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**THE STRUCTURE AND TENDENCIES
OF THE LABOR MARKET IN THE REPUBLIC OF MOLDOVA**

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Abstract

The analysis of the labor market in the Republic of Moldova is crucial to understand and respond to the challenges and opportunities that the country faces in its current socio-economic context regarding the structure of the labor force and its employment. The labor market analysis indicators describe its current state and form for the reader a complete picture of the level of employment of citizens, the unemployment situation, the level of population migration and what is their impact on the functioning of the labor market. Also, this paper presents information on the involvement of the state in employment, through policies and methods of motivation and the cost of labor. Assessing the balance between labor demand and candidate supply allows identifying potential gaps and problems. Studying the factors impacting the labor market will help identify social and economic market trends. Examining the indicators describing the labor market will help to form effective employment strategies and to respond to market requirements. Thus, using recent and truthful data, the author's essential goal is to form a credible picture of the state of the labor force, identify current and future labor market trends for employers, employees, decision-makers and other stakeholders, and propose his own methods and strategies for streamlining the functioning of the labor market in the Republic of Moldova.

Keywords: labor market, employment level, labor force, employers, unemployment, labor force structure, unemployment rate

In the literature, the labor market is defined as the economic space in which the interaction between labor suppliers and applicants takes place, with the latter freely negotiating the price and quantity of labor. The Dictionary of Economic Sciences defines the "labor market" as a set of suppliers and applicants who interact to determine the prices and/or quantities of labor (Angelescu 42).

Similarly, the European Glossary reports that the labor market is the real or virtual meeting point, within an economy or a marketplace, where people who sell their labor (employees) negotiate and can reach an agreement with those who buy it (employers). Labor markets provide the structure through which workers and employers interact with respect to jobs, working conditions and wages. Other actors are the institutions and processes of collective bargaining, including the roles played by employers' organizations and trade unions. The concept of the labor market also covers aspects such as employment, unemployment, participation rates and wages (Piața internă).

According to Law No. 105 of April 14, 2018 on the promotion of employment and unemployment insurance, the labor market is a dynamic economic space in which the meeting, confrontation and free negotiation between the demand for labor, expressed by capital holders as buyers, and the labor supply, represented by labor holders as suppliers, take place (Legea).

According to the analytical note on the diagnosis in the field of labor and employment in the Republic of Moldova, "the labor force is one of the fundamental factors of production that ensure sustainable economic growth". Its impact on economic growth depends on the degree of use of its quantitative and qualitative potential. From a quantitative perspective, the labor force is determined by the country's demographic potential and the degree to which it is involved in economic activities; and from a qualitative perspective, it is expressed through the level of education, qualification and their correspondence with the requirements of the labor market (Nota analitică).

According to the Labor Force Survey conducted by the National Bureau of Statistics (Metodologia), "the labor force represents the current labor supply for the production of goods and services in exchange for payment or profit, including the employed population and the unemployed". In the same sense, the NBS Publication of 2024 on employment and unemployment emphasizes that "the economically active labor force includes all persons who provide the labor force available for the production of goods and services during the reference period" (Forța de muncă).

The specialized literature offers multiple interpretations of the concept of labor force. Thus, Răboacă, G. (Răboacă 71) defines the labor market as "an economic space in which transactions are freely concluded between capital holders, as buyers (demand), and labor force owners, as bidders (supply)", and the adjustment between demand and supply is achieved through the mechanisms of real wages and free competition between economic agents.

Internationally, definitions vary depending on the specifics of each country's economy. For example, in the United States, the Bureau of Labor Statistics defines the labor force as "all non-military persons who are either employed or unemployed". Excluding military personnel from this category allows for a more accurate analysis of the civilian labor market, which is subject to normal economic fluctuations (Glossary).

A similar approach is offered by Benjamin (19), who considers that "the labor force represents the totality of persons of working age, able and willing to work, including both the employed and the unemployed".

