

ECONOMIC SUSTAINABILITY – A BASIC FACTOR FOR INCREASING THE QUALITY OF LIFE OF THE POPULATION

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Abstract

In this paper, the authors revealed the concepts of development and economic growth, economic sustainability and quality of life. The authors determined and analyzed in dynamics the period 2010-2018, the trend of changing indicators, development and economic growth at the macroeconomic level such as: the value of Gross Domestic Product (GDP), GDP per capita, and the dynamics of the average monthly nominal salary of an employee per economy, disposable incomes per person, their structure and socio-economic indicators that characterize the quality level of the age of the population in the Republic of Moldova. Although there are modest increases in the number of nominated indicators, the authors consider that there are still a number of issues that need to be addressed, solved and complied with EU and other international standards. The research contains data that will surely be of interest to those concerned with the quality of life of the population. In essence, research in the field of quality of life aims at creating a complex image of quality of life, by analyzing different components of population's life. The following research procedures and methods have been applied in the research process: observation method, comparison, graphical method, table method, chronological series method, etc.

Key words: economic development, economic sustainability, economic growth, quality of life, disposable income.

INTRODUCTION

From an economic, social and environmental point of view, sustainable development deals with the concept of quality of life as a whole. The notion of sustainable or durable development is studied during the research process in the same context or with some deviations.

The concept of sustainable development has been promoted in the United Nations forums since 1986, which have set up the Committee on Environment and Development, with reference to:

- balanced and equitable economic development;
- coherent, transparent policies;
- at the level of social cohesion and inclusion;
- responsibility for the rational use of natural resources and protection of the environment;
- ensuring food security;
- international cooperation to promote sustainable development at the global level, etc.

Economic sustainability represents an agreed concept, as well as economic activity, ensures financial and operational stability and contributes to the social development of the team, given the dynamic development of both, external and internal environment.

Economic development is a concept that characterizes direct or indirect economic effects at the level of the national economy, or of a sector as a result of the quantitative, qualitative and structural transformation that exists in economic activity, at macroeconomic or microeconomic level, under the influence of dynamic factors.

According to A. Smith, the sources of economic growth are: increase of labour force and capital stock, increase of the efficiency with which capital is used due to the division of labour and technological process; foreign trade that expands the market and establishes the other two sources of economic growth [5].

In our opinion, economic growth in the sectors of the national economy is necessary to be

supported by state and private investments, including foreign investments, as well as the implementation of the achievements of modern science and technology.

We further support the vision that “economic growth is a long-term process of increasing the production activity in quantity and quality aspects and maximizing their results, through the efficient capitalization of intensive factors and boosting investment processes with the condition to maintain ecological balance” [8].

MATERIALS AND METHODS

The research has been focused on studying the materials of authors from the country and abroad concerned with the field of economic development and growth, economic sustainability and quality of life of the population. The materials of the National Development Strategy “Moldova 2020” and the Draft Law for the approval of the NDS “Moldova 2030” have been used.

The methods of observation, comparison, tables and graphs, the method of time series have been used in the research. The analysis was performed based on the data of the Statistical Yearbook of the NBS from the Republic of Moldova and electronic resources. To determine the average rate of increase (decrease) in the time series was used geometric mean formula \bar{R}_c .

In the paper were calculated and analyzed some basic indicators that characterize the level of quality of life of the population as: the average monthly nominal salary of an employee, the average size of the established monthly pension, minimum monthly average per person.

Exchange rate for one US dollar set by the NBM: 2017-18.49 lei; for 2018-16,802 lei

RESULTS AND DISCUSSIONS

By approving the Law no. 166 of 11.07.2012 of the National Development Strategy "Moldova 2020", the purpose was to change the paradigm of economic development based on consumption fuelled by remittances in favor of a dynamic model based on attracting

investment, and on the development of industries exporting goods in services.

Unlike previous national development strategies, the general objective of the NDS "Moldova2020" was to ensure qualitative economic development and, implicitly, poverty reduction [3].

By the Government Decision no. 1083 of 08.11.2018, the draft Law for the approval of the National Development Strategy “Moldova2030” was approved – a strategic reference document for all policy documents at national, regional and local level. The goal of NDS "Moldova 2030" is to increase the quality of life, based on four pillars of sustainable development, with 10 corresponding long-term objectives:

- sustainable and inclusive economy;
- human and robust capital;
- honest and efficient institutions;
- healthy environment [4].

NDS "Moldova 2030" indicates the direction of development of the country and society for the next decade, based on the principle of human life cycle, rights and quality of life.

For the national economy, the stability of the mentioned processes has an important significance given the fact that the activity of the basic branches, including agriculture, is the factor, which ensures a high-performance sustainability at macroeconomic level. Gross Domestic Product (GDP) represents the indicator of economic growth at the country level.

