

# The Human Resource Crisis and the Salary System within Central and Local Public Authorities in the Republic of Moldova

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*Opinions expressed in this study belong exclusively to the authors and do not necessarily reflect the point of view of the Soros Foundation Moldova*

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## 1. Preamble

In the context of geopolitical changes and the war of the Russian Federation against Ukraine, the European integration has become a priority for the Republic of Moldova, both in terms of foreign policy and security, as well as in terms of internal reforms. In the context of the recent opening of the negotiations on the accession of the Republic of Moldova to the European Union, the creation of a professional, competent and modern public administration represents one of the key tasks for the Republic of Moldova in the near future, both with regard to efficient EU accession negotiations, and with regard to efficient administration of the state<sup>1</sup>. Although local and central public administration has competent professionals, overall, the current state of LPA leaves enough room for improvements and deep reforms.

The next steps in the negotiations regarding the accession of the Republic of Moldova to the EU will include an evaluation mission from the European institutions, which will assess the current state on all 35 negotiation chapters and define the necessary amount of reforms, coordination and adjustment<sup>2</sup>. As for now, the key role of coordinating the accession negotiations belongs to the Ministry of Foreign Affairs and European Integration (general coordination) and the State Chancellery (strategic planning and policy coordination at sectoral governmental level).

In the following years, the vast majority of public administration processes in Moldova will be related to these negotiations. Moldova must work hard to strengthen an independent, competent and professional public service capable of facing the challenges of the administration and reform of the state according to the demanding requirements put forward in the negotiating framework for the European Union accession. According to the European Commission, the Public Administration Reform (PAR) is one of three “fundamental” areas in the process of enlargement of the European Union<sup>3</sup>.

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<sup>1</sup> Press release, European Council, 14.12.2023: The European Council decides to open accession negotiations with Ukraine and the Republic of Moldova. The European Council invites the Council to adopt the respective negotiating frameworks once the relevant steps set out in the respective Commission recommendations of 8 November 2023 are taken, <https://www.consilium.europa.eu/en/press/press-releases/2023/12/14/european-council-conclusions-on-ukraine-enlargement-and-reforms/>

<sup>2</sup> [https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/glossary/chapters-acquis-negotiating-chapters\\_en](https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/glossary/chapters-acquis-negotiating-chapters_en)

<sup>3</sup> European Commission (2018), A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, [https://www.eeas.europa.eu/sites/default/files/western\\_balkans\\_strategy\\_en\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/western_balkans_strategy_en_0.pdf)

*This study analyses the current crisis of human resources and the salary system within the central and local public authorities in the Republic of Moldova, which is mostly insufficient, uncompetitive and inequitable, and represents one of the main obstacles on the way to creating a body of competent and well-trained public officials.* At the same time, remuneration cannot be addressed without a deeper analysis of the public administration reform as a whole and of the general system of the public service, but also without a detailed understanding of the impact made by the human resource crisis in the public administration at all levels. Although these important aspects cannot be covered by this narrow study, which focuses mostly on the human resource crisis and the salary system, they are very closely related to the main topic and will be found in several chapters. This study provides only a small fragment of an effort meant to improve governance in the Republic of Moldova.

At the current stage, the salary system in the public service is too complex, inconsistent and does not motivate performance and excellence. *A centralized salary reform for civil servants at central and local level remains a must, with the main aim of increasing salary competitiveness and fairness, while simplifying the salary system and making it more clear, simple and consistent.*

The salary reform will not produce the expected effects without actions aimed at redressing the human resource crisis in the public administration, but also without the public administration reform as a whole. The Government has designated PAR as one of the key priorities, including in the “Prosperous, safe, European Moldova” Program, which sets several objectives and policy measures in this area. Practically all strategic planning documents, including the Public Administration Reform Strategy in the Republic of Moldova for 2023-2030 openly admit that a human resource management system aimed at results and performance is a *condicio sine qua non* to solve the human resource crisis. However, this functional and high-performance system is up to be created<sup>4</sup>.

Apart from insufficient remuneration, one cause of the human resource crisis in the public administration is staff turnover in the public service, especially after changes of the governments. The system of organization and distribution of responsibilities in the central administration leaves a large number of agencies outside the general rules that should guide merit-based hiring and remuneration and robust financial management in public administration institutions. The legal framework that guides access to information and the proactive provision of information is of high quality. At the same

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<sup>4</sup> Decision on the approval of the Public Administration Reform Strategy of the Republic of Moldova for 2023-2030 no. 126 of 15.03.2023, Official Gazette No. 130-133/285 of 18.04.2023

time, compliance with these rules and the promotion of transparent governance is not necessarily sufficiently ensured at the central level.

The salary reform per se will not be efficient also without essential improvement of human resource management skills at senior management level. For instance, one of the key measures in this regard, which is required in parallel with the salary reform is broadening of powers of the general secretaries in various ministries in human resource management (HRM). Practices where the decision-making power for appointments, promotions, and other matters relating to human resources reside largely in the hands of ministers should be limited. The state secretaries should be more actively involved in the process of more competitive, merit-based appointments and promotions, but also to ensure the stability and predictability of these civil service positions.

The human resource management system remains bureaucratized, excessively hierarchical, which prevents initiative and innovation in the performance of tasks. Career development prospects in the public sector are not certain, and merit-based promotion opportunities in public office are insufficient. Overall, the attractiveness of the public service is insufficient; as a result, too few candidates apply for civil service positions at all levels.

An integrated informational system for human resource management in the public service – which would also include a sub-system for ensuring competitive remuneration – is a critical need for the entire public service. The current system is in practical terms non-functional and has limited utility. This system is to be created by the relevant public institutions, mostly under the leadership of the State Chancellery. The role of the State Chancellery in human resource management, systematic analysis of existing data, increasing the attractiveness of the public service should enhance significantly in order to standardize approaches throughout the public service system.

