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**Annual Review
2012
on Labour Relations and Social Dialogue in South East Europe:
Moldova**

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1. Summary

The year 2012 was one of the most difficult years for Moldova's economy. The economic growth was very slow or even negative in 2012, being equal to -0.2 for the first nine months of 2012. The political conflict has been solved due to the election of Nicolae Timofti in the capacity of the President of Moldova. At the same time, the internal political conflicts inside the Alliance for European Integration didn't stop, the political parties trying to advance their own agenda at any cost.

Despite all the efforts of the domestic government to promote investments, Moldova remains a poor country with many problems, still unresolved. Several problems appeared in 2012 which involved the main investors – Draexelmaier and Lear Corporation.

An important point in the evolution of industrial relations in 2012 was the Ministry's of Labour proposal to change the Labour Code and especially to include some additions in the article 86. Some other changes refer to the diminishing of the period of technical unemployment from six to four months and diminishing of indemnities paid by the employer to these persons from 75% to 50% of their salary. In 2012 three thousand SMEs were closed and due to this 7,000 members left trade unions.

The situation starts to be much better in the area of the social dialogue in the country regions. According to the official figures there are structures of social partnerships in just 23 districts (out of 34). This is a sharp increase because in 2011 there were just 11 commissions.

2. Socio-economic developments

The year 2012 was one of the most difficult years for Moldova's economy, as it was hit both by economic and climate shocks, and neither the government nor companies can control them. The economic growth was very slow or even negative in 2012, being equal to -0.2 for the first nine months of 2012. Moldova cut its economic growth projections to 1.0% in 2012 and 3.5% in 2013, according to the estimates made in October 2012. According to the National Bureau of Statistics, as compared with September, 2011 industrial production decreased 11%. In June, the ministry of economy said Moldova's economy was expected to accelerate to 5.0% per year in 2013-2014 and 5.5% in 2015 from 3.0% forecast for 2012. The downward revision reflects the recent economic growth slowdown and the less optimistic projections for the region and at a global level made by international organisations, including the International Monetary Fund (IMF).

If this tendency will remain valid for the whole year, it could be possible to consider that Moldova is entering a period of recession. This state of affairs is determined basically by the European Union economic crises and its impact on the Moldovan householders and producers. At the same time, the draught which happened in 2011-2012 and which reduced by 20% the added value created by agriculture, seriously damaging the crop, livestock, agricultural, food and exports sectors, thus contributing to an additional extension of the recession.

Despite the slowdown in the economy of 2012, the Moldovan foreign exchange market signalled excess of currency. This was determined on the one hand by actions of foreign investors and banks that converted currency and by the slowing down pace of the import growth, leading to the less demand for currency and by a comparatively low inflation rate on the other one.

Another important factor which affected the socio-economic development of Moldova was the increasing number of economic takeovers and crimes. During 2012 several cases of hostile takeovers have been registered which implied sophisticated instruments of economic blackmail, legal intervention and off shore intermediation. Concurrently, several important cases of smuggling have been reported by the border police who proved some connections between custom service and high officials.

The government expected to attract 988 million lei of foreign assistance but in fact the overall assistance offered to Moldova was not more than 416 million lei. It means that the flow of international assistance is going to decline gradually, a fact which is determined by the general perception of the international donors that there is more corruption in Moldova than poverty.

Moldova's relationship with Russia started to be much more tensed after its advance in the EU integration process. Russia is becoming more demanding and tends to impose better terms of trade in relation to Moldova, insists on higher prices on energy and is supporting Transdniestria in the process of conflict settlement. For example, the talks between Moscow and Chisinau on the new long-term gas supply contract are still unsuccessful due to unsolved problems on the matter of property of Gazprom, which holds shares of Moldovagaz in Moldova, emerged in the context of commitments assumed by our country on the EU Third Energy Package. The problem of Moldova's debt for natural gas, which approaches \$4.1bn., with arrears of Transdniestria included, is also to be solved in 2013.