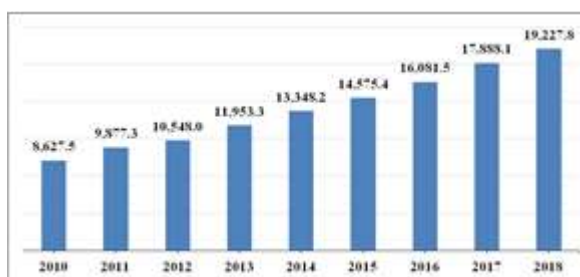


Fig. 1. Dynamics of the value of the Gross Domestic Product (GDP) in the Republic of Moldova in the period 2010-2018, million lei [7]

Source: Developed by authors based on the data of the NBS Statistical Yearbook of the Republic of Moldova, 2019, p. 246.

The data analysis (Fig.1) shows an essential GDP growth in 2018 compared to 2010 by 2.2 times, and in the dynamics of 2010-2018 (average growth rate determined using the geometric mean:

$$\bar{R}_c = \sqrt[n-1]{\frac{N_n}{N_1}} = \sqrt[8]{\frac{192,278}{86,275}} = 1.105$$

indicates that the value of GDP has increased on average annually with 10.5%.

(N_n and N_1 - the last and first level of the series, n - number of years).

For the Republic of Moldova, this growth demonstrates a relaunch of economic stability and balance at the macroeconomic level.

It should be mentioned that the analysis of the GDP structure by resources shows that "other services" during the researched years account for 39-42%, trade services – 12-15%. Cumulatively, these two branches constituted 54.5% in 2018, followed by the industrial sector, which includes the extractive industry, processing and the energy sector, the share of which is 13-14%. Such a low level is explained by the limited capacity of the economy to produce marketable goods on the domestic and foreign markets.

Currently, about a third of the labour force is employed in the agricultural sector, but the share of its value in the GDP structure in 2018 was 10.3% which is equivalent to the share of 2012. This situation is explained by low levels of productivity of agricultural crops, such as: wheat, corn, vines, vegetables, technical and fodder crops, as well as the productivity of the livestock sector, which are the main factors influencing the decrease in labour productivity.

According to the basic scenario of the draft Law for the approval of the National Development Strategy "Moldova 2030" [4], the economy of the Republic of Moldova until 2030 will continue to grow at a more modest pace – annually by 3.5%. Due to the development of new branches in the machine building sector, the role of industry will increase, however, the food and beverage industry, which directly depends on raw materials in the agricultural sector will advance more slowly, as agriculture will likely suffer due to lack of necessary investments, qualified human capital and due to climate change, especially the impact of drought, as the average frequency of droughts is 1-2 episodes over a decade in the Northern region, 2-3 – in the Central region and 5-6 – in Southern region [4].

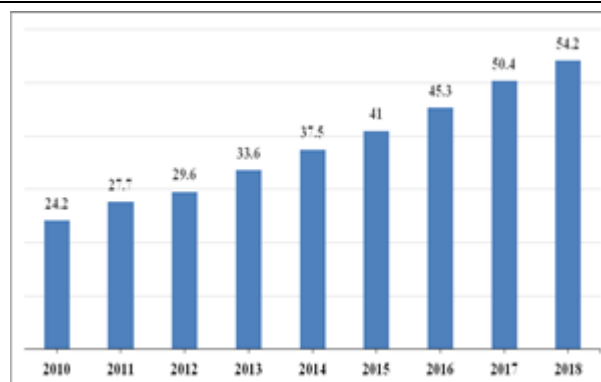


Fig. 2. GDP dynamics per capita in the Republic of Moldova, period 2010-2018, thousand lei

Source: NBS Statistical Yearbook of the Republic of Moldova, 2019, p. 233 [7].

The data (Fig. 2) show that the GDP per capita in the Republic of Moldova since 2010 has a significant growth trend from 24.2 thousand lei to 54.2 thousand lei or by 2.2 times. This situation has had a positive influence on the improvement of the basic socio-economic indicators of the population, but such a level and pace of economic growth is insufficient for the convergence of incomes to the standards of Central and Eastern European countries during the life of current generations [2].

Starting with 2020, the new methodology of the National System of Accounts, version 2010 will be used to calculate per capita incomes. The new methodology "raises" the country to a higher per capita income level, at the same time the reference base will be not the population of 3.5 million people, but 2.8 million people (according to the results of the 2014 census).