## 2. Introduction

The Republic of Moldova is going through profound internal and external transformations, largely caused by Russia's war against Ukraine and the concomitant dissolution of the so-called "post-Soviet" space. Moldova achieved major successes in a short period of time. Moldova has a roadmap for reforms and is firmly on the path to the European Union. Moldova obtained the status of a candidate country for EU accession<sup>5</sup>. In its decision to offer candidate country status to the Republic of Moldova the EU insisted on the need for deep reforms in the field of public administration and public finance management. In December 2023, Moldova obtained the opening of accession negotiations to the European Union<sup>6</sup>.

On the other hand, Moldova has been exposed to deep shocks. Migration, aging population, low productivity and insufficient incomes worsen the country's prospects. Economic and social fragility has increased. Rising prices and the vulnerability of the economy, along with the rising energy costs have caused tax expenditures to rise, but have not increased people's purchasing power. Moldova needs sustainable economic growth policies and, crucially, increased budget revenues to support public finance management tools.

Quality, training, competitive, equitable and sustainable remuneration of human resources within the central and local public authorities is a crucial field for the near and more distant future, and will play a fundamental role in the functioning of the Republic of Moldova as a state, but also in the negotiations of accession of the Republic of Moldova to the European Union. Direct focus on human resources, their quality, and their remuneration will determine whether Moldova will succeed in making efficient and deeper the EU accession process, and whether will conduct these negotiations on time to avoid its "geopolitical curse"<sup>7</sup>.

Strengthening the professional management of human resource in all government institutions at the central level is vital. Institutional capacity, including the quality and shortage of human resource could be one of the major impediments in the negotiation process on various chapters with the European Union. The human resource crisis in

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<sup>5</sup> Ziarul de Gardă: what does the status of a candidate country for EU accession represent? Its benefits and the next step to be taken by the Republic of Moldova, June 23, 2022, on <https://www.zdg.md/importante/ce-reprezinta-statutul-de-tara-candidata-la-aderarea-la-ue-beneficiile-acestuia-si-pasii-urmatori-pe-care-trebuie-sa-i-intreprinda-r-moldova/>

<sup>6</sup> Pro TV News: The EU voted to start accession negotiations with Ukraine and Rep. Moldova. Zelenski and Maia Sandu exult: "We are Europeans", December 14, 2023, on <https://stirileprotv.ro/stiri/international/consiliul-european-a-decis-sa-inceapa-negocierile-de-aderare-cu-ucraina-si-moldova.html>

<sup>7</sup> Geoană: The Republic of Moldova has a historic chance to escape from the geographical curse, by joining the EU, National Press Agency, agepress.ro, November 17, 2023, on <https://agerpres.ro/politica/2023/11/17/geoana-republica-moldova-are-sansa-istorica-de-a-evada-din-blestemul-geografic-prin-aderarea-la-ue--1205455>

public institutions both at the central and local level is frequently cited as one of the most pressing issue. This crisis manifests itself in the high number of vacancies, low number of candidates applying for vacancies, low attractiveness of the civil service, limited opportunities for professional development and promotion based on merit, excessive bureaucracy, which focuses on processes and procedures rather than result, and unclear responsibilities for human resource management within central and local authorities.

The salary level is often claimed as one of the main causes of this human resource crisis. Remuneration is perceived as insufficient in relation to the responsibilities of the public service, and the salary system is perceived as unfair, which does not encourage initiative and good performance. In the SIGMA's "Public administration in the Republic of Moldova. Assessment against the Principles of Public Administration" report the indicator "**Fairness and competitiveness of the remuneration system for civil servants**" obtained a disqualifying value – 1 on a scale from 0 to 5 (overall, the "public service and human resource management" obtained a value of 2.8 out of 5<sup>8</sup>). The salary system of the civil servants still remains the most problematic area in terms of the competitiveness and attractiveness of work conditions in the civil service.

One of the findings of this study is that the insufficient level of salaries – with all the recent salary increases – is only one cause of the low efficiency of the public service, and is not a determining one<sup>9</sup>.

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<sup>8</sup> SIGMA: Public administration in the Republic of Moldova. Assessment against the Principles of Public Administration, pp. 7-12, October 2023, OECD, Paris, <https://www.sigmaweb.org/publications/Monitoring-Report-2023-Republic-of-Moldova-ROM.pdf>

<sup>9</sup> Ref: FINAL EVALUATION (EX-POST), National Decentralization Strategy, 2012-2018, Support for the Public Administration Reform Process in the Republic of Moldova, Chisinau, 2021, Authors: Baiba Petersone, Ion Gumene

### 3. PAR and Human Resource Management (HRM) Reform

#### 3.1 Strategic Framework of the Public Administration Reform (PAR)

The Government recently adopted a strategic framework for the Public Administration Reform (PAR Strategy) for 2023-2030. This strategic framework includes the Public Administration Reform Strategy (2023-2030)<sup>10</sup>, Programme for Implementation of the Strategy for 2023-2026<sup>11</sup>, the Public Financial Management Development Strategy (PFM Strategy) for 2023-2030<sup>12</sup>. These strategic planning documents are coherent and comprehensively cover all areas of public administration reform as defined by the Organization for Economic Co-operation and Development (OECD)<sup>13</sup>.

However, these strategic documents could have a limited impact since they do not provide clear solutions. For instance, the salary reform under the PAR Strategy involves raising base rates, which are low and uncompetitive. At the same time, the PAR Strategy does not address other important issues such as continuity and equity. Likewise, the analysis of the fiscal impact and the estimation of the necessary funds are also missing, which calls into question the ability to carry out this salary reform.

