

**MOLDOVA**

**DECENT WORK COUNTRY PROGRAMME**

**2016 – 2020**

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# DECENT WORK COUNTRY PROGRAMME OF MOLDOVA

**2016-2020**

## Introduction

The primary goal of the International Labour Organization (ILO) is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen social dialogue. The ILO works in close partnership with Governments, trade unions and employers' organizations in order to ensure that economic growth and competitiveness are also socially sustainable and inclusive, responding to the most important aspirations of women and men: a fair income, security at the workplace and social protection for themselves and their families, better prospects for development and social integration, freedom to express their concerns, including to collectively organize and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men.

Decent Work Country Programmes (DWCPs) promote decent work as both a key component of development policies and as a national policy objective of governments and social partners. The Decent Work Country Programme represents a medium-term planning framework that guides the work of the ILO in a country in accordance with priorities and objectives agreed upon with its tripartite constituents.

This DWCP and its priorities and outcomes have been agreed upon after an extensive process of tripartite consultations with ILO's constituents in the country. The identified strategic priorities and outcomes will be pursued during the period 2016-2020 through joint action of the authorities and social partners in Moldova on the one hand, and the ILO on the other hand. The Programme takes into account development planning activities in the country and international agendas, such as: the United Nations – Republic of Moldova Partnership Framework 2013-2017, the National Development Strategy 'Moldova 2020' and the RM-EU Association Agreement.

This document consists of a narrative outlining the socio-economic context, the lessons learned to date, a strategy of interventions, and a logical model that details the interventions. The progress made towards achievement of the priorities covered by the DWCP will be monitored throughout its implementation.

## I. The current situation from a Decent Work perspective

### 1.1. The socio-economic context

Severe draughts and weak external demand tossed Moldova into worrying economic sluggishness in 2012. The overall situation however improved already in 2013 due to good harvest in agriculture and steady increase in remittances-based private consumption. In the first half of 2014 the Moldovan economy pursued the same upward trend despite the trade restrictions imposed by Russia, the

security crisis in Ukraine and slow recovery of the EU economies. Services continued to be the engine of economy.

A strong 10 percent growth in fixed investment in 2013-2014 was driven by higher public capital expenditure, predominantly in infrastructure projects and with strong support of development partners. Foreign Direct Investment, however, dropped significantly in 2013 as well as in 2014 amplified by worsening regional risks. Private consumption expanded moderately in 2014, by 2.9 per cent only, due to diminishing flow of remittances in the second half of 2014. The GDP growth slowed down in the last quarter of 2014 bringing the annual expansion down to 4.6 per cent, less than half the pace in 2013<sup>1</sup> with further decline in 2015. The trade deficit increased by 2.8 per cent compared with the previous year. A weak GDP recovery of about 1.5 per cent is forecasted in 2016<sup>2</sup>.

Remittances from CSI countries and EU slowed down due to low economic growth in these countries, which propelled the current account deficit to 5.7 per cent of GDP. Drop in remittances coupled with the depreciation of Russian ruble put stronger pressure on local currency. From September 2014 to March 2015 the Moldovan lei lost over a fifth of its value against the USD. As a result, the annual inflation rate rose to 13 per cent. The foreign exchange reserves declined by a quarter to \$1.8 billion.

National Bank of Moldova (BNM) responded to rising inflation with tightened monetary policies. It hiked the key policy rate four times to 13.5 per cent to make up for increase in risks and uncertainty. The inflation targeting framework served BNM well, but its further success is at risk.

Fiscal consolidation is uneven and weakened by political cycles<sup>3</sup>, highly exposed to social pressure, ageing population, inefficient spending, decentralization, weak revenue from public institutions and high banking costs.

Economic troubles in Russia and Ukraine and insufficient soundness and transparency of the banking sector (large losses were incurred by the state in 2014 and 2015) remain among the main domestic policy challenges. The IMF, the World Bank and the European Commission have consistently flagged key challenges and risks in Moldova's financial sector. The perceived difficulty in pursuing trustworthy reforms has led to development partners' decision to temporarily discontinue the direct state budget support (9.12 per cent of total revenues in 2015). The 2015 state budget was adjusted to mirror these new constraints.

Deep cultural, structural and institutional reforms are crucial to Moldova's endeavour to reach a new competitive, technology and knowledge-based economic fabric<sup>4</sup> to translate in equitable growth, social justice and decent employment<sup>5</sup>.

Moldova made a formal commitment to accelerate the country's development by making it both capital- and employment-intensive, sustainable and knowledge-driven based on the existing policy orientation set out in the *National Development Strategy Moldova- 2020*, its international obligations

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<sup>1</sup> [http://www.statistica.md/public/files/publicatii\\_electronice/Raport\\_trimestrial/Raport\\_2014\\_rom](http://www.statistica.md/public/files/publicatii_electronice/Raport_trimestrial/Raport_2014_rom)

<sup>2</sup> Moldova Economic Update, World Bank, April 2015

<sup>3</sup> In 2014 the fiscal deficit remained at 1.8 per cent of GDP

<sup>4</sup> Moldova ranked 87<sup>th</sup> of 144<sup>th</sup>, in 2014 Global Competitiveness Index and 83<sup>rd</sup> in the Doing Business Index. It scores especially poor in dealing with: 1/ construction permits; 2/trading across borders and 3/paying taxes.

