

Trends in the field of social policies and welfare reforms in Ukraine and Moldova

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1. REFORMS IN THE SPHERE OF SOCIAL POLICY AND WELFARE

1.1. Introduction

Transformation of social policy inherited from socialism in Ukraine occurred under the impact of several factors:

- The Constitution imposed a ban on reduction of all kind of social security. That impedes the official introduction of fees for health and education services. Nowadays fares are camouflaged as voluntary contributions, or are exacted in private institutions, or both forms of payment co-exist. For example, according to requirement of law, proportion of fee-paying students in public high education institutions cannot exceed 49%.
- National economy, particularly during the crisis period (1991-1999) was not able to complete all state obligatory social funds. Therefore, in real life the state budget funds covered only part of obligation.
- The economic development has provided not only a rise of wages but also the state budget's revenues. That created possibilities for increase of welfare benefits and other social transfers.
- Every year elections (presidential or parliamentary) determined sharply increase of populist promises and, consequently, a rapid increase of social burden for the state budget.

As a result, the current social protection system suffers from deficiencies typical of a poor country which adheres to a socialist doctrine: authorities try to provide social support for a too wide percentage of citizens, but these attempts go far beyond the limits of state funds. Furthermore, direct social payments are too small and do not prevent poverty. Intolerably high share of social transfers to the wages baffles population mentality instead of orientation towards economic activities and instigates a welfare mentality in the Ukrainian society. Only from 2001 to 2006, annual amount of social welfare allowances and benefits comprised 24 billion hryvnias (about 4,8 billions dollar USA for the indicated period). In 2006 this amount increased 4.3 times and comprised 103.1 billion hryvnias. Thus share of welfare allowances in the aggregate income of citizens rose from 15 to 22%. That happened due to significant increase of birth allowances.

The social protection is governed by more than 70 regulatory acts in Ukraine. Record keeping of recipients who get various forms of welfare allowances is not established properly. The same person (family, household) may simultaneously use various types and forms of social protection related to the same event (e.g., disease or destitution). There is no adequate recording of expenses and tracking of results. It leads to the situation that many poor people do not receive public allowances they need urgently but at the same time quite well-to-do people (families, households) enjoy their right to social protection. Poor people often do not use the same right (in form of allowances or privileges) due to their ignorance. A considerable part of privileges exists only on paper: in average, only 40-45% of people entitled to social support enjoy them. About 94% of people entitled to discounted payment for municipal utilities use these opportunities but less than 5% of people entitled to discounted payments for free sanatorium-resort therapy, medical drugs, housing and transport enjoy these social aids. Rural populations who have no access to respective services are actually deprived of major types of social service.

Summing up, it can be said that the existing social and welfare system in Ukraine is poorly financially grounded, lavishes with promises, non-transparent and socially unfair.

The system of social protection is also rigidly centralized. Even payments funded from the local budgets (for instance, payments for primary and secondary health care, for school education and

vocational technical training, allowances for children) are transferred to local budgets from the state central budget according to so called leveling scheme².

Education

Primary and secondary education in Ukraine is financed from the local budgets. An exception are private colleges and gymnasiums directly paid by pupils' parents. However it should also be mentioned that also in state schools there are so-called *indirect payments*. These payments go into the class or school fund and or to the school fund, and are usually used for activities such as renovation of the school building, birthday presents for teachers, various holidays, etc. There is no plausible information available about the amount of such payments.

The system of higher education has more sophisticated structure. According to the 2006-2007 accademic year, about 200 institutions of higher education (21,6%) out of 920 were privately owned. For comparison, in the 1995-1996 accademic year the share of private institutions was of 10,7% (e.g. 111 out of 1037). Apart from that within the state higher education there is a so-called system of "contracted education" which anticipates that either a student (his/her parents) will pay for him/herself, or a company which for different reasons is sponsoring his/her education. Amounts payable vary depending on the ranking of the higher institution and on the specialization. The highest fee is in Kiev State University of Taras Shevchenko at the faculty of international relations or law, comprising 2,000 USD per year. In provincial higher institutions fees are as a rule much lower, about 300-500 USD per year.

The system of educational loans exists, but it is extremely undeveloped due to high percent rates and vague mechanism of their payback.

Medical Healthcare

State expenses for medical healthcare comprise about 4% of GDP. The major share of budget expenses for medical healthcare is bared by local budgets (80% for the year 2006). According to the World Bank estimates official (different types of services, purchases of drugs in drugstores) and unofficial (so-called voluntary grants and unofficial payments to medical personnel) expences, together with transportation costs and additional catering of patients, account for 3% of GDP. Financial inflow from charitable and insurance funds created by big corporations comprise 0,1-0,2% of GDP. Thus, aggregate costs account for approximately 7% of GDP. External sources provide for about 1% of all financing of the system.

State financing provide more than 90% of the stationary treatment, prophylactic measures and general healthcare services. Private funds in general aim for ambulatory treatment (71%); namely drugs are paid for by private funds, rehabilitation (45%) and additional services (75%). External financing provide prophylactic of non-infectious diseases (100%) and majority of maternity healthcare services (88%). Significant attention is given to AIDS problems and tuberculosis³.

Voluntary healthcare funds cover around 2% of population; medical services being provided mostly by state medical institutions with only one exception as far as stomatology services are concerned. There are also so-called "treatment pay desks", which generally cover acquisition of drugs.

Discussions about the introduction of mandatory healthcare insurance cover different points:

- There is a widely accepted opinion that without considerable changes in the whole system there will be no visible improvement in healthcare services; moreover it will not eliminate unofficial payments, to the medical personnel in particular.
- Introduction of healthcare insurance will lead to an increase of the ncome burden. Nowadays employers pay around 40% into different insurance funds, given that the rate

² According to such schemes State budget executes local budget support regarding local social payments within the boundaries of the state garantees.

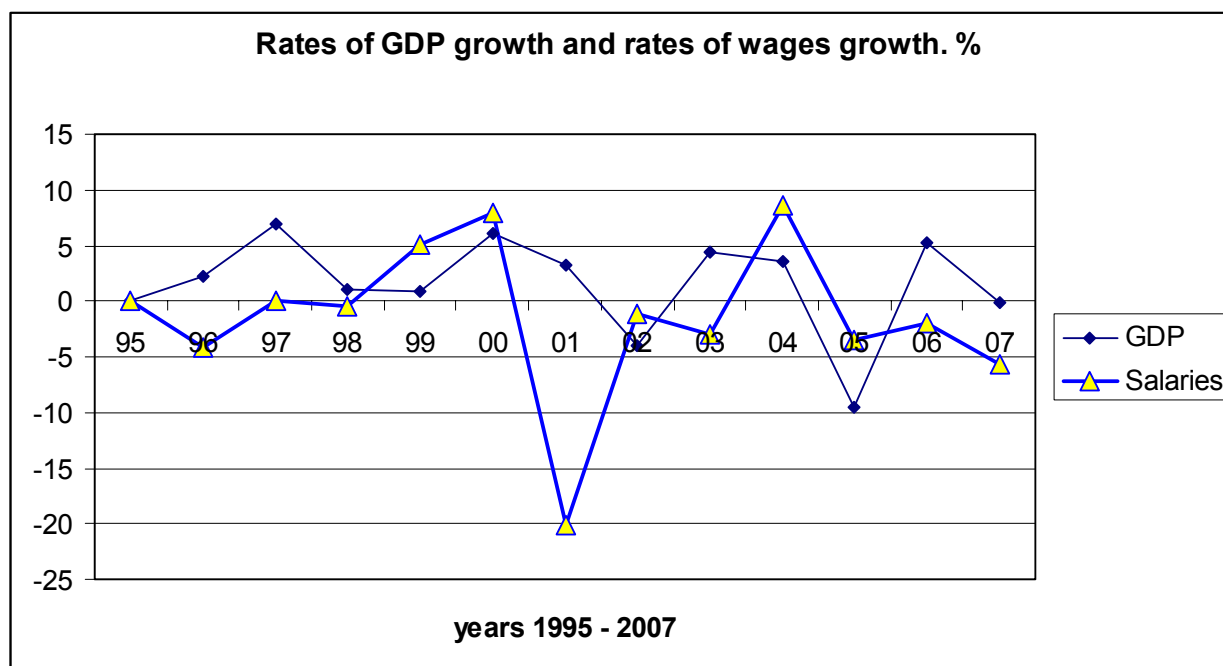
³ Here should be mentioned the help of the Global fund on combating AIDS, tuberculosis and malaria; World Bank funds; American agency of international development, and Sweden agency on international development and cooperation.

of healthcare insurance cannot be less than 6-8%. This would be rather hard for an employer, and given the general low level of salaries in the country, nearly impossible for an employee.

1. 2. Remuneration of labor

Though wages are rising at very high rates and outstrip rate of GDP growth, the level of salaries remains very low.

Fig. 1 – Rates of GDP growth and rates of wages growth



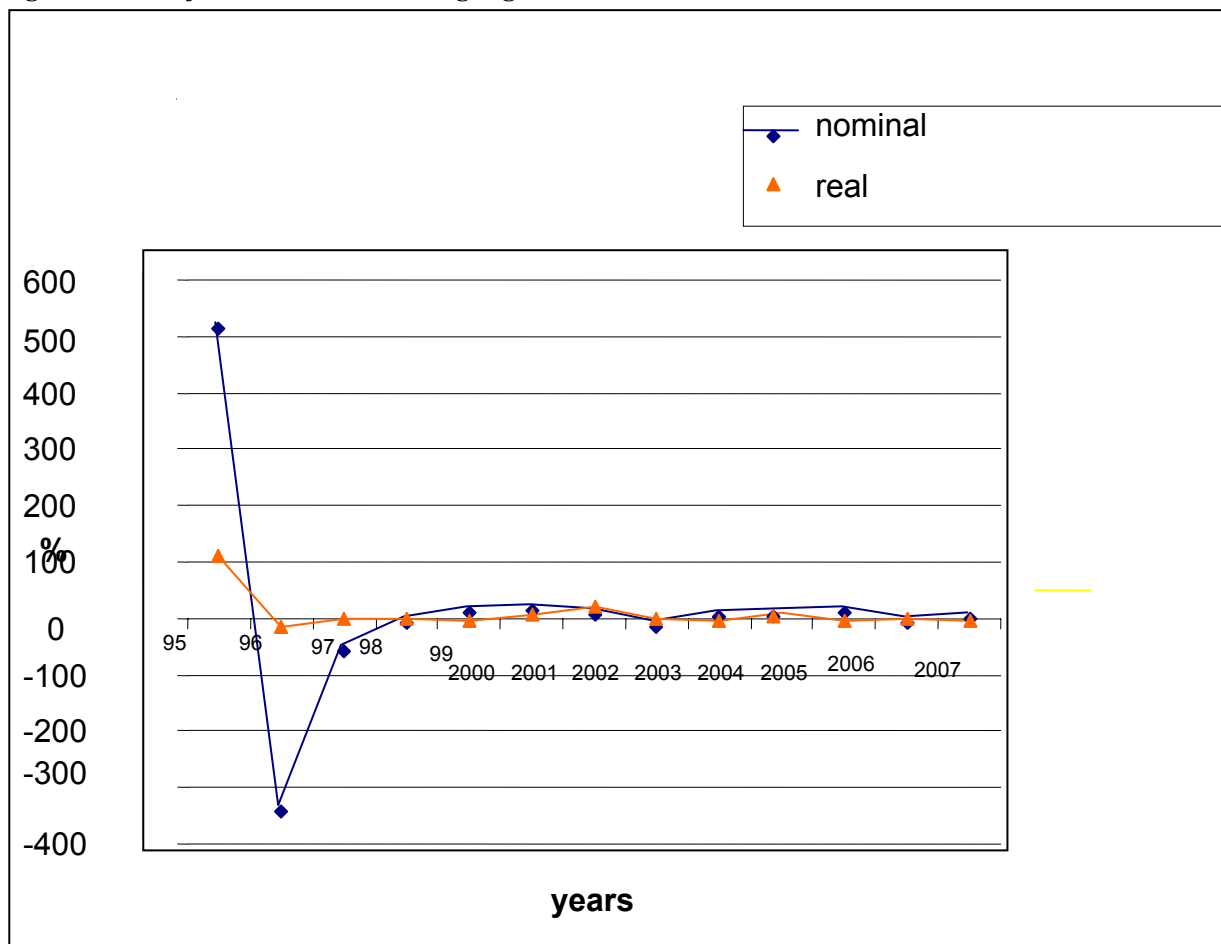
* Year 1995 is taken as a baseline year with GDP 87.8% and salaries level 110.6%; 2007 –preliminary data
Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

Overall, in 1995-2007 average wages increased 2.9 times. However the average wages in Ukraine are significantly lower than in neighboring countries.

The main instrument of state wage regulation in Ukraine is the increase of the officially-determined minimum wage. During the first years of this state guarantee's minimum existence it had absolutely virtual character and nobody in Ukraine earned so low wage as the official minimum wage. The parameter acquired real content after 1997 when big number of people had such wage level, but with economic growth the share of beneficiaries decreased.

