

LABOUR AND SOCIAL JUSTICE

# THE SOCIO-ECONOMIC SUPPORT MEASURES IN THE CONTEXT OF THE COVID-19 PANDEMIC:

delayed, modest and rigid

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By imposing social isolation and closure of several economic activities, the government has deprived a significant part of the population of income sources without providing viable alternatives.



The Republic of Moldova has not provided direct financial support to companies so that they can retain employees as many other European countries have done.



Being introduced late, with much confusion and controversy, the economic measures proved to be very modest.



# Contents

<b>1.</b>	<b>INTRODUCTION</b> .....	<b>2</b>
<b>2.</b>	<b>THE SOCIO-ECONOMIC SUPPORT MEASURES IN THE CONTEXT OF THE COVID-19 PANDEMIC: DELAYED, MODEST AND RIGID</b> .....	<b>3</b>
	<b>Moldovans stayed at home</b> .....	<b>3</b>
	<b>Locked up in houses, people were left to fend for themselves</b> .....	<b>4</b>
	<b>For companies, little moral support and money</b> .....	<b>6</b>
	<b>A rigid budget rectification</b> .....	<b>8</b>
	<b>Delayed, difficult to access and unfavourable support for labour relations</b> .....	<b>10</b>
	<b>A more modest package than in other states</b> .....	<b>11</b>
	<b>The impact of Covid-19 on the economy and employees</b> .....	<b>12</b>
<b>3.</b>	<b>CONCLUSIONS</b> .....	<b>17</b>

## 1

# INTRODUCTION

The COVID-19 pandemic has caught the Republic of Moldova off guard. In addition to the reduced capacity of the medical system to cope with a major challenge, the precarious socio-economic situation of the majority of the population and the lack of economic support measures have reduced the effectiveness of the government restriction measures on movement. The state of emergency from March 17 to May 15, 2020 and then the state of emergency in public health introduced from May 16 to June 30 have imposed more than three months of social distancing, the closure of many economic activities, leading to a dramatic decline in the households' income. Given that the savings of most families in the Republic of Moldova do not allow them to survive for such a long period without economic activity, the dissatisfaction with the restrictive measures

has increased together with the depletion of population's reserves.

The effectiveness of the fight against a pandemic depends not only on the ability of the health care system to serve a growing number of infected people, but also on the ability of the population to change their way of life in order to limit the spread of the virus. The latter - the ability to change one's lifestyle - depends on several factors, including the awareness of the danger, the level of trust in the public authorities, the financial ability to withstand a long period with low income or without income sources, which in turn depends on the tools made available by the government to employers and employees to retain employment and income of employees during periods of inactivity.

## 2

## THE SOCIO-ECONOMIC SUPPORT MEASURES IN THE CONTEXT OF THE COVID-19 PANDEMIC: DELAYED, MODEST AND RIGID

### MOLDOVANS STAYED AT HOME

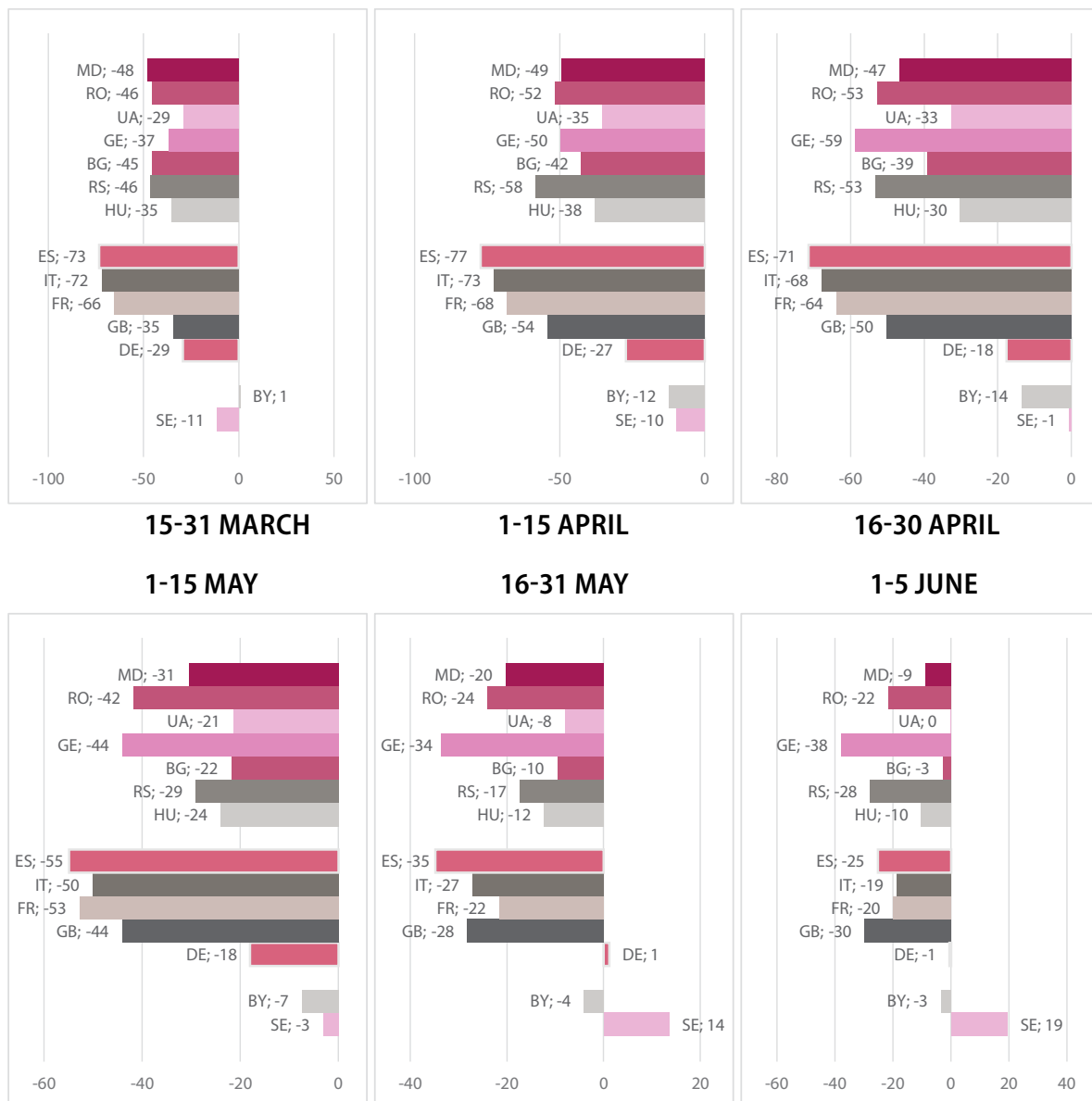
Like most countries in the world, the government of the Republic of Moldova has imposed isolation at home and social distancing as a measure against the spread of the virus. For almost two months, from mid-March to mid-May, these measures have worked similarly for the most part or even more effectively in some cases than in other Eastern European countries. According to the *COVID-19 Community Mobility Reports* data presented by Google, which measure the presence of people in public and residential spaces during the pandemic compared to a normal pattern of behaviour (based on pre-pandemic data), the restrictive measures in the Republic of Moldova have limited the movement of population in the first period of the pandemic (second half of March and April) more effectively than in many other neighbouring countries. According to these data, the movement of the population of the Republic of Moldova in commercial and recreational areas, supermarkets and pharmacies, parks, transport stations and workplaces decreased by 48 per cent between March 16 and April 30 compared to normal behaviour. In this sense, the performance of the Republic of Moldova has been within the regional model, without standing out: some states, such as Romania, Serbia or later Georgia, have managed to limit the movement of people better than the Republic of Moldova, while in other countries, such as Ukraine, Bulgaria or Hungary, the restrictions have had a lower impact. At the same time, in the Western European countries severely affected by the pandemic, the movement restrictions have exceeded 70 per cent (Spain and Italy) or have approached this level (France) for a period of more than a month. The United Kingdom, and especially Germany, have introduced less restrictive measures, but they have also limited significantly the movement of people during the pandemic. On the European continent, Sweden and Belarus have presented two notable exceptions, which is why they are also present in Figure 1, which shows the evolution of the movement of people between March 15 and June 5.

