

## EVOLUTIONARY ASPECTS OF THE WELFARE OF THE RURAL POPULATION IN THE REPUBLIC OF MOLDOVA AND THEIR MOTIVATIONAL IMPLICATIONS

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### *Abstract*

*The paper is focused on the issue of rural population incomes, their evolution, and changes in their structure that occurred in the period 2006-2012. It was performed a comparative analysis of the ratio between the available income per capita and subsistence minimum in rural and urban areas, and based on this, it was highlighted the gap between the welfare of urban and rural population. The result of the study proved that despite positive tendencies in reducing rural poverty, rural population income is still very low, without reaching the subsistence minimum. This fact, along with other negative aspects (reduced share of income from employment, increased share of social allowances and remittances) leads to the decrease of the motivational effects of work payment and income from agricultural activity. Thus, it is obvious, that along with government social programs, to have more effective state actions targeted to business development in rural areas and hence creating new workplaces.*

**Key words:** income, labour market, motivational implications,, poverty, rural areas

### INTRODUCTION

Labour market in the rural areas of the Republic of Moldova is facing a number of significant problems, among which we could mention: reduced number of the employed population, decreasing share of employees with secondary and higher education, population ageing etc. [3,4]. It is because of major negative of demographic phenomena, such as population reduction and rural population ageing because of reduced birth rates and increased mortality rates, as well as the massive exodus of the working age population to work abroad illegally [1,2]. Simultaneously, it should be however noted, another disturbing factor of the labour market in rural areas - the extremely low income of rural population, which causes a high rate of poverty.

The phenomenon of population poverty in the Republic of Moldova and implicitly the poverty in rural areas is a priority concern of the country's government. As an argument we can cite the National Development Strategy "Moldova 2020" which states that the major objective is poverty removal of 149,000

people by 2020. Also it should be noted that after three years of absolute poverty rate growth in rural areas, since 2009, there is a continuous reduction of it. As a result, in 2011 the absolute poverty rate was 17.5%, declining by 8.8 percentage points compared to 2009 [5]. However, this phenomenon persists, being more pronounced in the rural areas.

### MATERIALS AND METHODS

Some generalizations, presented in the report on poverty in the Republic of Moldova, 2010-2011, issued by the Ministry of Economy of the Republic of Moldova, as well as a range of research materials on the labour market and rural population served as benchmarks for the study [1,2,3,4]. Also, based on data from the Statistical Yearbook of the Republic of Moldova [6], it was determined the ratio between the available income per capita and subsistence minimum in rural and urban areas, monthly income structure of Moldova's population by areas in the period 2006-2012 and, there were revealed the evolutionary aspects concerning the share of different types

of income in the average monthly sum of the rural population income. Based on the accomplished studies there were identified certain issues related to work motivation in rural areas.

## RESULTS AND DISCUSSIONS

The negative impact of rural poverty has serious motivational implications for working and living in these areas. Thus, besides the

fact that current income of the rural population is very low, there is also a substantial gap between urban and rural population income. As a result, in 2012, the available income per capita in urban areas exceeded the subsistence minimum by 14.76% (Table 1), while the same ratio in the rural areas was only 87.47% (Table 2), which means a lower income level than the subsistence minimum.

Table 1. Comparative assessment of the subsistence minimum evolution and available monthly income per capita in urban areas

	2006	2007	2008	2009	2010	2011	2012
Subsistence minimum, lei	1,034.0	1,189.2	1,482.8	1,295.3	1,498.1	1,649.9	1,628.5
Available average monthly income per capita, lei	994.25	1,209.82	1,463.02	1,475.6	1,574.62	1,792.6	1,868.92
Ratio between available income per capita and subsistence minimum, %	96.16	101.73	98.67	113.92	105.11	108.65	114.76

Table 2. Comparative assessment of the subsistence minimum evolution and available monthly income per capita in rural areas

	2006	2007	2008	2009	2010	2011	2012
Subsistence minimum, lei	865.6	1,036.3	1,287.6	1,112.4	1,285.2	1,398.3	1,420.8
Available average monthly income per capita, lei	724.92	879.05	987.47	939.25	1,055.15	1,186.55	1,242.77
Ratio between available income per capita and subsistence minimum, %	83.75	84.83	76.69	84.43	82.10	84.86	87.47

We should also remark an increased pace of growth of the ratio mentioned above in the urban areas compared to rural areas (figure 1).