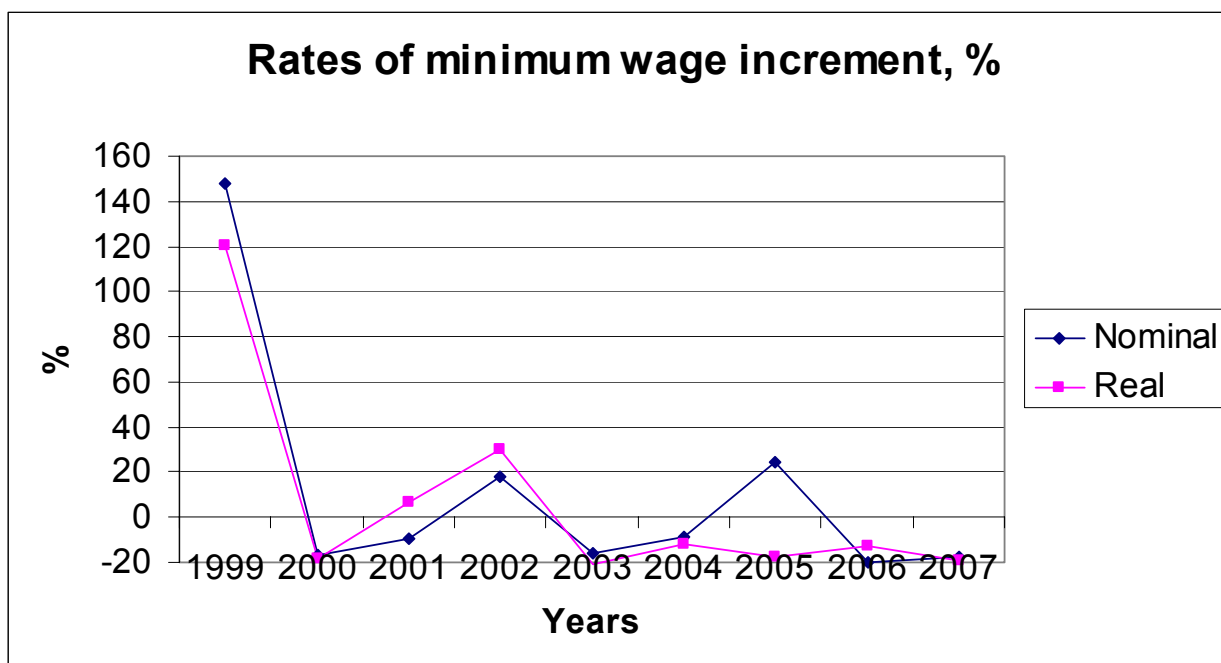
In 1997-2007 decrease of the real minimum wage occurred only once, in 2007. Peaks of growth, occurred three times, in 1999, 2002 and in 2005. The maximum increase of wages by 38.7% was in 2002, in the next year, 2003, minimum wage rose by 18.1%.

Fig. 2 – Rates of nominal and real wages growth



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

Fig. 3 – Rates of minimum wage increment (% to previous year).



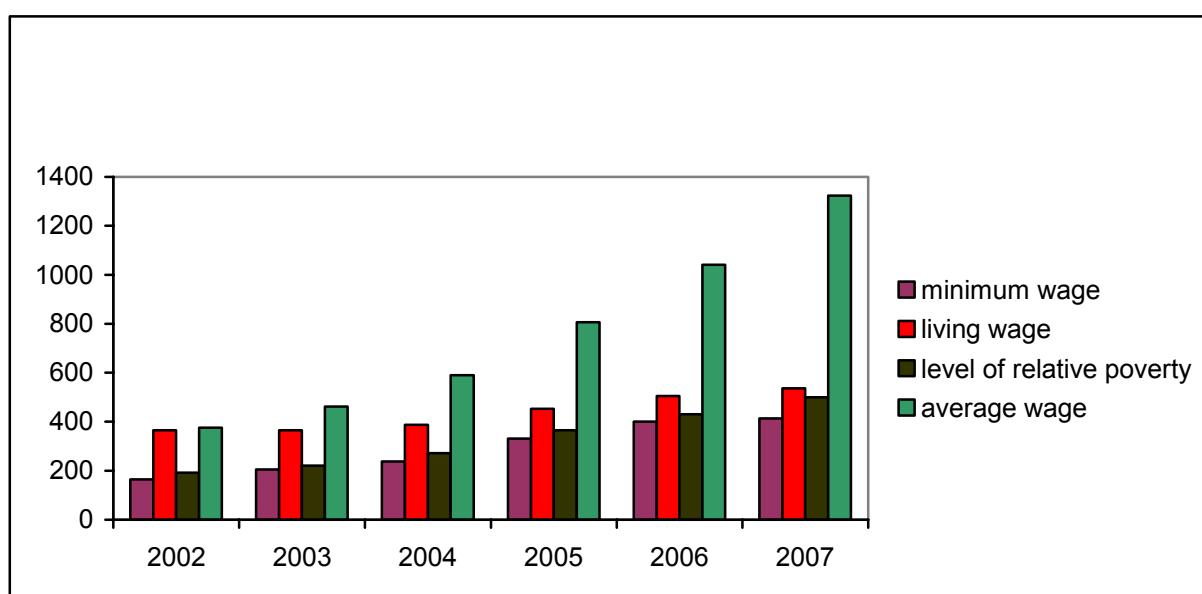
Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

Proportion between minimum wage, subsistence wage level for working –age population and poverty level (75% of median income level per capita on adult person) rises steadily, from 45.2% of subsistence wage and 89.5% of poverty level in 2002 to 79.2% and 93.2% of the same indexes in 2006 accordingly.

At the same time economic growth has brought about a decrease of ratio between minimum and average wages. The maximum correlation of these indexes (44.4%) was observed in 2003. According to data covering 11 months of 2007 this correlation is equal to 31.2%. No doubt that the interrelationship will be even lower, when data for December (month when traditionally average wage reaches its maximum) will be taken into account.

That leads to the series of extremely negative consequences. In the context of the present research at least two of such consequences should be mentioned: major scale labor migration and poverty – including poverty among employed population (table 4.).

Fig. 4 – Minimum social guarantees provided by the State (Hryvnias per month)



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

1.3. Poverty and poverty relief benefits

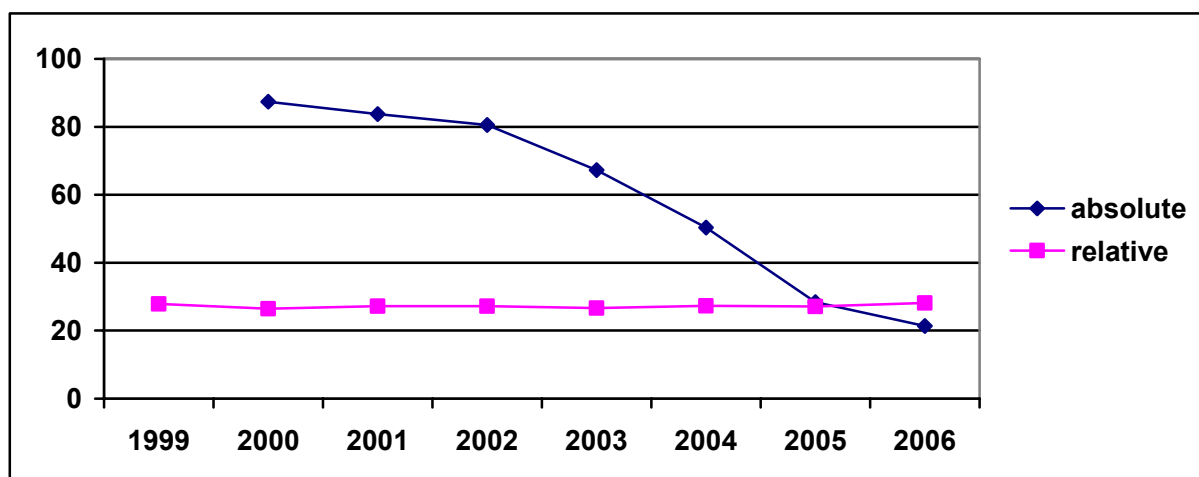
Monitoring of poverty in Ukraine is carried on since 1999 when the State Committee for Statistics started to perform representative survey of households' life conditions. Various criteria and cost levels are used for evaluation of scale, levels and depth of poverty but there are two principal tools that are used in official documents:

- Subsistence wage: this index is used for identification of 'normative' (absolute) poverty⁴;
- 75% of median level of aggregate expenses of adult people (scale equivalent to 1.0-0.7-0.7) is used for identification of relative poverty⁵ (fig. 5).

⁴ Subsistence wage is calculated based on the price of the minimal range of the goods (food and consumables separately) and services. The range of the goods and services included is determined by Verhovnaya Rada in 2000; its price is determined as well. Since then it's price is just corrected according to the inflation rate

⁵ The scale of the equivalents assumes that the consumption (income, expenditures) of the head member of the family are calculated with the coefficient of 0,1; when the consumption of another members of the family are calculated using 0,7 coefficient irrespective of age. Usage of such scale helps to eliminate differences in the numbers of family members and their breakdown

Fig 5 – Levels of absolute and relative poverty, percentage



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

Due to growth of wages, the absolute poverty level dropped considerably, from 87.4% in 2000 (the subsistence -living wage level is calculated and established by the law since 2000) to 21.4% in 2006. The reason for application for the state relief is a discrepancy between personal earnings and legally established subsistence living wage level.

With regard to the relative poverty level (as well as its depth, acuteness, deficit of poor households' incomes and other indices) we can say that actually it has not been changed during the period of monitoring. The main explanation for this is the preservation of stratification level.

Since 2004 poverty relief allowances are diversified in accordance to composition of families. The lowest amount is established for working-age people, the greatest amounts are granted to disabled people. The so called "additional payment" mechanism was adopted for the calculation of poverty relief amount. It is calculated as difference of real income and minimum income for the different types of population, which gives the right to receive allowance.

Table 1 – Threshold which entitles an individual to a relief benefit (hryvnias per month)

	Working age population	Dependent population	Invalids (disable people)	The subsistence living wage level
2001	12	12	12	311
2002	80	80	80	342
2003	80	80	80	342
2004	80	110	115	362
2005	95	133	141	423
2006	110	155	165	464
2007	121	171	182	519

Source: Ministerstvo truda i socialnoj politiki Ukraini (Ministry of labor and social policy of Ukraine)

The amount of relief benefit still does not reach even a quarter of subsistence living wage level. Besides that, poor families get allowances for payments for housing and public utilities. The amount of allowances is determined in such way: payments for these services cannot exceed 20% of the aggregate income of a household. If there is no working age person in a household the line is 15%. Families with children are exposed to poverty to the greatest extent. Moreover, risk of poverty has a direct correlation to number of up to 16 years old children in a family. That gives evidence of unsatisfactory functioning of the state system of support for families with children.

1.4. The State system of support for big families

The state benefits (allowances) for families with children include: allowance to single mothers (these payments are differentiated in accordance with the child's age; allowances for a child care up to 3 years old; allowances for disabled child care (these are differentiated in accordance with the child's age and level of disability).

In addition to that an allowance is paid for birth of a child. Since 2008 amount of this allowance is differentiated in accordance with number of children. 12.5 thousand hryvnias are paid for birth of the first child, 25 thousand (5 thousand dollars USA) are paid for birth of the second child, 50 thousand (about 10 thousand dollars USA) are paid for birth of the third and next children. Though the birth benefit is considered to be a one time allowance it is paid in several installments during the first year of a child's life (payment of 50 thousand hryvnias is distributed over 3 years to ensure at least minimum control of disbursements).

Table 2 – Allowances for families with children (hryvnias per month)

	For single mothers with children		Allowances for children younger then 3 y.o.	Allowances for invalid-children 0-18 y.o.	Allowance at giving birth (one time grant)	Allowances in case of wardship for children	
	Up to 6 y.o.	6-18 y.o.				Up to 6 y.o.	6-18 y.o.
2001	24	24	12	-	178	-	-
2002	24	24	47	-	280	-	-
2003	35	35	80	63	300	-	-
2004	33	40	88	70	711	-	-
2005	36* - 181	46 – 230	105	195	6761	376	468
2006	41 – 205	53 – 263	114	251	8500	410	526
2007	137 - 229	176 – 294	90 - 277	281	8500	458	588

Source: Ministerstvo truda i socialnoj politiki Ukraini (Ministry of labor and social policy of Ukraine)

* depending on cumulative family income, e.g. the allowance is paid on the basis of categorical and residential characteristics

Such impressive (for Ukrainian standards) payments have been caused by the deterioration of demographic situation. Rapid depopulation and dramatic decrease of birth rate, led in 2001 to lowest birth rate in the world. From 2002 onwards the net birth rate and the total number of infants are increasing and the birth rate reached 1.3 in 2006 compare with 1.1 in 2001.

