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MARGINALIZATION RISKS OF REMITTANCE DEPENDANT POPULATION OF THE REPUBLIC OF MOLDOVA

Abstract

This article emphasizes the importance of remittances on Moldovan income and economic growth. As a result of the increase in the flow of migrants, remittances have become an important factor in the country's GDP (in 2017, 20.6% of GDP). According to the Household Budget Survey the income from remittances directly affects the welfare of Moldovan households. In this study, the dependency of marginalized categories of the population (families with many children, elderly people and rural population) on the remittances of Moldovan migrants is analyzed. In rural areas, remittances account for more than 20% of the average disposable income.

Keywords: economic marginalization, remittances, migrants, income

Introduction

The problem of remittances, along with migration, remains one of the most discussed topics by experts, researchers and those interested in this field (Cheianu-Andrei D., Barilov A., 2015). The high interest is due to the important role played by the financial sources transferred by the Moldovan migrants for the Republic of Moldova's economy, in general, and for the living standard of the population, in particular. Previous studies on the Moldovan migrants' issues have shown that economic factors such as poverty, unemployment and low wages account for over 70% of the risk factors of population marginalization. Thus, remittances become a vital source for a large number of socially and economically vulnerable families in the Republic of Moldova and are the only source of existence for some of them.

Materials and Methods

The information support used for paper elaboration is the data provided by the National Bureau of Statistics, the Household Budget Survey (HBS), the Economy and Infrastructure Ministry’s Reports on Poverty in the Republic of Moldova elaborated during 2004-2016 years, as well as the research of the Moldovan experts in the field of migration. The research methodology, which was used in the paper, had as a starting point the qualitative analysis involving in-depth study by correlating statistical data and information on migration and remittances impact on the socio-economic situation in the Republic of Moldova.

Results and Discussions

The economic crisis from the beginning of the transition period has affected most of the economic enterprises in the republic and led to the forced dismissal of a significant number of workers who became the country’s potential migrants. In 1999, the number of unemployed people who were dismissed from economic enterprises exceeded 50% of the total (Figure 1).

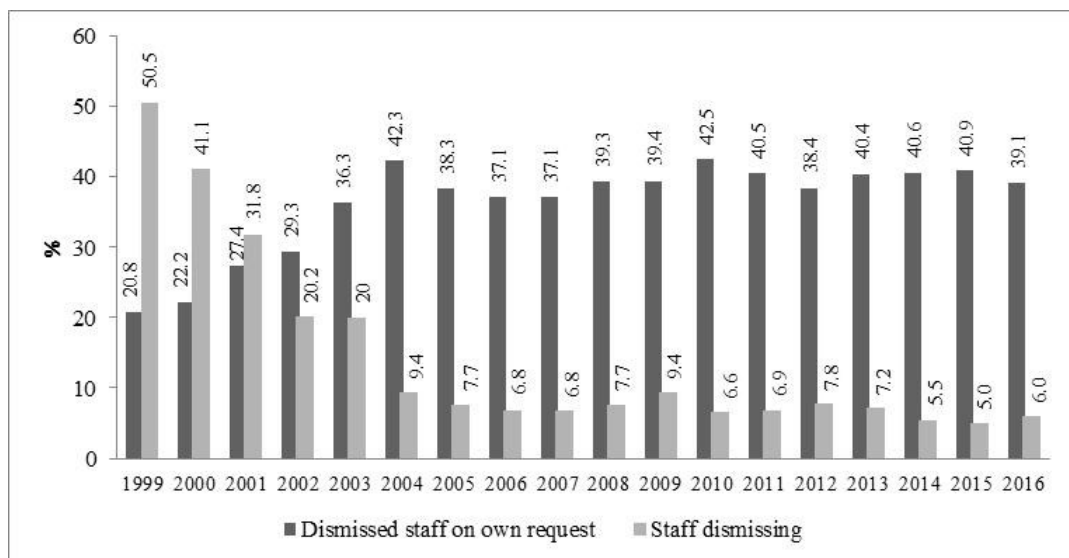


Figure 1: Structure of the unemployed during the period 1999-2016 (%) (1)

Over the next few years, there would be a tendency to reduce the share of dismissed unemployed staff as a result of the stabilization of the socio-economic situation in the republic. The value of this index reduced from 50.5 in 1999 to 6.8% in 2006, then it varied within the limits of 6.6-9.4%. At the same time the share of unemployed persons who were dismissed on their own request increased from 20.8% in 1999 to 39.1% in 2016 (Figure 1). This increase was therefore determined by the increase of the population's possibilities in choosing the job depending on their own requirements.