<sup>5</sup> Despite remarkable progress in reducing poverty (from 34 per cent in 2006 to 17.5 per cent in 2014, with extremely large rural-urban disparities though), Moldova continues to register one of the lowest Human Development Index (HDI) in the region (0,663 points in 2014). The HDI adjusted for inequality deepens even more and reaches 12.0 per cent versus 10.6 per cent the regional mean mostly driven by low and unequally distributed incomes. The Gini index stands at 33.0 since 2012 and the income of richest population is 10 times higher than the income of poorest group of population.

and the *Association Agreement (AA)* with the European Union, paired with the *Deep and Comprehensive free Trade Area (DCFTA)*.

## 1.2. Employment and labour market

The Moldovan population is declining and ageing. The share of children under the age of 15 in the total population fell from 19.8 to 16.0 per cent between 2004 and 2014, while the share of the population aged 55 or more increased from 17.4 to 22.6 per cent over the same period. Rural poverty, unabated decline in domestic employment, weak economic recovery, and distrust in state institutions encouraged the emigration of male and female of reproductive age and undermined the demographic perspectives of the country.

Employment rates in Moldova are among the lowest in Europe and Central Asia, denoted at large by low labour force participation (LFP) rate in constant decrease from 53 to 41 per cent over the past ten years, slightly higher for men (44.1 per cent) than for women (38.6 per cent). Labour force participation rates fall sharply already after the age of 54 for both sexes, partially due to voluntary early retirement but also as a result of age discrimination at work. Many years of productive life are lost across all demographic groups.

Labour force participation among young women, aged 25-34, is much lower than among men in the same age group. As women are expected to perform an overwhelming share of unpaid household and family-related care work, their access to and equal treatment in paid work is hampered. Time allocated to un-paid work by women is 4.9 hours and 2.8 hours by men per day.<sup>6</sup>The reported gender pay gap, lack of access to affordable, quality child-care facilities, narrow property rights and reduced access to financial resources for business start-ups, all coupled with patriarchal attitudes, reduce the employment opportunities for women. The nationwide share of women entrepreneurs is only 27 per cent and is significant lower in rural areas (14.9 per cent).

The low labour force participation rate is largely explained by high international migration (while the internal migration is quite low, less than 20 per cent). According to official statistics, in 2013, about 14 per cent of men and 8 per cent of women of working age were employed or looking for work abroad. This tendency is particularly noticeable among young people. More young men aged 15-24 work abroad than in the domestic economy.

Productivity in Moldova is among the lowest in the region, reflecting an incomplete transition from a planned economy dominated by agriculture, high informal employment, as well as education and skills challenges. Half the population in Moldova is still rural, and a quarter of the employed population works in agriculture, a sector with low productivity. Low productivity is pervasive outside agriculture as well. In a recent study of the National Confederation of Employers of Moldova (CNPM), more than 40 per cent of Moldovan firms report that skills have become a severe constraint to their growth<sup>7</sup>. This is, among others, a result of the mismatch between education and labour market needs. Hence, the improvement of vocational education and development of skills through apprenticeship schemes to increase the labour productivity and the employment rate is a matter of urgency.

The general unemployment rate is rather low, standing at 5 per cent in 2014, although unemployment among youth aged 15-24 is a more pressing problem, standing at 12 per cent.

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<sup>6</sup> Time user survey, NBS, 2013

<sup>7</sup> <http://www.cnpm.md/doc.php?l=ro&idc=58&id=224&t=/Publicatii/Constrangeri-Majore-asupra-Mediului-de-Afaceri-din-R-Moldova>

Unemployment is concentrated in the young population in rural areas, whereas in urban areas it is found across all age groups.

The situation of people with disabilities (PwD) in Moldova remains precarious. Statistical data show that PwD have limited access to labour market and fall under the poverty line, as a consequence. Despite the efforts of the national authorities to facilitate their inclusion into the labour market, the employment rate of people with disabilities ranks very low. Regarding the disability assessment, a shift from the current medical assessment to functional/social assessment is among the priority areas of the labour and social protection reforms in the country.

Informal employment is a salient feature of the Moldovan labour market. The size of the non-observed economy was estimated at 23.1 per cent of GDP in 2013. In the same year, 30.9 per cent of the employed population (34.1 per cent men and 27.1 per cent women) had an informal job. Informal employment by economic activity is highest in agriculture, followed by trade, hotels and restaurants and construction. By age group, informal employment is high among the youngest population (15-24 years), particularly those with lower levels of education (primary and secondary education), as well as among graduates of vocational education. The largest share of informal jobs is in elementary occupations.

The practice of undeclared work, including the payment in envelope wages, is widespread in Moldova. In 2011, the Ministry of Labour, Social Protection and Family estimated that 57 per cent of the employed population did not report fully their salaries in 2010 and that the value of the undeclared wages amounted to 5.7 billion euro, which represents 29.6 per cent of the total payroll or 13 per cent of GDP.

Moldova is committed to tackle the informal economy through the implementation of a National Action Plan for the reduction of the informal (grey) economy adopted in 2011, which sets the goals and envisages various steps to curb the informal economy, notably by addressing undeclared work and underreporting of wages to avoid tax and social security contributions. Moldovan government and social partners have pursued various policy innovations to promote culture of compliance, encourage electronic transactions and limit payments in cash, among other things.