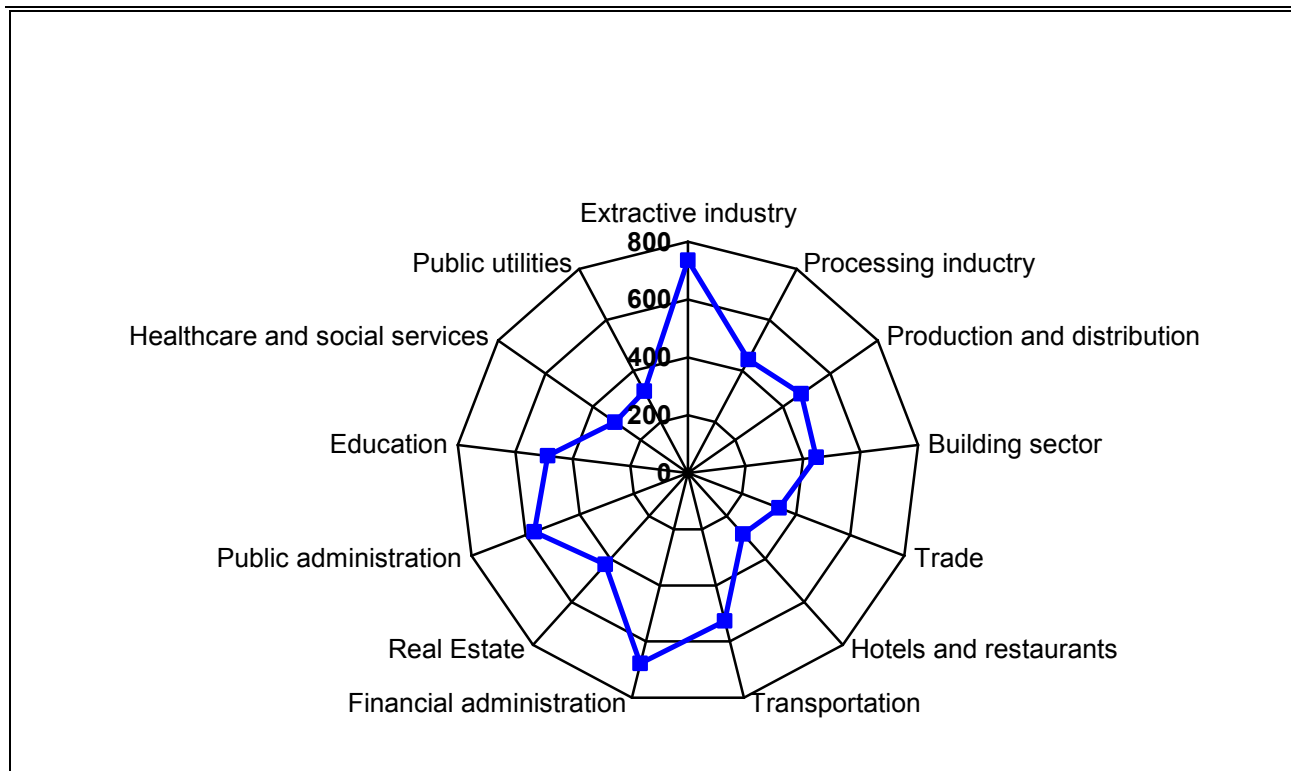
1.5. Social protection of employed people

Expenses for social welfare of employed people in 2006 comprised 462.9 hryvnias (about 63 euro) per person a month. The greatest expenses (735.9 hryvnias) are made in extraction industries (due to high rates of accident insurance the expenses related to insurance comprise 125.9 hryvnias a month, i.e. 17.1% of the total expenses). The lowest expenses (284.1 hryvnias) are made for employees of hotels and restaurants service (chart 1).

Expenditure for social welfare per employee is directly correlated to the size of the organization. If the organization has from 10 to 49 employees the average expenditure for social welfare is 282.3 hryvnias a month, the same index reaches 458.7 hryvnias in organizations with 250-499 employees and 610.8 hryvnias in organizations with 1000 and more employees. The same pattern is implemented for enterprises of different types of ownership⁶.

⁶ According to State Statistical Committee of Ukraine

Chart 1. Expenses for social insurance by industries, 2006 (hryvrias per month for one worker)



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

For employed people with poor occupational and health conditions, the Ukrainian law stipulates certain privileges and indemnities: additional holidays, shortened working week, additional payments to the wage for the harmful working conditions, milk or other products that fasten elimination of hazardous substances from humanbody, and healthful and dietary meals about. 30.9% of employees get the above mentioned benefits and compensations (10.0% of people employed in agriculture, 70.8% of people employed in extractive industries, 32.2% of people employed in processing industries, 35.8 of people employed in electric power, gas and water stations, 22.6% of construction workers and 27.7% of people employed in transport system and in communications sector. Additional holidays constitute the most common privilege prescribed by the law. About 20.9% of people employed in poor occupational health conditions (60.0% of employed in extractive industries) enjoy such leaves. About 4.0% of employed (11.8% of workers employed in extractive industries) enjoy additional leaves of absence in accordance with collective agreements. Additional leaves in the same industries are often granted as a compensation for special character of work (34.6% of employed in extractive industries enjoy such leaves in accordance with law and 4.2% enjoy additional leaves in accordance with terms of collective agreements). Various extra payments are more common in generation and distribution of industry related to production of electric power, gas, and water (23.0% of people employed in this sector get such extra payments), in processing industries (18.7% employees get extra payments), in transportation and communications sector (14.7%). Such extra payments are less common in extractive industries where only 8.8% of employees receive them.

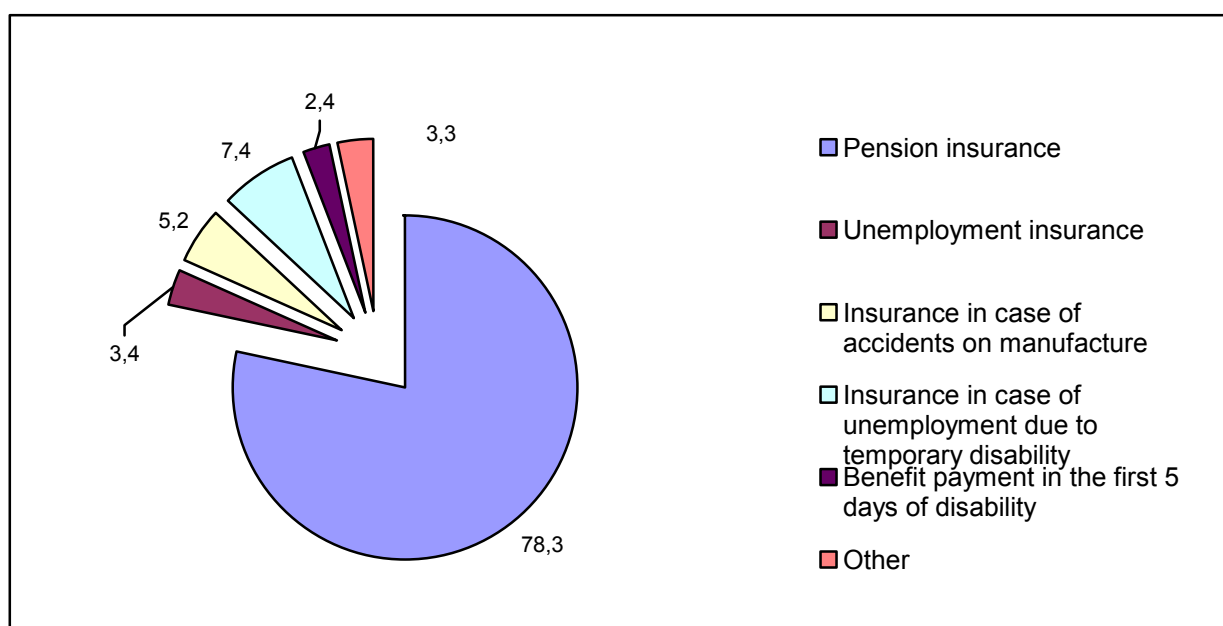
Workers in poor occupational health conditions are entitle to early pension. If their occupation is in so called “list N 1” the reduction of the pension age consists 10 years while if the occupations is in the “list No 2 “ person has opportunity on reduction of the pension age by 5 years. Now during this reduced term pensions are paid from the Ukrainian Pension Fund (PF) (expenses related to work positions included in list N 1 are covered by employers). In the future new saving system for PF will be organized by payments from employers’ contributions.

1.6. Introduction of social insurance system

Right of citizens to social protection provided by the Constitution of Ukraine includes the right for state support in cases of complete or partial disability, loss of breadwinner or unemployment caused by factors beyond a person's control, as well as elderly pensions provision and the other cases provided by the law. This right is secured by: state mandatory social insurance at the expense of insurance contributions made by workers, enterprises, organizations and institutions and also budget and other sources of social welfare; creation of the network of public, communal and private agencies for old and disabled people care.

The Ukrainian legislation of mandatory state social insurance include the following acts: 1) Conception of social welfare of Ukrainian population (1993); 2) Main legislation norms of Ukraine on mandatory state social insurance (1998); 3) Law on mandatory state social insurance in cases of working place accidents and occupational diseases which can lead to the lost of labor ability (1999); 4) Law on mandatory state social unemployment insurance (2000); 5) Law on mandatory state social insurance in cases of temporary loss of labor ability and about the expenses related to birth and funeral (2001); 6) Law on mandatory state pension insurance (2003); 7) Law on non- state retirement insurance (2003).

Figure 6 – Structure of payments from system of mandatory social insurance, 2006 (%)



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

The main sources of money that forms funds of mandatory social insurance are:

1. Insurance contributions of employers and employees (with exception of Fund of industrial accidents and occupational diseases insurance; contributions to this Fund are made only by employers);
2. Allocations from the state budget;
3. Amounts of penalties imposed on enterprises, institutions, organizations and persons for violation of the prescribed procedure of insurance contributions payment and use of insurance funds as well as amounts of penalties imposed on officers and citizens for such violations;
4. Profit, derived from investment of temporary uncommitted funds' money including money backlogs on deposit accounts;
5. Charitable contributions of enterprises, institutions, organizations and persons;
6. Other receipts in accordance with laws of Ukraine.

Amounts of contributions to mandatory public social insurance are annually defined by the Supreme Rada of Ukraine respectively for employers and employees, separately for every type of insurance for a forthcoming year. This is done simultaneously with approval of the state budget of Ukraine. Assets of special insurance funds are not included in the budget.

Table 3 – Rates of mandatory social insurance specified by types of insurance , for the year 2007

<i>Tariffs on mandatory social insurance</i>					
Due payer	Unemployment insurance	Insurance in case of temporary loss of working ability	Pension insurance	Insurance in case of accidents on manufacture and professional diseases	Amount
Employer	1.3%	1.5%	33.2%	Differentiated by the type of work according to classes of professional risk (67 classes exist; 1 class accounts for insurance tariff of 0.86%, 67 – 13.8% accordingly)	37.5%
Hired employee	0.5%	0.5% from income less then the subsistence level, 1.0% from income above the subsistence level	0.5% from income less then the subsistence level, 2.0% from income above the subsistence level		1.5% from income less then the subsistence level, 3.5% income above subsistence level
Amount	1.8%	2.0% from income less then the subsistence level, 2.5% from income above the subsistence level	33.7% from income less then the subsistence level, 35.2% from income above the subsistence level	Differentiated by the type of work according to classes of professional risk (67 classes exist; 1 class accounts for insurance tariff of 0.86%, 67 – 13.8% accordingly)	39.0% from income less then the subsistence level, 41.0% income above the subsistence level

Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

1.7. Unemployment insurance

Money of the Unemployment Insurance Fund is used for payments benefits and provision of care system.

Types of benefits:

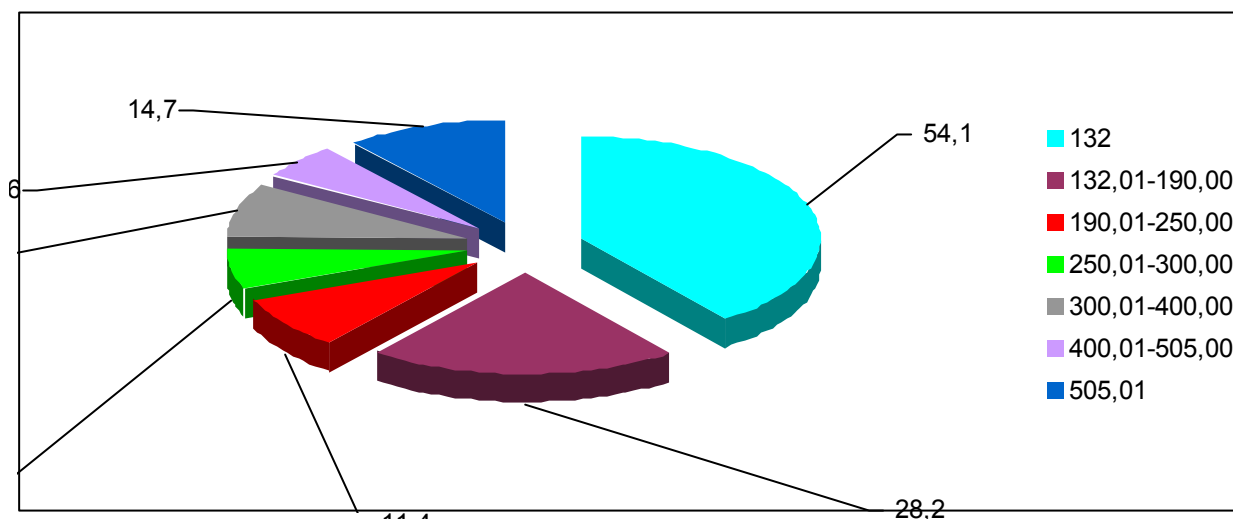
1. Unemployment benefit including single payment of benefit to unemployed entrepreneurs;
2. Payments in time of vocational training, re-training or advanced vocational training;
3. Funeral allowance in cases of an unemployed person's death or death of his/her dependent;
4. Up to 2007 expenses of Pension fund related to payment of pensions to unemployed persons who was 1.5 year younger than the retirement age. Nowadays unemployed people have no right for early pension.