However, the concepts of the labor market and the labor force are not limited only to their definition, but also to the characterization and enumeration of its functions. Therefore, the labor market, in addition to being the meeting place of labor supply and demand, can also be characterized as a system of relations and

transactions that ensure, through specific mechanisms, primarily through wages and negotiations, the balancing of labor supply and demand.

The labor market is closely linked to other markets, namely on the one hand it receives signals from the goods and services market, capital, etc. and is influenced by their movement, functioning and distortions. For example, inflation and the increase in prices for goods and services exert strong pressure on transactions regarding wages, on the other hand the labor market transmits its own signals and requirements to other markets.

In essence, from an economic and legal perspective, the owner of labor freely disposes of it and offers it to the owner of capital, who formulates the request, and the negotiations between them are materialized in an employment contract and in the salary.

From a legal perspective, employment relations are embodied in the individual employment contract, regulated by the Labor Code of the Republic of Moldova. This is defined as the agreement between the employee and the employer, by which the employee undertakes to perform work in a certain specialty, qualification or position, and the employer undertakes to ensure the working conditions provided for by law and to pay the agreed salary on time and in full (Codul muncii).

Salary, in the legal and economic sense, represents “any reward or gain valued in money, paid to the employee by the employer under the individual employment contract, for work performed or to be performed”. Therefore, the labor market functions as a mechanism for balancing the interests of workers and employers, ensuring the fair distribution of human resources in the economy.

Next, we will determine the state of the labor market by analyzing the main indicators that determine it. We will begin the study with the analysis of the population composition by labor force participation, which is presented in Figure 1 and in which it is observed, first of all, that the constant decrease in the total population is noted during the period 2019–2023. If in 2019 the total population exceeded 2.8 million people, by 2023 it had decreased to about 2.6 million. This decrease reflects the persistent negative demographic trends in the Republic of Moldova: the massive migration of the active population abroad, the decline in the birth rate and the aging of the population. Consequently, the base of the country's economic and social potential is gradually narrowing.

As for the labor force – that is, the total number of people able to work and involved or available for economic activity – it remains relatively stable around 900–950 thousand people. A slight increase is observed in 2022–2023 compared to 2020–2021, suggesting a relaunch of economic activity after the negative impact of the COVID-19 pandemic. At the same time, the relative stability of this indicator is largely the result of the balance between labor migration and the partial return of some workers to the country.

The employed population in the economy – that is, people who have a job – follows a similar evolution to that of the labor force. In 2020–2021, the number of employed people decreased slightly, due to the restrictions imposed by the pandemic and the reduction of activity in some economic branches, especially in agriculture, trade and services. A slight recovery is recorded in 2022–2023, reflecting the gradual recovery of the economy and the labor market.

At the same time, the number of unemployed people remains low throughout the period, standing at under 50 thousand people. However, this low value should not be interpreted as a sign of prosperity on the labor market. In reality, the low unemployment rate is influenced by the high level of external migration and the presence of the informal economy, which absorbs a significant part of the active population, without being reflected in official statistics.

