the economic growth trends registered by the Republic of Moldova, an improvement in the quality-of-life situation is observed, this is manifested

both by the increase in the disposable income of the population and wages, and by the reduction of the poverty level. However, the inequality and inequity that persists in the distribution of income remains, for now, an unresolved problem that risks turning into a permanent feature of the Moldovan development model.

The contemporary prospects of economic development in the Republic of Moldova generate a series of social inequalities that lead, implicitly, to the inhibition of sustainable development in the country. The analysis of inequalities, the highlighting of the sources of inequality, as well as the ways to overcome them represent the basic purpose of the given article.

2. Social inequality in the Republic of Moldova

During the last years, against the background of the economic growth trends registered by the Republic of Moldova, an improvement in the quality of life situation is observed, this is manifested both by the increase in the disposable income of the population and wages, and by the increase in the standard of living of the population. However, the inequality and social inequity that persists in the distribution of the population's income remains, for now, an unsolved problem that risks turning into a characteristic feature of the Moldovan economic development model. Inequality in the distribution of income in the Republic of Moldova manifests itself in several forms: by region, by residence, by field of activity, by sex, by age group, etc. thus dividing society into rich and poor. On the other hand, inequality can also be based on income or wages, the structure of consumption, as well as access to various social services. Inequality can lead to deepening social tensions, with dramatic social economic and political consequences. The difference between the rich and the poor is increasingly noticeable, and this situation in itself carries risks for the economic, social and political balance in the country, as well as for ensuring a perspective of sustainable human development.

During the last 10 years, the economy of the Republic of Moldova has had a rather tortuous evolution, registering an increase of only about 17%, being affected by several challenges, such as: the COVID-19 pandemic, the war in Ukraine, the energy crisis, periodic droughts, etc. According to the data of the National Bureau of Statistics, in 2022 the Gross Domestic Product amounted to 274.2 billion lei in current prices, decreasing (in real terms) by 5% compared to the previous year. Other factors that determined the economic decline were also present in previous years, namely political instability. As a result, economic activism decreased, which also led to a decrease in the main economic indicators. The analysis of the main economic indicators highlights the sensitivity of the economy of the Republic of Moldova to external and internal shocks, from the current period (Figure 1). On the other hand, the unequal distribution of the contribution of each region to the formation of GDP should also be mentioned. The largest contribution to the formation of the GDP of the Republic of Moldova is made by the municipality of Chisinau, constituting about 60.4% of the total, which reflects a pronounced inequality in the development prospects of the regions of the Republic of Moldova. (Figure 2.). Such inequality in development has a strong impact on the increase of social inequality of the Moldovan population and some unfortunate social processes.

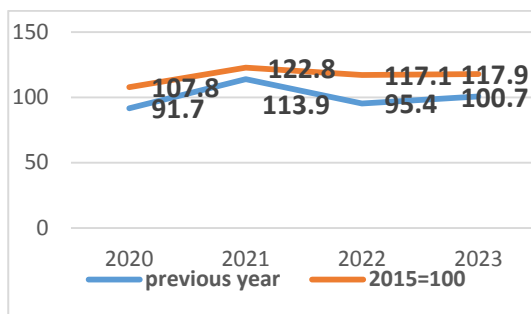


Figure 1. Gross domestic product volume indices (%)

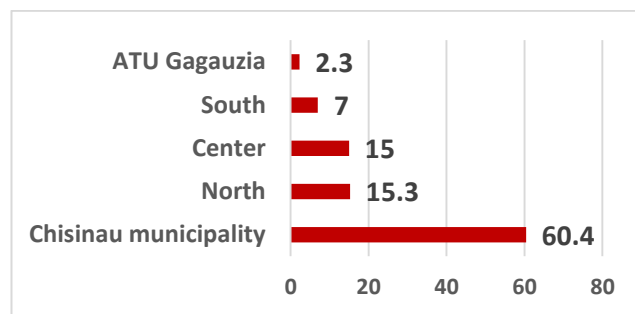


Figure 2. Contribution of development regions to GDP formation in 2021 (%)