3. Governmental policies and legislation

Taking into account the low levels of economic development in 2013, the Government managed to maintain also a low level of budget deficit despite the fact that the initial threshold of 1% of GDP was not attained. An important role was played by the Ministry of Finance which managed to raise the fiscal revenues by 13.4% during the January-October period. This could be explained by new tools which were used by the Ministry of Finance – the reintroduction of the income tax deducted from the entrepreneurs' activity and better system of tax collection. In 2012 the government was focused on channelling the budgetary resources toward the development of the infrastructure of public services. Due to this, it succeeded in increasing the share of capital costs as part of the whole budget. In 2010 this share was equal to 14.5%; in 2012 it changed it is close to 20%. This is due to substantial financial assistance which covered in 2012 around 40% of capital costs. Another important policy which was pursued by the Government covered the investments in road infrastructure. The amount of money spent for this purpose was 70% bigger than in 2011. This is a palpable sign of cooperation between Moldova and EU, because road infrastructure is a very important target of the European assistance.

The government also is going to introduce new transparency norms in several fields of national economy in order to limit the use of off shore schemes. Thus, all the companies which activate in the Republic of Moldova, being registered in off shore, will be compelled to deliver to the public and to competent institutions data on their official founders.

Despite all the efforts of the domestic government to promote the investments, Moldova remains a poor country with many problems, still unresolved. Several problems appeared in 2012 which involved the main investors – Draexelmaier and Lear Corporation. The most concern problems, that are common for both Companies and population, is the corruption and the bureaucracy problem. A company that wants to invest in the country is often called to face these two problems that slow the process of growth and cause social unfairness. Though if, in the last months something started to change, in fact, the Moldovan Government received around 50m Euro by the European Commission in order to reform the justice sector and fight the corruption. But the bureaucracy still remains a problems, even if for creating and registering a new company in Moldova are usually required no more than 20 days. The real problem is to follow all the governments' regulations during the business activities. The issues of the small investors failed to be settled in 2012 too, that represents a failure of economic policy.

Two key-institutions in the economic policy, the economics and finance ministries, have proved contradictory visions and an obvious lack of a desire to discuss. It is seen the lack of a joint strategic idea on the way of development of the Moldovan economy.

Moldova has made great strides over the last two years on the way to restoring fiscal sustainability. In 2010, the authorities embarked on an ambitious path to bring the fiscal deficit by end-2012 down to a level that could be sustained without recourse to exceptional official assistance. They have appropriately chosen current expenditure restraint, particularly in the public wage bill and spending on goods and services, while raising social assistance to protect the vulnerable and public investment to promote growth. As a result, the fiscal deficit declined from over 6.3 percent of GDP in 2009 to about 2.4 percent in 2011. The 2012 budget, supported by comprehensive tax policy and expenditure reforms, aimed to bring the deficit below 1 percent of GDP. This aim was not achieved integrally due to revenue underperformed, partly reflecting the slowdown in the economy, but also a combination of policy loopholes and collection problems. In addition, unbudgeted expenditure commitments and delays in external assistance have put the budget in jeopardy.

4. Industrial Relations

An important point in the evolution of industrial relations in 2012 was the Ministry's of Labour proposal to change the Labour Code and especially to include some additions in the article 86. The representatives of the National Confederation of Trade Unions dissented with these changes because, in their mind, they could hurt the employees' rights. The trade unionists insisted on the fact that the Ministry's of Labour proposal stipulates as a reason for dismissal the reaching by a person of the retirement age, which they strongly disagree.

Some other changes refer to the diminishing of the period of technical unemployment from six to four months and diminishing of indemnities paid by the employer to these persons from 75% to 50% of their salary. At the same time, the employees could ask for a longer period of their unpaid holidays. The term of stay on holiday on your own could be increased from two to four months. Another amendment provides for the dismissal of the employee if he is absent from work for four consecutive hours and no more than four hours as provided in the current Labour Code. Authorities would like also to introduce the notion of sexual orientation in the article which refers to the prohibition of discrimination in the workplace.

Trade Unions grievances regarding these additions were the reason for postponing the approval of these changes by the Executive. Prime Minister Vlad Filat asked for at least two weeks to reach a consensus on finalizing the new provisions of the Labour Code. This consensus is not yet reached.

In 2012 three thousand SMEs were closed and due to this 7,000 members left trade unions. Sometimes these people leave the organization because they cannot find the support. In other cases, those who are receiving bigger salaries hesitate if it is worth to pay contributions to the union treasury. Another problem is the fact that after unification in confederation there are still many alternative unions in the same branch which don't want to join the confederation. The confederation is trying to unify the trade unions of the same branch, but it doesn't work as it is expected, because union leaders are unwilling to cede power and, according to statute, the superior body - confederation - should not meddle in the affairs of lower hierarchical structures.