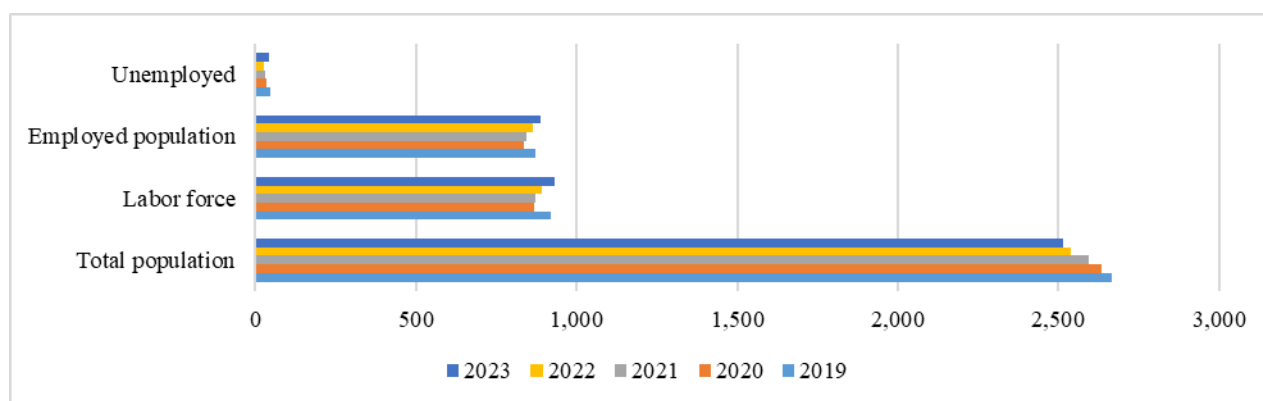


Figure 1. Population composition by labor force participation in the period 2019-2023 in the Republic of Moldova, thousands of people

Overall, the analysis of the graph shows that the structure of the active population of the Republic of Moldova is characterized by apparent stability, but also by a trend of decreasing demographic and productive potential (Forța de muncă). Low labor force participation, population aging and youth exodus continue to be the main challenges of the labor market. Although a slight recovery in employment is observed after 2021, the total number of people able to work is in decline, which in the long term could affect economic growth and the sustainability of social systems.

Thus, the period 2019–2023 outlines a clear picture: the Republic of Moldova is facing an imbalance between demographic and economic potential, and future public policies must aim to stimulate labor market participation, create attractive jobs, and limit the migration of young specialists, in order to ensure sustainable economic development.

The next stage of the study is related to the analysis of the population structure by labor force participation, by gender and environment, which is presented in Figure 2.

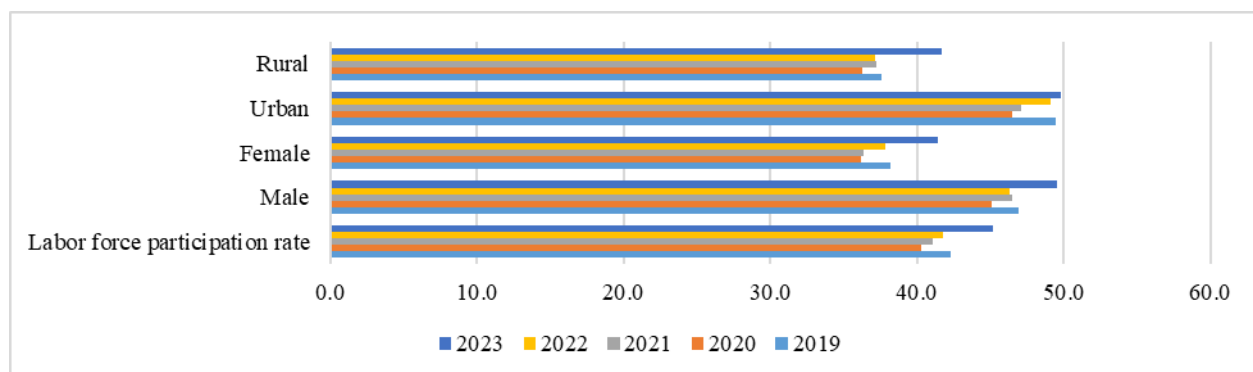


Figure 2. Population structure by labor force participation, by gender and area in the period 2019–2023 in the Republic of Moldova, %

According to the data in Figure 2, we can see that over the entire period analyzed, there is a slight but constant increase in the labor force participation rate, which denotes a gradual recovery of the labor market after the crisis period caused by the COVID-19 pandemic. In 2023, the values of this indicator are higher compared to 2019–2021, a sign of economic recovery and increased involvement of the active population.

Depending on the area of residence, it is observed that the urban population has a higher labor force participation rate than the rural population. In 2023, the level of participation in urban areas approaches 50%, while in rural areas it is approximately 45%. The differences can be explained by the diversity of employment opportunities in cities, where activities in the field of services, industry and public administration predominate. In rural areas, participation is lower due to external migration, the seasonal nature of agricultural work and the limited number of stable jobs.