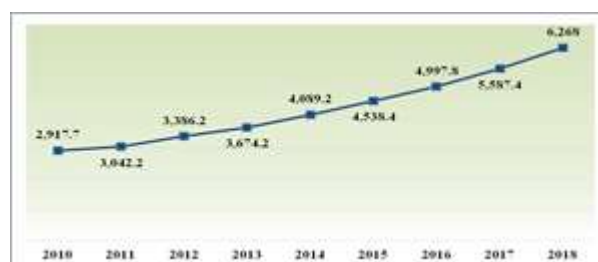


Fig. 3. Dynamics of the average monthly nominal salary of an employee by economy in the Republic of Moldova, in the period 2010-2018, lei

Source: Developed by authors based on the data of the NBS Statistical Yearbook of the Republic of Moldova, 2019, p. 91 [7].

As a result, the Republic of Moldova will promote the group of inferior-middle income countries and will enter the group of superior-

middle income countries, according to the World Bank classification [2].

The data (Fig.3) show that the level of the average monthly salary of an employee on the economy in dynamics increased from 2,971.7 lei in 2010 to 6,268.0 lei in 2018, i.e. by 2.1 times. It should be mentioned that at higher rates the increase of the average salary of an employee in the economy is observed since 2014 and coincides with the year of GDP growth (Fig.1).

On average, during the researched period, the salary of an employee increased by 9.8% ($\bar{R}_c = 1.098$), but, on economic activities, the average is as follows: information and communications - 13.6 thousand lei; financial and insurance activities - 12.1 thousand lei; industry - 4.1 thousand lei; agriculture, forestry and fishing - 4.2 thousand lei; education - 5.2 thousand lei; health and social assistance - 5.2 thousand lei, etc. At first glance, it seems that the increase in the average monthly nominal salary of a dynamic employee is a positive situation. The authors of this research consider that the salary level compared to the salaries of employees of other countries is lower. For example: in Estonia it accounts to 1,379 US dollars, Belgium - 4,127 US dollars, Romania - 819 US dollars, Hungary - 1,045 US dollars, Moldova - 302 US dollars and only Ukraine and Kazakhstan have less than 300 US dollars [7].

The main cause of this situation is a decrease in the efficiency of the labour market. The “labour market efficiency” indicator calculated by the World Economic Fund decreased in the period 2010-2017 from 4.4 to 3.5 points out of the 7 possible maximums.

In order to change the trend on the labour market, it is necessary not only to adjust the labour legislation, but also the policy to stimulate competition and reduce the shadow economy. Without efforts to stimulate investment in the Republic of Moldova, labour productivity and the value of wages will remain at the current level of only 20-23% of the corresponding averages of the Central and Eastern European member countries of the EU [2].

The data analysis (Fig.4) shows that in dynamics, the total disposable income per person has a change towards growth, for

example in 2019 compared to 2014 it advanced with 4,576.4 lei, or by 66%, which is positively appreciated.

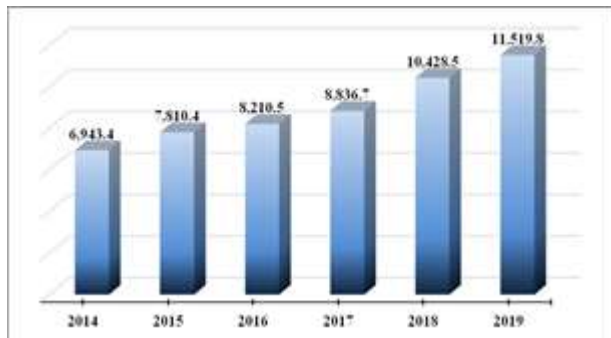


Fig. 4. Disposable income per person in the Republic of Moldova, lei

Source: The number of the population with habitual residence was used as the basis for estimating the indicators [6, 1].

Analysis of the structure of disposable income per person (Table 1) indicates that the income from salary activity has the highest share of over 40-50%, followed by social benefits 16-18% - and other incomes mainly composed of remittances, which are decreasing by 2019 with 7.34 p.p.

Table 1. Analysis of the types and structure of disposable income per person in the Republic of Moldova, period 2014-2019, lei

Types of income	2014	Share, %	2019	Share, %	Deviation 2019 compared to 2014 (±) p.p.
Available income, lei	6,943.4	100	11,519.8	100	-
Inclusive:					
Salary activity	3,033.6	43.69	5,780.5	50.17	+6.48
Individual agricultural activity	663.4	9.55	1,023.5	8.88	-0.67
Individual non-agricultural activity	506.4	7.29	723.2	6.29	-1.00
Property income	6.9	0.1	34.4	0.29	+0.19
Social benefits	1,136.0	16.36	2,154.7	18.7	+2.34
Other incomes	1,597.1	23.01	1,803.5	15.67	-7.34

Source: Authors' calculations based on data from [6, 1].

In 2019, the incomes from the salary activity are increasing by 6.48 p.p. and social benefits (increase of pensions, child allowances, social assistance, etc., by 2.34 p.p.). These positive changes are due to the economic policy

undertaken by the Government of the Republic of Moldova in recent years.