The ILO assisted the Government and the social partners to facilitate transition of workers and economic units from the informal to the formal economy, while respecting workers' fundamental rights and economic opportunities for income security, livelihoods and entrepreneurship. A proper assessment and diagnostics of factors, characteristics, causes and circumstances of the informality in the national context was conducted and remedial recommendations were provided. This will inform the design and implementation of laws and regulations, policies and other measures aiming to facilitate the transition to the formal economy. The ILO and the Moldovan constituents launched the preparation for a nation-wide awareness raising campaign to promote formal employment and to reduce undeclared work in Moldova. ILO is helping its constituents to formulate and implement a national employment policy in line with the Employment Policy Convention, 1964 (No.122). It combines national incentives, compliance and enforcement efforts to curb informality, but also, through the transition to the formal economy, to progressively extend, in law and practice, social security, maternity protection, decent incomes and working conditions to all workers in the informal economy.

The Moldova 2020 national development strategy aims to move from a remittance- and consumption-driven model of growth to an export-driven model in order to reduce the economy's vulnerabilities and spur job creation. Improving the business environment and facilitating access to finance are two of the strategy's central pillars. Current assessments however underline a large array

of constraints to the development of private businesses in Moldova: political instability, fiscal burden, unfair competition (towards micro-and small enterprises, particularly), poor physical infrastructure and shortage of skilled workforce, among others.<sup>8</sup>

Labour statistics in Moldova were streamlined to underpin informed policy decisions on labour migration, youth employment, informal work, OSH, etc. A Decent Work Country Profile<sup>9</sup> was developed to monitor and assess the progress towards decent work in such important areas like: employment opportunities; income and productive work; working time; reconciliation of work and family responsibilities; occupational health and safety; social security and social dialogue.

### 1.3. Working conditions

Adequate earnings and productive work are key aspects of decent work and social justice. Wages make up a significant proportion of household income and are thus crucial to poverty reduction. Moldova has established a legal and institutional framework to promote adequate income and productive work. However, wage gaps persist with women's income accounting for only 87 per cent of men's earning.<sup>10</sup> Although wage income has increased some 14 per cent a year over the last decade, wages are still too low to ensure that citizens earn a decent living, as average wages are just 2.2 times higher than the subsistence minimum for the working-age population. The national minimum wage in 2015 is MDL 1,000 (approximately USD 55), i.e. just 60 per cent of the subsistence minimum, while the minimum wage in the private sector amounts to MDL 1,900 (approximately USD 100). Finally, although working poverty has decreased, it still remains rather high at some 15 per cent in 2014.

Moldova has a legal and institutional framework to promote decent working hours and legal provisions on working time and the duration of annual paid leave to comply with international standards. To achieve decent work in this area, it will be necessary to reduce the proportion of people working excessive hours as well as those who are underemployed, both of which have remained almost stagnant over the last decade. Finally, certain sectors of employment are vulnerable to long hours.

Provisions have been made in national legislation and practice to better reconcile work and family responsibilities. However, over the last decade there has been an increase in the share of women out of work due to family responsibilities (10.9 per cent in 2012), while the share of men has remained fairly stable (0.4 per cent in 2012). Further work on leave policies in combination with innovative working time arrangements is absolutely necessary. Finally, Moldova considers to ratify the Workers with Family Responsibilities Convention, 1981 (No. 156). The alignment of national legislation with the ILO Conventions on gender equality and EU equality and discrimination framework is key for women's empowerment.

### 1.4. Social protection

In the context of the post-crisis economic downturn and in the face of aging population, the Republic of Moldova is facing a formidable task to maintain a well-functioning social protection system that ensures basic health care and income security for all.

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<sup>8</sup> CNPM, Key constraints on the business environment in Moldova, Chisinau, 2013 on <http://www.cnpm.md/lib.php?l=ro&idc=58&t=Publicatii>

<sup>9</sup> Decent Work Country Profile of the Republic of Moldova, Budapest, ILO, 2013, [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms\\_424048.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_424048.pdf)

<sup>10</sup> <http://www.worldbank.org/en/country/moldova/publication/briefing-book>

Although Moldova has achieved a reasonably wide social security coverage of workers in the formal employment sector, gaps still exist. All the ILO tripartite constituents in Moldova recognize that undeclared work is one of the most serious problems in the labour market governance and therefore it is a major obstacle in establishing a comprehensive social security system. In addition, the social security coverage of agricultural workers has decreased significantly since their coverage was changed from compulsory to voluntary base.

The extension of coverage should be accompanied by the concurrent improvement of the social security benefits and financing as well as the capacity of the government and social partners. As part of the National Development Strategy Moldova 2020 and with a view to the fulfilment of the Association Agreement with the EU, the Moldovan government is committed to reform the social protection system to attain a fair and sustainable pension system, ensuring a decent living after retirement to all categories of population, men and women alike, indispensable for social cohesion.

In Moldova, the pension system plays the single most important role in reducing old-age poverty as almost all older people rely on pensions as a main source of income after retirement. Moldova's pension system suffers from inadequate benefit levels. In 2013, the replacement rate of the average old-age pension was 28 per cent of the gross wage, the lowest in Europe. The current pension formula requires urgent measures to prevent continuous decline in pension benefits in the mid- to long-term.

