

LABOR MIGRATION AND SOCIAL SECURITY: A ROADMAP. MOLDOVA-EU



CHALLENGES

The significance of social security coordination is constantly growing as a result of increased globalization and larger migration flows between countries. This is topical for Eastern Partnership countries taken that millions of their nationals are employed in the EU, sometimes illegally. As a current trend, for a number of reasons including economic recession in Russia as important receiving country for migrants coming from Belarus, Moldova and Ukraine, the numbers of nationals from these countries in the EU tend to grow.

Labour migration allows migrant labourers to enjoy their rights to choose the place of residence and work, however it carries certain challenges for sending countries. Effective mechanisms for the portability of social security entitlements and earned benefits is among such challenges. The portability means legal guarantees that migrants are able to take benefits accrued in their host country back to their home country. This is regulated by bilateral and multilateral social security agreements.

THE REASONS WHY PORTABILITY OF SOCIAL SECURITY ENTITLEMENTS IS IMPORTANT ARE THE FOLLOWING:

- **Economic:** the absence of portability of social security entitlements decrease effectiveness of decisions taken by labour migrants;
- **Social:** social security entitlements are important element of life cycle planning by individuals and families, therefore if the portability is not present, this provokes considerable losses in people's wellbeing;
- **Legal:** social security rights are guaranteed by national legislations and international agreements, thus in principle they should apply in cases of resettlement to other country and changing a profession.

MOLDOVAN CONTEXT

Moldova is among the countries of the world that are most affected by external migration processes. The number of citizens who are either labor migrants themselves, or whose members of the household are such, is approaching the threshold of 1 million people, which exceeds a quarter of the country's population.

In 60% of all Moldovan households with labor migrants, material well-being is mainly formed by migrant remittances. According to the World Bank, in terms of the ratio of remittances to GDP, in 2017, Moldova ranked 7th in the world (20.16%).

Mass external migration has created serious social problems in Moldova, including the problem of raising children in separated families and increasing demographic pressure. In 146 thousand children (about 14% of children), one or both parents work abroad. About 135 thousand married couples, most of the time, are separated due to the migration of one of the partners.

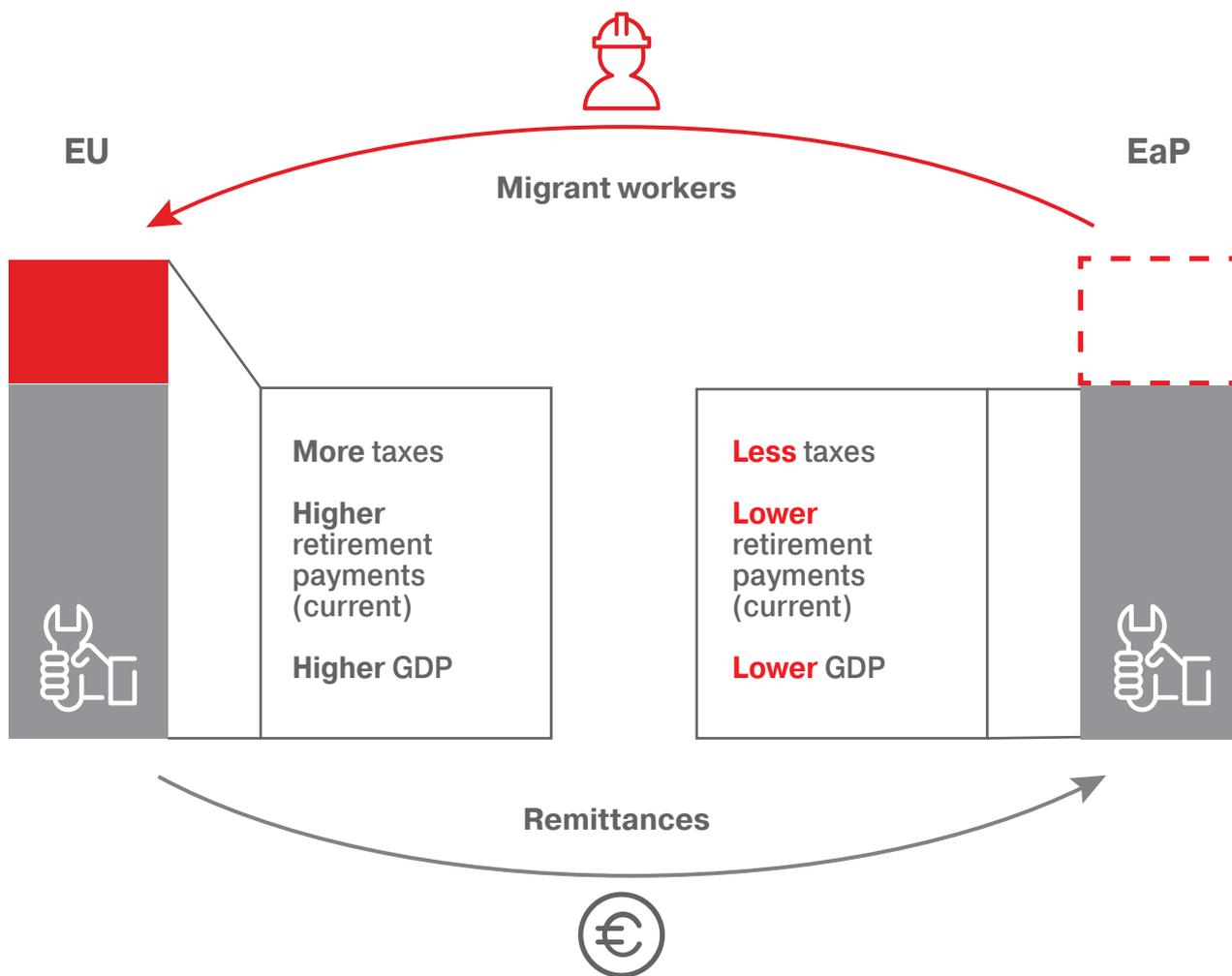
Due to low birth rates and high levels of emigration, the aging rate in Moldova increased by 4.5 percentage points, from 13.2% in 2006 to 17.7% in 2018. The demographic crisis and intensification of aging processes threaten the sustainability of pension systems have a negative impact on the formation of the labor market.