Types of social system supports:

1. Vocational training and retraining advanced vocational training and occupational guidance;
2. Searching of appropriate job and facilitation of employment including payment of subventions to employers for creation of new jobs for unemployed people and funding of organization of paid public works for unemployed people;
3. Information and advisory services related to employment.

The average amount of unemployment benefit in 2000-2006 increased, both in current and in constant prices. Ratio of unemployment benefit to the average wage rose from 23.3% in 2000 to 25.6% in 2002, and then fell, from 24.3% in 2003 to 21.3% in 2006. On the average about three fourths of registered unemployed people get unemployment benefits. More than a half of them get the minimum benefit and just 14% get benefits that exceed the subsistence living level for working age persons.

Fig. 7 – Structure of unemployed people ranged by amount of unemployment benefits, 2006 (in hryvnias)



Source: Ministerstvo truda i socialnoj politiki Ukraini (Ministry of labor and social policy of Ukraine)

The level of the minimum amount of unemployment benefit and its share to subsistence living wage level for working age people are very important. In 2000s the situation has improved considerably, but it is still far from acceptable one. Minimum amount of unemployment benefit comprises mere 36.2% of subsistence level for working age people. That means that unemployment benefit does not provide for survival. That, no doubt, prompts people to engage in shadow economic activities, i.e. to violation of laws and fraud.

The correlation of the major instruments of the employment policy in the years 2001-2006 hasn't practically changed at all. This is envisaged by the lack of structural shifts in expenses of the Unemployment Insurance Fund (UIF). What attracts attention is anticipatory increase in donations to entrepreneurs for making new work places. This was reflected in increase of their weight in common expenses of the UIF from 1,1% in 2001 up to 8,8% in 2006. The expenses for financing of the social works grew with high, and their weight increased from 0,9% till 2,2% accordingly. This fact reflects an increasing attention to the instruments of active employment policy; however the highlighted transformation doesn't have decisive value.

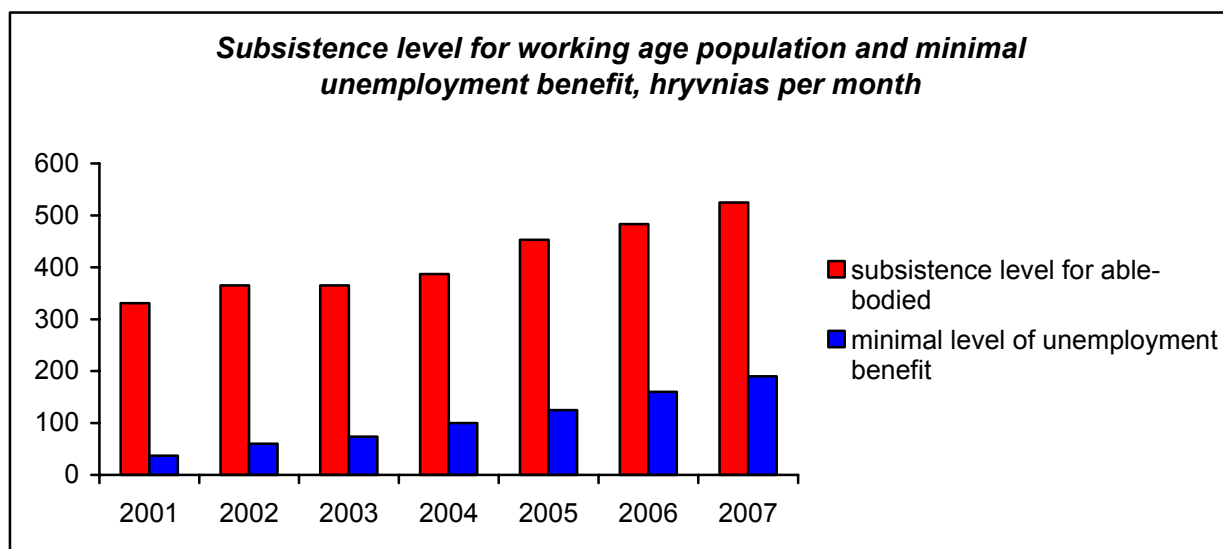
Due to the reduction of unemployment scale, the expenses directly related to unemployed benefits decreased considerably, from 63.4% in 2001 to 54.5% in 2006.

1.8. Insurance connected to temporary loss of working ability and expenses with regards to giving birth and funerals

Money of this Industrial Accident Insurance Fund (IAIF) are used for funding of:

- Benefits paid to people who temporary lost labor capacity including care for sick child up to 14 years old;
- Maternity leave benefits;
- Funeral benefits (except funeral of retired, unemployed persons and persons died in result of industrial accidents);
- Provision of health correction measures (payment for places in sanatorium and resort institutions for insured persons and members of their families, partial maintenance of sanatorium institutions, provision of social services related to out-of-school work with children including purchase of New Year presents for children.

Figure 8 – Insurance related with temporary loss of labor capacity and expenses connected with births and funerals



Source: Ministerstvo truda i socialnoj politiki Ukraini (Ministry of labor and social policy of Ukraine)

1.9. Insurance in case of industrial accidents and occupational diseases

This money of this Temporary Loss of Working Ability Insurance Fund is used for the prevention measures of accidental and occupational disease, compensations paid to people who suffered material and moral damages and payments for rehabilitation of injured persons. The Ukrainian laws provide wide range of compensatory payments related to industrial accidents and occupational disabilities:

- monthly and one time payments (directly to the injured person or if he dies to his dependants);
- compensation of moral damage;
- temporal disability benefit (which is paid up to restoration of labor capacity or ascertainment of disability);
- single payment to the injured persons who suffer from permanent loss of labor capacity;
- benefits paid for funeral of an accident victim;
- payments to an injured person who because of the injury has to take an easier work with a lesser remuneration.

Measures of medical, occupational and social rehabilitation of injured persons: medical treatment, rehabilitation measures, prosthetics, nutritional support, vocational training (skill conversion, retraining) special health care, attendance of nurses, everyday services, acquisition of transportation means.

Types of compensation: monthly insurance payments to injured persons or their dependants; one time grant to injured persons; one time grant to injured person's family if the injured dies; one time grant to dependants if the injured persons dies; -compensations of moral damage.

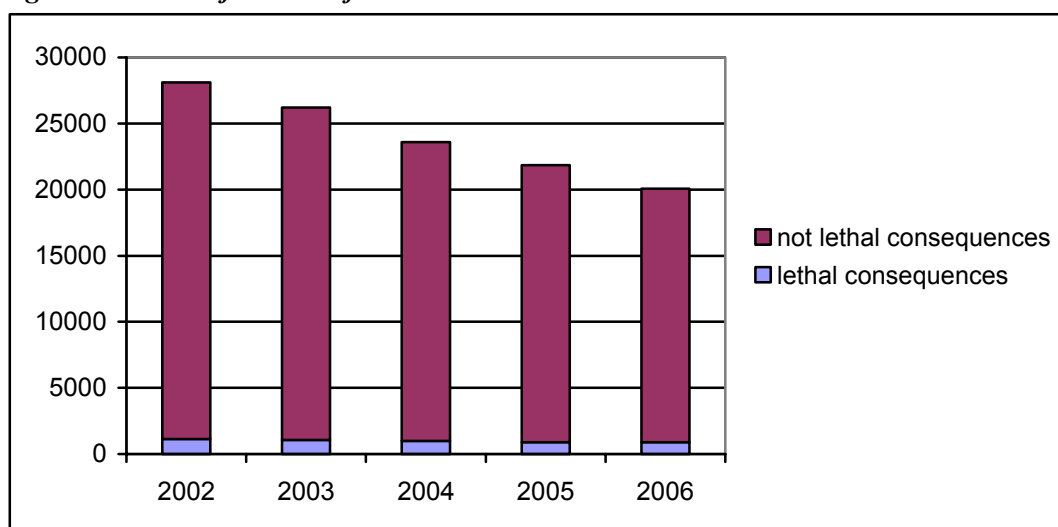
The rehabilitation system benefits: purchase of medical features and drugs for injured persons; - purchase of prosthetics and orthopedic items; acquisition of motor vehicles for people who lost labor capacity in result of industrial accident; sanatorium and resort therapy for injured persons; health treatment of injured persons in hospitals.

Insurance payments related to industrial accidents are the greatest of all payments. Rates of their growth by far outstrip rates of all other payments growth and roughly match rates of average wage growth. For example, in 2004-2006 the average amount of one time grant to an injured person grew from 8.5 to 15.2 thousand hryvnias, which is by 78.8%. The average amount of one time grant paid to dependants and family of died victim of industrial accident rose, respectively, from 7.7 to 12.3 thousand hryvnias and from 36.4 to 59.9 thousand hryvnias, i.e. by 59.7% and 64.6%. Monthly benefits also rose considerably: monthly benefit paid to an injured person has risen from 229.6 to 361.3 hryvnias, i.e. by 57.4%. Benefits paid to dependants of a deceased person increased from 257.3 to 389.2 hryvnias, i.e. by 51.3%.

However the rates of benefit growth lag behind rates of average wage growth it means that their ratio visibly decreased: for example the ratio of benefits for injured persons decreased form 38.9% in 2004 to 34.7% in 2006, benefits to dependants decreased from 43.6 to 37.4%. These correlations are the highest in Ukraine.

Number of industrial accidents has decreased considerably over the last few years. In 2002 28105 persons were injured in industrial accidents. Of these 1130 persons, i.e. 4.0% died. By 2006 the total number of injured people went down to 20 065 persons (decrease comprises 28.6%) while number of persons killed in result of industrial accidents decreased to 892 persons. Unfortunately, the proportion of killed persons in the total number of industrial accident victims has somewhat increased and reached 4.4%. The greatest number of injured and killed persons (35.1% of the total number of victims in Ukraine) is observed in Donetsk region where coal mines are concentrated.

Fig. 9 – Number of victims of industrial accidents



Source: Ministerstvo truda i socialnoj politiki Ukraini (Ministry of labor and social policy of Ukraine)

1.10. Pension insurance

The Pension Insurance Fund's (PIF) money is used for financing of pensions, markups to pensions, compensations, extra pensions and social allowances to citizens who have not right to pension. The following groups are covered:

- People of retirement age;
- Disabled people;
- Persons who lost breadwinners.

The law establishes a three-level system of pension provision. The first level is joint system based on principles of solidarity and subsidy assistance. This level provides for payment of pensions and supply of services at the expense of Ukrainian Pension Fund's money. Since July 1, 2004, insurance contribution has personalized.

The second level is mandatory accumulation system based accumulation of money of private personal pension accounts of persons (who has insurance). This level will be initiated on January 1, 2009. The third level is private pension provision. It relies on voluntary participation of citizens, employers and their associations in formation of pension savings.

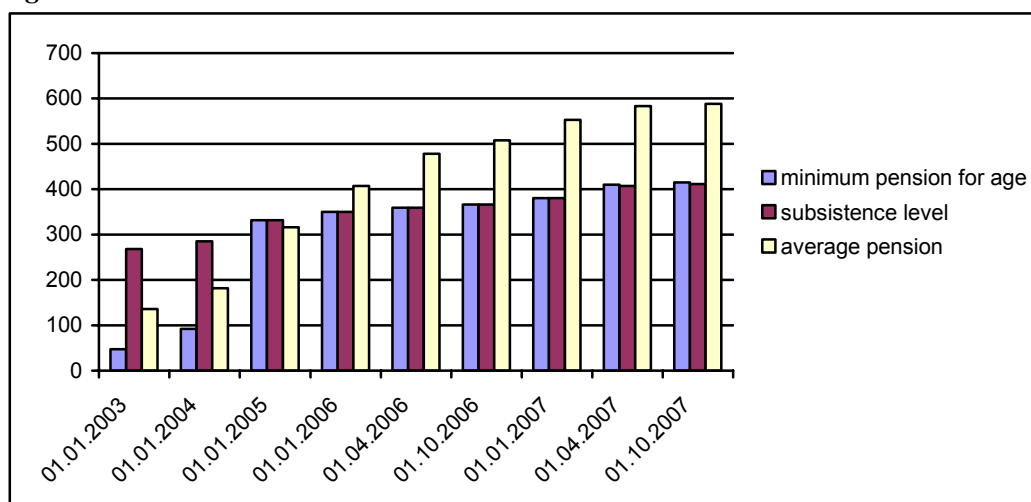
The pension system is supplemented with a series of privileges, compensations, guarantees, program of subsidies for payment housing and public utilities (enhanced for retired persons) and other types of state social assistance to retired people.

Ukraine is distinct from other countries that undertook pension reform, because it recalculated all previously determined pensions in accordance with new pension legislation standards since January 1, 2004. Preservation of old pensions was guaranteed if application of new procedure produced a less amount. All privileges related to calculation of length of work record and stipulated by the previous laws were retained.

A new calculation of pension extends the wages record period and calculates only those periods in which amount of pension contributions payment is not less than the prescribed minimum wage. For every year of work (within 25 year limit for males and 20 year limit for females) pension increase is 1% (since January 1, 2008, this figure was raised to 1.2% and from October 1, 2008, it will be raised to 1.35%).