The gender analysis highlights a significant difference between men and women. The participation rate of men is consistently higher, around 50%, while for women it varies between 38% and 42%. This discrepancy indicates the persistence of gender inequalities in the labor market, especially in rural areas, where women face additional difficulties in accessing formal jobs. However, in the last two years, a slight increase in female participation has been observed, probably due to the expansion of the service sector and the flexibilization of work, including through forms of remote work.

The annual evolution shows that in 2020 and 2021 the participation rate decreased slightly, amid pandemic restrictions and the slowdown in economic activities, but in 2022 and 2023 a visible recovery is observed. This upward trend confirms the adaptation of the labor market to the new economic conditions and the gradual recovery of the activity level.

Next, we will analyze the population structure by labor force participation by age groups, which is presented in Figure 3.

Figure 3 shows a clear correlation between age and the degree of involvement in the labor market: as people move from youth to professional maturity, the participation rate increases significantly, reaches a maximum in mid-career, and then begins to decline as they approach retirement age.

The lowest labor force participation is recorded among young people aged 15 to 24, where only about one fifth of the total is economically active. This situation is explained by the fact that most young people are still in the process of studying and are not fully integrated into the labor market. However, the presence of a

small proportion of unemployed people in this category shows that some of the young people who try to get a job encounter difficulties in finding a job.

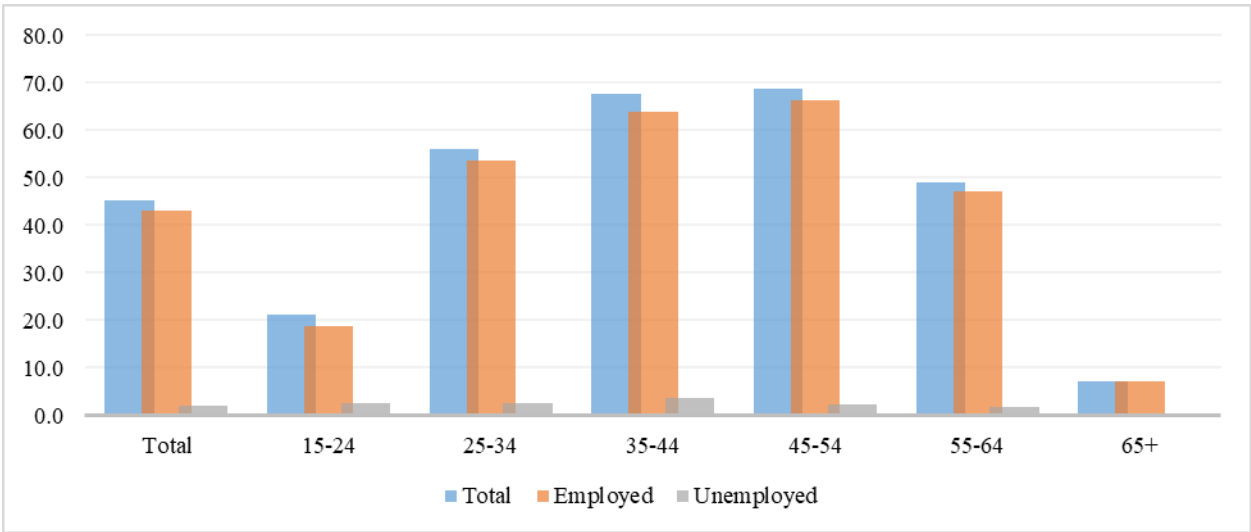


Figure 3. Population structure by labor force participation by age groups in the Republic of Moldova in 2023, % of the total population

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The highest levels of participation and employment are recorded in the age groups 25–34 and 35–44. The participation rate exceeds 55%, reaching almost 70% in the 35–44 age group, and the employment rate is very close to this value, which shows a low level of unemployment. This is the period of maximum professional activity, when people are well integrated into the labor market and contribute substantially to the country's economic production.