Human resources and the level of remuneration are an important part of the PAR and cannot be analysed without an examination of this reform as a whole. According to the recent OECD (SIGMA) study – “Public administration in the Republic of Moldova. Assessment against the Principles of Public Administration” – policy planning and development at the level of central and local public authorities are well established in law, but their practical implementation suffers, and the capacities of the responsible centre-of-government institutions are insufficient. Coordination, the quality of strategic planning and public policy-making still offer plenty of room for improvement<sup>14</sup>. To a large extent, these deficiencies are also caused by HR policies.

The SIGMA study estimates that “performance of the Republic of Moldova in the six areas of public administration – strategic framework of public administration reform, policy development and coordination, public service and human resource management, accountability, service delivery, public financial management – range from 1 to 3.2 on a 5-point scale”. Assessment of principle 3, “public service and human resource management” produced very modest results:

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<sup>10</sup> Adopted by Government Decision No. 126/2023 of 15.03.2023.

<sup>11</sup> Adopted by Government Decision No. 352/2023 of 07.06.2023.

<sup>12</sup> Adopted by Government Decision No. 71/2023 of February 22, 2023

<sup>13</sup> OECD (2017), Principles of Public Administration, OECD, Paris, <https://sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>

<sup>14</sup> SIGMA: Public administration in the Republic of Moldova. Assessment against the Principles of Public Administration, pp. 7-12, October 2023, OECD, Paris, <https://www.sigmaweb.org/publications/Monitoring-Report-2023-Republic-of-Moldova-ROM.pdf>



1. *The scope of public service is adequate, clearly defined and applied in practice – 4 points out of 5*
2. *The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set up enables consistent and effective human resource management practices across the public service – 2 out of 5*
3. *The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit – 3 out of 5*
4. *Direct or indirect political influence on senior managerial positions in the public service is prevented – 2 out of 5*
5. ***The remuneration system of public servants is based on job classifications; it is fair and transparent – 1 out of 5***
6. *The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit – 3 out of 5*
7. *Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place – 3.5 out of 5<sup>15</sup>*

On the one hand, the Republic of Moldova has a legislative framework for a body of professional civil servants. On the other hand, the limited capacities of the public service at the level of the central and local public administration prevent the implementation of this legislative framework. Recruiting and retaining qualified personnel – especially with sufficient experience in public service and institutional memory – represents a challenge that will also affect the speed of the accession negotiations to the European Union.

The remuneration system is inefficient, and is not able to ensure the internal and external fairness of salaries. The 2018 salary reform and the recent legislative amendments, which allowed secondary employment to remedy the existing salary situation did not solve this problem. The existing regulatory framework does not provide very clearly who manages human resources at the central level and who is responsible for the development and implementation of HRM. The establishment of professional and dedicated human resource management in the local and central public administration, including a suitable information system is one of the important tasks which will improve the quality and remuneration level of the human resources.

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<sup>15</sup> SIGMA: Public administration in the Republic of Moldova. Assessment against the Principles of Public Administration, pp. 7-12, October 2023, OECD, Paris, <https://www.sigmaxweb.org/publications/Monitoring-Report-2023-Republic-of-Moldova-ROM.pdf>

### 3.2 The general economic situation and the level of the average salaries in the economy

A condition in itself to ensure increase and sustainability of the remuneration level in the public sector (but also in the private sector) is sustainable economic growth. In this respect, there is room for improvement. After the economic recession in 2009, the economy of the Republic of Moldova grew on average by 4.5% annually, which is in line with the average level in the Commonwealth of Independent States (CIS), and slightly above the level of economic growth in the Central European countries. Despite this growth, the economy has not improved its capacity to create jobs. The employment rate reached almost 38-40%, being one of the lowest in the region.

As a result, the salaries in the private sector, but especially in the public sector, have remained among the lowest in the region, pushing the workforce to migrate and depriving the country of one of its most valuable resources – human capital. These constraints have become even more pressing due to the slowdown of economic growth in the next years (despite the forecasts of the International Monetary Fund (IMF) according to which the GDP of the Republic of Moldova will increase, on average, by approximately 3% per year<sup>16</sup>. This rate of economic growth is not sufficient for a significant increase in the salary level in the private and public sectors.

The United Nations 2030 Agenda includes 17 Sustainable Development Goals (SDGs)<sup>17</sup>. Goal 8 – Decent work and economic growth aims at “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”<sup>18</sup>. As the focus of the UN 2030 Agenda is on human capital, economic growth must be more sustainable and inclusive to generate a significant impact on human development. SDG 8 therefore addresses the needs of women and men, youth, persons with disabilities and migrant workers and provides the key tools and mechanisms for achieving people-centred economic growth: labour productivity as a key means of raising real salaries, together with competitiveness, business diversification and innovation, decent, well and equally paid, secure and formal jobs. Decent work for all, women and men, as well as the reduction of inequality is one of the essential aspects of the development of the Republic of Moldova.

The desire for economic growth and ensuring the competitiveness and equality of the salary system in the public sector must remain at the centre of attention of public

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<sup>16</sup> Realitateam.md - Valentina Buza, The economy of the Republic of Moldova will grow in 2024. IMF estimates. April 12, 2023. <https://realitateam.md/economia-republicii-moldova-va-creste-in-2024-estimarile-fmi/>

<sup>17</sup> European Commission: Sustainable Development Goals, [https://commission.europa.eu/strategy-and-policy/sustainable-development-goals\\_ro](https://commission.europa.eu/strategy-and-policy/sustainable-development-goals_ro)

<sup>18</sup> Euractiv.ro, Mihaela Stoica, What are the 17 Sustainable Development Goals (SDGs), included on the 2030 Agenda, <https://www.euractiv.ro/we-develop/ce-reprezinta-cele-17-obiective-de-dezvoltare-durabila-odd-include-pe-agenda-2030-6402>

authorities as the only sustainable method to ensure a competitive and sustainable salary level in the public sector, which will stimulate performance and excellence in the public affairs management.