As can be seen from the data presented, in May, all the states under analysis gradually eased the restrictions, and in June, some of them returned to a conduct similar to that before

the crisis (Germany, Ukraine, Bulgaria). Also in the Republic of Moldova the movement of people has recovered very quickly, in the first week of June being only 9 per cent lower than the basic model. Relaxation is evident in almost all states, with only Georgia and Serbia maintaining a degree of movement restrictions in June compared to May. So, relaxation has happened in most countries, but its effects have not always been the same. The Republic of Moldova is the unfortunate case: while the exit from the restriction period coincided in the other countries with the decrease in the number of infections, the resumption of circulation in the Republic of Moldova has led to an increase in the number of infections, the country ranking first in Europe based on the number of people infected daily. What is the reason for such a development?

From the available data, one cannot say the restrictive measures in March, April and May did not achieve their purpose, if the latter is understood as limiting the movement of people. At the same time, however, limiting the movement in itself is not sufficient for slowing the spread of the virus. It is obvious that the complete cessation of movement is impossible: even in the peak periods of the pandemic, in the most affected countries where social distancing has been drastically imposed, more than 20 per cent of the volume of traffic has been preserved. In the Republic of Moldova and other states in the region, the restrictions have stopped only half of the regular traffic at most. Under these conditions, the way in which the residual circulation was organized has played a key role, and this is about the efficient isolation of infection outbreaks, the organization of public transport, the behaviour of people in crowded places (e.g. in grocery stores), the compliance with personal protection rules (from washing hands to wearing masks and gloves), and protection measures implemented by employers, and much more. The equation is very complex and only the degree of movement of people during the pandemic cannot explain the evolution of the number of infections. The answer to the above question – why the number of infected people in the Republic of Moldova increased rapidly in June, although the movement restriction was broadly the same as in other countries of the region? – most likely resides in the major dysfunctions in other aspects: overcrowded public

**Figure 1.**  
Restricting the movement of people in the shopping and recreation areas, supermarkets and pharmacies, parks, transport stations and workplaces compared to regular pre-pandemic movement, per cent



Data source: COVID-19 Community Mobility Reports, global CSV. The data show the resulting average for 5 categories: (1) trade and recreation, (2) supermarkets and pharmacies, (3) parks, (4) transport stations, (5) jobs.  
MD = Republic of Moldova, RO = Romania, AU = Ukraine, GE = Georgia, BG = Bulgaria, RS = Serbia, HU = Hungary, ES = Spain, IT = Italy, FR = France, GB = Great Britain, DE = Germany, BY = Belarus, SE = Sweden

transport, insufficient protection measures at work where the activity was resumed, non-compliance with the rules of social distancing and individual protection in closed commercial spaces (shops) and open markets, the resumption of collective social activities, including religious ones, without adequate protection measures. Towards the end of May and the beginning of June, the situation was aggravated by another factor: the spread of conspiracy theories about the pandemic against the background of widespread discontent and, consequently, the disregard of individual protection measures. These theories were partly fuelled by the distrust of the effectiveness of government action.

### LOCKED UP IN HOUSES, PEOPLE WERE LEFT TO FEND FOR THEMSELVES

Apart from locking people in the house – which, as seen above, was quite effective in the first phase – the government of the Republic of Moldova has done very little to make this measure work. By imposing social isolation and closure of many economic activities, the government has deprived a large part of the population of income sources *without providing viable alternatives* and, consequently, has left tens of thousands of families in a state of increased vulnerability. These are, first of all, the families of the employees who lost

their salary income, but also the small entrepreneurs who saw their businesses closed overnight, but still having to pay taxes and rent.

The legal framework in the Republic of Moldova does not provide for direct support to the population, in general, or to employees, in particular, in cases of force majeure. The tools provided in the Labour Code – the technical unemployment or cessation of work – are put exclusively on the shoulders of employers.<sup>1</sup> However, with the beginning of the state of emergency, several voices have called for direct support measures for companies and employees. Surprisingly, the voice of unions was very shy at the time, accepting the “unpaid leave” when employees cover their own costs of inactivity.<sup>2</sup>

After half a month of quarantine, on April 1, the government of the Republic of Moldova assumed responsibility for a series of “pro-business and pro-citizens” temporary measures which became law through the vote of the Parliament on April 2. The parliament session didn’t have quorum; therefore, the law was later annulled by the Decision of the Constitutional Court from April 13. Eventually, the measures were to enter into force through the provisions of the Commission for Exceptional Situations (CES) and through the Law no. 60 from 23.04.2020. The legislative confusion over the economic measures in April has created a general state of confusion, fuelling the dissatisfaction of the business community and employees. The Government and Parliament have triggered an unnecessary state of conflict, which could have easily been avoided by the tools available to both parties, as has finally happened.

Several voices pointed out that the measures proposed by the government on April 1 were not limited to the economic support of business and citizens in the context of COVID-19, but also contained a series of provisions unrelated to the pandemic, which would have favoured certain interest groups from the tobacco industry or duty-free shops<sup>3</sup>. These controversies have affected the level of public trust with regard to the legiti-

macy of measures taken by the government in a broad sense, including those related strictly to combating the pandemic.

Introduced late, with much confusion and controversy, the economic measures proved to be very modest. As we have shown in the analysis of the measures proposed on April 1, the way the government has chosen to deal with the situation has only aggravated the impact on employees. In fact, during the state of emergency, the legal framework was relaxed to the maximum so that companies could easily lay off employees, and the unemployment benefits were raised to a level that would mitigate the impact of job losses in the short term, or create the false impression that the dismissal is not so bad.

By the CES order of April 10, the government has announced the tripling of the unemployment fund, and the eligible persons were to receive unemployment benefits in an amount equivalent to the guaranteed minimum wage for the real sector (MDL 2775). On paper, this meant that with the application of this temporary unemployment benefit, an unemployed person would have earned more than an employee with a minimum wage of MDL 2775 lei and even more than one with a legal salary of MDL 3200 lei (not in technical unemployment), as the social contributions and income tax are deducted from the salary of those with employment contracts. Moreover, the unemployment benefit for the state of emergency period has been higher than the technical unemployment allowance of an employee with a salary of MDL 7000.<sup>4</sup> According to the NBS data, almost 65 per cent of employees in the Republic of Moldova have a salary below this threshold.<sup>5</sup> Practically, for almost two thirds of employees, the unemployment benefit promised by the government in case of dismissal would be higher than the technical unemployment benefit if they retained their job.

Thus, the government has promised money to the employees if the latter agreed to be dismissed and get unemployment benefit.<sup>6</sup> As we will show below, the number of people who have actually benefited from increased unemployment benefits was quite low, while other measures for direct support of employees during the state of emergency did not exist.

1 See Marcel Spatari and Stas Madan, Corona-crisis: we urgently need a new mechanism to protect employees, sic.md, <https://sic.md/corona-crisis-urgent-nevoie-de-un-nou-mecanism-de-protectie-a-salarialilor/>

2 See Recommendations on ensuring the rights and interests of employees, in the context of the epidemiological situation in the country, <http://sindicat.md/cnsm-recomandari-privind-asigurarea-drepturilor-si-intereselor-salarialilor-in-contextul-situatiei-epidemiologice-din-tara/>, which, among other things, provide for “Granting the employees (based on a written request of the employee and with the consent of the employer) an unpaid leave (according to Article 120 of the Labour Code).” In other words, the unions accepted that the employees go through the period of inactivity without any source of income.

3 For details, see: Alla Ceapai, New anti-crisis measures. The opposition accuses the government of “group interests”, Free Europe, April 2, <https://moldova.europalibera.org/a/noi-m%C4%83suri-anticriz%C4%83-opoziti%C8%9Bia-acuz%C4%83-guvernul-de-interese-clientelare-/30525848.html> Alla Ceapai, Government says it will not give up the controversial package of economic measures, Free Europe, April 14, <https://moldova.europalibera.org/a/guvernul-sus%C8%9Bine-c%C4%83-nu-va-renun%C8%9Ba-la-controversatul-pachet-de-m%C4%83suri-economice/30553274.html>

4 According to the Labour Code, the technical unemployment benefit is at least 50 percent of the basic salary.

5 See Distribution of employees according to the size of the salary calculated for September, by economic activities, 2018-2019, [https://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala\\_\\_03%20FM\\_\\_SAL025/SAL024900.px/table/tableViewLayout1/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774](https://statbank.statistica.md/pxweb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala__03%20FM__SAL025/SAL024900.px/table/tableViewLayout1/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774)

6 As we have shown in the article Corona-crisis: useful economic measures or an April 1st trick?, sic.md, April 1: “By granting higher unemployment benefits than the technical unemployment allowance applicable in most companies, the government has shown that it prefers to orient the financial means towards the persons outside the contractual labour relations (unemployed), instead of really protecting the persons in contractual labour relations (technical unemployment). In fact, the government encourages dismissals and voluntary resignation by employees, indirectly helping the employers for whom the most convenient solution is to fire people.” See <https://sic.md/corona-crisis-masuri-economice-utile-sau-o-farsa-de-1-aprilie/>