The most popular EU countries for labor migration of Moldovans are Italy, Spain, France and Portugal, where they are mainly employed in the services sector, construction, restaurant business and local households. In the EU, the average length of stay of migrants from Moldova averages more than a year (14–16 months). In the EU, Moldovan women go to work more often than men, and their main areas of employment are the service sector and trade.

According to our estimates, as of the end of 2017, the number of labor migrants from Moldova to the EU was about 300 thousand, i.e. It is those who left for the EU to earn money and are more likely to return to Moldova. This expert assessment is based on a multilateral analysis, which includes a comparison of estimates in different literature, the share of remittances from the EU, the number of general residence permits issued in the EU, the number of unemployed people of working age and the estimated number of labor migrants to third countries (mainly to the Russian Federation).

Main issues:

- Remittances cannot eliminate losses from migration since reduced contributions to the social security system (and public revenues as a whole) in the countries of origin.
- Lower current GDP leads to slower economic growth in the future (poverty trap).
- Countries of origin will start to receive compensation in decades, when migrants come back and start receiving retirement benefits from abroad.



According to our estimates, in 2017 Moldova's GDP losses from migration to the EU amounted to approximately \$2.4 billion (25%). In addition, this is only part of the total losses, since we do not take into account labor migration to the Russian Federation and other countries, which is of considerable size. The estimated hypothetical losses of the Belarusian pension fund from labor migration to the EU amounted to \$ 240.2 million, or 25.1%.

Potential losses of GDP of Moldova due to the labour migration to the EU in 2017.

GDP, billion \$	Employed, million	GDP per employed, \$	Estimated number of labour migrants to the EU, thousand	Estimated losses of GP, billion \$	Losses, % to GDP	Total re-mittances*, billion \$
9.8	1.2	8 086.5	300	2.4	24.8%	1.6

Source: own calculations based on data of the World Bank and national statistical bureaus Belarus, Moldova and Ukraine.

*Note: total remittances from all countries.

A ROADMAP TO SOCIAL SECURITY MOBILITY



By the end of 2019

- To provide support to the authorities of the Republic of Moldova in developing and implementing clear actions aiming at creating good conditions for the return of labor migrants back home and in regulating the immigration of foreign citizens to Moldova, taking into account the amendments to the Moldovan Law on Citizenship regarding the granting of citizenship under the conditions of the payment of the contribution to the Public Investment Fund (Article 17).
- To include neutralization of losses caused by labour migration in the EaP region to the list of priorities by European Commission, including the promotion of legal literacy and improving information for migrant workers with regard to pensions.

By mid-2020

- To conclude first monitoring of implementation of bilateral agreements on social security to understand challenges and bottlenecks.
- To modernize mechanisms and procedures of implementation of bilateral agreements where needed.
- To develop concrete support measures to assist EaP countries in neutralizing negative effects of labour migration, such as pension fund deficit, poverty trap and Dutch disease.

By the end of 2020

- To fund a system of data collection and monitoring of labour migrants' inflow from the EaP countries (for European Commission), and to ensure proper functioning of this system (for member states).

By the end of 2021

- To continue the process of concluding bilateral agreements on social security between the Republic of Moldova and the EU countries with which such agreements are not yet negotiated, given the broadening of the material scope of existing and newly signed agreements.
- To initiate funding programs to counterweight the negative effects of labor migration in Moldova, which would contribute to effective labor employment and economic growth.
- To provide technical and financial assistance to the local public authorities in the Republic of Moldova to support elderly people left without relatives due to migration.

The project benefits from support through the EaP Civil Society Forum Re-granting Scheme and is funded by the European Union as part of its support to civil society in the region. Within its Re-granting Scheme, the Eastern Partnership Civil Society Forum (EaP CSF) supports projects of its members that contribute to achieving the mission and objectives of the Forum.

The overall amount for the 2018 call for proposals is 250.000 EUR. Grants are available for CSOs from the Eastern Partnership and EU countries.

Key areas of support are democracy and human rights, economic integration, environment and energy, contacts between people, social and labour policies.