



International Conference "Moldova turns white: Solutions to encourage the transition to legal work."

Background

Informal work makes up almost a quarter of the Moldovan economy.¹ An estimated 192.000 people currently work informally, most of them in agriculture, construction and trade.² They are left without any form of social protection and may face extreme poverty in old age. As a consequence of undeclared work, in 2022 there is a deficit of almost 5 billion Moldovan lei to the social security budget, while total fiscal losses are estimated at 15 billion lei annually, undermining the funding of social services, infrastructure projects and other public goods.³ The effect of widespread undeclared work on businesses is also significant. There is a serious economic cost to law-abiding businesses because they cannot compete with those who operate undeclared. The prevalence and manifold impact of informal work present a formidable challenge to the development of the country and require urgent and decisive action.

As a EU candidate, the Republic of Moldova has made a commitment to step up its fight against undeclared work, such as by submitting relevant legislative proposals and ensuring effective state control of observance of labour law.⁴ Reducing undeclared work is also an objective of the National Development Strategy Moldova-2030.⁵ In light of the above, the Government is developing a number of ambitious policies for combating informal work aiming to balance incentives, preventative and dissuasive measures.

Proposal

In order to discuss these policies and integrate good practices from EU member states, the Ministry of Labour and Social Protection and the Independent Analytical Center "Expert-Grup" with the financial support of the Soros Foundation are organizing an international conference on tackling undeclared work in Moldova. The event will gather high-level representatives from public institutions, the EU delegation, the World Bank and other international organizations, domestic and international experts and the private sector with expertise and interest in these areas.

¹ 22.8 percent in 2021, according to National Statistics Bureau: <https://bit.ly/3LwbKXy>

² National Statistics Bureau, Population in informal employment, 2021, available here: <https://bit.ly/3RWpFZk>

³ Article 4 (1) a from Law No. 205/2021 on the State Budget as amended through Law No. 260/2022, available here: <https://bit.ly/3Brmr9d> See also Expert Grup, The Phenomenon of Informal Work in the Context of the Covid-19 pandemic, available here: <https://bit.ly/3BtpSfx>

⁴ Operational Conclusions of the European Union Sub-Committee on Economic and Other Sector Cooperation – Cluster VI on Employment, Social Policy, Equal Rights and Public Health, Brussels, 9 December 2021 (pt. 15 and 19)

⁵ See Specific Objective 1.3

The discussion will be organized in 4 panels, including one introductory panel and 3 thematic panels focusing on key policies. Each panel will start with a keynote speech, followed by a moderated discussion. The moderators will be reputable and independent opinion leaders and journalists, while the composition of each panel will be as representative and balanced as possible.

We estimate an attendance of 60-70 people in the room, while ensuring maximum public outreach via online broadcasting. The working language of the event will be Romanian with simultaneous translation into English.

Panels based on key policies

The thematic panels will be organized around the following policies for tackling undeclared work:

1. **Addressing the problem of undeclared work through a balanced, but ambitious policy mix.** The first introductory panel will represent an overview regarding the dimension and implications of the problem of undeclared work for the development of the country. The Government shall present the policy commitments made in order to tackle the problem of undeclared work, also, the panel will bring into discussion how development partners can help the Government in addressing these issues more effectively.
2. **Encouraging formalization in agriculture.** To reduce informality in the sector with the highest rate of undeclared work, the Government is working on several policies. One is the introduction of service vouchers, a mechanism that will further simplify the payment of taxes and contributions for occasional work in agriculture. The measure builds on a June amendment, which put the obligation to pay social contributions on the employer. Additionally, the Government is looking at the feasibility of conditioning subventions in agriculture on the use of formal work. We will also hear Lithuania's experience on reducing undeclared work in agriculture.
3. **Strengthening the capacity of the State Labour Inspectorate (SLS) to detect undeclared work.** Despite widespread informality, the SLS currently detects under 100 cases of undeclared work/ year. The Government is working to improve the SLS with a view to enhancing its effectiveness and productivity, through introducing unannounced visits combined with transparent procedures and a strengthened risk-based approach in inspection. This would increase predictability for companies, while keeping the "unpredictability" of unannounced visits as a deterrent to circumvent compliance with labour legislation. The panel will hear the experience of Latvia prior to EU accession.
4. **Government financial incentives to promote formal work.** The Government will introduce a subsidy mechanism through which employers who raise an employee's wage by at least 50% will be reimbursed the full amount of the social contributions paid for the increase for a period of two years. The measure aims to encourage salary increases and the whitening of the economy by removing the costs for legalizing under-declared work. The panel will discuss incentive-based approaches to formalization from (EU country to be determined).