Although the sustainability-enhancing reforms are inevitable, social security should continue to serve as a backbone of income and health protection. In line with the ILO Social Protection Floors Recommendation, No. 202 (2012), the creation of the National Social Protection Floor, combined with the international minimum standards, should constitute an effective strategy to safeguard the adequacy of the benefit levels.

The lack of social security coverage is one of the main disadvantages facing Moldovan migrant workers due to the absence of proper coordination mechanisms with major receiving countries, which ensures the equal treatment and maintenance of social security rights for migrant workers. To address this problem, the ILO supported the government of Moldova in negotiating and implementing bilateral social security agreements. As a result, the Republic of Moldova has recently signed bilateral agreements with Hungary, Poland, Austria and Lithuania. The government is now seeking to negotiate similar agreements with Greece, Italy, Germany, France, Belarus and Canada.

The Republic of Moldova has established a legal and institutional framework with the purpose to promote occupational safety and health (OSH) in line with the ILO Conventions and EU Directives. However, while employers and workers have taken action leading to a decrease in both work accidents and occupational diseases, deficiencies remain in occupational safety and health that contribute to these contingencies. The activity of Labour Inspection faces restrictions imposed by the Law No. 131 of June 2012 on State Control over Entrepreneurship Activities. According to the law, labour inspection visits to workplaces are limited to no more than once per year and the employer shall be notified five days before the visit. The restrictions contained in Law No. 131 of 2012 were considered as not being in conformity with Articles 12 and 16 of the Labour Inspection Convention, 1947 (No. 81) by the tripartite committee set up to examine the representation alleging non-observance by the Republic of Moldova of Convention No. 81, submitted under article 24 of the ILO Constitution, whose report was adopted by the ILO Governing Body in March 2015 (GB.323/INS/11/6).



### 1.5. Social dialogue

Moldova has ratified the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87), the Right to Organize and Collective Bargaining Convention, 1949 (No. 98), the Collective Bargaining Convention, 1981 (No.154), as well as Tripartite Consultation (International Labour Standard) Convention, 1976 (No.144).

A number of bodies have been established to regulate industrial relations and social partnership, in conformity with article 25 of the Labour Code, namely the National Commission for Consultations and Collective Bargaining (NCCCB) at the national level, made up of 18 members and 18 deputies, appointed by the social partners and the government on a parity basis, and similar commissions at the branch and territorial levels. Commissions for social dialogue between employers and elected workers' representatives are established at the enterprise level. The mandate of the respective commissions is to bargain company-level collective labour agreements and to both anticipate as well as mitigate conflict-prone situations.

NCCCB is an advisory as well as negotiating body. It provides opinions on a wider range of matters than those strictly related to labour. It is mandatory for the government to request NCCCB's opinion on different laws and regulations in the field of labour relations, employment, pension and disability insurance and OSH. The NCCCB has concluded fifteen Tripartite National Collective Conventions so far on working time, child labour, individual labour agreements, to mention a few.

Although it made significant progress in the past three years, the NCCCB faces a number of challenges in terms of influence and impact over the policy and law making processes. There are still a number of laws and policy documents in socio-economic field which are adopted without prior consultations in the NCCCB. Tripartite social dialogue at the local level is only modestly developed. 33 local Commissions for Consultations and Collective bargaining have been established, but they lack clear vision on their role and direction of future development.

When it comes to bipartite social dialogue institutions, the lack of organized social partners, mainly employers' organizations in some sectors does not allow for the development of collective bargaining and the conclusion of collective agreements at sectoral level. Furthermore, according to the Ministry of Labour in charge of registration of sectoral collective agreements, in many cases they simply reproduce the law and do not contain outcomes reflecting genuine negotiations between the parties.

According to the data provided by the *National Confederation of Trade Unions of Moldova (CNSM)*, 46 per cent of the total number of employees are members of trade unions. This indicator has fallen by 11 per cent since 2007. Women have higher participation rates in the union movement than men, although membership is declining for both. The CNSM found that collective bargaining coverage for all groups of workers is also declining<sup>11</sup>.

Lately, the Confederation has been very much concerned with the quality of labour administration, with labour disputes resolution particularly. The draft law on amicable settlement of labour disputes was worked out by tripartite constituents. With the ILO technical assistance the consultation process has steadily advanced. Increase of the minimum wage level, improved collective bargaining system and large penetration of the trade unions movement into the informal economy are highly placed on the CNSM agenda. Support delivered by the ILO has targeted improved collective bargaining skills, enhanced ability for service delivery and improved protection of migrant workers.

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<sup>11</sup> Decent Work Country Profile MOLDOVA. ILO, 2013, p.57

*The National Confederation of Employers (CNPM)* represents the great majority of employers in Moldova and its members play a very strong role in tripartite discussions. However, it is the youngest and the least experienced partner within the Social Dialogue structure. This gives legitimate explanation to the effort CNPM undertakes to rise up as a strong and reliable social partner. The ILO has underpinned CNPM's endeavours to upgrade its presence locally and extend membership beyond the capital city by awareness-raising workshops and development of new services in OSH, risk assessment and focused information on labour law and legal advice.

With the ILO support, local employers' organizations (EOs) were created and strengthened in 10 districts of Moldova through training, development of materials and provision of equipment. The local employers' capacity to effectively run the newly established EOs and engage in local social dialogue was consolidated. They also became more aware of the EOs' role and contribution to the formalization of enterprises in the informal economy.