For every full year of work above 25 years for men and above 20 years for women pension increases by 1% of its basic amount but no more than by 1% of subsistence minimum living wage level for persons who lost labor ability. From January 1, 2008, onwards the minimum retirement pension is paid to people who prove the length of working years record (25 years for men and 20 years for women) in amount of subsistence minimum living wage level for people who lost the ability to work.

Fig. 10 – Pension and subsistence level



Source: Gosudarstvennij Komitet Statistiki Ukraini (State Statistic Committee of Ukraine)

1.11. Direction of further reforms

At the present time government and Rada understand the necessity of changes in the existing system of social protection.

Nowadays there is an understanding of the necessity of changes in several ranges of the existing system of social protection. As expected, the most vital changes will take place in the system of social insurance. They will touch upon the single payment, introduction of healthcare insurance, integration of three funds (accidents insurance fund, temporary inability insurance and healthcare insurance), and introduction of the professional pensions system. Introduction of the system of healthcare insurance is no doubt the most difficult one. Its difficulty can be explained not by the very mechanism of insuring, but by the necessity of concordance between the reformation of the system of medical treatment of population and changes in the system of management, including financial and medical peculiarities. Otherwise it will be taken down to increase in financing of the system without the increase in quality and availability of medical services. This is pointed out not only by the Ukrainian experts, but also by international ones. Unfortunately today nothing much is done in this direction. Paid services are executed only in private clinics, while state medical institutions in practice services are paid by “voluntary payments”. Verhovnaya Rada is constantly discussing different projects on this topic; however none has yet reached even the second hearing.

It is expected that the most important changes will occur in social insurance system. Modifications will include introduction of unified payment and medical insurance, unification of three Funds (Industrial Accident Insurance Fund, Temporary Loss of Working Ability Insurance Fund and Health Insurance Fund), and introduction of occupational pension system. Unfortunately, due to political motives the imperative issue of retirement age changes is not even discussed. Perhaps, after presidential election which will happen in 2009 the issue will be dealt with.

It is supposed that social insurance system will prevent poverty in Ukraine. The principal factor must be worthy wages level. That will make possible to eliminate so shameful phenomenon as poverty of working population (nowadays 85% of poor families have at least one working person). Assuming that the minimum wage cannot be lower than the subsistence living wage level for working age population (it is expected that this match will be attained in 2009) all insurance payments also must provide at least minimum state social guarantees.

Introduction of health insurance is expedient only if system of health service management and funding will be transformed. Health insurance should be introduced gradually. Initially it will be

introduced in primary health care and the standards of availability and medical care quality will be developed in advance.

The system of social protection is to be based not on universal principles but on principles of individual care. Consequently, the primary tasks of its development are provision of clear targeting on one hand and the maximum coverage of all people who need care on the other hand. It is difficult to agree that nowadays existing system is effective in the context of poverty overcoming. At the present time 40% of social aid recipients are not poor people. Vice versa, 90% of poor people do not obtain proper support due do various reasons.

In connection with high labor and financial costs of care system it is necessary to give targeted social assistance to really affected people.

Social assistance for working group population is to stimulate its recipients to labor activity. The targeted social assistance has to absorb various allowances and subsidies granted to the poor.

Additional resources assigned to enhancement of public aid to socially vulnerable strata of population are to be focused on families with disabled children and families with many children.

It is necessary to contribute to the maximum adaptation of people of vulnerable groups by creating special conditions for them in transport, houses, institutions etc.

Enhancement of quality and efficiency of social services provision will have a great importance. Introduction of social passports for families and individuals in need of social services and development of individual program for every person in need will help to achieve the above mentioned aim.

An overall transformation of the existing system of benefits is assumed to be undertaken. In particular, measures aimed at minimization of occupational benefits are prepared. Some social benefits are to be converted in money and money substitutes of former benefits will be granted on the basis of clear target groups principles.

2. INTERNATIONAL FEMALE MIGRATION AND ITS INFLUENCE ON THE SYSTEM OF SOCIAL SECURITY

2.1. Gender component of the Ukraine migration

Democratic changes, which granted citizens the right to free transboundary movement together with the market transformation, followed by the deep market crisis, determined high levels of the Ukrainian labour force immigration. Its major reasons were the low income, full or partial unemployment, increase in prices for housing and major consumables. As a result of the degradation of the system of free of charge education and medical services, the population had to bare their full costs. The transformation into a market economy created new consumer demand for the high-cost goods, such as cars, expensive domestic appliances, etc. Simultaneously, in the foreign countries, where wages are much higher, in some spheres of economy the need of foreign labour increased. In these circumstances labour migration of Ukrainians became massive and turned into the most important source of living for many families.

We do not possess precise figures about the scale and composition of the labour migration. From statistical point of view only in/outs for permanent residence is counted, as well as the number of those who are employed via recruitment agencies, which are licensed by Ukrainian Ministry of Labour and Social Policy (about 62 100 people in 2006). However, as the majority of migrants are leaving the country independently and either work illegally or make documents already in the other

country, it is rather hard to make a proper estimation of the labour migrants. We can though evaluate such numbers conducting different surveys.

Unfortunately such type of research covers limited number of respondents and only a part of the country. In addition, the different surveys are conducted by different techniques and methodologies which makes it more complicated to compare their results. Most importantly, the surveys are not conducted on a regular basis and this forces the researches to use out-of-date information.

Thus the largest survey on the labour migration in Ukraine, which covered 8 regions of the country and 8000 households was conducted by the Ukrainian State Statistics Committee together with the researchers from the National Academy of Science in 2001, and is considered, even now, as the major source of information⁷.

Calculations based on this research and their correlation with the other surveys allow to assess the scale of the Ukrainian labour migration as the average of 2,3-2,7 million people⁸. This means that up to 10% of the Ukrainian population is engaged into the labour migration.

The migrants are generally people with the age between 20 and 44 years old. The majority is represented by the working class, especially from towns and villages, where the employment problem is sharper then in the big cities.

Labour migration covers nearly all Ukrainian territory; however the level of intensity, its breakdown and directions substantially varies throughout the country. Labour migration is extended in the borderland territories, especially in western regions which historically have been labour excessive. After the dismantling of the “iron curtain” the population of Western Ukraine was the first to become labour migrant, aiming at earning money abroad. This can be easily explained by the proximity of the border, the amount of ethnic minorities living in the region (from both sides), different transboundary networks and the very fact that such movements were accustomed in the region.

Migration from the western borderland predominantly (but not solely) has a direction towards Western Europe. From the eastern borderland people mostly leave towards the East, e.g. to Russia, however some also go to Western Europe.

The major destination countries for the Ukrainian migrants are neighbouring Russia and Poland, as well as Czech Republic, Slovakia, Hungary and Germany. A lot of labour migrants are working in the Southern Europe, (Italy, Spain, Portugal, Greece and Turkey)⁹.

The reasons of Ukrainian labour migration are first of all connected with very low domestic wages. According to ILO Ukraine is at the bottom of the European list of wages. Average per hour wage for the year 2007 was only slightly higher then \$0.5 USD; lower wages are registered only in Moldova and Albania. However stable decrease in the level of unemployment (app. 7% according to ILO methodologies) does not have any real influence on the immigration rate. This fact does matter for people from poor regions and in rural areas, who have to move to the capital and other city centres, as well as abroad.

⁷ Zovnishni Trudovi migratsii naseleniya Ukraini /Za red. E.M.Libanovoj, O.V. Pozdnyaka. – K.: RVPS Ukraini NAN Ukraini, 2002 – s.84 (External labor migration of the Ukrainian population /Ed. By E.Libanova, O.Pazdnyak. – K.: RVPS Ukraini NAN Ukraini, 2002 – p.84)

⁸ ILO. Labor migration in Ukraine (analytic report). A document for discussions at the National Tri-partite Seminar on outward labor migration within framework of ILO Project “Employment, vocational training opportunities and migration policy measures to prevent and reduce trafficking in women” (2-4 November 2005), Kyiv, 2005.

⁹ According to the assessments of the Ukrainian embassies, there are 300,000 ppl working in Poland; 200,000 – in Italy and Czech Republic; 150,000 – in Portugal; 100,000 – in Spain; 35,000 – in Turkey; 20,000 – in the USA. The amount of the Ukrainians, working in Russia is estimated to be around 1 million. [N.Karpachova, Stan dotrimaniya ta zahistu prav gromadyan Ukraini za kordonom: Spetsialna dopov. Upovnovazhenogo Verhovnoj Radi Ukraini z prav ludini. – K.: Intertechnologiya, 2003 (N. Karpachova, Analysis of the Ukrainian minorities abroad: special report of the Verhovna Rada Ombudsman. – K.: Interhechnologiya, 2003)].

Despite the fact that levels of unemployment for male and female are rather similar, it is more complicated for a female to get a job. Thus, average length of female unemployment is higher (13 months for males and 15 months for females¹⁰). Relatively low salary for typically female occupations¹¹ together with career path contingences derived from the gender stereotypes, forces females to look for supplementary sources of employment, including transboundary migration.

According to the research results of abovementioned Ukrainian State Statistics Committee (2001), females accounted for 35.4% of labour migrants. Females comprise more than a half (53.6%) of the "shuttles" or "suitcase" migration (people who brought goods over the boundaries in small quantities and got their revenues from price differences)¹².

Women (as all migrants) are actively leaving rural areas. The female emigration rate in rural areas was 2.8%; compared with the urban areas where it was 1.5%. "Shuttle-suitcase" trade was more typical for citizens of big cities. Among female "shuttle" traders villagers comprised only 17%.

Such gender breakdown was confirmed by the data received by the Regional Employment centre of Ternopol region, one which is severely affected by migration. From the labor migrants originating from rural areas 40.7% were females and 59.3% were males.

Women labor migrants generally are slightly older than men. If for male migrants the average age is 20 to 39 years, then for females is 30 to 44 years of age. The survey conducted among migrants in Italy in December 2001 by the Western Ukrainian Centre "Female perspectives" showed that 36.4% of female migrants are in the age range of 36-45 years old.

Married women migrate for work more frequently rather than single ones. Labor migration is especially common among the divorced people. They comprise a quarter of all female migrants (the average level is 11%).¹³ Such a high figure is also confirmed by the survey of the Italian centre "Female perspectives". According to their statistics divorced females accounted for 20% and 10,1% for widows.

The reason of migration of divorced and widowed females is obvious. Firstly, they are the heads of their families and breadwinners. They have to decide on their own the problem of their families. Secondly they do not risk to lose their partner as the result of their long absence.

Female labor migrants go abroad more rare compared to men (according to the survey by State Committee of Statistics – 1,6 journeys against 2 annually). Another distinguishing thing is that for female migrants such labor migration is a major source of living: 79% of women leaving the country in the year before the survey had no permanent job in Ukraine.

There are significant differences in the flows and vectors of the female and male migration. Russia and Portugal attract builders. Greece, Italy and Turkey mostly attract female labor. Gender composition in Poland and Czech Republic immigration is balanced. According to the information from the countries of destination, in 2004 in Portugal female immigrants from Ukraine accounted only for 19%; but in Greece is 75,7%¹⁴.

¹⁰ Ekonomichna aktivnist naseleniya Ukraini. Stat.zbirnik // Derzhavnij komitet statistiki Ukraini. – K. 2007 (Economical activity of the Ukrainian population. Statistical collection // State committee on statistics. – K.2007)

¹¹ Women's salary in the year 2004 comprised 68,6 per cent from men's salary; 72,8 per cent in 2006 Zhinki i choloviki v Ukraini: Statizichnij zbirnik – K., 2007 (Females and males in Ukraine: statistical collection. K., 2007)

¹² Zovnishni Trudovi migratsii naseleniya Ukraini /Za red. E.M.Libanovoj, O.V. Pozdnyaka. – K.: RVPS Ukraini NAN Ukraini, 2002 – s.84 (External labor migration of the Ukrainian population /Ed. By E.Libanova, O.Pazdnyak. – K.: RVPS Ukraini NAN Ukraini, 2002 – p.84)

¹³ G.V. Gerasimenko, O.V. Poznyak, Genderni aspekti trudovih migratsij naseleniya Ukraini // Demografiya ta sotsialna ekonomika. – 2006. – N1. – s.51 (G. Gerasimenko, O.Poznyak, Gender aspects of migration of the Ukrainian population // Demography and social economics. – 2006. – N1. – p.51)

¹⁴ International migration outlook: SOPEMI 2006 Edition /OECD, 2006. – P.278, 283.

Table 4 -- Amount of female migrants in given countries (%)

Destination country	Research by the Committee of Statistics conducted in 2001	Info about migrants from rural areas from Ternopol obtained in 2001
Russia	19	11
Poland	36	36
Czech Republic	26	24
Italy	87	79
Portugal	11	16
Greece	72	81

The work of the labor migrants depend on the needs of the country of destination. For example, in Russia one third of females were engaged in trading and one quarter, in the building sector. In Czech Republic 45.9% of migrants were working in the catering sector; 31.5% in industry. In Poland two thirds of females were working in the agricultural sector and 20%, in domestic sector (in-house works). The latter is predominant in Italy also.