5. Tripartite social dialogue

The National Commission for Collective Bargaining and Consultations meets on a monthly basis and rests on 12 Conventions that are signed on a national level (several conventions have been absorbed by others so there are in fact seven separate conventions). The first conventions, signed in 2004 and 2005, aimed to solve the problems of employees' wages and supplements for unfavourable conditions. The next conventions negotiated by the social partners in a tripartite format were signed beginning with 2007. They focused on child labour (Collective Convention Nr 8 of 1 July 2007) and contributed with some additions to the List of Specialties which allowed them to work more than 8 hours a day but no more than 40 hours a week (Collective Convention Nr 10 signed on 10 August 2010 about completing the Collective Convention Nr 2 signed on 9 July 2005 "About labour and leisure time").

During 2012, two new Conventions on the national level were signed – Collective Convention Nr 11 from 28.03.2012 "On the Criteria of Extensive Diminishing of Jobs" and the Collective Convention Nr 12 from 09.07.2012 "On the Form of Personnel and Nominal Permission of Access to the Working Place".

At present national unions started negotiations on several new projects of conventions:

- The socio-economic protection of young people
- The safety and health at the working place

Unfortunately, union initiative regarding the Convention on social-economic protection of young people was ignored by the government.

Social partners (trade unions and employers) face difficulties in fulfilling the National Commission decisions approved by consensus which have a character of recommendation. The analysis of the situation shows that National Commission decisions are not taken into account. Some experts consider that an efficient solution could be change of the legislation, which will lead to a situation when the National Commission decisions and judgments should become mandatory. In this respect it should be mentioned that the national social partners have prepared a draft law amending the Law on the organization and functioning of the National Commission for consultation and collective bargaining committees for consultation and collective bargaining at branch and territorial level Nr. 245-XVI of 21 July 2006 which is proposing to consider that the National Commission decisions are binding for all the parts when they are adopted by consensus.

The situation starts to be much better in the area of the social dialogue in the country regions. According to the official figures there are structures of social partnerships in just 23 districts (out of 34). This is a sharp increase because in 2011 there were just 11 commissions. At the raion level, 13 collective conventions were signed. Another problem deserving consideration deals with the setting up of territorial commissions for consultations and collective bargaining and refers to the lack of the employees organizations in those regions. These Commissions managed to sign only 8 Conventions which account for one fourth of the total number. These 8 Conventions have been signed in the following rayons – Anenii Noi, Cimislia, Cantemir, Edinets, Causeni, Glodeni, Leova, Ungheni. In three other districts these conventions are under negotiation – Floresti, Soroca, Stefan-Voda.

6. Forecasts

GDP growth is expected to decelerate to 1 percent in 2012, in line with worsening external conditions, before returning to a 4–5 percent growth rate by 2014–15. The IMF

official forecasts a 4% growth in GDP in 2013 based on recovering agriculture and improvement in external conditions. The main transmission channels of the Eurozone crisis to Moldova are external trade and remittances. First, the deepening crisis in the EU countries reduces demand for Moldovan exports (about half of all exports go to the EU). Second, since fully half of Moldovan migrants work in EU Southern European countries, i.e., the epicentre of the crisis, remittances from this corridor are affected. Inflation is expected to be within the range of 5 percent (+/- 1 percent), in line with the targets of the National Bank of Moldova (NBM).

Among the five risks the Moldovan economy would face with in 2013 are the foreign shocks. Thus, if the EU crisis is going on, the negative effects on the Moldovan economy will be on the rise, but Moldova risks to remain in zone of an insignificant economic growth in 2013, even if it's possible to admit a strong recovery of the agricultural sector. Other risks would come from the failure in the international competition for investments, rise in the political pressures over Moldova's National Bank, as well as the major imbalances on the labour market. Moreover, in 2013, there is a risk for companies to face difficulties in sales market.

Annex of Data

• Collective bargaining system

Although the Commission for Tripartite Dialogue approved and proposed to national social partners a sectoral Framework Regulation on the organization and functioning of the consultation and collective bargaining at branch and territorial level, in 2012 there are 17 committees for consultation and collective bargaining. Currently, the National Trade Union Confederation includes 27 national trade union centres at the branch level. Although the Labour Code allows by means of negotiations to create a single representative body in case of multiple structures at the same level, there are many divergences in the process of creation.