## 4. Average salaries per economy in Moldova and EU

### 4.1 The Republic of Moldova

In the European Union, including Romania, salaries in the public sector are usually higher than those for comparable work in the private sector. Thus, in the European community a state job is better paid on average than one in the private sector, largely due to the fact that, unlike sectors in the real economy, work in the public sector requires much higher skill levels. The situation is the opposite in the Republic of Moldova. Salaries in the public sector, even after salary increases in 2023 are lower in the Republic of Moldova compared to those in the private sector. The faulty rhetoric of salaries in the budget sector is based on a statistical reality, where the average salary in the public sector is lower than in the private sector.

The average salary per economy in the Republic of Moldova was 6975 MDL in 2019, 7953 MDL in 2020, 8,716 MDL in 2021, 10,447 MDL in 2022, 12,450 MDL in 2023. The amount of the average monthly salary per economy forecast for the reference year – is approved in accordance with the main macroeconomic indicators forecast for the reference year (as a rule, it is approved in December of the year preceding the reference year and is applied in the reference year).

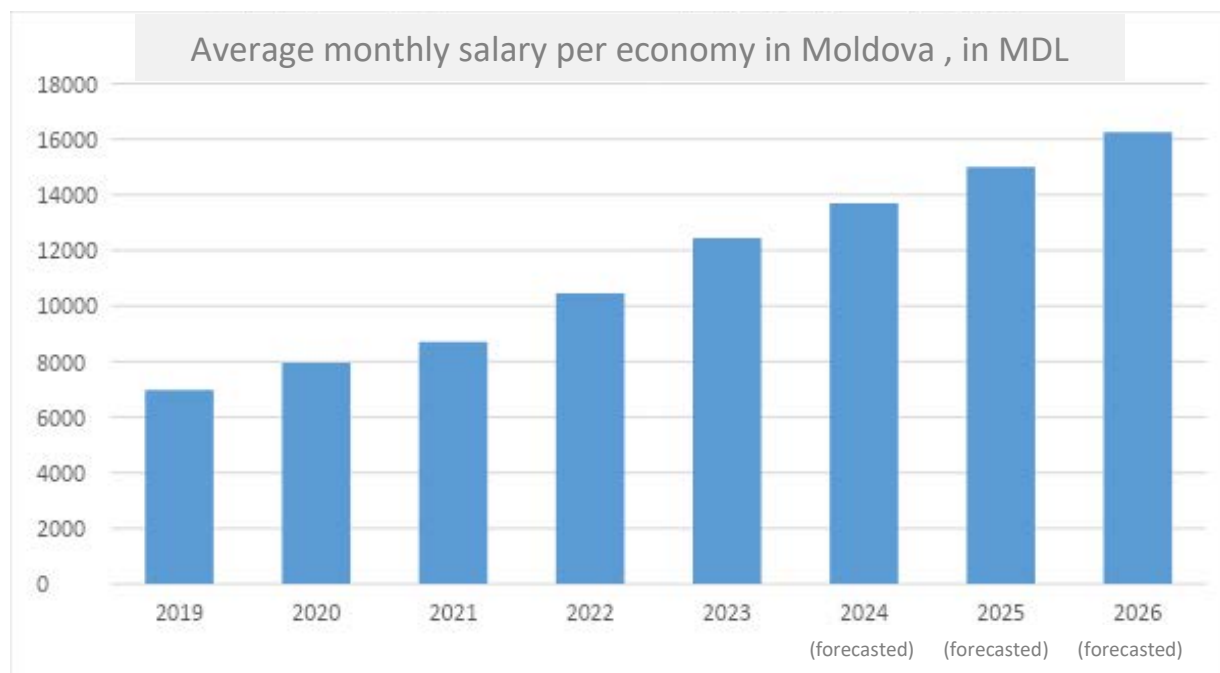
The forecast (according to data available to the Ministry of Economic Development and Digitalisation as of 13.10.2023): for 2024 – 13,700 MDL; for 2025 – 15,000 MDL; for 2026 – 16,250 MDL (Figure 1).

According to the statistical data of the National Bureau of Statistics the average monthly salary in the budgetary sector in the third quarter of 2023 was 10,192.7 MDL (18.8% more than the third quarter of 2022), and in the real (private) sector – 13,099.2 MDL (15.2% more compared to the third quarter of 2022). **So, in comparison, the salary in the budget sector compared to the real sector is about 28.51% lower.** This difference remains valid even after the recent increases in the budgetary sector, since these increases were made only within the central apparatuses of the Ministries in the context of the complex tasks, functions of drafting legislation as a result of the start of the process of the accession of the Republic of Moldova to the EU, including the transposition of the EU Directives' provisions, tasks that other authorities/institutions do not have.

The salary levels depend, to a large extent, on the hierarchy of the public authority in the administrative system (central, territorial, local), which determines a difference of at least 30% between the salaries of civil servants from CPA and LPA, and if other salary rights (special increment, other increments) exist the difference is even greater, especially in the case of some public authorities in the line. Compared to private sector

salaries, the salary levels for positions of similar complexity to those in the public service are uncompetitive<sup>19</sup>.