The above mentioned data is supported by the survey conducted by the Italian centre “Female perspectives”. Nearly half of the respondents (49.3%) earned money by cleaning the apartments; 13.9% were looking after ill people; 24.8% were looking after the elderly people and 5.3% by baby-sitting. Only 0.5% of respondents were employed in agriculture, a little more than 1% was working in bars and doing jobs on hourly paid basis¹⁵.

Italian survey proved the illegal character of the majority of labor relationships. Only 5% of female migrants had legal right to work in the country. Thus given their illegal status female migrants were paid less then Italians.

There are some reasons to believe that female segment of the labor migration widened now. The increase in the female labor migration from Ukraine is due to several factors. Firstly, the demand for domestic female labor in the destination countries is growing. Secondly, emigration networks which connect Ukraine with these countries decrease the risk of human traffic and sexual exploitation. Thirdly, some migrants who obtained legal status in the destination countries are oriented on long stay and invite their families. Multiplication effect “domino” also matters: the successful female migrants who substantially increase the the material status of the families push the other females in Ukraine to immigrate for the purposes of employment or better life.

Such assumptions are justified by a series of surveys. Thus, second survey of the rural areas by Ternopol Regional Employment Centre (TREC) in 2004 showed that from the time of the first survey the amount of male migrants increased insufficiently – only at 4.8% while the amount of female migrants at 47.5% (on the whole the amount of migrants increased at 23.5%)¹⁶. In rural areas the quantity of female migrants reached 52.1% while male migrants decreased up to 47.9%. Increase in female migration was happening together with the intensification of the immigration to countries such as Italy and Spain where female labor is needed and at the same time decrease in immigrants’ flows into Poland and Portugal.

2.2. Influence of female migration on the function of taking care about its members

The research in the field of labor migration, conducted by TREC, produced a classification of labor migration according to motivation and behavior characteristics. It thus divides migrants in two main

¹⁵ Sotsialnie oblichya novitnoj ukrainskoj trudovoj migratsii: rezultati masovogo sotsiologichnogo opituvaniya ukrainskih zarobitchan v Italii // Lviv: Zahidnoukrainskij Tsentr “Zhinochi perspektivi”, 2003. – s.11 (Social implications of the new labor migrational policy: the results of the massive outbreak of the ukranians to Italy // Lviv, West-Ukrainian Centre “Zhinochi perspektivi”, 2003. – p.11).

¹⁶ Trudova migratsiya naseleniya Ternopilskoj oblasti: kilkisnij ta geografichnij aspekti. – Ternopil: Dzhura, 2005. – s.56 (Labor migration of the population of the Ternopil area: quantitative and geographical aspects. – Ternopil: Dzhura, 2005. – p.56).

types: temporary ones and those who live abroad for more than 3-5 years. The authors of the research stated that the immigration rate increased especially because of the second category of female migrants. The first group of emigrants is formed by female peasants who broke the vicious circle of *family-children-marital hardship -hard and low-paid job* and decided to leave their native country choosing in many cases even a non-prestigious job abroad as long as it was more profitable than at home.

The second group is composed of females from urban areas - those who have grown-up children. They often have very high level of professional education (doctors, teachers), in some cases are divorced or widowed, and have a low income at home. These persons often find more personal freedom and financial independence abroad, reasons which determines them to prolong their stay abroad.

In connection to what has been said previously, it is worth to quote some of the female migrants: "Working as a housekeeper in Italy is much easier than being a wife and a mother in Ukraine"; "I am doing the same things as at home, but I am well paid and my work is appreciated".

The main consequence of the female labor migration is a shift in gender roles – the transformation of the traditional relations in the family. Modern female labor migration from Ukraine is characterized by a series of features, which make these transformations very vivid and notable.

Firstly, this migration originates in regions where old patterns of relationships are still kept (western agricultural regions and rural areas).

Secondly, migrants female workers undertake permanent and long term jobs in comparison to males' seasonal work. This means that a woman leaves family for a rather long period.

Thirdly, since many females work abroad illegally, they can not come to see their families and children because after that is impossible to get back again to the place of work.

Ukrainian female changed her attitude and refused to play the same role as it was before the migration. The result of such a prolonged stay in the countries of destination was the destruction of patriarchal type of family relationship, as well as an important change in attitude towards women's social and family role. The money which women earn abroad and send home changed their financial status and is the major reason of such shift in attitude towards them.

The survey of the Italian centre "Female perspectives" shows that, in many cases, migrants were able to send home an average of \$400-600 USD/month (40,5% of respondents indicated this fact). Remittance transfers of 12,5% of migrants exceeded \$600 USD, however 18,4% were able to send only \$200-400 USD; the rest – even less.

It is important to underline that the average salary in Ukraine, at the moment of this survey, was approximately \$80 USD / month and in rural areas - even less. To add to this, in Lviv region (the majority of female migrants originates from here) the average wage is 90% of the country average salary. The same situation was in another regions affected by migration: in Zakarpat'e (80% of the average); in Chernovitskaya (75% of average); in Ternopol (65% of the average)¹⁷. That is why is not surprising that data from different surveys unanimously state that female migrants are generally satisfied with their work abroad, this level being higher than of males.

Thanks to the higher income, female migrants become the major breadwinners for their family, depriving male of his traditional role. If in divorced and widowed families her new role is not questioned much, in families this financial factor becomes a destructing momentum. The destruction of family nucleus is in many cases due to husband's alcohol problems, engagement in extrajugal relationships, or simply the fact that the husband is not ready to accept his new role. These reactions from the partner become an additional motive for a female to go back abroad, after only relatively short periods of being at home. This way, family crisis becomes fatal.

¹⁷ Budzhet Ukraini za 2003 rik: Statisticheskij zbirnik. – K., 2004. – s.130 (The Budget of Ukraine for 2003: Statistical collection – K., 2004. – p.13).

Such statement is supported by the divorce statistics, especially in rural areas which suffer from the mass migration. Thus, the lowest divorce rate (3.5/1000 people) was witnessed in Ukraine in 1999, which can be considered as the first year of mass labor migration. In the year 2005-2006 this rate was 3.9 and 3.8 / 1000 people accordingly. The number of divorces in rural areas escalated at an exceptionally high pace: 1.8 / 1000 in 1999 and already 2.7/1000 in 2006. In rural areas of Lvov region, in 1999 were registered 1431 divorces and in 2006 – already 2016 divorces, meaning one third more. In Ternopol region such numbers accounted for 929 and 1492 accordingly; one and a half as much¹⁸. However it should be mentioned that statistics can not fully address the problem as many de facto separated people do not go through the procedure of divorce officially for the reason of one spouse's absence.

Ukrainian society is developing very slow in the direction of professional and social self-realization of women¹⁹. That is why many female migrants who have legal status and well-paid jobs are oriented towards prolongation or even permanent residence abroad. Marital perspectives of female migrants should also be taken into consideration. As a result of survey of migrants' children and their representatives conducted by International Centre of Female RightsP "La Strada-Ukraine" in 2006, 19% of migrants' children and 14% of their representatives think that migrants will permanently stay abroad and will call for their children after a while²⁰.

However this doesn't mean that after leaving the country women stop taking care of their families and refuse to perform traditional female role. On the contrary, the necessity to support her family is the major motive and circumstance justifying the absence of a wife, a mother, a family member. According to the survey of female migrants in Italy 50,6% of women considered the chance to help their family and children as the major positive result of their transfer abroad.

However these functions suffer great transformations. Instead of personal care and support the relatives receive the remittances and parcels of goods emotional exchange being cut to letters and telephone talks. In person meetings become thus very rare. According to "La Strada-Ukraine" 30% of children haven't seen their migrant mothers for 6 months; for 13% of children this time prolongs up to one year; for 7%– up to two years; 5% haven't seen their mother for more than two years²¹.

This is the reason why it should not be surprising that nearly one third of women surveyed in Italy (29.9%) referred to family problems which occurred during their absence. The problems appeared not only on a husband - wife relationship, but also in the relation with the children and parents. All this happens despite the fact that money earned by migrants play an important role in the welfare of their families and thus provide family members with better conditions of education, health care and life in general.

Money inflow in Ukraine is without a doubt considerable. In the year 2004 the World Bank estimated it at \$400 million USD²², and in 2006 – at \$595 million USD. However considerable amounts of money are transferred via informal channels and this makes the real inflow bigger but difficult to quantify. According to the Ministry of transportation, only Ukrainian sailors, who sail

¹⁸ Naseleniya Ukraini 1999: demografichnij schorichnik. K., 1999. – s.111; Naseleniya Ukraini 2006: demografichnij schorichnik. K., 2006. – s.76 (The population of Ukraine: statistical collection 1999.- K., 1999. – p.111; The population of Ukraine: statistical collection 2006.- K., 2006. – p.76).

¹⁹ Despite having high level of professional education, 68,4 per cent of the Ukrainian women are engaged as unskilled labor. There are 1,4 times less females on managerial position then males. Women comprise 75,3 per cent of state officials, however only 14,6 per cent of females among first category officials, (in 2000 - 8,3 per cent), second category – 23 per cent (in 2000 - 16,3 per cent), third category – 38,1 per cent (in 2000 - 22,5 per cent). Zhinki i choloviki v Ukraini: Statistichnij zbirnik – K., 2007 (Females and males in Ukraine: statistical collection. K., 2007).

²⁰ Problemi ditej trydovih migrantiv: analiz situatsii. – K., 2006. – s.10 (Problems of the labor migrants' children: analysis of the situation. – K., 2006. – p.10).

²¹ Ibid, p.12.

²² Migration and Remittances: Eastern Europe and the Former Soviet Union /Ed/by A.Mansoor and B.Quillin. – The World Bank, 2006. - P. 61, 125.

under foreign flag bring home up to \$500 million USD annually²³. Calculations based on the data from the abovementioned survey by State Statistical Committee allowed to estimate the most probable figure of migrants earnings at \$7,5 bil USD annually with half of this amount transferred to Ukraine (up to \$3.5 milliard USD)²⁴. National bank of Ukraine refers to similar figures. According to the bank's data in the year 2006, via bank channels the country received \$2.06 milliard USD of migrants' remittances; plus one more bil. USD was transferred via Western Union, Money Gram, etc. Ombudsman of Ukrainian Verhovnaya Rada stated that migrants transfer \$400 million USD per month, e.g. \$4.8 bil. USD per year²⁵. According to the estimates of the Institute of the economics NANU amounts transfered reach \$5-6 bil. USD/year²⁶. Some authors estimate up to \$21.3 bil. USD²⁷. However we believe that their calculations are based on a very elevated amount of migrants working abroad.

According to different surveys, the major part of the money earned abroad is used in migrants' households for every day needs. Other money are used for buying, refurbishing and building apartments. A quarter of migrants support their children and parents. Every fifth migrant transfers money for educational and healthcare purposes²⁸.

Some experts believe that education of the children is the major reason for 85% of the labor migrants. It should be noticed that this factor is very important for female migrants. Such category of expenses as parental and children support includes paid services like housekeeping, baby-sitting, taking care of elderly people, etc. It should be understood that those Ukrainian female migrants leaving their families and relatives are taking care of somebody else's children and adults abroad. The financial support can not compensate the absence of a mother or a wife and such support is often taken by family with the deep feeling of jealousy and disappointment.

2.3. The problem of social orphanage or children left behind by migrating parents

One of the biggest problems connected to emigration is the children left behind in the motherland, especially the cases when both parents are leaving abroad. According to the Italian survey of the Ukrainian female migrants only 6.1% had no children, 28.5% had one child, 46.7% had two, and around 8% – three children and more. Data from the same survey states that only 5.3% of the children left home by female migrants were between 1 and 6 years old. Nearly a third (32.5%) of the children is at school age (7 to 16 years old). However the majority of the children were of 17-22 years old.²⁹ These teenagers are deprived of parental support, at the very age when they need family support for tailoring and correctly constructing their personality.

The number of children who end up in complicated family situations (because of their parents' migration) is even harder to estimate than the amount of migrants themselves. Most often data taken

²³ K. Ilnitskij, *Morskij Vibir Ukraini* // *Dzherkalo tizhnya*. – 2006. – № 48(627). – g.16-22 (K. Ilnitskij, *Nautical choice of Ukraine* // *Dzherkalo tizhnya*. – 2006. – № 48(627). – p.16-22).

²⁴ I. Majdanik, *Vpliv zavnishnih trudovih migratsij na ekonomichnij rozvitok regioniv* // *Formuvannya rinkovoj ekonomiki: 3B nauk.prats: Spets. Vip.: Mat-li Mizhnar. Nayk-prakt. Konf. "Demografichnij rozvitok Ukraini I prioritetni zavdaniya demografichnoj politiki"*. – T.2. – s.86 (I. Majdanik: *Special edition of the International conference on priorities in the development of the demographical politics*, T.2. – p.86).

²⁵ N.Karpachova, *Stan dotrimaniya ta zahistu prav gromadyan Ukraini za kordonom: Spetsialna dopov. Upovnovazhenogo Verhovnoj Radi Ukraini z prav ludini*. – K.: *Intertechnologiya*, 2003 (N. Karpachova, *Analysis of the Ukrainian minorities abroad: special report of the Verhovna Rada Ombudsman*. – K.: *Interhechnologiya*, 2003)

²⁶ *Parlamentskie sluhaniya 17 listopada 2004r. "Stan ta problemi pravovogo i socialnogo statusu suchasnoj ukrainskoj trudovoj migratsii"* // taken from here www.portal.rada.gov.ua.