## FOR COMPANIES, LITTLE MORAL SUPPORT AND MONEY

The measures for companies have been a bit more concrete<sup>7</sup>, though also difficult to access and modest in value. These measures consisted mainly of the following:

- deferrals of tax payments and financial reporting (CES Order no.3 / 23.03.2020),
- introduction of a moratorium on state controls (CES Order no.3/23.03.2020),
- reimbursement in the amount of 100 per cent or 60 per cent of the taxes and fees on the salaries paid to the employees to the companies which were forced to stop their activity as a result of the Government restrictions and which imposed technical unemployment or ceased employment according to the provisions of the Labour Code<sup>8</sup> in the state of emergency period (CES Order no. 16/10.04.2020),
- a loan interest subsidy scheme for the companies which contracted bank loans between May 1 and December 31, 2020 in a maximum amount equivalent to the cumulative amount of salary payments for December 2019, January 2020 and February 2020 (Law no. 60 / 23.03.2020)<sup>9</sup>,
- facilitating the VAT refund (this having been improperly presented in the text of the Law no. 60 as a “subsidy”) for the companies that register VAT amounts for deduction in the subsequent period (Law no. 60 / 23.03.2020),<sup>10</sup>

- reducing the VAT from 20 per cent to 15 per cent for the HORECA sector (Law no. 60/23.03.2020),
- providing loans on preferential terms through commercial banks to micro-, small- and medium-sized enterprises financed by a loan from the Council of Europe Development Bank (Table 1).

Altogether, the measures to increase the unemployment benefit, the temporary social allowances, and the economic support measures taken by the Moldovan authorities during the pandemic for the economic recovery have been officially estimated at MDL 694 million. The facilitation of the VAT refund programme, though presented with a budgetary impact of MDL 1 billion, has not been in itself a subsidy programme as the money rightly belongs to the companies and is only on the state accounts.

Before analysing the impact of the above measures in more detail, it should be noted that the official estimate of the cost of all announced economic measures amounts to MDL 2.05 billion, an amount that may seem impressive for an uninformed reader. This amount would correspond to 3.8 per cent of the budget and would be equivalent to 0.7 per cent of the Gross domestic product of the Republic of Moldova. In reality, however, as we will show below, the scale of the measures is smaller than that of other states. Moreover, the amount circulated is largely overestimated. To clarify the government's response to the economic crisis triggered by the pandemic, it is useful to take a closer look at the budget rectification including the new economic support measures adopted by the Parliament on April 23.

<sup>7</sup> For a detailed list of measures taken by the government in support of companies, see <https://consecon.gov.md/wp-content/uploads/2020/05/M%C4%83suri-de-sus%C8%9Binere-a-comunit%C4%83%C8%9Bii-de-afaceri.pdf>

<sup>8</sup> Reimbursement, called a subsidy, is made after the payment of taxes and following a thematic control.

<sup>9</sup> The government proposed to extend the interest subsidy period until 31 December 2021 and raise the ceiling to 6 monthly salary funds. However, these measures were not adopted by Parliament at the time of writing this analysis. See <https://www.bnm.md/ro/content/guvernatorul-bancii-nationale-octavian-armsu-raspunde-la-intrebarile-institutiilor-mass>

<sup>10</sup> According to the VAT declaration for the fiscal period of December 2019, over 16 thousand companies registered VAT amounts for the subsequent period. In other words, these companies paid VAT in advance to the state budget.



Table 1.  
Economic and social support measures related to COVID-19

Tip	Economic and social support measures related to COVID-19	Budgetary impact estimated by the authorities	The likely budgetary impact (own estimates)	Source
economic	Reimbursement of 100 per cent/ 60 per cent of taxes and fees on the salary paid to the employees in the state of emergency period	320	160	Revenues from companies
	Loan interest subsidy scheme for companies	90	90	Budget
	Reimbursement of the amount of compulsory state social security contributions in a fixed amount for the period of cessation of activity for the self-employed and individual entrepreneurs	20	20	Budget
	VAT reduction in the HoReCa sector from 20 to 15 per cent	20	20	Decrease in budget revenues
social	Supplementing the unemployment insurance budget and providing unemployment benefits of MDL 2775 during the state of emergency	168	82	Budget
	Supplementing the Social Assistance budget	201,9	201,9	Budget
	<b>Budget allocations total costs, excluding VAT</b>	<b>819,9</b>	<b>573,9</b>	
	<i>Per cent of the state budget</i>	<i>1,5%</i>	<i>1,1%</i>	
	<i>Per cent of GDP (2019 data)</i>	<i>0,4%</i>	<i>0,3%</i>	
economic	Externally financed support measures: loans on preferential terms through commercial banks for micro-, small- and medium-sized enterprises	624	624	Council of Europe Development Bank
	VAT reimbursement	1000	?	Taxpayers' money on the state account
	<b>Total</b>	<b>2444 (1,2% of GDP)</b>		
	of which economic measures	2054 (1,0% of GDP)		
	of which social measures	370 (0,2% of GDP)		

## A RIGID BUDGET RECTIFICATION

Viewed in detail, the budget rectification does not essentially change the distribution of expenditures by priority directions and does not channel state resources to mitigate the socio-economic impact of the social distancing period. Overall, the government's attitude was as clear as possible - it has continued the development course provided for in the initial budget, with minimal deviations and additional efforts to identify sources of funding for the growing deficit. In the public discourse related to the budget rectification, the emphasis was not at all on the *redistribution of resources*, but on the resulting *budget deficit*: almost MDL16 billion in the rectified budget compared to MDL 7.4 billion in the initial version.

Of course, the budget rectification took into account the worsening macroeconomic context and the decrease in the budget revenues. Thus, the VAT collection would fall by 15 per cent compared to the initial forecasts, largely due to lower imports, the VAT refund programme, lower consumption, and only marginally due to lower VAT for HoReCa. The customs duties as an indirect indicator of cross-border trade would fall by 13.9 per cent compared to the first version of the budget. The personal income taxes would decrease by 10.2 per cent, and the corporate income taxes by 21.2 per cent (Table 2).

In the context of declining revenues and increasing pressure to support the business community and the population, the government has sought external sources to finance the

Table 2.  
Revenues and financing of the budget deficit in the rectified budget

	Value in MDL	Modificare față de Bugetul precedent	
		in MDL	in per cent
<b>Revenues, total</b>	<b>37,80</b>	<b>-6,34</b>	<b>-14,4%</b>
<b>Taxes and duties</b>	<b>34,66</b>	<b>-5,88</b>	<b>-14,5%</b>
Income tax	6,01	-1,39	-18,8%
<i>Personal income tax</i>	1,44	-0,16	-10,2%
<i>Income tax on legal entities</i>	4,57	-1,23	-21,2%
Property taxes	0,04	0,00	0,0%
Taxes and duties on goods and services	26,86	-4,21	-13,5%
<i>Value added tax</i>	19,29	-3,40	-15,0%
<i>Excise taxes</i>	6,21	-0,78	-11,1%
Tax on foreign trade and foreign operations	1,74	-0,28	-13,9%
<b>Grants received</b>	<b>1,15</b>	<b>-0,62</b>	<b>-34,9%</b>
<i>from the governments of other states</i>	0,09	0,00	0,0%
<i>From international organisations</i>	1,04	-0,62	-37,2%
<b>Other incomes</b>	<b>1,96</b>	<b>0,16</b>	<b>8,8%</b>
<b>Budget deficit, financed from:</b>	<b>-15,98</b>	<b>-8,56</b>	<b>115,4%</b>
Internal receivables	0,53	0,11	27,7%
Repaid domestic loans to non-financial and financial institutions	-1,66	0,26	-13,3%
Domestic debts, mainly state securities	3,60	2,00	124,7%
External loans	14,25	7,87	123,3%
<i>Receiving external loans</i>	17,07	7,78	83,6%
<i>Repayment of external loans</i>	-2,83	0,09	-3,1%
Changing the fund balance	-0,78	-1,67	-188,6%

Data source: state budget rectified

budget deficit. First of all, most of the additional resources came from the International Monetary Fund, which allocated urgent financial assistance to mitigate the economic impact of the Covid-19 pandemic in the amount of MDL 4.4 billion.