Figure 1. Average monthly salary per economy in Moldova



#### 4.2 The European Union

According to statistical data at the European level, in 2022, average annual salaries in the European States ranged from EUR 73,642 in Iceland to EUR 24,067 in Greece, as for instance:

Countries with the highest salaries in 2022:

Iceland - 73,642 EUR/year;

Luxembourg - 72,529 EUR/year;

Switzerland - 67,605 EUR/year;

Belgium - 63,758 EUR/year;

Denmark - 59,405 EUR/year;

Countries with the lowest salaries in 2022:

Greece - 24,067 EUR/year;

Slovakia - 24,337 EUR/year;

Hungary - 26,376 EUR/year;

<sup>19</sup> Decision on the approval of the Public Administration Reform Strategy of the Republic of Moldova for 2023-2030 no. 126 of 15.03.2023, Official Gazette No. 130-133/285 of 18.04.2023

Portugal - 29,540 EUR/year;

Czech Republic - 30,967 euros/year.

According to Eurostat, the average hourly cost of labour in the EU was EUR 30.5. Average annual salaries for single employees without children were EUR 26,136. Couples where both are employed earned an average annual salary of EUR 55,573, resulting from the tax brackets.

The unadjusted gender pay gap was 12.7% in 2021, with the largest gap recorded in Estonia at 20.5% and the smallest in Luxembourg at 0.2%. However, according to the European Commission, the pay gap increased by 13% in 2023.

The average monthly salary in Europe for 2023 is USD 2,239.55/month. The average salaries in 2023 in Europe, recalculated in EUR, according to data available “TAKE-PROFIT.ORG”: <sup>20</sup>

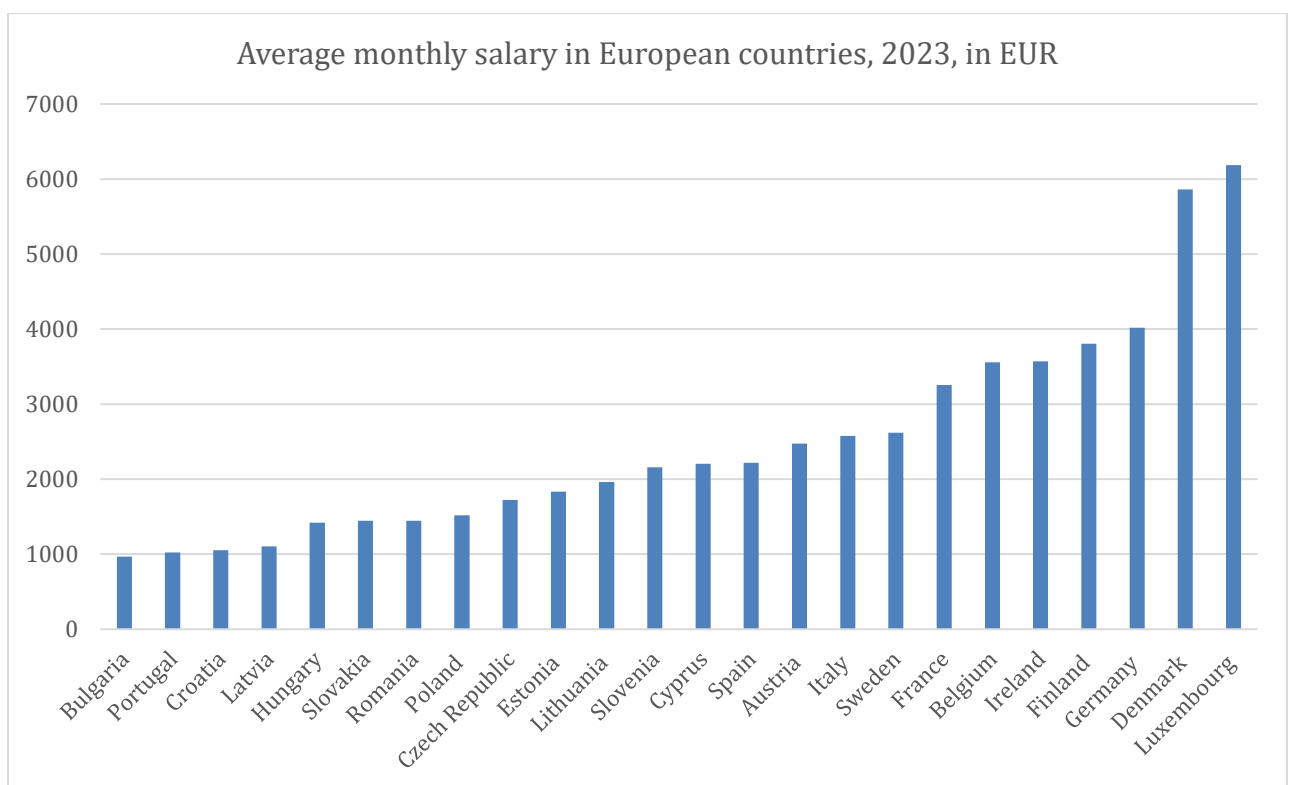
|                |      |
|----------------|------|
| Bulgaria       | 966  |
| Portugal       | 1024 |
| Croatia        | 1054 |
| Latvia         | 1106 |
| Hungary        | 1420 |
| Slovakia       | 1444 |
| Romania        | 1445 |
| Poland         | 1520 |
| Czech Republic | 1724 |
| Estonia        | 1836 |
| Lithuania      | 1961 |
| Slovenia       | 2159 |
| Cyprus         | 2206 |
| Spain          | 2219 |
| Austria        | 2472 |
| Italy          | 2576 |
| Sweden         | 2618 |

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<sup>20</sup> <https://take-profit.org/en/>

|            |      |
|------------|------|
| France     | 3256 |
| Belgium    | 3558 |
| Ireland    | 3569 |
| Finland    | 3807 |
| Germany    | 4020 |
| Denmark    | 5860 |
| Luxembourg | 6184 |

Figure 2. Average monthly salary in European countries, 2023



Comparing the average salary level in Moldova and the countries of the European Union a substantial difference is attested, which is to be overcome through policies that will stimulate economic growth. Moreover, there is a substantial difference of 29% in the salary level in the public sector and the private sector in the Republic of Moldova, which leads to serious problems in retaining qualified personnel in public positions, and erodes from the already insufficient body of civil servants.