### **1.6. International Labour Standards**

The country has ratified 42 ILO Conventions and one Protocol in total, including all the fundamental and governance ILO Conventions.<sup>12</sup> Regular reporting on the application on ratified international labour standards enabled the ILO supervisory bodies to have insight into legislation and practice regarding the application of ratified international labour standards. The preparatory process for the ratification of the ILO Occupational Health Services Convention, 1985 (No. 161) is ongoing.

The Governing Body in March 2015 approved the Report<sup>13</sup> of the committee set up to examine alleged non-compliance by the Republic of Moldova of the Labour Inspection Convention, 1947 (No. 81), submitted under article 24 of the ILO Constitution by the National Confederation of Trade Unions of Moldova.

## **II. Lessons learned from previous cooperation**

The established DWCP Overview Board played a substantial role in building a proper institutional memory and an appropriate flow of the DWCP-related information. It was particularly significant when adjustments to DWCP were requested in response to changing circumstances. The Board also pursued the constituents' ownership over DWCP targets and guided the constituents in the design of the next DWCP generation.

An independent evaluation of the DWCP 2012-2015 was undertaken in 2015. The evaluation exercise identified the following lessons learned:

- The progress made in social dialogue at national level of the Republic of Moldova is significant. The culture of partnership cannot be built overnight and time is needed to further building and operationalization of such culture, as well as further build institutional frameworks to make the partnership and dialogue fully functional.
- While national level partnership is in the process of development, regional and sectorial partnerships have to go a long way in order to be able to actually translate voices of those

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<sup>12</sup> Conventions: C29, C87, C98, C100, C105, C111, C138, C182; Governance Conventions: C81, C122, C129, C144

<sup>13</sup> GB.323/INS/11/6: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_357363.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_357363.pdf)

whom they represent. This work needs further establishment and development of capacity of the territorial employers` organizations and workers` organizations at all levels.

- The DWCP Moldova itself and its implementation plan, including outcomes and indicators, could become a living document. In order to promote the partnership and work on collective agenda further, the DWCP intermediary achievements should be discussed annually or bi-annually by all involved partners, following the structure and level of details given in the DWCP implementation plan.
- The ILO support and cooperation are highly appreciated by the partners not only in terms of capacities, support in technical areas and expertise, but also in bringing into Moldova and strengthening values such as transparency, dialogue, partnership, collaboration and basically those which are often referred to as “European values.”
- Continuous focus will be required on gender equality, including actions for work and family reconciliation, women’s employment and women’s entrepreneurship.

### **III. Country programme priorities**

The priority areas of cooperation and the country programme outcomes have been developed in close consultation with the constituents. The process started with individual consultations with each constituent and a tripartite roundtable discussion in October 2015. Based on these initial inputs, the ILO prepared the first draft in October 2015, to which the constituents provided written comments and observations.

The consultative process between national tripartite constituents and the ILO has sought to focus - from a potentially very broad agenda – on a limited number of shared priorities and results that can be reasonably attained in the proposed time frame on the basis of available or foreseeable resources. This will also help the ILO focus its own resource mobilization initiatives vis-à-vis potential donors and additional partners.

Within the overarching theme of “Decent Work for All” the ILO will concentrate on three country programme priorities in Moldova in the period 2016-2020. These are:

- I. Promoting employment and an enabling environment for sustainable enterprises**
- II. Strengthening capacity of government institutions and social partners for effective social dialogue**
- III. Enhancing social protection and conditions of work**

The DWCP should be considered as a living document, open to regular reviews and adjustments in line with the evolution of needs, demands and opportunities. The plan shall therefore be regularly monitored and adjusted depending on the availability of resources, on the partners’ response capacity and on the evolution of the country’s economic and social situation. The scope and outreach of ILO’s work in the country will however ultimately depend on the possibility of generating additional donor resources and pooling existing resources with other partners.

## **Priority 1: Promoting employment and an enabling environment for sustainable enterprises**

### **Outcome 1.1: Improved legal and regulatory framework for enterprise development.**

An enabling environment is key to the creation and development of sustainable enterprises. The creation of such environment hinges upon a well-defined and well-articulated set of policies, covering the fields of education, finance, labour, markets, legal and property rights, technology and infrastructure, among others. Deficiencies in the enabling environment result in insufficient access to entrepreneurship and business development services, limited access to higher value added chains and suboptimal workplace practices. In turn, this hampers productivity increases, leads to high levels of unemployment, informality, poverty and harms natural environments. The ILO's Enabling Environment for Sustainable Enterprise ("ESEE") Toolkit has been developed as a resource for organizations wishing to assess the environment in which businesses start-up and grow. It has been designed to guide and support such organizations in their efforts to better understand the ESEE and to enhance their evidence-based contribution to government reform efforts through advocacy and dialogue. The ILO provided training to CNPM on ESEE toolkit and its methodology in 2012. CNPM's national assessment of key business constraints was conducted in 2013/2014. The ILO, its tripartite constituents and other stakeholders will continue to collaborate in order to promote sustainable enterprise development using, among others, ILO global tools. ILO's strategy will aim at promoting legal and policy reforms as well as strengthening programmes and institutions aiming at promoting entrepreneurship development, including a focus on women entrepreneurs.

#### Outcome indicators

1.1.1 A national assessment of the enabling environment for sustainable enterprises is completed.

*Target:* National assessment completed by the end of 2019.