Another component of the financing of expenditures for the necessary socio-economic measures in the context of the Covid-19 pandemic announced in the budget rectification has raised numerous questions. It is about the reclassification of the loan from the Russian Federation (MDL 1.3 billion) as budgetary support, although the loan agreement was clearly stipulating that the money was intended for the road construction and repair.<sup>11</sup> In any case, the subject is no longer relevant since the Constitutional Court cancelled this loan. Whether or not this money could finance the cost of the social and economic measures – and we will never find out about it- in May and June, the government had to look for additional external resources to cover the budget deficit.

In this context, the issue of loans and grants for macro-financial assistance from the European Commission agreed back in 2017 has reappeared on the agenda as a matter of urgency. The Moldovan authorities had already failed to implement the conditions for receiving this money: if the initial schedule had been observed, the European Commission would have disbursed the second tranche (EUR 30 million, including EUR 10 million as grant) in 2019, but due to domestic political controversies, the tranche was postponed from 2019 to 2020, while the third tranche (EUR 40 million, including EUR 20 million as grant) has been excluded from the 2020 budget.<sup>12</sup>

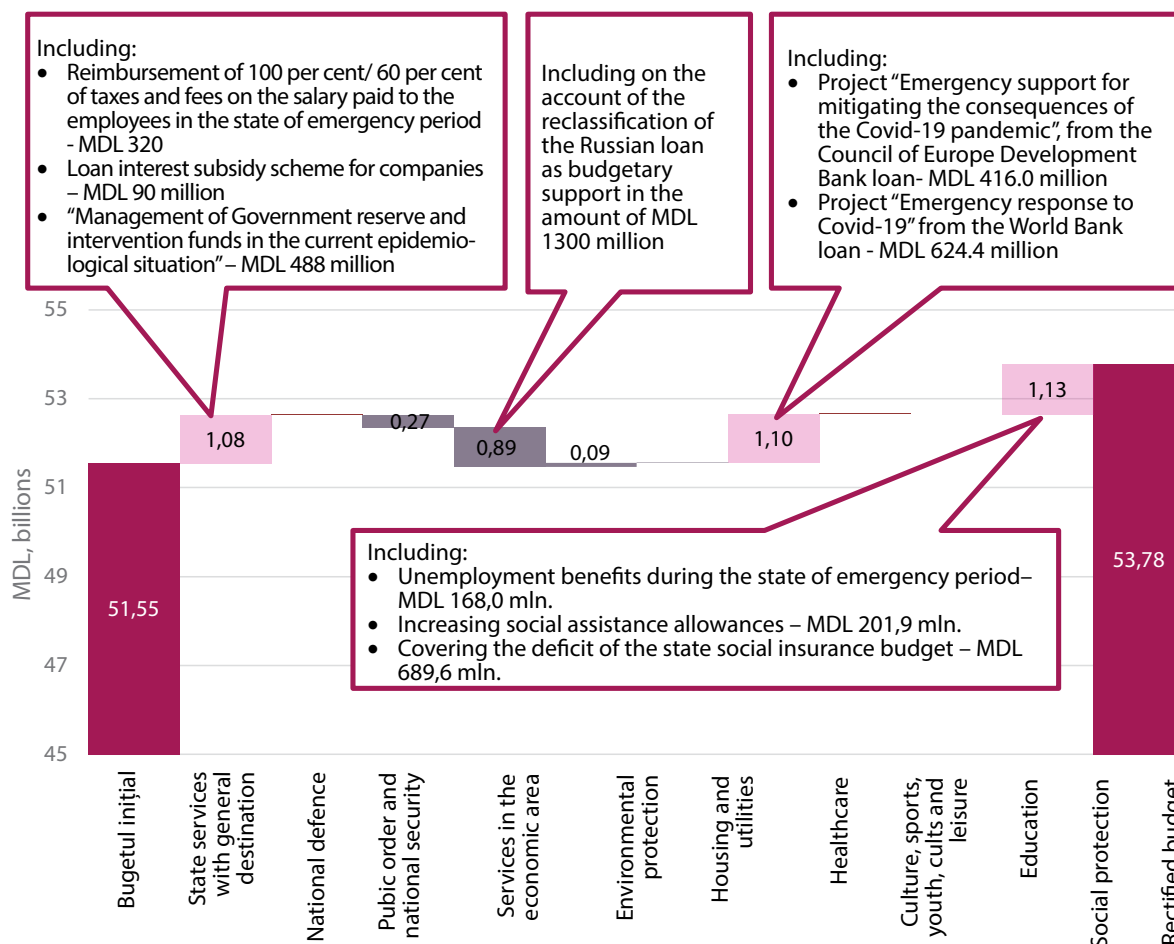
In addition to the inability to effectively absorb the European macro-financial assistance<sup>13</sup>, the government has

<sup>11</sup> See Expert-Grup about the Russian loan: „Nu este altceva decât un nou program de „Drumuri bune”, 24 aprilie 2020, <https://agora.md/stiri/70238/expertgrup-despre-creditul-rusesc-nu-este-altceva-decat-un-nou-program-de-drumuri-bune?fbclid=IwAR0y1XeJpTw-26VD7v7I74oxAleKtngyWfTwsuhPd1KLHcRJoVC9DCPRB4Y>

<sup>12</sup> In order to receive the second tranche, the Republic of Moldova had to meet a number of conditionalities, including the adoption of the NGO law, which, after lengthy controversies, was voted unanimously in Parliament on June 11, see The controversial NGO law was voted in Parliament, <https://agora.md/stiri/72484/controversata-lege-a-ongurilor-a-fost-votata-in-parlament>

<sup>13</sup> Despite the very modest performance of the Republic of Moldova in terms of the reform agenda, the EU has provided an additional programme of EUR 100 million. See Covid-19 Crisis: How does the European Union help the Republic of Moldova?, <http://ipre.md/2020/05/05/nota-analitica-ipre-cum-ajuta-uniunea-europeana-republica-moldova-in-criza-covid-19/>

**Figure 2.**  
Evolution of the state budget by functional components, from the initial to the rectified budget



also proved to be extremely rigid in managing the available funds. While the additional allocations for the medical system were financed directly from external borrowing, the socio-economic measures have led almost directly to the widening of the budget deficit with no significant redirection of funds between expenditure chapters (except for the reduction of road expenditures, which acquires a new meaning in the context of the cancellation of the Russian loan). The government's flexibility was largely limited to the supplementation by MDL 488 million of the reserve and intervention funds (figure 2), in the conditions when in the first 5 months of the year – so also during the state of emergency – only MDL 55, 7 million of this money was distributed.<sup>14</sup>

Moreover, a CPR analysis has shown that public procurement during the pandemic has not taken into account the change of priorities.<sup>15</sup> In fact, the continuation of public procurement and the financing of the Covid-19 measures from external loans – mainly from the International Monetary Fund, which has allocated USD 172.5 mln for these measures<sup>16</sup> – would not be a problem if two conditions were met: (1) the budget deficit didn't become unsustainable and (2) the additional measures were sufficiently effective to really support companies, employees and the general population. Regarding the second condition, there are many question marks.

## DELAYED, DIFFICULT TO ACCESS AND UNFAVOURABLE SUPPORT FOR LABOUR RELATIONS

We have also shown in previous analyses<sup>17</sup> our reservations about the type, scale, degree of implementation, efficiency, and the cost of measures announced by the government. The most important observation is that the Republic of Moldova has not provided direct financial support to companies in order to retain employment as many other European countries have done, and the support provided was often either indirect or delayed.

In states concerned with the long-term sustainability of companies, during the health crisis, the governments provided the companies with funds to maintain labour relations. For example, the French model provides for the possibility of *partial business activity*, in which the staff costs are financed directly from the budget in order to maintain the skills and competitiveness of the companies.