The data (Table 2) show that in dynamics, both, the nominal salary and the average size of the pension and the minimum monthly subsistence per person tend to increase, but the size of these indicators are of a lower level. It should be

mentioned that the minimum average monthly subsistence per person increased from 1,373.1 lei to 1,891.0 lei, i.e. by 517 lei during 9 years.

The average size of the established monthly pension is lower, for example, in 2018 by 182 lei, or accounts for 90.4%, compared to the subsistence minimum.

Table 2. Some socio-economic indicators that characterize the level of quality of life of the population in the Republic of Moldova, in the period 2010-2018

Indicators	Year								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
The average monthly nominal salary of an employee in the economy, lei	2,917.7	3,042.2	3,386.2	3,674.2	4,089.7	4,538.4	4,997.8	5,587.4	6,268.0
The average size of the established monthly pension (at the end of the year), lei	810.9	879	957.6	1,020.6	1,087.6	1,165.2	1,275.2	1,527.9	1,709.2
Subsistence minimum (monthly average per person), lei	1,373.4	1,503.0	1,507.5	1,612.3	1,627.1	1,734.1	1,799.2	1,862.4	1,891.0
In relation to the subsistence minimum, %: - average monthly nominal salary	216.4	202.4	224.6	227.9	251.4	261.7	277.8	300.0	331.5
- average size of the established monthly pension	59.0	58.2	63.5	63.3	66.8	67.2	70.9	82.0	90.4

Source: Calculated based on the data of the Statistical Yearbook of the Republic of Moldova, 2019, p. 91 [7].

We consider that it is strictly necessary that the bodies empowered to determine the minimum average monthly subsistence level for a person, already starting with 2020, to review this indicator taking into account the real data, the needs of the population for a decent living, the prices that are increasing and other important factors.

The poverty rate at the national threshold has decreased in the period 2010-2015, from 21.9% to 9.6%, reaching the final target for 2020. This progress must be treated with caution, due to the fact that the indicator measures only monetary poverty. Progress can be driven by a relatively low level of poverty and increased social benefits – sources that may be unsustainable in the long run, and which largely depend on: urban or rural residence of the population, age, gender, education, disability, etc. People in individual, small and medium households are exposed to the risk of poverty, where managerial functions and their composition are elderly, have an advanced share of retired elderly women and families with adult members with disabilities.

Among the measures to improve living conditions, the most frequently mentioned by

the population is related to the financial aspect (increase of income, salary, pension, allowances, decrease of taxes and prices), increase of employment of the able-bodied persons, stop of corruption, compliance with applicable laws, improving the health care system and changing the mentality.

CONCLUSIONS

The analysis of GDP dynamics as the main indicator for assessing economic growth at the macroeconomic level, shows an increase from 2010 to 2018 from 86,275.0 million lei up to 192,278 million lei, i.e. with 106,003 million lei.

The GDP per capita at the level of 54.2 thousand lei in 2018 is insufficient for the convergence of incomes (more than 4,000 USD) to the standards of the countries of Central and Eastern Europe. Our country is currently in the group of inferior-middle income countries according to the World Bank classification.

The increase in the average monthly nominal salary, in dynamics, of an employee by 9.8% is a positive situation, but the authors consider that

the level and pace of growth compared to other countries is low. One of the basic causes is the diminution of the efficiency of the labour market. Without the effort to stimulate investments in the Republic of Moldova, labour productivity and the value of wages will remain at the current level of only 20-23% of the levels of the Central and Eastern European member countries of the EU.

The analysis of the structure of disposable income per person indicates that the income from the salary activity has the highest weight of 40-50%, followed by the social benefits – 16-18% and other incomes mainly composed of remittances. The increase of incomes is necessary to be done by boosting the accumulation of incomes from sustainable sources – the salary and the economic activity based on the achievements of the professional aspirations that will lead to the development of a robust economy.

In dynamics, both the nominal salary and the average size of the pension and the monthly subsistence minimum for a person tend to increase, but the level of these indicators, which characterize the quality of life of the population, have a low degree. Moreover, the average size of the established monthly pension is 59.0-90.4% in relation to the average monthly subsistence minimum per person. We consider that it is strictly necessary for the bodies empowered to determine the subsistence minimum, the monthly average per person, already starting with 2020, to review this indicator taking into account the real data, the needs of the population for a decent living, changes in food product prices and some industrial, communal, medical services, etc., which are growing.

Smart country development, increasing internal and external competitiveness, ensuring economic inclusion through equity of distribution and reducing economic inequalities, etc., are the basic factors of increasing income, reducing poverty, their risks and increasing the quality of life of the population.

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