The age group 45–54 continues to maintain a high participation rate, similar to that of the previous group. The minimal difference between the total number of participants and the employed population indicates a low level of unemployment, characteristic of the age segment with the greatest professional experience and occupational stability.

After 55 years, a gradual decrease in economic involvement is observed. In the 55–64 age group, the participation rate drops to about 50%, and after 65 years it becomes very low, below 10%. This decrease is natural and is determined by retirement, health status and lower interest in economic activity. However, the existence of a small proportion of employed people aged 65+ shows that some elderly people continue their professional activity, especially in agriculture or other independent fields.

The next stage of the study consists of analyzing the employed population by economic activities, which is presented in Figure 4.

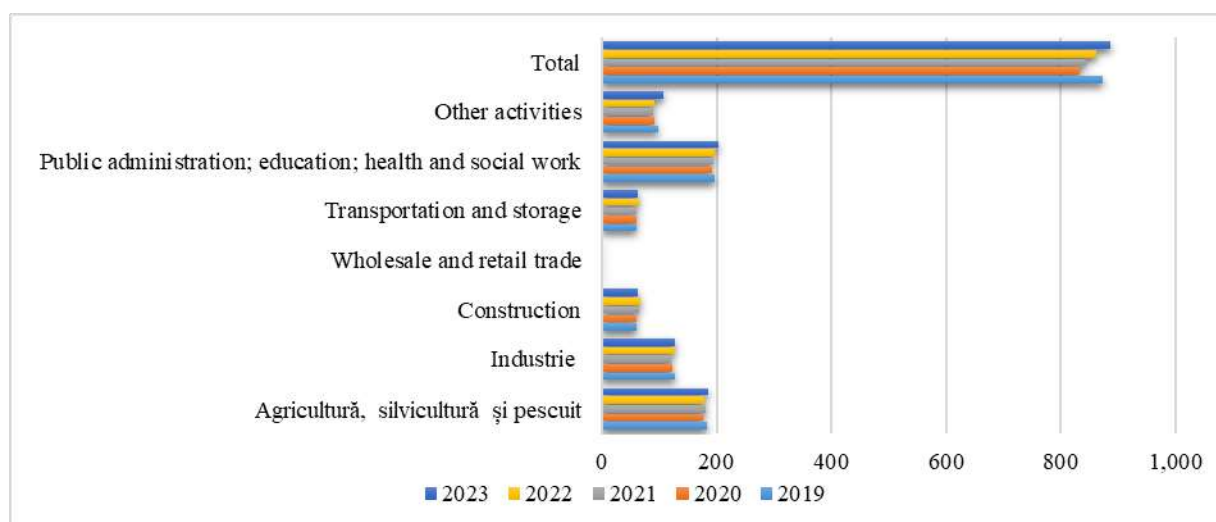


Figure 4. Population employed in economic activities in the period 2019-2023 in the Republic of Moldova, thousands of people

The data in Figure 4 show us overall that the total number of employed persons remained relatively stable throughout the period, with a slight increase in 2023 compared to previous years. This trend confirms a gradual recovery of the labor market after the disruptions caused by the COVID-19 pandemic in 2020–2021. However, the internal structure of employment by branches shows significant differences between sectors, reflecting the structural transformations of the national economy.

The “Agriculture, forestry and fishing” sector holds an important share in employment, standing at around 150–170 thousand people. Although agriculture remains one of the main sources of income for the rural population, the general trend is slightly decreasing, against the backdrop of mechanization, labor migration and the decrease in the attractiveness of this sector for young specialists.

The industrial sector maintains a stable position, with employment of approximately 120–130 thousand people, representing an essential component of the economy, especially through the processing and food industries. However, the growth of this sector is moderate, being influenced by the lack of massive investments and the migration of technical specialists. A positive trend is noted in construction, where the number of employed people has increased slightly in recent years. This reflects the revival of the real estate market and investments in public infrastructure, which have generated demand for qualified labor.

In the field of wholesale and retail trade, a high stability of employment is observed, with values around 180–200 thousand people, which confirms the importance of trade as the dominant sector of the service economy. Trade remains one of the main areas of labor absorption, both in urban and rural areas.