Similar tools are used in Germany (*konjunkturelle Kurzarbeit*), Italy, Belgium, Poland, Spain, the Czech Republic and other European countries. It is estimated that during the previous economic crisis, these measures have saved more than 221 thousand jobs in Germany, more than 120 thousand in Italy and around 50 thousand in Belgium.<sup>18</sup> In Romania, during the coronavirus crisis, 1.5 million people have benefited from technical unemployment paid by the state, amounting in total to over EUR 520 mln.<sup>19</sup>

In the Republic of Moldova, the technical unemployment is provided by the Labour Code, but its costs are entirely put on the shoulders of the employers. The only contact with this notion for the government was the measure of reimbursing 100 per cent or 60 per cent of the contributions and taxes on the salary paid to the employees declared technically unemployed (or those who ceased employment, a similar notion provided by the Labour Code) by their employers. However, even with regard to this reimbursement the companies have encountered several difficulties. First, the delay with which this measure was introduced (announced on April 1, it was adopted on April 10, i.e. almost one month later than the beginning of the state of emergency) meant that, in the meantime, many employees were sent on both paid and unpaid leave or were even dismissed. Second, the reimbursement is made post-factum (it is not an exemption), i.e. after the companies have paid the contributions and taxes on salaries. In practice, during the period of inactivity, many companies didn't have sufficient money to cover all expenses, and given that the labour relations in the Republic of Moldova are very flexible (more flexible than rents and taxes, for example), the expenses related to the employees were cut among the first. Third, the reimbursement is not automatic, this being subject to a thematic fiscal control, and companies may find themselves in one of the three situations: not getting reimbursed at all for various reasons (e.g. they have not been included in the activities' catalogue for the categories provided by the government, they have not implemented ceased employment or technical unemployment, they have not submitted the appropriate documents, etc.), receiving 60 per cent of the amount of contributions and taxes, or getting fully reimbursed. Finally, from the implementation perspective, the management of reimbursements by the tax authorities is a new and complex exercise, which can cause dysfunctions in a system that *is not used to returning money to taxpayers*.

The total amount for the reimbursement of contributions and taxes provided in the budget was MDL 320 mln. Calculating on the

<sup>14</sup> See Information on the allocation and use of funds from the Government Intervention Fund for January – May 2020, Information on the distribution and use of funds from the Government Reserve Fund for the period January-May 2020 <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

<sup>15</sup> See Serghei Merjan, Public procurement in the pandemic: how efficiently the public institutions spend the citizens' money, CPR, <https://cpr.md/2020/05/22/achizitiile-publice-in-pandemie-cat-de-eficient-institutiile-publice-cheltauie-banii-cetatenilor/>

<sup>16</sup> See <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

<sup>17</sup> See Marcel Spatari, Corona-crisis: useful economic measures or an April 1<sup>st</sup> trick?, <https://sic.md/corona-criza-masuri-economice-util-sau-o-farsa-de-1-aprilie/>

<sup>18</sup> See Marcel Spatari, Corona-crisis: there is urgently need for a new mechanism to protect employees, <https://sic.md/corona-criza-avem-urgent-nevoie-de-un-nou-mecanism-de-protectie-a-salariatilor/#fn5> In France, during the part-time employment, the company receives funds from the state budget and the unemployment fund, which it transfers to employees in the form of a specific allowance, which accounts for at least 70 per cent of their remuneration and cannot be less than the minimum wage across the economy. During part-time work, the employment contracts are suspended but not terminated. In Romania, during the technical unemployment, the employees received an allowance from the National Employment Agency in the amount of 75 per cent of the salary and up to a maximum ceiling of 75 per cent of the average salary in the country, the companies being able to optionally supplement this allowance from their own means.

<sup>19</sup> Ziarul Financiar, Approximately 1.5 million Romanians receive technical unemployment. Violeta Alexandru, Minister of Labour: I made payments of RON 2.5 bln, May 22, 2020, <https://www.zf.ro/eveniment/aproximativ-1-5-milioane-de-romani-primesc-somaj-tehnic-violeta-19170885>

basis of available data regarding the number of employees and the average salary in the Republic of Moldova, this amount could have covered 100 per cent of the taxes related to the technical unemployment benefit for more than 100 thousand employees for 2 months (state of emergency period), i.e. for almost 22 per cent of employees in the real sector. Unfortunately, there is no data on the number of employees on technical unemployment or ceased employment during the crisis, however, it can be estimated that it is about tens of thousands of people and by no means more than one hundred thousand employees. In these conditions and starting from the reservations expressed above, it is obvious that the amount allocated in the budget cannot be fully consumed by the business environment.

More specifically, in the manufacturing industry affected by the crisis (due to the social distancing measures or due to declining market demand) a total of around 60 thousand employees are employed,<sup>20</sup> of which only a few were actually sent into technical unemployment.<sup>21</sup> In the trade sector, which employs more than 100,000 people, most companies are small and medium-sized, financially vulnerable (i.e. unable to pay technical unemployment), where the labour relations are usually very flexible, and employers prefer to avoid any bureaucratic complications and fiscal controls, even if they involve a certain refund of taxes and duties. In other words, it is much cheaper for the small businesses to grant paid or unpaid leave, or to lay off employees instead of providing technical unemployment. The other sectors affected by the crisis are even smaller and have similar problems, which prevent the implementation of technical unemployment: the transport and storage sector has a total of 35-36 thousand people, many of whom are employed in SMEs, and HoReCa employs only 13-14 thousand of employees, many of whom are in non-formal or partially formal employment relationships with average wages of 40 per cent below the average per economy (which implicitly reduces the value of refundable contributions and taxes). Overall, a detailed analysis shows that this measure is likely to be consumed by up to 50 per cent of the funds allocated by the government.

The analysis of the fiscal measure regarding the technical unemployment must be correlated with the analysis of another measure implemented by the government, namely the increase of the unemployment benefit for the state of emergency period up to the level of the minimum wage in the real sector- MDL 2775. We have already pointed out that this measure seemed to stimulate

layings-off<sup>22</sup> rather than helping to maintain the labour relations. Also in the case of this measure the amount allocated by the government – MDL 168 mln – is much higher than the amount actually spent. According to the National Employment Agency (ANOFM) data, between April 7 and May 15, 2020, 14698 decisions were issued on the right to unemployment benefit according to the SEC Provision no. 16 of 10.04.2020.<sup>23</sup> If all these unemployment benefits were provided for a period of 2 months (which is not the case in reality, of course), the maximum amount of aid granted was MDL 81.5 mln, i.e. half of the allocated funds.

Consequently, we can say that from the socio-economic package announced by the government, at least MDL 250 mln will probably not be spent. We may have reservations about the actual size of the loan interest subsidy scheme (MDL 90 mln) and the VAT refund programme (MDL1 bln), but it is still early now to anticipate the degree to which these facilities will be accessed by companies, the resources being available until the end of 2020. In addition, out of the MDL 2.05 bln announced as economic support, MDL 624 mln is not offered in the form of subsidies or exemptions, but as preferential loans for the micro-, small- and medium-sized enterprises financed by the Council of Europe Development Bank (Table 1).

## A MORE MODEST PACKAGE THAN IN OTHER STATES

As we have shown, the support package *announced* by the Government of the Republic of Moldova is to some extent overestimated and includes largely indirect support mechanisms, such as loans for the SMEs sector financed directly from abroad (by the Council Europe Development Bank) or the VAT refund (which, as mentioned above, should be a corporate right). In the international statistics, the Republic of Moldova is reported with the amount of MDL 2.4 bln allocated for support in the context of Covid-19, including MDL 2.1 bln in the form of economic support.

The total package of government support amounts to only 1.2 per cent of GDP. Excluding the two interpretable measures (lending to SMEs from the money of the Council of Europe Development Bank and the VAT refund), the value of the package appears to be even more modest, only 0.4 per cent of GDP. Excluding also the *unspent* support to the business and population, it's value will decrease to only 0.3 per cent of GDP. These figures are very small compared to the support provided by other states: according to a Harvard Business School survey, the average value of tax support provided by the developing countries to their economies accounted for 3.3 per cent of GDP. In the developed countries with more resources, the tax support measures averaged 5.4 percent of GDP, according to the same source.<sup>24</sup> According to the IMF data, Germany allocated

<sup>20</sup> According to the 2018 data, the manufacturing industry employed a total of 89 thousand employees, of which almost 29 thousand in the food and beverage industry, who did not stop working during the crisis. See Marcel Spatari, Ștefan Guga, The Situation of Employees in the Republic of Moldova: A Structural Crisis, FES Moldova, 2019, [http://fes-moldova.org/fileadmin/user\\_upload/2020/Publications/Syndex\\_-\\_Situatia\\_Salariatilor\\_din\\_Republica\\_Moldova\\_O\\_Criza\\_Structurala\\_\\_1\\_.pdf](http://fes-moldova.org/fileadmin/user_upload/2020/Publications/Syndex_-_Situatia_Salariatilor_din_Republica_Moldova_O_Criza_Structurala__1_.pdf)

<sup>21</sup> The largest employers in the Republic of Moldova that implemented technical unemployment for employees were the factories in the Free Economic Zones. Thus, at the Balti free economic zone, almost 10,500 people were sent into technical unemployment. At the Ungheni free economic zone, over 2,700 people were sent into technical unemployment. In mid-April, some of these people returned to work. See: Fabricile din Moldova ale Draexelmaier, Simitomo, Gebauer, Fujikura își vor relua treptat activitatea, <https://www.mold-street.com/?go=news&n=10365>