Unemployment in the Republic of Moldova closely correlates with the emigration of the labour force abroad. More specifically, emigration serves as a factor that mitigates labour market pressure and substantially reduces the unemployment rate. Account must be taken of the fact that emigration has been accompanied by transfers of income from abroad, which allowed the remaining people in the country to refuse poorly paid jobs. Gotișan I. (2007) mentioned that if there were no emigration, the number of jobseekers, even poorly paid, would have increased bringing meanwhile a significant increase in the unemployment rate.

The economy of the Republic of Moldova over the years 1999-2017 summed up transfers from Moldovan migrants of over 16.0 billion dollars. The largest remittance flow was recorded in 2008 when the citizens of the Republic of Moldova sent home 1.660 billion dollars. After Batishcev R. (3/2015) in 2014 this indicator amounted 1.610 billion, in 2015 – 1.129 billion, and in 2016 – 1.066 billion dollars (<https://monitorul.fisc.md>).

According to the most recent report published by the World Bank, the Republic of Moldova ranks 3rd in the region among the countries which Gross Domestic Product depends on remittances. In 2017, 20.6% of GDP was formed of the money the Moldovans officially sent through banking institutions from abroad (<https://cotidianul.md>).

In the Republic of Moldova the economic growth and the tendency of poverty reduction are closely correlated with the general flow of remittances and the consumption generated by it (Figure 2). According to the Household Budget Survey data, carried out by the National Bureau of Statistics, the income from remittances directly affects the welfare of Moldovan households.

Within the period 2008-2017, structure of available income (lei/person) was established from 4 main sources (wages, self-employment in agriculture, social protection payments and remittances which accounted of over 85%). At the same time, the official data indicates that, although waged activity has remained the main source of income, the percentage rate was lower than 50%. This situation indicates a high degree of social and economic vulnerability of the population and high dependence on additional sources of income (Table 1).

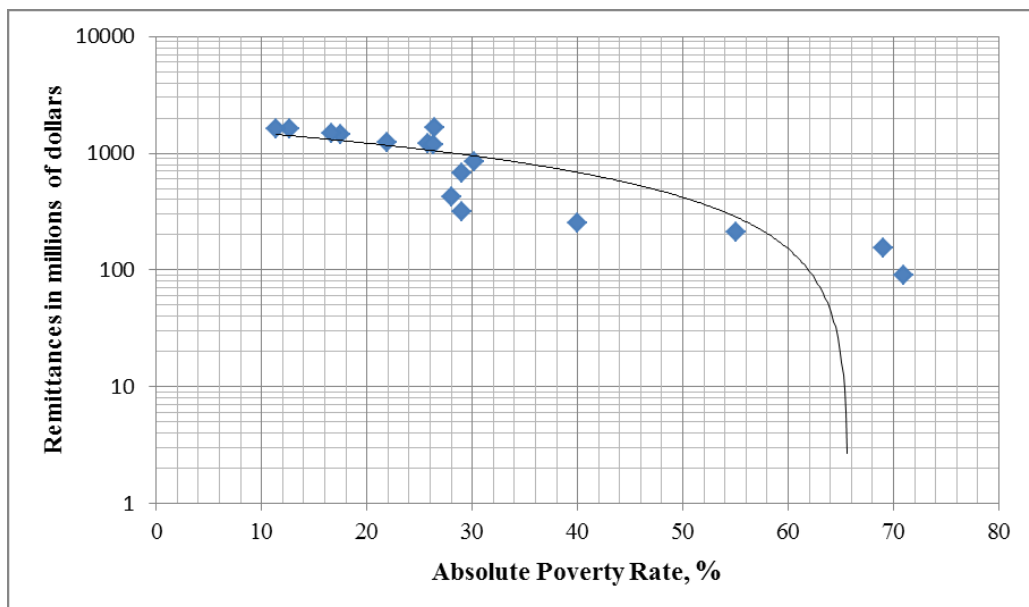


Figure 2: Degree of correlation of Remittance Flows to the Absolute Poverty Rate in the Republic of Moldova during the period 1999-2017