Another aspect that hinders the promotion of the social dialogue in which collective bargaining is to be achieved is the lack of social partners' representatives to defend the position of employers and the local public administration. This leads to the impossibility of negotiating and concluding collective agreements at branch level. In 2012, according to information obtained from national trade union centres, branch collective agreements (branch level) are concluded by 17 sectoral unions.

The most common additional rights and guarantees which are negotiated in collective agreements at branch level are:

- Separate minimum wages for each branch;
- Supplements and indemnities for heavy and hazardous work;
- Additional leave;
- Financial resources for activities planned in collective agreements made jointly by unions and employers.

In January-September of 2012 the labour inspectorates have registered under Article 40 of the Labour Code, 931 collective agreements on the level of economic units.

• System of tripartite social dialogue

During 2012, the National Commission for the Consultancy and National Bargaining assembled 10 times. The following topics have been raised:

- the minimum guaranteed quantum of the salary in the real economy
- the amendment of the Labour Code
- the safety and health conditions at the working place
- the problem of subsidies for those who were affected by the considerable increase of the prices for energy
- the basic aims of the fiscal policies in 2011-2013
- the setting up of the tripartite commission for drafting a bill on the minimum of subsistence
- the hearing of the situation on the labour market

Unfortunately, these meetings were held with the intermittencies due to the political instability.

• **Social security systems**

Number of socially insured persons in health care

2005	2006	2007	2008	2009	2010	2011
2,411,176	2,498,085	2,634,417	2,568,734	2,448,072	2,760,622	2,753,643

• **Employment and unemployment (thousand persons)**

In the 3rd quarter of 2012 the economically active population (employed population plus unemployed persons) of the Republic of Moldova was 1286.9 thousand persons, less with 4.5% (-60.3 thousand) compared to the 3rd quarter of 2011. Active population structure has changed, as follows: the share of employment increased from 94.7% to 95.2% and the percentage of unemployed decreased from 5.3% to 4.8%.

• **Unemployment rate**

2008	2009	2010	2011	2012
4%	6.4%	7.4%	6.5%	4,8%

• **Monthly average salary (in Euros)**

March 2010	April 2010	May 2010	June 2010	July 2011	October 2012
174.88	176.12	184.38	190.35	199	217, 625

• **Monthly minimum wage (in Euros)**

2008	2009	2010	2011	2012
56.25	56.25	68.75	70.25	72,25

• **Gender pay gap**

The Moldovan score for the gender pay gap is 0.7244 which is very high, Moldova being No 20 on the global list of successful countries in this respect.

• **Actual weekly working ours**

The current limit of weekly working hours is regulated by the Collective Agreement Nr. 2 signed on 09.07.2004 in a trilateral format. This convention called Working Hours and

Leisure Times stipulates that amount of work should not surpass 8 hours per day with two free days. At the same time, the contract is allowing the possibility of having a flexible program, permitting a working week with 6 days and one free day, with 7 working hours in the first 5 days and 5 hours in the last working day. Another option is to have 4 working days with 10 hours and three free days. The last option permitted by the Convention is to have four working days and a half with 9 working hours for the first four days, four working hours in the first part of the fifth day and two and a half resting days.

- **Migration**

Net migration rate

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Moldova	-0.31	-0.3	-0.28	-0.27	-0.26	-0.25	-0.23	-1.13	-1.13	-1.13	-1.13	-1.13	-1.13

Definition of Net migration rate: This entry includes the figure for the difference between the number of persons entering and leaving a country during the year per 1,000 persons (based on midyear population). An excess of persons entering the country is referred to as net immigration (e.g., 3.56 migrants/1,000 population); an excess of persons leaving the country as net emigration (e.g., -9.26 migrants/1,000 population). The net migration rate indicates the contribution of migration to the overall level of population change.

- **HDI**

The HDI represents a push for a broader definition of well-being and provides a composite measure of three basic dimensions of human development: health, education and income. Moldova (Republic of)'s HDI is 0.649, which gives the country a rank of 111 out of 187 countries with comparable data. The HDI of Europe and Central Asia as a region increased from 0.644 in 1980 to 0.751 today, placing Moldova (Republic of) below the regional average. In 2010 Moldova's HDI was 0,720, which placed it on 117 positions.