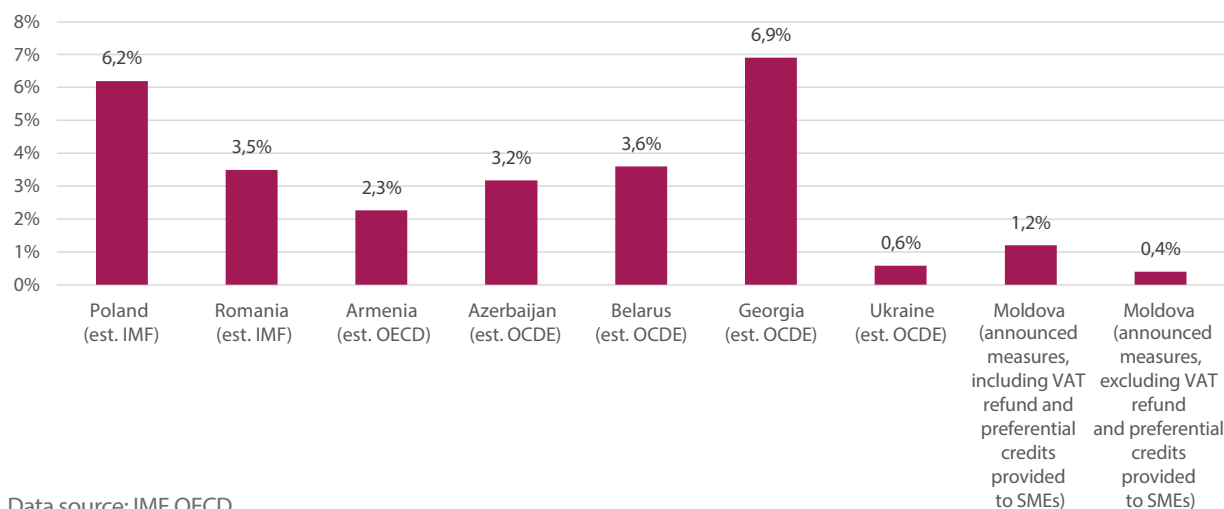
<sup>22</sup> See Marcel Spatari, Corona-crisis: useful economic measures or an April 1<sup>st</sup> trick?, <https://sic.md/corona-criza-masuri-economice-utile-sau-o-farsa-de-1-aprilie/>. The technical unemployment in the Republic of Moldova is provided by the Labour Code, but its costs are entirely put on the employers' shoulders.

<sup>23</sup> See the information on the unemployed registered with the territorial subdivisions, ANOFM, <http://www.anofm.md/news/2020/05/06-0>

<sup>24</sup> See Global Policy Tracker, Harvard Business School, <https://www.hbs.edu/covid-19-business-impact/Insights/Economic-and-Financial-Impacts/Global-Policy-Tracker>



Figure 3.  
The value of budget support for the socio-economic measures in the context of Covid-19, per cent of GDP



28.5 per cent of GDP to support the business environment during the crisis, Italy 21.4 – per cent, and France 15 – per cent.<sup>25</sup>

The tax measures to support the business environment have been considerably higher in the countries with which the Republic of Moldova is usually compared. Romania allocated 3.5 per cent of GDP to support the economy, Poland – 6.2 per cent, and the Czech Republic – 18 per cent.<sup>26</sup> The OECD analysis on the impact of Covid-19 in the Eastern Partnership countries confirms how small the funds allocated in the Republic of Moldova have been in relation to the other states: except for Ukraine, all states have been much more generous. Georgia has allocated 6.9 per cent of GDP for business support, Azerbaijan – 3.2 per cent, Armenia – 2.3 per cent. Even Belarus, which has managed the pandemic in a health-specific way, has allocated 3.6 per cent of GDP to mitigate the effects of the crisis (Figure 3).<sup>27</sup>

The data sources on tax measures taken by world countries in the context of Covid-19 are very recent, and the data consolidation methodology still presents many inherent difficulties: it is very difficult to separate the announced measures from those actually implemented (as in the case of the Republic of Moldova), the direct ones (grants, subsidies) from the indirect ones (loans). Also, it is not possible to see it from the statistics if the economic measures have supported the companies to retain employees – as in the case of France, Germany or even Romania – or have led to flexibilization of labour relations and even stimulation of layoffs-off – as in the case

of the Republic of Moldova. In any case, whatever the source of the data, it is clear that the Moldovan government has allocated very little support, even in *declarative* terms, for the socio-economic support measures in the context of the Covid-19 pandemic.

## THE IMPACT OF COVID-19 ON THE ECONOMY AND EMPLOYEES

It is still too early to get a clear idea of the impact of the quarantine period on the economy and the population. In addition to the uncertainties about the nature of the virus and the likelihood of a second wave, the national economies will be more or less affected by the socio-economic consequences, and will be more or less able to return to an upward trend depending on the extent of support measures provided by governments. In the Republic of Moldova, the support received will not allow the economy to recover quickly, and the impact will probably be lasting.

The Informative Note on the budget rectification provides an estimate of the vision of the Ministry of Economy and Infrastructure of the Republic of Moldova on the impact of Covid-19. Based on the assumption of a 2-month state of emergency period, the Ministry has forecasted a decrease in real GDP compared to 2019 by 3 per cent, which represents a decrease by 6.8 percentage points compared to the initial growth projection of 3.8 per cent. In more detail, the projections show that the coronavirus pandemic will lead to a decrease in exports by 16.4 per cent compared to the initial forecasts, imports by 17.7 per cent, industrial production by 6.9 per cent, agricultural production by 13.2 per cent, and investment in fixed assets by 13.2 per cent. In this context, the remuneration funds would decrease by 5.5 per cent for the whole year 2020, and the average monthly nominal salary would remain unchanged in real terms (at comparable prices) compared to 2019 (Table 3).

<sup>25</sup> See IMF, Policy Responses to Covid-19. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> For more detailed estimates in the developed European countries, see: <https://www.bruegel.org/publications/datasets/covid-national-dataset/>

<sup>26</sup> See IMF, Policy Responses to Covid-19. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

<sup>27</sup> See Covid-19 crisis response in Eastern Partner countries, <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

Table 3.  
The macroeconomic forecasts taken into account when drafting the rectified budget for 2020

	Unit of measure	Year 2019	Year 2020		Impact of the pandemic on the initial budget, per cent
			Initial forecasts	Forecasts as an impact of the pandemic	
<b>Nominal gross domestic product</b>	<b>bln MDL</b>	210,1	227,9	212,4	-6,8%
<i>compared to the previous year in comparable prices</i>		+3,6%	+3,8%	-3,0%	
<b>Consumer price index, annual average</b>	<b>%</b>	104,8	105,7	102,8	
<b>Exports</b>	<b>mln USD</b>	2779,2	3200	2674	-16,4%
<i>compared to the previous year</i>		+2,7%	+9,4%	-3,8%	
<b>Imports</b>	<b>mln USD</b>	5842	6559	5400	-17,7%
<i>compared to the previous year</i>		+1,4%	+7,1%	-7,6%	
<b>Trade balance</b>	<b>mln USD</b>	-3062,8	-3359	-2726	18,8%
<b>Industrial production, current prices</b>	<b>bln MDL</b>	58,4	62,6	58,3	-6,9%
<i>compared to the previous year in comparable prices</i>		+2,0%	+4,2%	-2,1%	
<b>Agricultural production, current prices</b>	<b>bln MDL</b>	32,5	38,1	33,1	-13,1%
<i>compared to the previous year in comparable prices</i>		-1,9%	+2,6%	0,0%	
<b>Investments in fixed assets</b>	<b>bln MDL</b>	31,7	35,5	30,8	-13,2%
<i>compared to the previous year in comparable prices</i>		+9,4%	+5,0%	-4,8%	
<b>Average monthly nominal salary</b>	<b>MDL</b>	7356	7953	7560	-4,9%
<i>compared to the previous year in comparable prices</i>	<b>bln MDL</b>	+8,9%	+2,8%	0,0%	
<b>Labour remuneration fund</b>	<b>bln MDL</b>	53,9	58,52	55,3	-5,5%
<i>compared to the previous year in comparable prices</i>			+2,7%	-0,2%	

Data source: Informative Note on the draft law on amending the State Budget Law for 2020 no. 172 of 19 December 2019