1.1.2 Number of gender-sensitive legal and institutional reform proposals and new programmes developed and/or adopted by the Government based on the recommendations of the ESEE assessment.

*Target:* Reform proposals by 2020 reflect recommendations of the National ESEE report.

### **Outcome 1.2: Improved human resources development and employment policies.**

Both global and domestic financial crisis have intensified the long-standing challenges of inclusive economic growth, jobs deficit and unsatisfactory labour market outcomes. The employment challenge has been utterly affected by the weakening relationship between growth and quality job creation. To meet these challenges a political commitment is required to make employment a central goal in national overarching policy frameworks and in economic, social policies, demand-generating strategies; generate analysis and research on how to increase the employment content of growth; strengthen the capacity of governments and social partners and facilitate tripartite dialogue on policy options. The ILO will assist Moldovan constituents to advance in their decent work and employment promotion goals. National capacities will be forged to better design, implement, monitor and evaluate sound gender-responsive employment policies, to embrace a concerted and coherent vision on employment objectives and ways to achieve them with concerted participation of large diversity of actors at both national, sectoral and local levels. The Ministry of Labour will be assisted to perform the coordination role and to foster collaboration with other sectoral ministries, as well as agencies entrusted with macroeconomic management. The interventions will build on existing knowledge base and tools developed with the ILO support on data collection and analysis on

labour market trends, economic development, enabling environment for sustainable enterprises, particular needs of vulnerable groups, women, youth, migrant and people with disability particularly, links between education and migration, but also human capital assessment through occupational skills analysis, development of occupational standards and better linkage between labour market demand and supply given the ILO tripartite comparative advantage.

#### Outcome indicators

- 1.2.1 Moldovan constituents have improved capacities to design, implement, monitor and evaluate gender-responsive and socially inclusive employment policies.

*Target:* A gender-responsive and socially inclusive National Employment Strategy 2016-2020 and its Action Plan drafted and approved by 2017.

- 1.2.2 Moldovan constituents are better able to engage in public consultations on employment policy-related issues.

*Target:* Methodological guidance provided and 10 country-wide public consultations on new draft National Employment Strategy conducted by June 2016.

- 1.2.3 New employment promotion legal framework drafted that includes provisions for priority groups.

*Target:* New employment promotion law drafted by 2017 including provisions for priority groups.

#### **Outcome 1.3: Strengthened labour market information system - including skills analysis - in line with international standards on labour statistics.**

Defining effective labour market strategies and employment policy options at the country level requires first and foremost the collection, dissemination and assessment of up-to-date and reliable labour market information and matching of skills demand with supply. Once a strategy is decided, continuing information and analysis are essential to monitor progress towards goals and to adjust policies where needed. Following the ratification of the ILO Convention No.160 on Labour Statistics, the capacities of the National Statistical Office, Ministry of Labour and Social Protection, Social Partners have been enhanced to better produce, compile, align and disseminate essential labour statistics to monitor new employment trends on employment, youth unemployment, working poverty, child labour, labour migration, etc. Also, there is a need to agree on mechanisms to align better labour market outcomes on skills mismatch, with a need to align what is understood in a specific occupation, and to develop this in sectoral frameworks through occupational standards. This should then guide the curricula of TVET instances. Building on the respective knowledge additional support will be granted to boost statistical thinking, functional description of occupations, and analysis by the policy makers, planners, development partners as well as other users of statistics.

#### Outcome indicators

- 1.3.1 National stakeholders are better able to produce, compile, align and disseminate essential labour statistics to monitor new employment trends.

*Target:* Improved and updated labour statistics produced by 2019 as a result of ILO's technical assistance.

- 1.3.2 National stakeholders apply ILO skills anticipation tools, and assess the effectiveness of national or sectorial skills policies through tripartite skills councils.

*Target:* Sectorial skill anticipation reports produced by 2019 as a result of ILO's technical assistance.

- 1.3.3. Occupational standards (OS) in a commonly agreed priority sector are reviewed in a tripartite fashion.

*Target:* Ten capacity building activities for skills committee on drafting occupational standards by 2019.

## **Priority 2: Strengthening capacity of government institutions and social partners for effective social dialogue**

### **Outcome 2.1: Improved legal and institutional framework for social dialogue at national, local and sectoral levels.**

ILO will continue to assist the tripartite constituents in the process of reforming national social dialogue and industrial relations frameworks by providing European comparative law and practice on implementation of international labour standards, and facilitating constructive compromise over possible solutions tailored to the national context. The newly established sub-regional legal database CEELEX will be used along with other ILO databases for this purpose. Moldova will be part of the regional network of labour experts. Upon request, legal and implementation gap analysis will be conducted and technical comments and policy recommendations will be provided in the process of amending the Law on organization and functioning of the national commission for collective consultations and negotiations, commissions for collective consultations and negotiations at branch and territorial level no. 245-XVI of 21 July 2006 and the Labour Code. Moldovan constituents will also consider the feasibility of bipartite social dialogue at both sector and territory level.

#### Outcome indicators

- 2.1.1 The draft law amending and supplementing certain Acts concerning social dialogue is developed jointly with the social partners.

*Target:* Draft law submitted to the Government approval by the end of 2017.

### **Outcome 2.2: Improved mechanisms for consultation and collective bargaining.**

Capacity of the government to promote and of the social partners to engage meaningfully into collective bargaining will be strengthened through actions aiming at improving law and practice of collective bargaining, including for collective labour disputes resolution and enhancing technical capacity of tripartite constituents to devise effective legal and practical measures, as well as negotiating skills of the social partners.