## 5. The Regulatory framework of Central Public Authorities

### 5.1 Analysis of the current public administration system

The salary reform in the public service must be addressed together with other issues in the PAR area, including the human resource crisis in PA. The main problems in PAR include:

- The Law on Public Function and Status of the Civil Servant<sup>21</sup> defines the public service quite clearly, which includes central government administration bodies, the administrations of the Parliament and the President, the Ombudsperson, the secretariats of courts, and local public administration authorities, but also regulatory agencies (the State Agency on Intellectual Property, the Agency on Medicaments and Medical Equipment, the Naval Agency, the Transport Agency and the Civil Aviation Authority). Some agencies are still subject to the Labour Code and special legislation, which do not necessarily ensure merit-based human resource management. For instance, The Public Service Agency continues to operate based on the Labour Code;
- The key challenge is the attractiveness of the public service. Career in the public sector is not attractive, especially for young professionals. Vacancies have a large proportion in the public service (39% in the Office of the President; 50% in the Investment Agency, over 25% in the Ministry of Economic Development and Digitalisation and in the Ministry of Infrastructure and Regional Development);
- The number of candidates for announced positions in the public service is very low, as is the efficiency of recruitment. Last year, on new positions/recruiting, only two applicants per vacancy applied on average, and eligibility criteria were unclear, raising questions about the quality of recruits. To attract people, institutions sometimes increase the level of vacancies in an attempt to offer more attractive conditions. This fact creates discrepancy between the job description of these positions, which require considerable professional experience, and the actual profiles of the applicants (graduates with limited experience);
- Attracting, recruiting and retaining competent professionals is a major challenge. The laws contain eligibility criteria and the selection process for public positions, but the selection boards are often politically influenced and do not ensure impartiality and meritocracy in recruitment processes. The ministers appoint members of the selection boards, including state secretaries, as political

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<sup>21</sup> Law No. 158 of 04-07-2008 on Public Function and Status of the Civil Servant



appointees, which creates the risk of political recruitment. Moreover, most public service vacancies are filled without competition;

- Promotions are frequently used to fill the vacancies. They are not competitive and do not require formal vetting of candidates. In addition, the promotion decisions are made by political appointees, respectively, merit-based promotions are not sufficiently ensured;
- Excessive bureaucracy and organizational culture focused mainly on procedures and not necessarily on results, which do not stimulate creativity and innovations. The prevailing management style remains authoritarian, not participative, with direct involvement of employees in decision-making;
- Defining political and managerial responsibility for PAR and HRM. The Law on Public Function and Status of the Civil Servant assigns only partial responsibility for personnel policy<sup>22</sup>. Generally, HRM belongs to the Government. The Ministry of Finance (MoF) develops and implements salary policies for budgetary employees. The competences of the State Chancellery are defined by the secondary legislation. The Chancellery assists in the development, coordination and assessment of policies in the public service. The Chancellery has a Directorate of Public Service Management (DPSM) with limited capacities and insufficient staff;
- The role of the general secretary in the ministries in HRM decision-making is not enough, in most cases the essential decisions regarding human resources, their appointment and promotion are taken personally by the ministers. This system creates political influence in HRM processes;
- At the same time, since 2019 the state secretaries, who were responsible for sectoral policies began to be politically appointed, being excluded from the rank of civil servants. As a result, HRM is dispersed and not directed in a centralized, uniform manner, and is often subject to political influences. The legislation does not offer the general secretaries the decision-making power related to HRM (e.g. recruitment, appointment and dismissal of civil servants). These competencies are mostly in the hands of the heads of public institutions. The general secretaries, as top civil servants could take on HRM and financial management responsibilities, but the legislation does not set out a clear mandate leaving the allocation of tasks to the discretion of the political leadership;

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<sup>22</sup> Law No. 158 of 04-07-2008 on Public Function and Status of the Civil Servant

- Lack of a functional human resource management information system in the public service, including a fair remuneration information system. The current system is non-functional and of limited utility;
- The regulations establish obligations for civil servants to benefit from at least 40 hours of professional development each year. This is not followed, but it is important because:
  - o The accession of the Republic of Moldova to the European Union requires going through a complex procedure. Once the accession conditions are met the candidate countries must apply the European legislation in all areas. Respectively, the staff of the central public authorities are to apply several processes, in this context:
  - o assessment of European legislation;
  - o level of its transposition in the legislation of the Republic of Moldova;
  - o development of the normative framework in order to transpose acts at the European level into the legislation of the Republic of Moldova;
  - o drafting of answers to the pre-accession and preparation questionnaires of the Republic of Moldova, etc.

Staff involved in this complex process require training, which is not ensured. In 2021 only 53% of institutions have reached this target.

At the same time, the issue of seniority levels is an important source of inequity. They present two challenges:

- on the one hand, they are not applicable to management positions, which sometimes leads to a distortion of the hierarchy between management and executive functions, and
- on the other hand, they do not allow seniority to be rewarded after 20 years of activity and no longer constitute an attractive element.

Thus, the differentiation of seniority levels in 5-year intervals (except for the first one, which is from 2 to 5 years) is not flexible enough to allow staff stimulation, thus the previous system of rewarding seniority in 2-year intervals was much more attractive.