The transport and storage sector experienced a slight increase in the analyzed period, due to the expansion of logistics and international road transport, areas in which the Republic of Moldova has increasingly integrated into European networks.

In contrast, public administration, education, health and social assistance represent one of the most stable segments of the labor market, with approximately 200 thousand employed people. This category ensures the constant employment of qualified personnel and represents a basic component of social stability.

Regarding the category “other activities” which includes various services such as cultural, recreational, IT, personal services, etc., the number of employees is lower, but slightly increasing in 2023, which indicates the diversification of the economy and the gradual development of the modern tertiary sector.

The structure of the employed population by economic activities in the Republic of Moldova is presented in Figure 5. From the data in Figure 5, it can be seen that overall, the structure of employment has remained relatively constant throughout the analyzed period. The lines corresponding to the years 2019–2023 are almost overlapping, which shows that no significant structural changes have occurred in the national economy. This reflects a slow-growing economy, in which the main areas of activity retain their traditional shares.

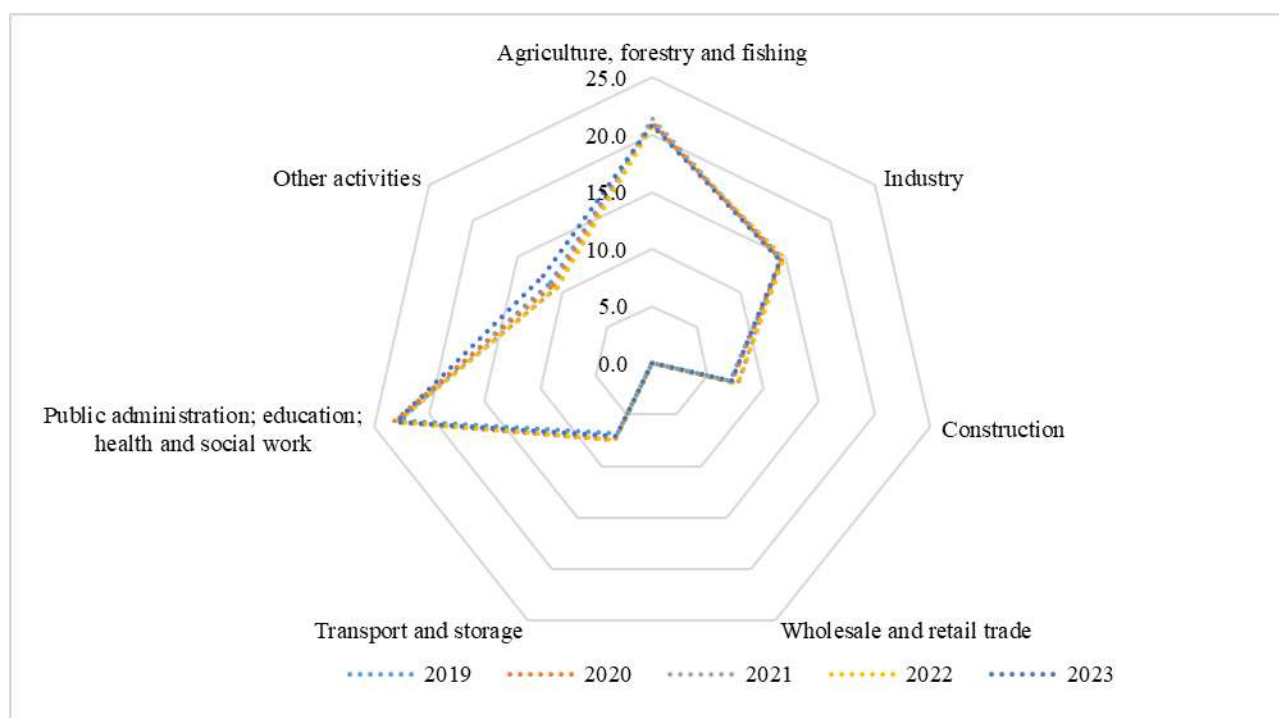


Figure 5. Structure of the employed population by economic activities in the period 2019-2023 in the Republic of Moldova, %

The agriculture, forestry and fishing sector has the largest share in the total employed population – around 20–22%. This confirms the predominantly agrarian nature of the economy of the Republic of Moldova. Although a slight reduction is observed towards 2023, agriculture continues to be the main source of jobs, especially in rural areas. However, this high dependence on agriculture limits the structural diversification of the economy and labor productivity.