Source: NBS

In general, social inequality is a phenomenon characteristic of all societies, regardless of their degree of development, because wealth and income are not and cannot be equally distributed among the members of these societies. People, in essence, are different, have different skills and talents, and therefore contribute differently to the production of added value. Inequality is a natural social phenomenon of social existence that must be fought only if it does not contradict the principles of social justice in society. Social inequality can also be a consequence of the manifestation of various forms of discrimination, in the situation where a group of people, for example women or people with disabilities, is treated at a disadvantage, unfairly compared to other members of society. For this reason, policies to combat social inequalities must be oriented not so much towards "leveling" society according to income, but towards providing equal opportunities to all members of society to ensure a decent living, eradicating poverty, social exclusion, and ensuring sustainable development.

Although in recent years, the Republic of Moldova has registered some progress in the field of increasing the income of the population, the situation in this chapter is still quite uncertain. The incomes of the population in the Republic of Moldova continue to be the lowest in the region, qualifying the Republic of Moldova as the poorest country in Europe.

From 2019 to 2023, the average disposable income of the population increased significantly - by 63.1%, from 2722.5 lei to 4440.9 lei. At the same time, there is also an increase in the discrepancy between the incomes of the urban population compared to those of the rural population - from 18.5% in 2019 to 21.3% in 2023, which causes an increase in social inequalities between the population from the rural environment compared to that from the urban environment (Figure 3).

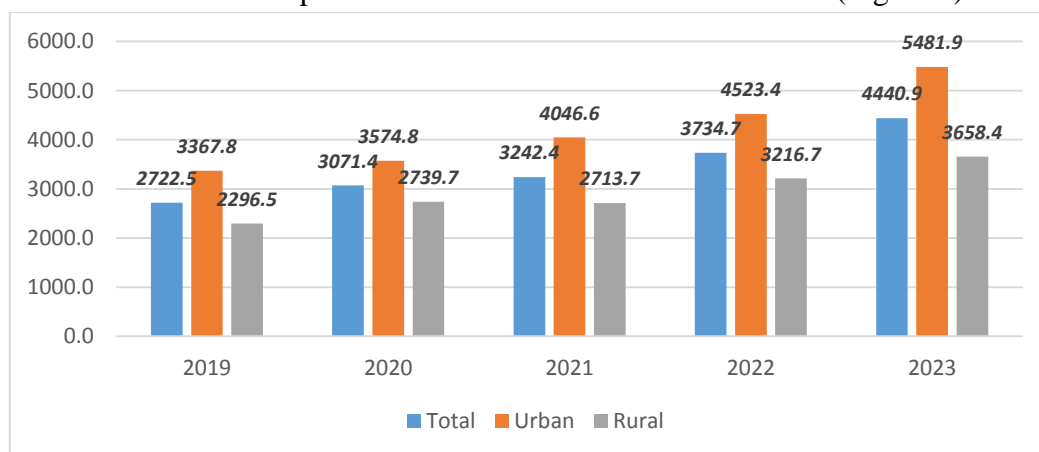


Figure 3. Average monthly disposable income of the population, 2019-2023, lei

Source: NBS

Against the background of the persistence of inequalities by income, the Gini coefficient registers an increasing trend, especially in the urban environment. Thus, from 2014 to 2023 the Gini coefficient, the main indicator of inequality by income, increased from 0.3257 to 0.3356, including in urban areas from 0.2994 to 0.3433. It should be noted that in the same reference period the Gini coefficient in the rural area registered a decrease from 0.3275 to 0.2918 (Figure 4).