²⁷ Gajdutskiy A. *Migrational capital in the Ukraine: hidden reality* // *Weekly mirror*. – 2007. – 21st April.

²⁸ Pirozhkov S., Malinovskaya E., Homra A. *External labor migrations in the Ukraine: socio-economic aspect*. – K.: NIPMB, 2003. – p. 89-93.

²⁹ *Sotsialnie oblichya novitnoj ukrainskoj trudovoj migratsii: rezultati masovogo sotsiologichnogo opituvaniya ukrainskih zarobitchan v Italii* // Lviv: *Zahidnoukrainskij Tsentr "Zhinochi perspektivi"*, 2003. – s.11 (*Social implications of the new labor migrational policy: the results of the massive outbreak of the ukrainians to Italy* // Lviv, *West-Ukrainian Centre "Zhinochi perspektivi"*, 2003. – p.11).

from the schoolchildren surveys. Thus, according to a 2006 survey, conducted in Ternopol, every fourth pupil (25.5%) had one of his parents abroad; 4.2% of them had both parents away³⁰.

According to Chernovitskaya Regional Administration (another region suffering of female migration) 12873 children had their parents working abroad in 2003; 17021 in 2004 and in 2005 – 17531. Apart from this, in 2003 there were 1280 children who had both parents working abroad; in 2004 – 1873; and in 2005 – 2254. Taking into consideration the fact that, according to the data for 2001, there were 226 000 children under 18 in this region, we can calculate that around 8% of all children lost proper parental support; including 1% of those who were left without parents.

International centre “La Strada-Ukraine” conducted a research in Lviv, Kherson, Lugansk, Vinnitsa region and in Kiev in 2006. In this research were surveyed children of the labor migrants (103 children); their relatives and people whom they lived with (103 people); experts (teachers, psychologists, social officers, etc.). The results showed that children are usually left by the mother (44%), father (26%), grandmother (35%), sister (14%), and brother (12%). About 45% of surveyed children had no father; 42% – had no mother. In addition, 36% of fathers and 30% of mothers were working abroad for up to 3 years; when 14% of fathers and 11% of mothers – for more than 5 years³¹.

Results show that there are negative changes in behavior of children whose parents work abroad. They quit school, study badly and generally have lack of discipline. Such children become angry and aggressive, make inappropriate friends. Very often they become addicted to alcohol and drugs and involved in criminal activities. Every tenth of the surveyed children knew about the proposal which get some teenagers to disperse narcotics, to become engaged in prostitution and pornography. Six out of 103 respondents mentioned that they received such offers personally at least ones.

Antisocial behavior is not the only severe consequence of the parents' migration. Offence received on behalf of their parents leads to inferiority complex and fault complex which don't make life of a child easier. Emotional challenges influence physical health. Moreover, psychologists say that migrants' children contain a suicidal risk group. It was indicated that increase in childrens' suicide attempts are common in the regions severely affected by migration.

The situation is especially dangerous in cases when mother migrates. Men very often fail to be a good parent, as said previously, start drinking and have affairs which are usually witnessed by their children. This has negative impact on the pattern of family life which these children get. It is also noticed that children brought up by fathers sometimes can't identify themselves and tend for homosexual relationships.

Psychologists noticed that children tend to spend money received from the emigrant parent on irrelevant things as a form of revenge for leaving them alone.

Another problem is the increased tendency towards a parasitical style of life among the youngsters whose parents work abroad. These young people have no desire to work or study because they get support from their parents which consist in more money than they could earn by themselves.

Another worrying fact is the perception of these youngsters - that earning money is possible only abroad. This feeling creates a new generation of labor migrants. In addition, they accept illegal migration in the same way as their parents do.

Problems connected to migrants' children sometimes arise when migrants take their children with them abroad. According to Chernovitskaya Regional Administration out of 18-25 children of 6

³⁰ B. Dovzhik, Pro dpsvid roboti ta propozitsii oblasnogo tsentru zanyatosti schodo podolannya negativnogo vplyvu trudovoj migratsii na stan pinky pratsi // www.dcz.gov.ua/ter/control/uk/publish/article?art_id=5223990 (B. Dovzhik, About the attempts of the local governments to mitigate negative consequences of the labor migration on the local labor market // taken from here www.dcz.gov.ua/ter/control/uk/publish/article?art_id=5223990).

³¹ Problemi ditej trudovih migrantov: analys situacii. – K., 2006. – s.12. (Problems of the children of the labor migrants: analysis of the situation. – K. 2006. – p.12).

years old only 5 or 6 come to school. The rest has left with their parents to Italy, Portugal, Greece and Russia. Very often they stay there without documents and as a result do not get proper school education and health care. However, sometimes parents have positive influence on their children. Some of them became more self-organized, responsible and starts to respect more their parents.

But generally, according to “La Strada-Ukraine” the conclusions of the research are rather pessimistic. Researchers also believe that social and governmental reaction to this problem is. Firstly, there is no practically statistical information on families of the labor migrants who have children under 18 years old. The teachers and different social services try their best to support these children, but there is still no systematic support. There is no governmental structure which would take care of the children in the absence of their parents; there are no specialists who would understand the peculiarities of the problem. It should be mentioned that the level of knowledge and awareness of the state and regional officials into the problem is very low.

Nevertheless the increase of social orphanage because of migration of parents had been recognized. In December 2006, Ukrainian Ministry of Education issued a special decree “On social-pedagogical and psychological work with children of labor migrants” according to which psychological service inside the educational system should deal in particular with such category of children. Children are to be assisted when it comes to personal problems connected with the departure of their parents. Such work is conducted throughout the educational system from kinder-garden to higher education institutions. Special attention is given to the work with children and also with their teachers and relatives.

The pilot project on migrants’ children in five regions of Ukraine (Kiev, Donetsk, Lugansk, Ternopol and Chernovets) is worked out for cooperation between teachers and social officers, non-governmental organizations etc. The major executives are Regional Centers of practical psychology and social care.

2.4. Labor migration and labor deficit

According to the information from the State Employment Center, demand for turners, grinders, drivers, gas and electric welders is growing vary rapidly and they are among the most deficit professions. Cooks and builders are in constant demand as well. It means that Ukrainian workers abroad are a necessary part of Ukrainian economy as well.

Migration creates the labor deficit in other ways too. Money transfers become salary substitutes for migrants’ family members. For example, public hearings in Lvov region showed that local men refused to work even if the salary for their work was higher then capital’s average (which is constantly twice as much as country average). The reason is that they receive much more money from their wives abroad.

Ukrainian Ministry of Labour and Social Policy states that on average 8% of enterprises suffer from labor deficit and in 9 regions this figure was equal to 10%. The amount of vacant positions in the country is constantly above 1,5 million. Hence personnel deficit became a more vital problem then unemployment.

As people migrating abroad are in the most productive age, the aging of the work force is increasing. Today every fifth economically active worker is more then 50 years old, and one out of fourteen – exceeds working age³².

A so called “brain drain” process deteriorates the quality of the labour force. The higher professional institutions have prepared even more specialists now then in Soviet time. Ukrainian census in 2001 showed the decrease in quality of education of young specialists. According to

³² Poslaniya Prezidenta Ukraini Verhovnij Radi Ukraini “Pro vnutrishnie i zovnishnie stanovische Ukraini y 2005 roky – K., 2005. – s.111. (Presidents’ work to Verhovnaya Rada of Ukraine for the year 2005 “On internal and external interests of Ukraine”. – K., 2005. p. 111).

experts, the country has lost 15-20% of its intellectual potential due to emigration³³. The loss is even more noticeable because while working as unskilled labour abroad Ukrainian, workers lose qualifications. The quality of the labour force in many cases does not correspond to the needs of economy. Notably, foreign investors who are now coming to the Western Ukraine face with the labour deficit in this regions which historically had enough labor force. Part of the reason is ofcourse the imbalance between the system of education and labour market, however the role of emigrational processes should not be diminished.

The outflow of the professionals also affects the situation in the healthcare and social sphere. The total figure of emigration of medical workers from Ukraine is unknown. However, according to the survey made by the abovementioned Italian centre 11% of the respondents used to work in medical sphere before emigration. Facts show that today medical sector faces severe problems in connection to physicists, anatomic, sanitary, etc. personnel.

There are 14 Medical Universities and 1 Pharmaceutical University in the country. Apart from this, medical personnel is formed also at 4 medical faculties of the classical universities. More than 4000 people receive medical diplomas annually; however more than 5000 medical workers leave this field (due to emigration changes of occupation, death, etc.). That is why the number of medical workers decreases in the Ukraine. According to the information from the Ministry of Healthcare it has decreased for 5500 people in last 5 years. As a result, the coefficient of accessibility to doctor dropped from 35/10000 people, down to 26.5³⁴.

Even less optimistic is the situation of the medical nurses. There are around of 300000 medical nurses in the country. Despite the fact that annually 10 500 people receive the diplomas the total number of medical nurses dropped for 47 000 in the last few years.

The deficit of doctors in 2007, officially accounted for 16,1 thousand people; medical nurses – for 13,9 thousand. In this situation the only solution for the country is to involve doctors and nurses who are at the pension age. People at the pension age comprise more than 20% of the doctors and 14% of the medical nurses.

Medical personnel deficit is envisaged even in the capital. In the rural areas, especially in some of the poorest regions, the situation can be called catastrophic. That medical institutions have 80.7% of the needed personnel and in the rural areas it is only 71.6%. Some 237 ambulation, 7 local hospitals, 386 feldsher centers were closed because of lack of medical personnel.

The major reason for internal and external migration of the medical workers is a very low salary. Despite the increase of salaries of 25% in 2007, it still comprised only 780 hryvnias (app. \$150 USD); neuro-surgeons earned 837 hryvnias (\$165 USD); medical assistants– 619 hryvnias (\$120 USD); junior medical nurses – 483 hryvnias (\$95 USD)

In such situation it is not surprising that Ukrainian medical workers learn foreign languages and migrate. For example, employment of the medical workers abroad is now facilitated due to intergovernmental Ukrainian-Lithuanian agreement. However most often doctors and medical workers move abroad on their own. Moreover, Ukrainian nurces go to neighbours countries who suffer from severe deficit of medical personnel as their own people leave further West.

Nowdays, the major destination country for the Ukrainian doctors is Poland. Ukrainians don't feel the language barrier there. Medical workers as well as teachers represent a noticeable part of those who are legally working in Poland. Outflow of the professionals takes place also through the educational reforms. The Ukraine and Poland signed the agreement of mutual acceptance of the certificates of school education that allowed Ukrainians to study at Polish universities. Inflow of smart young people from Ukraine corresponds to the needs of Poland and can be seen even in their

³³ Kychinska, Vpliv integratsijnih procesiv na ekonomichny aktivnost naseleniya, zanyatist ta rinok pratsi // *Ekonomika ta derzhava* 2006. – N3. – g.82-83 (Kychinska. Influence of the integrational processes on economical activity of the population and on the labor market // *Economics and State*, 2006. – N3. – p.82-83).

³⁴ O. Skripnik, *Evropinadi dlya lekariv* // *Dzerkalo tizhnya* 2006, g.16-22 (O. Skripnik, "Evropinadi dlya lekariv" // *Dzerkalo tizhnya* 2006, pp.16-22).

slogan “European Union is here! Live, study, work!” However other countries are also interested in Ukrainian medical workers. According to the data from the Ministry of the Healthcare they constantly receive requests from abroad in connection to the amount of medical personnel they possess³⁵. Recruitment agencies actively help to employ medical specialists in USA, Canada and other countries.

2.5. Migration and risks connected to pension system

Annual remittance to Ukraine consists of 6-7 bil.USD that has a positive influence on the country economy and apart from that it helps to increase the economical independence of migrants' households. Some share of the remittance money transfers is usually accumulated by families in an insurance fund.

Nevertheless the issue of official health insurance and pension is quite challenging and revealing in Ukraine. This issue is officially regulated by the State Law on the obligatory state pension provision and by international agreements as well.

For example the clause 12 of this Law particularly states that voluntary participation in the system of the obligatory state pension insurance gives possibility for people who live and work abroad to save up these years for labour pension in their home country. In case when a person cannot make payments on the regular basis, he can pay at once for all past consequent years. According to the Ukrainian legislation voluntary payments to the system of obligatory state pension insurance allow to consider work abroad as a work in one's home country thus consequently giving the right for pension treatment in the home country.

According to clause 51 of this Law in the case of pensioner's emigration abroad for permanent residence, pension assigned for him in the Ukraine should be paid to him within 6 months period before his departure. The pension should be paid only if there are special international agreements between Ukraine and the country of destination. In 2006 the Law was changed in order to let all pensioners who have the right to receive pension within Ukraine and who reside abroad to receive their pension abroad irrespective of any international agreements.

International agreements of Ukraine in relation to pensions³⁶ can be divided into the two types: based on the territorial principle according to which the payments are made by the state of migrant's residence (with the NIS countries, Hungary and Romania); the other type is based on proportional principle, according to which each country assigns and pays only those payments related to the certain period of work in a given country.

The Ukraine Government and Ministry of Labour and Social Policy initiated the negotiations with the countries of destination of the Ukrainian migrants to work out an agreement on pension solidarity. This is logic because labor migrants are paying taxes. Thus, in the course of negotiations with European socio-economic committee (October 2007) a working group of experts was set up to discuss such agreements.