In second place is industry, with a share of approximately 15–17% of total employment. The evolution is stable throughout the period, a sign that the industrial sector has maintained its constant contribution, without major expansions. This stagnation is caused by modest investments in technological modernization and the lack of domestic industrial capital.

Wholesale and retail trade has a share of close to 12–14%, being an important field of activity especially in urban areas. It remains stable and represents a constant source of jobs, due to the gradual development of the domestic market and the expansion of commercial networks.

The construction sector has a lower share, between 6 and 8%, but with a slight increase in recent years, which reflects the revival of investments in infrastructure and residential construction. This positive trend indicates an increased demand for qualified labor in this field.

Transport and warehousing have a modest contribution, around 5–7%, but increasing slightly towards 2023. This evolution is explained by the development of logistics, the intensification of international trade and the integration of the Republic of Moldova into regional transport corridors.

An important role is also played by the public administration, education, health and social assistance sector, which maintains a share of approximately 18–20%. This area is stable, ensuring constant employment of qualified personnel in public and social services.

The category “other activities”, which includes professional, cultural, IT, tourism and other emerging areas, has a relatively small share – of approximately 5–6% – but registers a slightly upward trend in 2023, which denotes the gradual diversification of the economy and the increasing importance of the tertiary sector.

The next stage of the study will be related to the analysis of the structure of the employed population by sectors of the economy, which is presented in Figure 6.

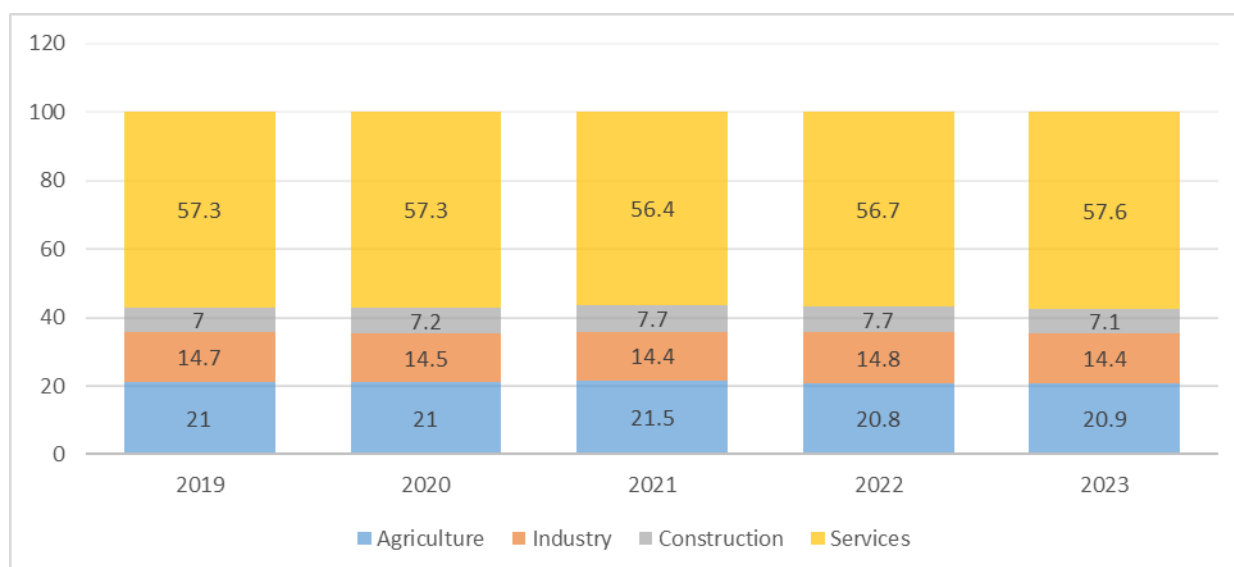


Figure 6. Structure of the employed population by sectors of the economy in the period 2019-2023 in the Republic of Moldova, %