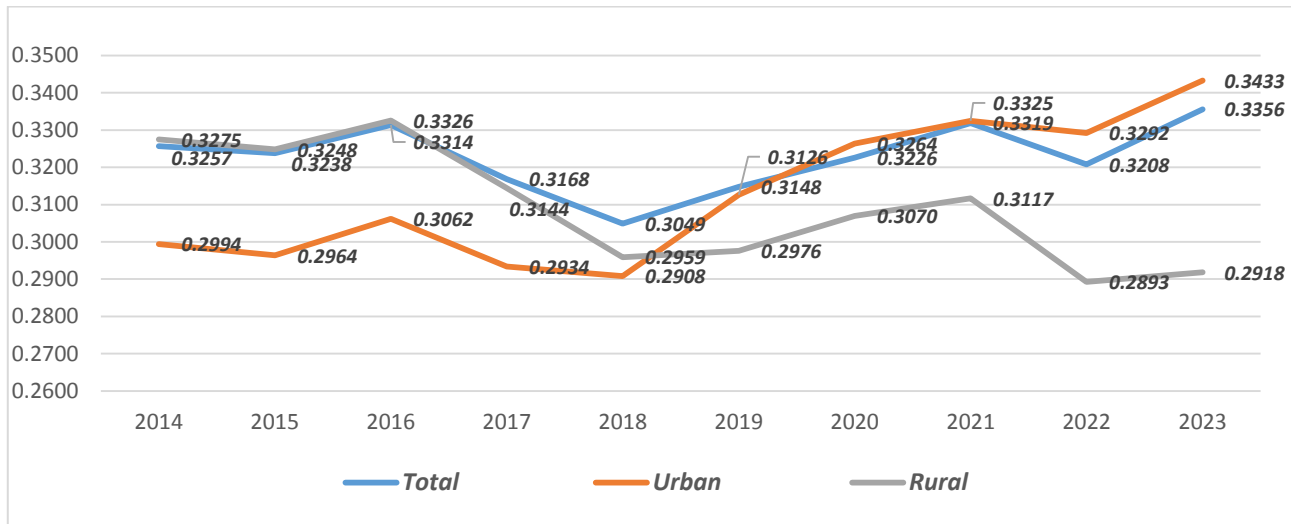


Figure 4. The GINI coefficient on the disposable income of the population of the Republic of Moldova
 Source: NBS

Inequalities are also reflected in the subjective assessment of the standard of living by residence. Thus, according to Figure 5, the share of those who rate their standard of living as good or very good is about 2 times higher, 21.5% in the urban environment compared to 10.2% in the rural environment. While the share of those who rate their standard of living as bad or very bad is 9.2% in the urban area compared to 11.5% in the rural area (Figure 5).