- **Gini-Coefficient**

	2007	2008	2009	2010
Gini coefficient	37,4	33.2	33.2	30.03 Last report)

- **Collective agreement coverage on the level of economic unit**

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011 (9 months)	2012
Nr. of Collective Contracts	448	738	670	640	734	1015	781	930	827	931

- **Ongoing important collective bargaining agreements**

The situation changes insignificantly since 2011. There are 10 trade unions out of 27 which don't yet concluded contracts on the level of economic unit. In comparison with 2011, three trade unions more managed to sign the contracts.

- **Trade union density**

There are two Federations in Moldova which has a very high density of unionization: The Federation of Education and Science which include 141,231 of employees and the federation of Agro industry which includes respectively 113,069. The percentage of total employees in this organization is rather high and it accounts to around 80% of the total number of people employed in that kind of activities. There are several medium sized organizations with a relatively high rate of trade union density – “Health-care Trade Union” with 56,063 people involved, the “Trade Union Sindindcomservice” with 27,055 people, SINDASP Federation with 33,522 people and the Trade Union “Viitorul” with 22,785 people. At the same time there are several federations which number less than 1,000 people. For example, the “Union of Servants in Culture Sphere” account for less than 50% of the total number of people involved in this field and is also experienced a sharp decrease of trade-unionization.

- **Trade Unions (the most important ones out of 27)**

Name	Name	International Af-filiation	Membership
Confederatia Nationala a Sindicatelor din Moldova	National Confederation of Trade Unions of Moldova	General Confederation of Trade Unions (Moscow)	543,518
Sindicatul Educației și Științei din Republica Moldova	Education and Science Trade Union	IE – International Education	131,000
Federația Națională a Sindicatelor din Agricultură și Alimentație „Agroindsind”	National Federation of Agricultural Trade Unions “Agroindsind”		106,634
Sindicatul “Sănătatea”	Trade Union “Sanatatea” (Health care services)	PSI - Public Service International	53,593
Federația Sindicatelor Angajaților din Serviciile Publice SINDASP	Federation of Employees from Social Services “SINDASP”	PSI - Public Service International	33,812
Federația Sindicatelor din Comunicații	Federation of Trade Unions in Communications	UNI – Union Global International	16,334
Federația Sindicatelor de Construcții și Industria Materialelor de Construcții „SINDI-CONS” din Republica Moldova	Federation of Trade Unions in Constructions“ SINDI-CONS”		14,898
Sindicatul lucrătorilor in Cultura	Culture Trade Unions	UNI – Union Global International	17,332

• **Employer's Organisations (15 branches)**

Confederatia Nationala a Patronatelor din Moldova	National Confederation of Employers Organizations	15 branches, Member of the International Organization of Employers, since 1997
Uniunea Industriaşilor și Antreprenorilor	The Industrialists and Entrepreneurs Union	400 enterprises
Uniunea Transportatorilor și Drumarilor	The Transporters Union	65 enterprises
Federația Patronatului din Construcții	The Federation of Construction Employers	193 firms
Liga antreprenorilor cu capital privat	The League of Entrepreneurs with Private Capital	n/a
Asociația Națională a Organizațiilor de Administrație a Investițiilor	The National Association of Investment Administering Organization	n/a
Asociația Națională a Producătorilor	The National Association of Producers	60 enterprises
Clubul Republican al Oamenilor de Afaceri "TIMPUL"	The Republican Club of Businessmen "Timpul"	n/a
Asociația Micului Business	The Association of Small Business	86 enterprises
Uniunea Arendaşilor și Antreprenorilor	The Union of Entrepreneurs and Renters	n/a
Federația Patronatului din Comerț	The Federation of Employers from Commerce	370 firms
Liga Exportatorilor și Importatorilor cu capital privat	The League of Exporters and Importers with Private Capital	n/a
Asociația Patronatului din Vinificație	The Association of Employers from Wine Industry	n/a
Federația Patronală din Telecomunicații și Informatică	The Federation of Employers from Telecommunication	n/a
Asociația Organizațiilor Nestatale de Detectivi, Protecție și Asigurare a Securității "SECURICOM"	Association of Organizations of Detectives, Protection and Security "SECURICOM"	n/a
Asociația Patronală din domeniul Serviciilor Publice	The Association of Employers from Public Service	36 enterprises
Federația Națională a Patronatului din Agricultură și Industria Alimentară a Republicii Moldova	The National Federation of Employers from Agriculture and Food Industry	17 associations of employers, 15 regional branches, 2000 enterprises