Simultaneously with the above, an additional source of inequity was constituted by the ranking of public authorities and institutions, according to their role in implementing policies. Some structures with an implementation role were paid additionally for the nature of their activity (such as the case of the Fiscal Service/Customs Service), with a direct effect on the fairness of the salary on other hierarchical levels (for example for similar positions within the Ministry of Finance).

## 5.2 Tasks of the Ministries and other Central Administrative Authorities

By Parliament Decision No. 29/2023, the list of ministries and the tasks of the Executive in the Republic of Moldova was approved, thus the Government ensures the implementation of the internal and external policy of the state and exercises the general management of the public administration.

According to Article 26 of Law No. 98 of May 4, 2012 on the Specialized Central Public Administration the main responsibilities of the ministry and other central administrative authority:

“In carrying out its duties, ministries and other central administrative authorities:

- a) develop and submit to the Government for examination drafts of legislative and normative acts, including drafts of public policy documents in areas entrusted to them;
- b) draw up texts of international treaties of the Republic of Moldova and concludes interdepartmental treaties with similar bodies from other states within the limits of competence established by legislation;
- c) ensure performing of the obligations, the realization of the rights of the Republic of Moldova that result from the provisions of the international treaties that have as their object their fields of activity and pursue their execution by the other party to the treaty;
- d) maintain collaborative relations with ministries and counterpart central administrative authorities abroad for the performance of their functions;
- e) participate in the budget process and exercises the responsibilities provided by the Law on Public Finances and Budgetary-Fiscal Responsibility No. 181/2014;
- f) develop and submits departmental documents to the minister or the general director to be issued;
- g) exercise supervision and carry out state controls regarding compliance with legislation in their fields of activity;
- h) issue permissive documents to natural and legal persons for carrying out entrepreneurial activity or another activity provided by law related to entrepreneurial activity and indispensable to it in accordance with Law No. 160 of July 22, 2011 on the regulation by authorization of the entrepreneurial activity;
- i) perform or organize the performance of the state expertise;
- j) keep registers established in accordance with the legislation in force;
- k) control the activity of the administrative authorities and subordinated deconcentrated public services and the public institutions in which they have the capacity of founder;

- m) exercise control over the integrity and effective use of state patrimony in their fields of activity;
- n) ensure the administration of the public function and civil servants, including those with special status;
- o) examine proposals, requests and petitions of the natural and legal persons in accordance with the legislation;
- p) exercise also other duties for the execution of legislative acts, decrees of the President of the Republic of Moldova, decisions and ordinances of the Government”<sup>23</sup>.

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<sup>23</sup> The full text of this law in Romanian can be found on [https://www.legis.md/cautare/getResults?doc\\_id=115202&lang=ro](https://www.legis.md/cautare/getResults?doc_id=115202&lang=ro)

## 6. Salary regulations in the budgetary sector

The salary system in the budget sector in Moldova is the result of a large reform carried out in 2018 and approved by Law No. 270/2018 on the Unitary Salary System in the Budget Sector and Government Decision No. 1231/2018 for the implementation of the provisions of Law No. 270/2018 on the Unitary Salary System in the Budget Sector based on a reform concept that aimed introducing a unitary system based on a pay grade structure. Despite this reform, the salary system for civil servants has remained complex and dysfunctional, lacking competitiveness and internal fairness, and failing to ensure internal and external pay equity. The base salaries follow job classifications, with exceptions favouring certain professional groups and public organizations.

### 6.1 Basic salary – fixed portion

According to the normative framework approved by Law No. 270/2018 on the Unitary Salary System in the Budget Sector and Government Decision No. 1231/2018 for the implementation of the provisions of Law No. 270/2018 on the Unitary Salary System in the Budget Sector the salary reform aimed to develop a coherent system that would have a “unitary, transparent, fair, attractive character, especially for young specialists, non-discriminatory, simple to manage, able to reflect and reward professional performance.”

Public functions were evaluated based on a substantiated methodology based on the following human resource criteria:

- ✓ studies, knowledge and experience;
- ✓ complexity, creativity and diversity of the respective function;
- ✓ decision-making responsibility;
- ✓ management, coordination and supervision;
- ✓ communication;
- ✓ working conditions;
- ✓ physical and mental effort.

As a result of this evaluation, the Register of positions was developed, which classifies them in the budget sector by name, occupational group, professional status, institutional level and category (management/execution). Based on the evaluation the hierarchy of the functions in the budget sector was also determined and, after the salary scale was drawn up, based on the established hierarchy, the positions were placed in pay grades, and the salary classes and the coefficient applicable to each position were established.

In the context of the respective reform, the salary structure was made up of:

- the fixed portion (which includes the basic salary, the increment for a professional degree, the increment for a scientific, scientific and didactic or honorary title), and
- the variable portion (being recommended to include the performance bonus, the increment for working conditions and special increments).

The hierarchy of functions is intended to be directly reflected in the amount of basic salaries. In this regard, the law details a salary scale with 130 classes and coefficients, with a compression ratio from 1 to 15. The establishment of the basic salary for each function according to the position hierarchy is done by multiplying the function corresponding coefficient by the reference value.

**Monthly salary = fixed portion + variable portion**

Fixed portion = basic salary + monthly increment for professional degree and/or monthly increment for a scientific and/or scientific and didactic title + monthly increment for honorary title (increments are granted when applicable, depending on the fulfilment of the conditions).

Basic salary = coefficient x reference value (established in relation to the position held, level of studies, qualification category, teaching degree, job seniority or the salary step corresponding to the seniority periods).