The data presented in Figure 6 informs us that overall, the employment structure has remained relatively stable over the five years analyzed. It is observed that the economy of the Republic of Moldova is dominated by the service sector, which has the largest share, followed by agriculture, industry and construction. This distribution confirms the gradual orientation of the national economy towards tertiary areas, characteristic of modern economies.

The service sector holds the main share in total employment, ranging between 56% and 58% of the total workforce. Even if a small decrease is observed in 2021–2022, in 2023 the sector recovers, reaching 57.6%, which demonstrates the relaunch of commercial activities and those in the sphere of public and private services. This dominance of services reflects the structural changes in the country's economy, with the increase in demand for educational, medical, transport and administrative services.

Agriculture maintains an important share, around 21% throughout the period, with small variations. This confirms that agriculture remains a pillar of the national economy, especially in rural areas, where it provides a significant number of jobs. However, maintaining this stable share, without a visible growth or modernization trend, shows that the agricultural sector is evolving slowly, being affected by labor migration and the low level of investment.

The industrial sector records a share of approximately 14–15%, with a slight downward trend. This suggests a stagnation of industrial development, caused by the lack of investment in modern technologies and the lack of qualified personnel. Industry, however, remains essential for the country's economy, especially through the food, textile and light processing branches.

Construction represents a smaller sector, with a share of 7–7.7%, but with a slightly upward trend in 2020–2022, due to increased investment in infrastructure and the development of the real estate market. In 2023, a slight decrease is recorded, but the contribution of construction to employment remains significant, supporting related sectors of the economy.

The analysis of the labor market in the Republic of Moldova for the period 2019–2023 highlights a series of structural and demographic trends with a significant impact on the economic and social development of the country. First of all, there is a constant decrease in the total population and, implicitly, in the active demographic potential, caused by massive external migration, the decline in the birth rate and the aging of the population. Although the active labor force remains relatively stable, it hides a fragile reality — the continuous exodus of young people and the shortage of qualified personnel in key sectors.

The employment structure demonstrates a dominance of the service sector, which concentrates over half of the total number of employed persons, followed by agriculture, industry and construction. This distribution indicates the slow transition of the economy towards the tertiary model, specific to countries undergoing modernization. However, the high share of agriculture denotes the persistence of traditional economic features and low productivity in rural areas.

The labor market in the Republic of Moldova remains strongly segmented by various criteria such as gender, background and education levels. The participation rate of men consistently exceeds that of women, and urban-rural differences continue to be marked. Likewise, the analysis by age group confirms that economic

involvement reaches its maximum values between 25 and 54 years, a period that corresponds to the peak of professional productivity.

In general, the labor market can be characterized by apparent structural stability, but there is real demographic and institutional vulnerability. Although a recovery is observed after the COVID-19 pandemic, its sustainability depends on the capacity of the state and the private environment to create favorable conditions for retaining the workforce and attracting investments.

The recommendations following the study would be the following:

- strengthening labor force retention policies through fiscal incentives, facilities for young specialists and integration programs for citizens returning from abroad;
- investing in continuing vocational training by developing dual education and partnerships between educational institutions and employers to align skills with market requirements;
- economic diversification and stimulating modern sectors by supporting high value-added industries such as IT, digital services, green energy, to create attractive and competitive jobs;
- creating a stable and predictable investment climate capable of attracting domestic and foreign capital, thus contributing to the generation of sustainable jobs.

In this way, the development of a functional and inclusive labor market is an essential condition for ensuring sustainable economic growth, reducing social inequalities and strengthening the resilience of the Republic of Moldova's economy.

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