The foreseen actions will build on previous work carried out on in the area of developing sectorial and territorial collective bargaining, as well as of amicable settlement of collective labour disputes.

#### Outcome indicators

- 2.2.1 Collective agreements concluded at sectorial and local level regulate matters which are not covered by the labour law or raise the level of protection provided by law.

*Target:* Wage fixing mechanisms are set through collective agreements by 2018.

### **Outcome 2.3: Enhanced effectiveness of the labour inspectorate.**

Following previous work carried out by the ILO since 2009, the ILO intends to continue its effort to strengthen the capacities of labour inspection to design and implement policies and strategies, in particular aiming to address the transition from informality to formality, and to improve working conditions of workers that stay in the informal economy. Particular emphasis should be given to more vulnerable sectors (e.g. construction and agriculture) and SMEs.

ILO will support the implementation of innovative and effective tripartite and joint approaches to deal with the problems related to the informal economy and undeclared work in not only complying with legal provisions but also developing new practices, programs, campaigns, tools and IT support systems. ILO should continue to provide assistance in the transposition of the OSH Directives to the national legislation and to ensure effective training to support the implementation at all level as well as to provide support in the design of new comprehensive labour inspection campaigns (including undeclared work and OSH) as it was already done in the rural and construction sector.

The strategy is informed by and builds on Moldova's National Action Plan for the reduction of the informal (grey) economy adopted in 2011.

#### Outcome indicators

2.3.1 National legal framework is amended in accordance with ILO Convention 81 (as recommended in the report of the ILO Governing Body – GB.323/INS/11/6).

*Target:* Law amended by 2017.

2.3.2 Government, in consultation with the social partners, takes measures to transpose EU Directives and relevant ILO Conventions on inspection and OSH into national legislation.

*Target:* Ten EU Directives transposed by 2019.

2.3.3 New or revised labour inspection guidelines for undeclared work and occupational safety and health are implemented.

*Target:* Guidelines drafted or revised by 2018.

2.3.4 Improved knowledge and enforcement of legislation on occupational health and safety at work.

*Target:* New management support and facilitating tools are developed and used by 2018. Labour inspectors trained on supervising and advising occupational management services.

### **Outcome 2.4: The capacity of social partners is strengthened.**

The DWCP will aim at enhancing the capacity of the social partners. In particular, it will enable employers' and workers' organizations to deliver value to their members through targeted, timely and useful services to their members and thus become more relevant and representative.

ILO technical assistance will therefore focus on enhancing the capacity of employers' organizations to respond to their members' needs by applying a three-pronged approach: a) building internal capacity, b) developing new or improving existing services and c) strengthening advocacy capacity of employers' organizations.



ILO technical assistance will also enhance the capacity of trade unions to deliver qualitative services to their members and increase their relevance and visibility; to build trade unions' internal capacity, strengthen their resources for organizing new members, empower young workers and women in their structures and activities; and develop their capacity for campaigning and advocacy.

Outcome Indicators:

2.4.1 Number of new services introduced by employers' organization(s)

*Target:* Minimum of two new products and/or services are introduced by employers' organization the end of 2018.

2.4.2 Strategic plans for Employers' Organization developed.

*Target:* Employers' organization develops and adopts a strategic plan by the end of 2016.

2.4.3. Governance charter for Employers' Organisation developed.

*Target:* Employers' Organization develops and adopts a governance charter by mid-2018.

2.4.4 Gender responsive strategy plan is developed by the trade unions.

*Target:* The strategy plan is adopted by 2018.

2.4.5 Advocacy capacity of trade unions enhanced.

*Target:* Pool of selected experts from national trade unions will be set and trained in advocating trade unions' positions within public and specialized debates by the second half of 2017.

**Priority 3: Enhancing social protection and conditions of work**

**Outcome 3.1: Wage and income policies with an emphasis on equal opportunities are developed and implemented.**

Wage and income policies are particularly important in times of economic crisis. The ILO will provide capacity building on the setting of wages in general and minimum wages including through sharing international best practices. The ILO has provided technical assistance in the area of women's empowerment jointly with UN Women since 2011. Based on previous work, the ILO will assist the constituents to effectively transpose ILO Conventions and EU Directives on Work and Family and Equal Remuneration effectively, including through gender neutral job evaluations. One important consideration would be the ratification of the Workers with Family Responsibilities Convention (No. 156).

Outcome indicators

3.1.1 The capacity of constituents on wages and minimum wages is increased.

*Target:* Improved mechanisms on minimum wage setting are considered by tripartite constituents by 2020 as a result of ILO's technical assistance.

3.1.2 The capacity of constituents on equal remuneration for work of equal value is increased.

*Target:* A gender neutral job evaluation is carried out by 2020.



3.1.3 Moldovan constituents consider ratification of the Workers with Families Responsibilities Convention (No. 156).

*Target:* A legal review is conducted by 2020 as a basis for the consultation and preparation for ratification procedure.