Agenda

Date: 4 November, 2022

Location: Digital Park, Chisinau

Online: privesc.eu

8:30 – 9:00	Registration. Welcome coffee
09:00 - 09:05	Opening of the Conference. Greetings from Petru Culeac, Executive Director of the Soros Foundation Moldova
9:00 – 9:15	Keynote address of the President of the Republic of Moldova
9:15 – 10:30	Panel 1. Addressing the problem of undeclared work through a balanced, but ambitious policy mix
	<i>Marcel Spatari</i>, Minister of Labour and Social Protection of the Republic of Moldova <i>Sergiu Gaibu</i>, Minister of Economy of the Republic of Moldova <i>Jānis Mažeiks</i>, Ambassador, Head of the EU Delegation to the Republic of Moldova <i>Rodgers Chawani</i>, IMF's Resident Representative in Moldova <u>Moderator:</u> <i>Adrian Lupușor</i>, Executive Director, Expert-Grup Issues to be discussed: · What is the dimension and implications of the problem of undeclared work for the development of the country? How did it evolve during the ongoing crisis? · What policy commitments did the Government make in order to tackle the problem of undeclared work? · What are the immediate policy interventions to address this problem? · How to strike the balance between tackling undeclared work and promoting a business enabling environment amid ongoing economic and social crisis?

	· How development partners can help the Government in addressing these issues more effectively?
10:30 – 11:00	Coffee break
11:00 – 12:30	Panel 2. Promoting formalization in agriculture <i>Vouchers and conditionalities for agricultural subventions</i>
	<i>Vladimir Bolea</i>, Minister of Agriculture and Food Industry <i>Andrei Zbancă</i>, PhD., agrobusiness consultant at Technical University Of Moldova, Expert at Moldova Fruct Association <i>Sergiu Sainciuc</i>, Deputy President, National Confederation of Trade Unions from Moldova <i>Ana Mihailov</i>, Country Director, Friedrich Ebert Stiftung Moldova <i>Kenichi Hirose</i>, Social Protection specialist, Budapest office, International Labour Organization <u>Moderator:</u> Stas Madan, Program Director, Expert-Grup Issues to be discussed: · What is the gravity of the problem of hiring day workers and why Government intervention is needed? · What are the incentives of employers and employees in entering such employment arrangements? · How can service vouchers promote formalization? · How can state subsidies be leveraged to promote tax compliance and formal employment? What were the lessons learnt with the government's experience with the subsidy for the excise duty on petrol? · How to tackle this issue without hampering the business climate and surging costs of hiring? · What are the best and most suitable international practices in this regard?
11:00 – 12:30	Panel 2. Promoting formalization in agriculture <i>Vouchers and conditionalities for agricultural subventions</i>
12:30 – 13:30	Lunch

13:30 – 15:00	Panel 3. Strengthening the capacity of the State Labour Inspectorate to detect undeclared work
	<i>Dan Perciun</i>, President of the Parliamentary Committee “Social Protection, Health and Family” <i>Vladislav Caminschi</i>, Executive Director, National Confederation of Employers from Moldova <i>Arsenio Fernández</i>, Technical Specialist on Labour Administration, Geneva Office, International Labour Organisation <u>Moderator:</u> Corina Ajder, State secretary, Ministry of Labour and Social Protection Issues to be discussed: · What are the provisions of ILO conventions and international best practices with regards to the activity of state labour inspections and what are the gaps in Moldova? · What is the Government’s vision on reforming the State Labour Inspectorate? Why is this reform needed? - Why is risk analysis important in inspection activity? · How to strengthen the capacity of the State Labour Inspectorate on the one hand and tackle the corruption risks on the other hand? · What are the views of representatives of employers and employees with regards to this reform?
15:00 – 15:30	Coffee break

15:30 – 17:00	Panel 4. Government financial incentives to promote formal work <i>Marcel Spatari</i>, Minister of Labour and Social Protection of the Republic of Moldova <i>Dumitru Budianschi</i>, Minister of Finance of the Republic of Moldova <i>Kenichi Hirose</i>, Senior Technical Specialist on Social Protection, Budapesta Office, International Labour Organization <i>Iuri Cicibaba</i>, Managing Partner- TAXACO,co-chairman of the AmCham Tax Committee,Vice President for Advocacy, Alliance of Small and Medium Enterprises from Moldova, founder of FINEDU <i>Ana Groza</i>, Executive Director, Foreign Investors Association (FIA) <u>Moderator</u>: Vitalie Rapcea, Program Director, Expert-Grup Issues to be discussed: · Why should the Government pay for stimulating the transition from informal to formal employment? · What are the main provisions of the Automatic Mechanism for Subventions for Salary Increases (public policy instrument on automatic reimbursement of social contributions for salary increases of at least 50%)? · What kind of government subventions can be developed in order to stimulate the use of formal work and the transit from informal employment? · What are the best international practices in this regard that could be taken on board by Moldova?
17:00 – 17:30	<i>Concluding remarks and ways forward</i>
	<i>Marcel Spatari</i>, Minister of Labour and Social Protection of the Republic of Moldova <i>Dan Perciun</i>, President of the Parliamentary Committee “Social Protection, Health and Family” <i>Adrian Lupușor</i>, Executive Director, Expert-Grup