Legal migrants who do certain payments may assume to receive pension services in a destination country. However the majority of the Ukrainian migrants work abroad illegally, so consequently they don't pay any taxes and are not able to earn any pension in the destination country. Due to the fact that they moved abroad in a relatively young age they most likely will not be able to get the right for the pension as this right is given to males only after 25 years of work and 20 years – to females.

³⁵ O. Skripnik, Galma dlya “Magnita”//Dzerkalo tizhnya 2007, g.33-38 (O. Skripnik, “Galma for “Magnit”// Dzerkalo tizhnya 2007, pp.33-38)

³⁶ The Ukraine signed such agreements with Spain, Estonia, Latvia, Slovak republic, Czech republic, Bulgaria, Armenia, Belarus, Kazakhstan, Kirgizstan, Russia, Tadzhikistan, Turkmenistan, Moldova, etc.

That is why the legislation has a special rule on pension insurance for such category of people. Nevertheless the participation of migrants in such insurance is minimal. Thus, according to the data of Ternopol regional employment centre in 2006 only 59 citizens registered in this very region and working abroad have declared their revenues and paid income taxes. However, specialists acknowledge that interest in pension insurance is growing among labour migrants. No doubt that the majority of them doesn't pay any income taxes and when come back home after a certain age they are able to receive only the minimal social pension. However even this pension will be paid on expenses of the other pensioners and may become a feasible burden for the country pension system.

In this circumstance, labour migration has negative consequences for migrants' pensions. Cumulative pension system depends on the demographic situation, e.g. from the correlation of the number of the working and not-working population. In the other words those who work provide the support for those who do not. Accordingly, the smaller the share of working group and larger share of those who don't work, the less pension payments will be available. As a consequence of the aging of the population, demographical burden on those who work becomes objectively harder. Labour migration hardens this tendency.

2.6. Conclusion

The social context of the policy towards labor migration should be developed in two major ways: firstly, it is necessary to decrease labor emigration, especially that of highly qualified professionals who are needed in their own country. Because of bad demographic situation it is important to try to return those who have already left the country. Secondly, it is necessary to minimize negative consequences of labor migration for the social sphere.

The most important problem which should be solved by the Ukrainian government is increase of level of salaries. The low wages is one of the driving forces for people emigration. For the migrants is also important to provide effective involvement of their emigrational capital in Ukraine as well as to simplify the transfer of money. Mutual benefit and perspective seems the cooperation with the destination countries for temporary employment schemes in the contest of circular migration. In addition for the protection of the family ties of the labor migrants the state should assist in legalization of labor migrants abroad, eliminating boundaries connected to visa processes and develop transit networks.

The issue of children left behind by their parents has been raised already by the police and the teachers and should be solved on the state level. It is necessary to develop an institution of modern guardianship. If there are no relatives who are able to take care of a child, this should be done by the state, possibly by creating special institutions of temporary guardianship, where a child could live while his parents are away.

Activisation of the prevention work with migrants' children might assist in renovation of rural club. It is necessary also to promote sports, tourism and other activities. Taking into consideration state financial deficit such events could be fee paid as migrants' children have enough money to pay for themselves. However it is impossible to organize such work without help and interest of the teachers and the local authorities. Substantial help can be offered by non-governmental organizations and church which is already paying attention to be problem of migrants, their families and children.

The lack of medical workers apart of measures aimed at increasing their wages and improvement of working conditions, it is necessary to increase the number of places in medical education (including fee paid places). Mutual benefit solution should be worked out with financial help of those countries which are interested in employment of medical specialists from Ukraine.

3. SOME BRIEF INFORMATION ABOUT TRENDS IN THE FIELD OF SOCIAL POLICY AND WELFARE REFORMS IN REPUBLICA MOLDOVA

3.1. General trends in the field of social policies and welfare reforms

The social welfare system in the Republic of Moldova is in transformation. Fall in population's incomes during the transition period has brought about the mass poverty of population. The traditional social categories exposed to the poverty risk – families with many children, incomplete families, disabled and old -age persons) were complemented by new categories such as unemployed, persons employed in agriculture, budget sphere, where the salaries are extremely low and cannot ensure a decent living standard. The central issue of social policy is how social services and benefits should be distributed. The system for the distribution of social services and benefits should be practical, affordable, transparent to the beneficiaries. The accurate measurement of incomes is especially difficult in Moldova. The country has the difficulties common to all poor societies, e.g. a high proportion of self-employed, high migration and large level of unrecorded remittances.

The reforms of social sphere affected several directions. Social service has been one of the main victims of Moldova's flawed transition process, with over 80% of the population living below the poverty line and in total dependency on migrant remittances for subsistence. The existing system of social service has been in decline. That is why The Economic Growth and Poverty Reduction Strategy (EGPRS) supported by the World Bank and the IMF adopted by parliament in June 2004³⁷.

Over the period of EGPRS implementation, the development of the healthcare sector was manifested by extension of the network for primary healthcare, introduction of mandatory healthcare insurance and increase of the state budget contributions, which consisted of about 3.5% of GDP in 2006. The expenditures of the national public budget for healthcare have grown in respect to GDP from 4.2% in 2004 up to 4.3% in 2005 and 4.8% in 2006. The salary constitutes only a quarter of poor families' disposable income. The low level of pensions, social indemnities and compensations generate a substantial extension of poverty (59.1%) among households, whose main source of income are social transfers.

Those most affected by poverty are the children and the elderly. Child poverty is an acute problem as two thirds of poor households have children. Moreover, it is estimated that one fifth of children live in absolute poverty. The elderly (over 60 years old) represent around 13% of the population, but 28% of the elderly are poor. Data suggest that this group is particularly vulnerable due to low pensions, poor health and living costs. Poverty is also linked to housing conditions: according to the EGPRS, there are 82,000 families on the waiting list for a dwelling or housing improvement – 81,100 of them are in urban areas.

The long-term development priorities for Moldova are set out in the country's Economic Growth and Poverty Reduction Strategy, and can be summarised as 'sustainable socially oriented development', the 'reintegration of the country' and 'European integration'. 'Sustainable socially oriented development' is both a long-term objective and a 'medium term development principle'. It refers to 'improved political and economic governance', private sector development (price and trade liberalization, competition, deregulation), and the redistribution of power between central government and local authorities, especially in regard to healthcare and education management and the promotion of Millennium Development Goals. 'Reintegration of the country' refers to the Transnistria conflict³⁸.

³⁷ EGPRSP, www.scers.md.

³⁸ IMF (2006), Republic of Moldova: Poverty Reduction Strategy Annual Evaluation report 2005. IMF Washington Country Report No. 06/186.

About 25% of the socially vulnerable population, of working group age, mainly in rural areas has no adequate access to healthcare services due to financial difficulties, lack of transportation infrastructure etc. These groups of the population are not covered by the system of mandatory healthcare insurance.

There is a persistent and widening inequality in education opportunities. To improve the access of the poor to education, it is essential to eliminate informal payments and bribes in higher education. For example, over 2006, with World Bank support, the implementation of projects „Education for all – initiative for rapid action” and „High quality education in rural Moldova” has started. About 81% of the budget of the rural project, amounting to 10 million USD, had been used for purchase of equipment and didactic materials for educational institutions. Moldovian government has set a 15% quota of the number of state budget funded university seats for each speciality and form of training and specific quotas for those of the rural space to support capable young people, which belonged to different categories of vulnerable groups.

The State Social Insurance Budget is fragmented and has low level of transparency in terms of resources circulation and distribution among funds. Thus, in the budget the money are not strictly distributed by funds, but circulate from one fund to other according to the payment needs. This fact hinders the analysis of the efficiency of budget transfers for programmes. The cost of social assistance programmes had increased over the past few years: from 8.8% in 2004 to about 11.7% of GDP in 2006. The compensations continue to be the most expensive social programme, consisting about 47% of the social assistance expenditures from the state budget³⁹.

3.2. International migration (in particular female migration) and its impact on welfare systems

Thus according to the IMF, the high level of remittances has gone hand by hand with import growth (77.5% of GDP), a worsening trade balance deficit (39% of GDP), and low productivity in industry and agriculture. Currently, the ratio of remittances to GDP in Moldova is the highest in the world. In 2007 the remittances constituted \$ 1 mlrd 216, 22 mln. USA⁴⁰.

This suggests that Moldova's economic growth has been highly dependent on external factors, which have increased the country's vulnerability and raise doubts about prospects for sustainable economic growth and poverty reduction. Another effect of remittance is inflation. For example in Chisinau, prices for imported goods and apartments have escalated. Remittances have a large impact on household welfare and may contribute to reducing of poverty. Moldova has Law on dual citizenship and according some surveys the number of people who has also other citizenship is about 300 000 (mainly Romanian, less number has also of Russian and Bulgarian citizenship).

The economic crisis in 1998 triggered the first wave of migration. Migrant and non-migrant household experienced roughly the same poverty incidence of close to 40% in 1998. By 2006, the incidence of poverty fell to 20% for migrant households, while it decreased only slightly to 32% for non-migrant households. Remittances are used mainly for consumption rather than for investment. As in many other sending countries, one of the greatest challenges for government policy is to facilitate the flow of remittances into employment generating activities.

Migrants' households not only benefit from migration, but also incur substantial social and emotional costs due to separation from family member, single parenting⁴¹, etc. In addition migrants do not contribute to the state pension system. This is a problem that needs to be addressed, because the population of the country is ageing.

³⁹ Annual Evaluation Report on the Implementation of the Economic Growth and Poverty Reduction Strategy Paper 2006 Chisinau, 2007.

⁴⁰ IMF (2006) Republic of Moldova: Poverty Reduction Strategy Annual Evaluation report 2005. IMF Washington Country Report No. 06/186.

⁴¹ Remittances in the Republic of Moldova: Patterns, Trends, and Effects. (2007) IOM and Swedish International Development Cooperation Agency.

Skilled migration has a large impact on social service. During 2000-2004, thirty-six thousand doctors left the healthcare system, and twenty-eight thousand of teachers left the education system to work abroad. By any measure, these represent a serious brain drain. Female migration can indirectly help alleviate poverty by raising the productivity, education and health of the females and their families.

Migration offers women education and career opportunities that may not be available at home, or be denied them, as well as alternatives to marriage, change the traditional role of home carer (even though it is often home care that the women engage in abroad). These opportunities include domestic work in other households for an income rather than to be an unpaid domestic in their own household.

Nevertheless the Moldova survey highlighted also a number of negative characteristics about female migration. A Moldova survey found a higher rate of separation and divorce among women migrating than those that stayed behind. Migration as a transforming experience can improve or worsen the position of women in families and society.⁴² Moldovan women tend to remit more of their earnings (especially if older), and earmark their remittances for food and clothes for the family back home⁴³.

The other important problem partly related with female migration is the situation of children left behind by migration parents, especially mothers⁴⁴. The data of Ministry of Education, Youth and Sport in 2005 show that there were about 35 000 school age children left without the care of both parents and not less that 75 000 children who have parent left abroad to work. Unofficially data suggest that these children are disproportionally exposed to violence, trafficking, delinquency and school drop –out. There are no institutional or community level mechanism to help them prevent those danger.

One more negative side of migration is trafficking and sexual exploitation of female migrants. In South Eastern Europe, extensive research and victim case studies have shown that trafficked victims come from the poorer countries of the region, which are also generally large migration sources – Moldova, Romania, Albania and Bulgaria. IOM research indicated that at least 23% respondents of the survey know somebody who was victim of trafficking. It means that the evaluation of women, involved to sexual migration is more then 10 000.⁴⁵

⁴² Carling, (2005) “Migrant Remittances and Development Cooperation”, PRIO Report 1/2005, International Peace Research Institute, Oslo.

⁴³ IOM (2005) “Migration and Remittances in Moldova”, IOM Moldova.

⁴⁴ UNICEF (2006) Study report . The Situation of Children Left behind ny Migrated Parents. UNICEF Moldova office.

⁴⁵ Moshniaga V. (2005), Force and unforced sexual migration from Moldova. In eds. Molodikova I., Migration processes in Central and Eastern Europe: problems of regulation. SGU, Stavropol.

APPENDIX 1

	2000	2005	2006	2007
Constant population (on 1 January of the indicated year)	49115,0	47100,5	46749,2	46465,7
Including				
male	22754,7	27754,0	21574,7	21434,7
famele	26360,3	25346,5	25174,5	25031,0
The age structure:				
0- 14 years old	8781,0	6989,8	6764,7	6606,4
15-64 years old	33515,1	32603,5	32417,3	32256,2
65 and more years old	6818,9	7507,2	7567,2	7603,1
Birth rate				
Totally (ths)	385,1	426,1	460,1	436,7
On 1000 people	7,8	9,0	9,8	10,3
Death rate				
Totally (ths)	758,1	782,0	758,1	697,9
On 1000 people	15,4	16,6	16,2	16,4
International migration				January- November
Inflow				
Totally (ths)	53,7	39,6	44,2	40,8
On 1000 people	1,1	0,8	1,0	0,9
Outflow				
Totally (ths)	100,3	35,0	30,0	27,6
On 1000 people	2,0	0,7	0,7	0,6
Net migration	-46,6	4,6	14,2	13,2