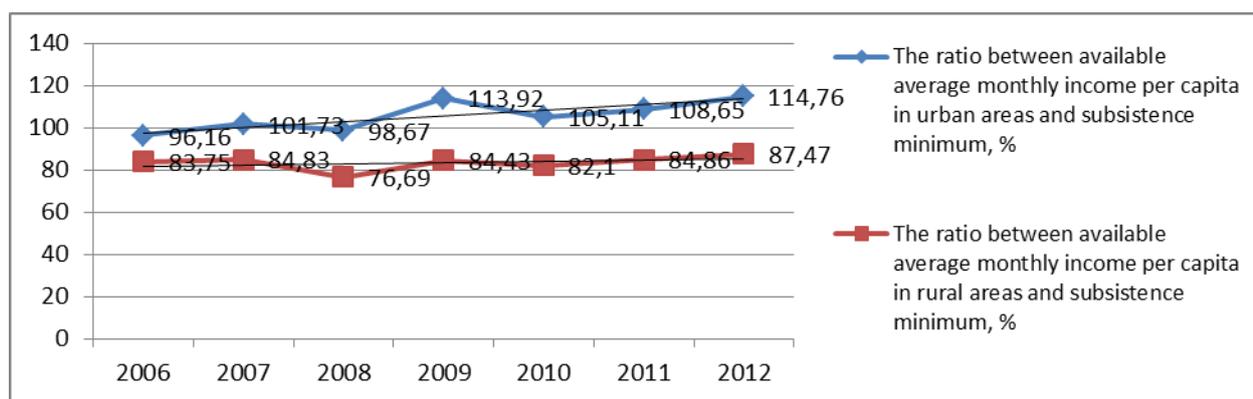


Fig. 1. Comparative evolution of the ratio between available average monthly income per capita in urban and rural areas and subsistence minimum

Another problem of the rural population incomes lies in their structure. According to data presented in Table 3, we can state that the income from employment of the urban population in 2006-2012 ranged between 55

and 57 %, while in the rural areas, since 2007, the cumulative incomes from employment and individual activities in agriculture are lower. Thus, in 2007, the income from employment of the urban population constituted 56.1% of total income, while the income from

employment and agricultural activity of the rural population had only 54.9% of total income. In the next period the gap grows even more. Consequently, in 2012, the employment income of an inhabitant of urban areas constituted about 55.4% of the average monthly earnings, while an inhabitant of the rural areas could reach only 47,45% of the

average monthly earnings due to the cumulated income from employment and agricultural activity. Therefore, the income from employment of the rural population represents less than half of the total monthly activities.

Table 3. Structure of monthly income of Moldova's population by areas in the period 2006-2012

Year/ area	The share of incomes based on different sources, %					
	Salary	Individual agricultural activity	Individual non-agricultural activity	Income from properties	Social allowances	Other incomes
2006:						
urban	56,3	2,7	10,4	0,3	11,9	18,3
rural	25,9	34,5	5,2	0	14,7	19,6
2007:						
urban	56,1	2	8,4	0,5	11,9	21,2
rural	26,5	28,4	4,4	0,1	15,2	25,3
2008:						
urban	56,5	1,2	8,8	0,4	13,6	19,5
rural	28	20,7	6,1	0,1	16,3	28,7
2009:						
urban	58	0,9	7,3	0,3	14,9	18,7
rural	30,6	18	5,7	0	20,6	25,1
2010:						
urban	55,2	1,3	8,4	0,2	16,4	18,6
rural	28,9	19,1	5	0,1	21,2	25,7
2011:						
urban	57,2	1,4	7,8	0,7	15,2	17,7
rural	30,6	19,6	5,6	0,1	21,3	22,8
2012:						
urban	55,4	1,3	8,4	0,3	16,2	18,4
rural	28,6	18,8	5,8	0,1	22,5	24,2

Reduced share of income from employment of the rural population represents a problem having the following aspects:

1. People are increasingly aware that their work activity income doesn't ensure their subsistence, thus minimizing the motivational effects of labour remuneration and income from agricultural activity;
2. They begin to rely more and more on such income sources as social allowances and remittances from abroad.