Table 1: Income structure per person over the years 2008-2017 (%)

Years	Available income (lei/person)	consisting of				
		Employment (%)	Self-employment in agriculture (%)	Social protection payments (%)	Remittances (%)	Other sources (%)
2008	1188.6	42.9	10.5	14.9	19.1	12.6
2009	1166.1	45.3	8.9	17.5	17.0	11.3
2010	1273.7	42.6	9.8	18.7	16.8	12.1
2011	1444.7	44.7	10.0	18.1	15.3	11.5
2012	1508.8	42.7	9.6	19.2	16.0	12.5
2013	1681.4	41.6	9.1	19.9	17.3	12.1
2014	1767.5	41.6	9.5	20.2	17.6	11.1
2015	1956.6	41.4	9.0	20.9	17.4	11.3
2016	2060.2	42.1	8.3	22.1	17.1	11.4
2017	2244.9	43.1	7.8	23.4	16.5	9.2

Source: *National Bureau of Statistics – Data Bank*

In 2009 the maximum value of waged activity was recorded in the real income. The situation was determined by the financial-economic crisis in the European countries which directly affected the remittances flow in the Republic of Moldova. The direct dependence of the population on external financial sources and the massive emigration of the labour force abroad has led to a drastic reduction of the role of agricultural activities in the income formation, namely more than 2 times, and an increase by $\approx 60\%$ of social protection payments as a source of existence, especially for socially vulnerable groups (elderly people and families with many children).

The structure of the available income per person on the two categories of residence areas of the Republic of Moldova shows that in the urban area the rate of employment is predominant, being over 50%. This indicator is 2.6 times higher than in the rural area. At present, the second source of income for the urban population is the social protection payment, being 21.6% in 2017. Although average income from remittances increased in urban area from 189.4 lei/person in 2008 to 295.0 lei in 2017, their rate in the total income structure in this period decreased from 12.9% to 11.0% (Table 2).

Table 2: The income structure available per person in the urban area, in the years 2008 and 2017

No.	2008		2017		Δ	
	Lei	%	Lei	%	Lei	%
1. Available income	1463.3	100	2671.0	100	1207.7	54.8
2. Employment	827.0	57.1	1479.2	53.9	652.2	55.9
3. Self-employment in non-agricultural sector	129.4	10.4	166.8	7.5	37.4	77.6
4. Social protection payments	198.6	11.6	575.9	19.9	377.3	34.5
5. Remittances	189.4	91.0	295.0	11.8	105.6	64.2
6. Other incomes	118.9	9.0	154.1	6.9	35.2	77.2

Source: *National Bureau of Statistics – Data Bank*

In 2017, the rate of income from remittances in the rural area amounted to 427.2 lei per person, compared to 295.0 lei in the urban area, or a difference of 10.5 p.p., which shows that the rural population is more dependent on external financial sources (Table 3). If in 2008 the main source of income came from self-employment in agriculture – 20.7%, currently this activity holds only 15.2%, and

the share of remittances by importance is at the same level as unemployment and social protection payments.