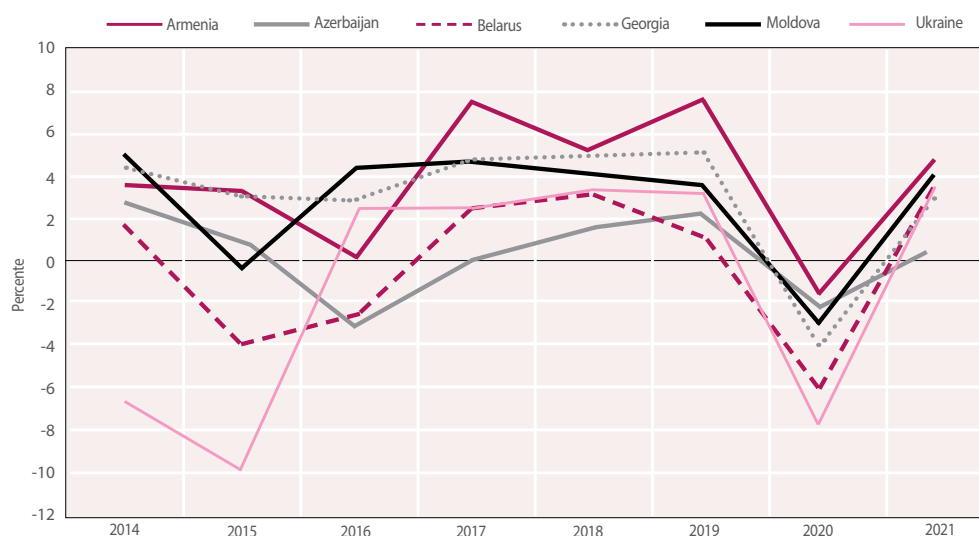
The OECD analysis of the impact of Covid-19 in the Eastern Partnership countries shows that the economy of the Republic of Moldova will contract less than those of other states, such as Ukraine, Belarus or Georgia (Figure 4).<sup>28</sup> However, this is not necessarily positive news for the population. The same analysis shows how vulnerable the population of the Republic of Moldova is. In this case, the saving rate of the population, calculated by the World Bank, is the

lowest among the countries in the region and has actually been negative in recent years (Figure 5), the country relying largely on remittances from abroad, which will be of course severely affected by the Covid-19 pandemic. According to the 2019 Syndex study, only 6 per cent of employees in the Republic of Moldova manage to cover their monthly expenses and save money.<sup>29</sup>

<sup>28</sup> See Covid-19 crisis response in Eastern Partner countries, <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-eu-eastern-partner-countries-7759afa3/>

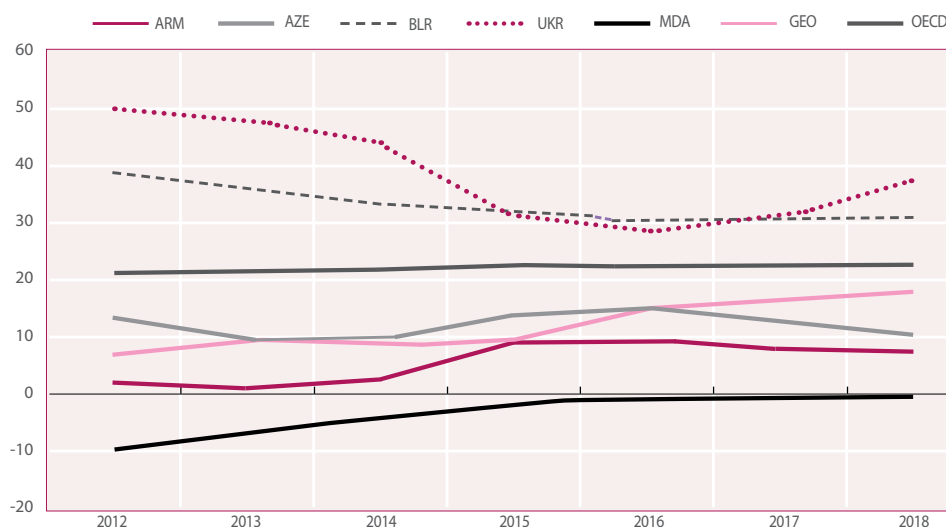
<sup>29</sup> See Marcel Spatari, Ștefan Guga, The Situation of Employees in the Republic of Moldova: a Structural Crisis, FES Moldova, 2019, [http://fes-moldova.org/fileadmin/user\\_upload/2020/Publications/Syndex\\_-\\_Situatia\\_Salariatilor\\_din\\_Republica\\_Moldova\\_O\\_Criza\\_Structurala\\_\\_1\\_.pdf](http://fes-moldova.org/fileadmin/user_upload/2020/Publications/Syndex_-_Situatia_Salariatilor_din_Republica_Moldova_O_Criza_Structurala__1_.pdf)

Figure 4. Evolution of GDP in the Eastern Partnership countries



Source: OECD, The Covid-19 crisis response in the Eastern Partnership countries

Figure 5. Gross domestic savings, per cent of GDP



Source: OECD, COVID-19 crisis response in Eastern Partner countries

Given that wages are the only source of income for many families, the loss of jobs due to inactivity during quarantine is a major problem. Unfortunately, the Covid-19 crisis revealed another major deficiency of the public system of the Republic of Moldova: the lack of a consolidated record of labour relations, more precisely of a unitary database on employment contracts. For example, the existence of the REVISAL database in Romania allowed the Ministry of Labour to periodically communicate on the number of employment contracts suspended (for technical unemployment) or terminated during the health crisis.<sup>30</sup> The lack of such a system in the Republic of

Moldova makes it difficult to estimate the number of people who have lost their jobs due to the pandemic.

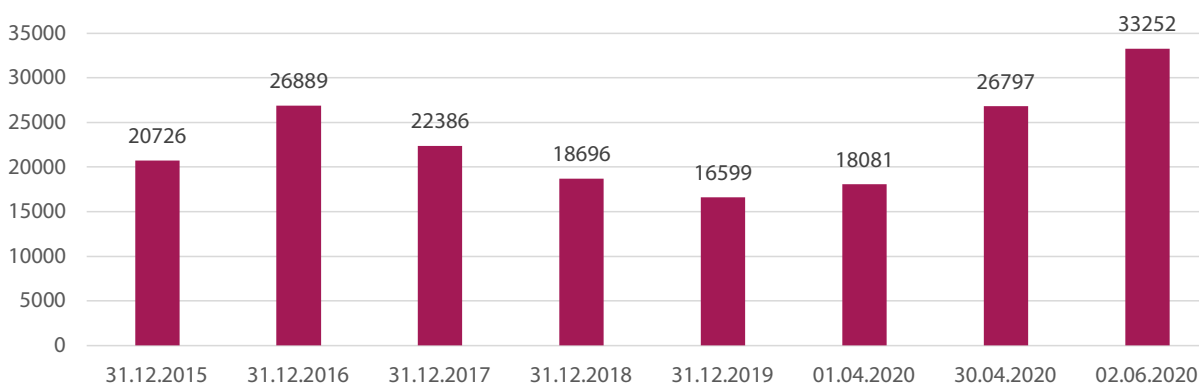
Data of the National Employment Agency show that the number of registered unemployed has increased from 16.6 thousand at the end of 2019 to 33.2 thousand people at the beginning of June 2020. The difference between the two values, of 16.7 thousand of people, doesn't represent the total number of people who lost their jobs, as many of them have not registered with the employment departments.

<sup>30</sup> See <https://mmuncii.ro/j33/index.php/ro/cautare?q=Situa%C8%9Bia+contractelor+individuale+de+munc%C4%83+suspendate%2F%C3%AEncetate>



Figure 6.