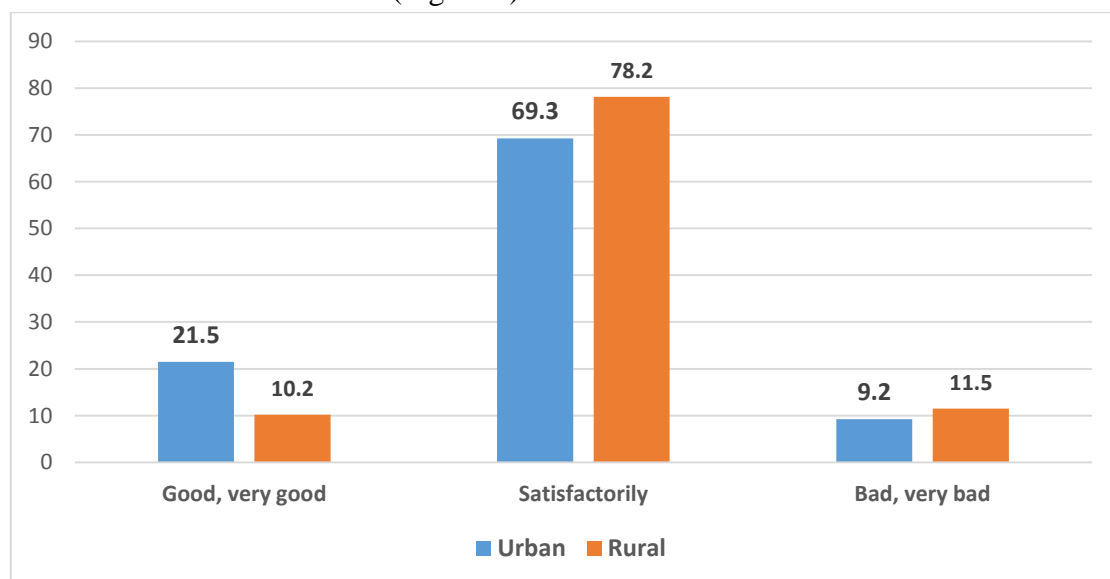


Figure 5. Estimation of the standard of living, by residence, in 2023
 Source: NBS

The inequalities that persist are accentuated, in particular, in the unequal access to basic social goods and services, which is reflected in the consumption pattern of various groups of the population. The main expenditure chapters remained largely unchanged. The population spends about 40% of resources on food products. At the same time, the share of food consumption in rural areas is much higher than the share of food consumption in urban areas: 45.4% versus 34.9%.

And the grouping of households by socio-economic status indicates significant differences in the level and structure of expenses. The lowest level of expenditure is observed in households of self-employed agricultural workers and pensioners. At the same time, these households also spend the most on food consumption (respectively, 45.2% and 47.3% of total consumption expenses), while salaried households allocate about 40% of monthly expenses.

3. The sources of social inequalities in the Republic of Moldova

In general, any society determines its own typology of inequalities, as well as the sources that lead to inequality, being largely determined by economic, social and cultural factors. There are two factors that feed the processes of stratification and form economic inequalities in society: the individual, physiological and psychological characteristics of the members of society (sex, age, family status, individual preferences, professional skills, level of training, personality), and on the other hand the distribution mechanism of the global product created by society. In the same context, we can also mention the various forms of direct discrimination that persist in society and ensure unequal access to resources for certain groups of the population.

For the Republic of Moldova, a young state, in full process of consolidating an independent economy, based on the principles of the market economy, the processes of forming the new social structure and, respectively, the new inequalities are proceeding quite dynamically. The sources of these inequalities arise both from the existing economic and social reality, and from some factors, inherited from the socialist economy, based on planning, centralization and state ownership.

Despite the efforts made by the state in establishing a "homogeneous" society according to social status, equal according to income and fair, it cannot be said that inequality does not exist in socialism. Social inequality in the socialist economy was determined, first of all, by the differentiated access to goods and services in a deficit economy, as well as the social position occupied by members of society in the process of distribution of scarce goods. Through its leveling content, the wage policy was extremely unfair, by unjustifiably favoring the "new bureaucratic and political nomenclature". This fact caused the decrease in economic motivation, the stagnation of labor productivity growth that led to a decline, and later, to an economic collapse. The precarious situation in the economy was also accompanied by the inefficiency of the educational systems, based, rather, on the motivation of individuals to climb the social ladder (careerism), rather than to increase their performance and professional competitiveness.

Against the background of relatively homogeneous incomes and equal and free access to social services for all members of society, a set of inequalities crystallized in socialism, the manifestations of which are still visible today. The main sources of inequality in the socialist economy can be considered the following:

The underground economy. Although the underground economy was hard fought, being affected and the entrepreneurial spirit, it took uncontrollable proportions, and was manifested, first of all, through various activities that operated with market mechanisms (clandestine industries, bussiness, car repair,

meditation services, tailoring, rentals, etc.). The "informalization" of the socialist economy was largely due to the failure of the formal economy to provide the population with consumer goods and services. Obviously, people who carried out activities related to the underground economy were in a more advantageous position compared to other people, obtaining much higher incomes and, respectively, more goods than those offered by the official economy. Moreover, the traditions characteristic of the underground economy are also observed in the contemporary economy of the Republic of Moldova, taking on particularly large proportions, being generators of the phenomenon of corruption, tax evasion, etc.