Increased social allowances in the rural areas can be seen as positive in terms of Government concern for socially disadvantaged groups. Thus, in 2006, the rural social allowances were about 106.93 lei monthly per capita, while in 2012, their average monthly amount was of 279.68 lei (Figures 2 and 3). However, their increased share in the average income represents a

major problem. Thus, if in 2006 the share of social allowances in the total monthly income was 14.7%, then, in 2012, this indicator increased up to 22.5%.

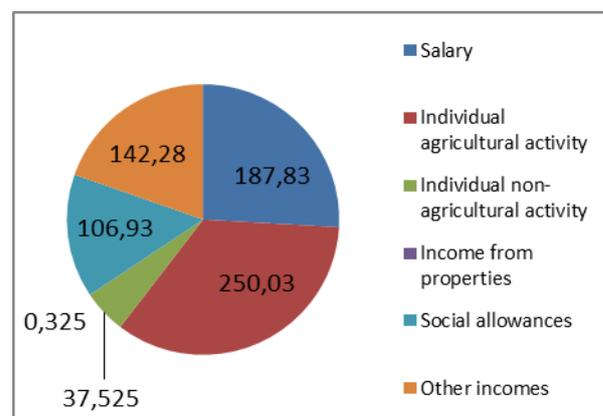


Fig. 2. Structure of the average monthly incomes of the rural population in the Republic of Moldova in 2006

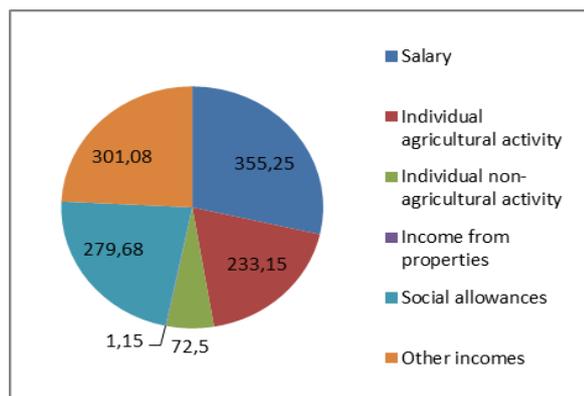


Fig. 3. Structure of the average monthly incomes of the rural population in the Republic of Moldova in 2012

Analyzing the structure of social allowances during the investigated period (2006-2012), we found out that the priority share is held by pensions. Thus, in 2006, the share of pensions in the average monthly amount of social allowances was 85.9%, while in 2012 it was 80.89%, maintaining an enough high level. Also, we can't ignore the concomitant increase of the share of other types of social allowances: child benefits, compensations and social help. However, the largest share of pensions in the total monthly amount of allowances is another indicator of unfavorable labour market in rural areas, characterized by the ageing of total population, and hence, of the working age population.

A special attention should be paid to the remittances from abroad. Thus, while in 2006 they accounted for 116.65 lei monthly per capita in the rural areas (or 16.1% of the average income), then in 2012 the average monthly remittance was 258.25 lei (20.8 % of the average income). This increase in remittance rate would not be a problem if it did not increase their share in the monthly amount of income. The latest trend confirms, however, the existence of several serious problems in the evolution of labour market in the rural areas of the Republic of Moldova:

- Massive exodus of the working age population abroad accompanied by a reduced number of employed population;
- Emerging deficiency in the workforce reproduction process as a result of more intense emigration of young people and their children.

Along with the above mentioned facts, the increasing share of remittances in the average monthly income of the rural population is another factor that reduces the motivational effects of income from employment.

## CONCLUSIONS

1. Despite the positive trends, observed in the process of poverty control in the Republic of Moldova in the period 2009-2012, the income of the rural population is still very low, without reaching the subsistence minimum.
2. There is a steady maintenance of the gap between the average monthly incomes of the urban and rural population, to the latter's detriment.
3. The structure of rural population income records a reduced share of income from employment and agricultural activity and an increased share of social allowances and remittances from abroad.
4. Reduced share of income from employment of the rural population generates a reduction of the motivational effects of work payment and income from agricultural activity.
5. Along with governmental social programs it is necessary to develop more efficient state actions oriented to business development in rural areas and hence to the creation of new workplaces.

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