Evolution of the number of unemployed registered with the National Employment Agency (NEA)

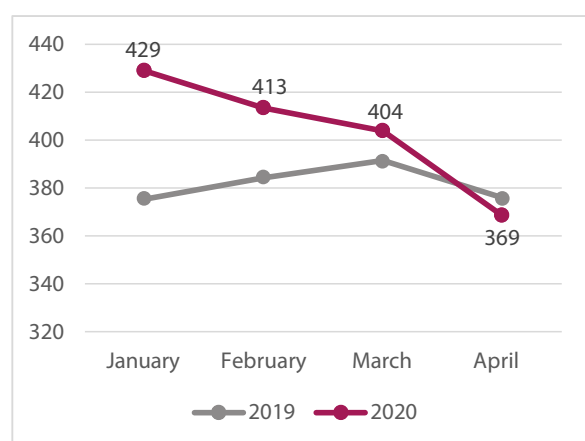


Data source: NEA

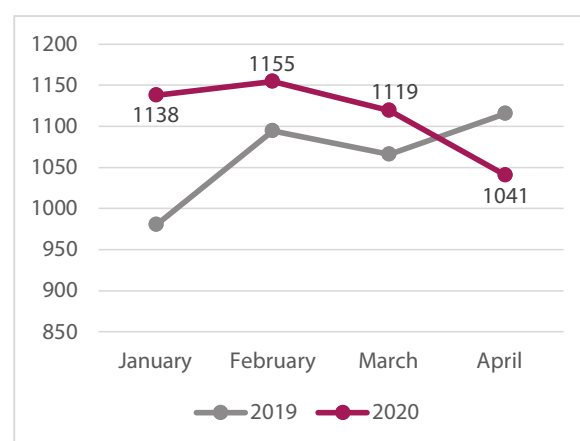
Figure 7.

Evolution of the revenues to the compulsory state social insurance budget and to the compulsory health insurance budget, mIn MDL

## Compulsory health insurance



## Compulsory state social insurance contributions



Data source: Ministry of Finance, budget execution

An indirect measure that would allow estimating the number of people who lost their jobs as a result of the pandemic is given by the evolution of revenues to the budgets of compulsory state social insurance and health insurance between January and April, which decreased by 10,8 per cent and 9,9 per cent respectively between February and April (Figure 7). However, the apparently simple exercise is complicated in the phase of identifying the number of employees in the Republic of Moldova before the pandemic. The data from the National Bureau of Statistics vary greatly depending on the indicator used: thus, on 31 December 2018, the NBS reports 739 thousand employees, and the average number for 2018 is 613 thousand employees. The significant gap is certainly attributable to methodological problems and not to the seasonal fluctuations – the number of employees in December cannot be 20 per cent higher than the annual average! (the same difference is observed in the previous years). Taking as a basis for calcula-

tion the two values presented by the NBS, it can be estimated that the variations of revenues to the budgets of compulsory state social insurance and health insurance are equivalent to 60 – 80 thousand employees. However, these data should be used with great caution. First of all, they are of an *equivalent value*, which means that part of the decrease is attributable to the reduction of salary income during this period, whether it is about the disappearance of monthly bonuses or technical unemployment. Secondly, the lack of salary does not necessarily mean termination of employment relations, as the unpaid leave in the Republic of Moldova is still widely used (it was even included in the list of recommendations by the National Trade Union Confederation), when the salary is not paid but the employment is maintained. The above two factors would indicate that the number of employees who have lost their jobs is in fact less than the equivalent value above. However, it is also true that the employees most exposed to the risk of

dismissal are the low-skilled and the lowest paid ones, which on the contrary, would suggest that the equivalence underestimates the actual number of people affected.

It is therefore difficult to say which of the factors prevails and which is the real number of employees affected, but at least, judging by the available data, we can say that it represents tens of thousands of people. It is therefore imperative that the Government of the Republic of Moldova come up with a more precise communication in this regard, and the support measures should be proactive at this stage and stimulate the employment of people. The situation is exacerbated by the fact that the state employment policies have been very modest in recent years, in the context in which the labour market demand has risen steadily until the end of last year, giving the *false impression that the labour market mechanisms would lead to increased salaries and formalized labour relations*. In this sense, it is remarkable that the budget rectification of April 23 included only an additional MDL10 mln for proactive employment measures.

The Covid-19 period has also reversed the relationship between the supply and demand on the labour market. While until the crisis the labour market was tense, the unemployment was relatively low and the demand was high, which stimulated the wage growth, after the health crisis, not only the supply has significantly increased (number of unemployed people), but also the demand has decreased (number of job vacancies). The National Employment Agency data show that between the beginning of March and the beginning of June, the number of vacancies decreased by 7.6 per cent. In the municipality of Balti, where the industrial enterprises from the free economic area are concentrated, the number of vacancies decreased by 35 per cent, and in the Ungheni district even by 80 per cent. The number of jobs across the country for unskilled workers has decreased by 12 per cent, and for the textile and garment workers by 30 per cent (Table 4).

Table 4.  
Evolution of vacancies registered by the National Employment Agency

	09.03.2020	01.06.2020	Evolution
<b>Job vacancy</b>	<b>9704</b>	<b>8963</b>	<b>-7,6%</b>
Chisinau	3035	2998	-1,2%
Balti	1836	1200	-34,6%
Ungheni	526	102	-80,6%
People with higher and specialised secondary education	1769	1971	11,4%
Health professionals	290	385	32,8%
Inspector, officer	342	372	8,8%
People with secondary vocational education, unskilled workers	7935	6992	-11,9%
	2939	2057	-30,0%
Workers in the textile and garment industry	613	668	9,0%
Skilled workers in industrial enterprises	446	365	-18,2%
Hotels and restaurants	316	364	15,2%
Sales workers	467	267	-42,8%
Personal service workers	154	226	46,8%
Construction workers			

Data source: National Employment Agency

## 3

## CONCLUSIONS

The poor communication by the Government of the Republic of Moldova regarding the real impact of the state of emergency on the economy and employees, the rigid budget management, as well as the modest economic support measures have led to a general state of mistrust, which not only has aggravated the socio-economic impact of the state of emergency, but also has reduced the effectiveness of the sanitary measures. As shown above, the degree of compliance with the social distancing measures in the Republic of Moldova was high enough in the first two months of the Covid-19 period, but the patience of the population has exhausted together with the peoples' savings, which led to the resumption of a social interaction favourable to the spread of the virus. The effects of this evolution were strongly felt in mid-June, when the number of infections and deaths per number of population has increased alarmingly.

Upon exiting the state of emergency, the labour market mechanisms were fundamentally destabilized. Tens of thousands of employees have lost their jobs and the number of vacancies has fallen due to the economic slowdown. The socio-economic measures taken by the government during the pandemic have only stimulated the dismissals of employees. The worsening macroeconomic environment at the European level and the reduced external market demand, especially for the manufacturing industry, are not at all promising for a resumption of economic growth and overcoming the situation. Lacking support, the people who have lost their jobs *will actively seek sources of income*, which in the short term can lead to more social interactions and contribute to the spread of the infection.

The economic support measures for the business environment have been largely indirect – loans, loan interest subsidies,

VAT refunds – and it is highly probable that the next period will be characterized by a high number of bankruptcies or concentrations (mergers, acquisitions) in some sectors of activity. The period may be beneficial for companies with sufficient financial resources for investment – including for the development of digital industries such as e-commerce – but the vast majority of small- and medium-sized enterprises will have great difficulty in adapting and allocating additional resources for investment given that the liquidity has been spent during the state of emergency (for fixed expenses such as rent, external services, salaries or taxes).

At the end of the emergency period, one of the first measures taken by the government was to force the public sector employees to work 6 days a week for 12 weeks, in order to compensate for the days of inactivity. Apart from the fact that this measure is dubious from the point of view of the labour law (for example, because the work schedule is set unilaterally by the employer, or because the resulting weekly rest is less than the legal minimum of 42 hours), it also gives the impression that the government holds the public sector employees accountable for not working in April and May, demanding *reimbursement of the unperformed work*.

In conclusion, the very modest socio-economic measures during the state of emergency and the poor communication by the authorities exposed the employees to the risk of dismissal and loss of income, leaving it to the companies to cope with the loss of income, promising them only support to reduce the cost of financing when they resume their activity. In addition, they have reduced the level of trust and thus compliance of the population with the sanitary measures imposed by the government, which has affected not only the economic, but also the sanitary-epidemiological situation of the country.



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## THE SOCIO-ECONOMIC SUPPORT MEASURES IN THE CONTEXT OF THE COVID-19 PANDEMIC: DELAYED, MODEST AND RIGID



The support package for the business and population announced by the Government of the Republic of Moldova in the context of the Covid-19 crisis has been largely overestimated, including mainly indirect support mechanisms, such as loans for the SMEs financed directly from abroad or VAT refund.



The impact on the labour market was soon to come. While until the crisis the unemployment was relatively low and the demand for labour was high, which stimulated wage increases, after the health crisis not only the number of unemployed people has increased significantly, but also the demand from employers has decreased.



The very modest socio-economic measures and the poor communication by the authorities have exposed the employees to the risk of dismissal and loss of income, have left the companies to cope by themselves with the loss of income, and have reduced the population's trust and thus compliance with the health measures imposed by the government, which has impacted not only the economic, but also the sanitary-epidemiological situation of the country.

Further information on the topic can be found here:

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