State privileges granted to certain categories of persons. These privileges were manifested through the access to various scarce goods and services of a higher quality for the elite members of the socialist society in the conditions of a deficit economy, access from which the other members of the society did not benefit. As a rule, these were party leaders or people involved in the decision-making process (directors of state institutions, high-ranking civil servants, etc.). In a privileged situation were also the people who were directly involved in the distribution of scarce products (commercial workers, restaurant and hotel managers, etc.). The tradition of "state privileges" persists today and manifests itself in other forms.

Social policy. To a large extent, the welfare system under socialism consisted of mechanisms that made citizens dependent on the system and discouraged them from taking responsibility for their lives. As such, socialist social policy was an integral part of the economic system based on the principle of centralized planning in which the party (the political elite) coordinates the lives of millions of people, and played the same leveling role of constraining individual autonomy as economic policy. Currently, the traditions of dependence of vulnerable people on the state persist. A large part of the population believes that the state is obliged to provide them with a decent standard of living regardless of the efforts made by the people in ensuring its well-being. At the same time, in the situation where the state does not have the necessary financial capacity to satisfy all the needs of vulnerable people, the social benefits they grant are not able to ensure a decent living.

In the conditions of the period of transition to the market economy, these sources of inequalities inherited from socialism were supplemented with new ones, specific to the period of transition to the market economy, among which:

Privatization processes. Although the privatization processes were carried out according to a formula considered fair, most of the people who participated in the privatization process were left with only paper receipts, while a small part of the population became the owners of quite significant fortunes. Thus, privatization, generating inequalities, also led to major inequities in society.

International labor migration. As such, international labor migration, which registered an imposing intensification in the last 20 years, led to the overcoming of several economic and financial problems faced by families in the Republic of Moldova. Thanks to international labor migration, the level of poverty has been reduced. At the same time, international labor migration has also led to the increase of inequalities in society, especially in rural communities where the problem of poverty is much more pronounced than in urban communities. Inequalities arise between people who have the possibility to migrate to work abroad and those who do not. Another social problem that accompanies international labor migration is children and the elderly left without care, a problem that also generates inequality, discrimination, poverty and social exclusion.

Unjustified discrepancy between the level of salaries in various sectors of the national economy. The huge differences between the salaries of workers in various sectors of the economy are a characteristic feature of contemporary Moldovan society. The liberalization of the wage policy, the mechanism of the market economy in the process of formation, the lack of an adequate competitive environment - led to the unjustified inflation of wages in some sectors at the expense of other sectors, which led to the increase of inequality, respectively, social inequity. While workers in the banking-financial sector earn quite generous salaries, workers in the budgetary sphere (doctors, teachers, civil servants) whose qualification and social importance are no less, have unjustifiably low incomes. The created situation leads to huge staff turnover, as well as a shortage of qualified workers in these social sectors extremely important for the social balance in the country. Such a situation leads to the compromise of economic and social security.

Both social inequality and social justice are phenomena closely related to the concept of human development. Emerging from the definition of human development, it can be stated that it cannot take place in the situation where social inequalities and inequity persist, which lead to poverty and social exclusion. However, human development represents a process of expanding people's capacities to make choices in all areas of human life - economic, social, political, etc., while inequalities are what constrain people's ability to choose, a fact that leads to inequity, social imbalance and therefore causes a lack of human development.

Conclusion

As a conclusion, it can be mentioned that the successes of the Republic of Moldova in terms of development and social inequality are relatively modest. A major cause relates to the non-sustainable model of economic growth based on consumption, and remittances that solve many economic and social problems (income, employment, community development, quality of services, etc.).

Another fundamental problem would be the non-inclusive nature of economic development, which does not offer equal economic opportunities for a large part of the population in the category of socially vulnerable groups (women, people with disabilities, young people, rural residents, etc.), thus deepening the inequalities in society even more.

The biggest inequalities are between the rural and urban population and between women and men, and the main problem is unequal access to economic opportunities, which includes the chances of obtaining a decent job, the level of remuneration and the chances of starting one's own business. This explains the low value of the HDI, including the inequality-adjusted HDI.

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