### **Outcome 3.2: Reforming social security systems to improve their adequacy, sustainability, compliance and coverage.**

In line with the National Development Strategy Moldova 2020 and the EU Association Agreement, the Moldovan government is committed to reform the social protection systems. Building on the ILO technical assistance provided in the past, further ILO expertise is required to support the reform processes and its implementation. Policy options will be provided to re-establish valorisation of the past earnings in the pension formula also with lower accrual rate and adequate benefit indexation. The eligibility conditions and formula for disability pensions will be considered and recommendations will be made for amendments. Gender gaps will be addressed in relation to the calculation of pensions. Throughout the reform process, the policy options for social security reform will be discussed with key tripartite stakeholders.

Extending social security coverage for informally employed workers and farmers in rural areas and improving the compliance and contribution collections against under-reporting of wages constitute a first step for the transition from the informal to the formal economy.

Moldova will extend the social security coverage for informally employed workers and farmers and improve the compliance and contribution collections through continuing ILO technical assistance in the awareness campaign which addresses a wide range of population who are currently or potentially involved in informal employment and developing strategy for extending coverage for farmers based on the needs assessment survey.

Also, new bilateral agreements will be pursued with countries of destination of Moldovan migrant workers to ensure the recognition and portability of pension and social security benefits accrued in the host countries.

#### Outcome indicators

3.2.1 Options for reforming social security system are developed together with their financial impact analysis, and the national consensus achieved by key tripartite stakeholders.

*Target:* Policy options formulated by 2018.

3.2.2 Moldova adopts and implements the reformed social security systems.

*Target:* Amendment of the social security laws or adoption of new regulations by 2019.

3.2.3 Increased level of awareness on the benefits and advantages of formal employment and declared work, thereby promoting a culture of compliance and encouraging transition to the formal economy.

*Target:* An awareness raising campaign is carried out by the end of 2016.

3.2.4 Government adopts and implements a policy document to extend the social security coverage for agricultural workers with an ILO feasibility study based on the survey of needs assessment for farmers.

*Target:* The policy document is adopted by the end of 2017.

3.2.5 Number of negotiations initiated and the number of bilateral social security agreements concluded and implemented.

*Target:* At least two bilateral agreements initiated by the end of 2020.

### **Outcome 3.3: Improved legal framework for prevention and compensation of work accidents and occupational diseases.**

Strategy on occupational health and safety in Moldova will aim at the creation of safety culture for all workers and employers. The ILO will continue to assist the tripartite constituents in implementing the national gender-sensitive OSH plans based on the ILO Conventions and EU directives, conduct capacity building, and promote safety culture through advocacy. The link between the prevention and compensation will be strengthened by adopting a new methodology for the calculation of employment injury differentiated contributions.

#### Outcome indicators

3.3.1 Legislation on OSH improved.

*Target:* A Working Group is established to review the national OSH legislation and make recommendations on improvement; Moldova takes steps towards the ratification of ILO OSH Convention (e.g. C.161).

3.3.2 Moldova adopts the risk-based contribution rating system for employment injury benefit system.

*Target:* The Government Decision and the Information Notes submitted for final approval by 2018.

*Target:* Guide to effectively apply the methodology on risk-based contribution developed by 2019.

3.3.3 Capacity of tripartite constituents improved to effectively implement a gender-sensitive national OSH programme.

*Target:* Representatives from the enterprises' OSH Services are trained on risk assessment and risk management;

*Target:* Guide to effectively apply OSH legislation developed by 2019.

3.3.4 Labour statistics with regards to accidents at work and occupational diseases adjusted to European standards

*Target:* Regulation on labour accidents inspection revisited by 2018.

## **IV. Management and implementation**

The cooperation programme will be managed through a network consisting of DWT/CO-Budapest, the National Coordinator in Chisinau, the Regional Office for Europe and technical units at headquarters in Geneva. The National Coordinator will play a coordination role together with

DWT/CO-Budapest. The ILO will continue its cooperation with major stakeholders in the country such as the UN under the framework of the UNPF and the EC Delegation.

The objectives of the programme will be jointly implemented (including support, funding and monitoring) by the constituents and the ILO. From the ILO side, this will be pursued through technical cooperation projects, advisory missions, and seminars for information dissemination and capacity building. Extra-budgetary resources and the ILO's regular budget resources will be used to finance the implementation of this Country Programme. The constituents and the ILO will carefully assess the resources required for the different outcomes and identify national resources, ILO resources and donor support required. The ILO will continue to mobilize further resources for the follow-up to the results achieved, bearing in mind priority concerns of the constituents. The government and the social partners will provide their respective expert staff and premises and provide logistic support, as appropriate. They are committed to implementing the follow-up steps necessary to achieve the expected results in accordance with the DWCP work plan which will be developed.

#### **V. Performance monitoring and evaluation arrangements**

The implementation of the Decent Work Country Programme will be reviewed on a regular basis with the constituents using interactive methods. The missions of the ILO experts and their internal reports will be used as part of the monitoring process. Twice a year, the Decent Work Country Programme implementation will be reviewed by a DWCP Overview Board consisting of the representatives of the Constituents and the National Coordinator. The task of the DWCP Overview Board is to promote the DWCP goals and monitor and evaluate the implementation of the DWCP, ensure the active participation of all parties involved and the fulfilment of their commitments to achieve the jointly agreed outcomes. The DWCT/CO-Budapest Director will assess the programme achievements with the constituents in the country at the end of the programme. A Results Framework and Monitoring and Evaluation Plan is developed to support this assessment. The DWCP will undergo a final evaluation through the ILO's standard policies.