Table 3: The income structure available per person in the rural area, in the years 2008 and 2017

No.	2008		2017		Δ	
	Lei	%	Lei	%	Lei	%
1. Available income	987.0	100	1917.0	100	930.0	51.5
2. Employment	276.7	28.0	574.1	29.9	297.4	48.2
3. Self-employment in agricultural sector	204.3	20.7	291.2	15.2	86.9	70.2
4. Social protection payments	161.1	16.3	486.7	25.4	325.6	33.1
5. Remittances	255.5	25.9	427.2	22.3	171.7	59.8
6. Other incomes	89.4	9.1	137.8	7.2	48.4	64.9

Source: *National Bureau of Statistics – Data Bank*

The rate of remittances has significant differences in the structure of income per person depending on the socio-economic status. Thus, among the social categories, farmers are the most dependent on remittances both in rural and urban areas (Figure 3a and Figure 3b).

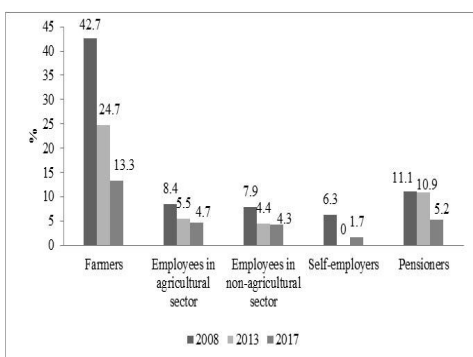


Figure 3a: Rate of remittances in the structure of available income per person depending on socio-economic status in the urban area (%)

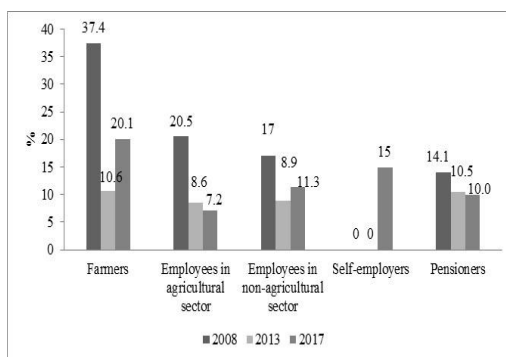


Figure 3b: Rate of remittances in the structure of available income per person depending on socio-economic status in the rural area (%)

Source: *National Bureau of Statistics – Data Bank*

Although the rate of these sources of income has decreased in favour of other activities, they remain important to ensure the minimum level of living. Pensioners are the second category of remittance-dependent people. If in the urban area the rate of income during 2008-2017 decreased by 5.9 percentage points (p. p.), then in the rural area the value of this indicator has diminished by 4.1 p. p. Among the socio-economic categories of the population entrepreneurs are less dependent on remittances (Figure 3a and Figure 3b).

Conclusions

According to the described features, we point out that remittances have been a bridge between the migrants and their country of origin. As a result of the increased flow of migrants from the Republic of Moldova the remittances played an important role in reducing the poverty of the social marginalized population by filling in the financial deficit to reach the subsistence level. Although the volume of remittances has increased considerably over the years, they have contributed only as a temporary material support for the population under risk of economic marginalization. Due to the lack of a consistent policy of attracting remittances, the country has virtually failed to capitalize over 16 billion dollars for national economy development. In this context, we can expect a number of negative implications related to the issue of marginalization: demographic pressure increase, incomplete families, and regional under-development.

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Ryzyko marginalizacji ludności republiki Mołdawii. Uzależnieni od przekazów pieniężnych

Streszczenie

W tym artykule omówiono znaczenie przekazów pieniężnych dla mołdawskiego społeczeństwa. Przekazy pieniężne stały się ważnym czynnikiem w gospodarce kraju w stosunku do Produktu Krajowego Brutto (PKB) – (w 2017 r. 20,6% PKB). Według danych badania budżetów gospodarstw domowych (BBGD), dochód z przekazów pieniężnych wpływa bezpośrednio na dobrobyt mołdawskich gospodarstw domowych. Nasze badanie analizuje zależność zmarginalizowanych kategorii społecznych (rodziny z wieloma dziećmi, osobami starszymi i ludnością wiejską) od przelewów pieniężnych ze strony mołdawskich migrantów. Na obszarach wiejskich przekazy pieniężne stanowią ponad 20,0% dochodu tej ludności.

Słowa kluczowe: marginalizacja ekonomiczna, przekazy pieniężne, migranci, dochody.