## 6.2 Monthly salary – variable portion and increments

The variable portion of the monthly salary includes the performance bonus and the special increment depending on the area. Additionally, the staff of the budgetary units also benefit from:

- compensation for work in unfavourable conditions;
- increments for overtime work, night work and/or work performed on non-working public holidays and/or rest days;
- increments for participating in development projects financed from external sources;
- compensation for work performed in conditions of increased health risk;
- unique prizes;
- annual award.

The method of granting special increments is established by the Regulation on the types and method of establishing special increments, Annex no. 4 to Government Decision

No. 1231/2018 for the implementation of the provisions of Law No. 270/2018 on the Unitary Salary System in the Budget Sector, which it was approved.

The reference value corresponding to the salary coefficient 1.00 is established annually by the State Budget Law for the respective year, which has become a main element of distortion of the hierarchy, resulting from the fact that the annual Budget Law establishes several reference values for different categories of staff.

Thus, according to the provisions of para. 1, art. 10 of the State Budget Law No.359/2022 for 2023, starting from June 1, 2023 the reference value of 1.900 MDL was established, but there are a number of derogations, as follows:

- in the amount of 1.400 MDL – for the President of the Republic of Moldova, the Speaker of the Parliament, the Prime Minister and deputies;
- in the amount of 1.800 MDL – for the staff of the State Fiscal Service and the Customs Service, including the director of the State Fiscal Service and the director of the Customs Service;
- in the amount of 2.000 MDL for:
  - ✓ teaching, scientific and teaching staff and managerial staff within educational institutions, senior staff (principals and deputy principals) of pre-school, primary, secondary, lyceum and vocational educational institutions, headmasters/deputy headmasters of educational institutions other than pre-school, primary, secondary, lyceum and vocational educational institutions;
  - ✓ staff which according to the annexes to Law no. 270/2018 on the Unitary Salary System in the Budget Sector fall under salary classes from 1 to 25;
  - ✓ non-commissioned officers within the Ministry of Internal Affairs;
  - ✓ soldiers and sergeants within the Ministry of Defence;
  - ✓ advisers for the resolution of appeals within the National Agency for Settlement of Claims, including the director general and the deputy director general;
  - ✓ staff, including those serving in public dignitary positions, within the State Protection and Guard Service;

- ✓ body of penitentiary agents within the penitentiary administration system;
- in the amount of 2.500 MDL for:
  - ✓ assistant judges from the Constitutional Court, prosecutors, inspectors from the Inspectorate of Prosecutors and the director of the National Institute of Justice;
  - ✓ staff, including those serving in public dignitary positions within the Security and Intelligence Service, the National Anti-Corruption Centre, the National Integrity Authority and the Service for Prevention and Combating of Money Laundering;
  - ✓ staff, including those in senior civil service positions within the Civil Aviation Authority;
  - ✓ staff of the Centre for Strategic Communication and Combating Disinformation;
- in the amount of 2.850 MDL – for judges (with the exception of judges of the Constitutional Court, the Superior Council of Magistracy and the Supreme Court of Justice) and judicial inspectors;
- in the amount of 3.000 MDL for:
  - ✓ judges of the Constitutional Court, the Supreme Court of Justice and the Superior Council of Magistracy, including non-judge members;
  - ✓ deputy general secretaries of the Government, general secretaries and deputy general secretaries of Ministries, state secretaries;
  - ✓ staff, including from the cabinet of persons serving in public dignitary positions, from the central apparatuses of the ministries, of the regional treasuries of the Ministry of Finance, of the State Chancellery, the heads and deputy heads of the territorial offices of the State Chancellery, with the exception of the First Deputy Prime Minister, the Deputy Prime Minister, the Minister, the Government Agent and the General Secretary of the Government;
- in the amount of 3.600 MDL – for the First Deputy Prime Minister, the Deputy Prime Minister, the Minister, the Government Agent and the



General Secretary of the Government, the director and deputy director of the Centre for Strategic Communication and Combating Disinformation.

The salary system created in 2018 was modified by certain legislative provisions that practically distorted the hierarchy of positions.

The special increment granted in certain occupational groups (public order, defence, medical personnel), where the increase percentage is significant distorts the basic salary hierarchy. This also results from the fact that the increment is granted in percentage points and not as a fixed amount leading proportionally to the deepening of the salary discrepancies.

Currently, the special increment is granted in different values in different sectors, according to the table below.

**Table 1: The size of special increments, per sector**

|    |  |   |
|----|--|---|
| 1. | Staff in the fields of education, research, culture, youth, sports, social assistance  | 10% of the annual amount of basic salaries  |
| 2. | Staff in the field of national defence, state security and public order  | 20% of the annual amount of basic salaries  |
| 3. | Staff in the field of national defence, state security and public order involved in special activities to combat terrorism   | 120% of the annual amount of basic salaries |
| 4. | Medical staff, including in civil service positions with special status within the medical authorities/institutions/structures, the Forensic Medicine Centre and the social assistance institutions                  | 60% of the annual amount of basic salaries  |
| 5. | Staff of the authority responsible for exercising parliamentary control, for establishing, coordinating and monitoring the implementation of the policies and priorities of the President of the Republic of Moldova | 40% of the annual amount of basic salaries  |
| 6. | Staff of the authority responsible for the control of constitutionality  | 60% of the annual amount of basic salaries  |

|    |   |   |
|----|---|---|
| 7. | Staff of the authority responsible for the activity of informational monitoring, strategic communication and combating disinformation | 40% of the annual amount of basic salaries              |
| 8. | Staff of the authorities responsible for the administration of tax and customs revenues   | 110% compared to the annual amount of the basic salary  |
| 9. | Staff responsible for certification, supervision and control in the field of civil aviation   | 100 % compared to the annual amount of the basic salary |

### 6.3 Classification of civil service positions

According to Law No. 270/2018 the civil service positions are classified into 8 occupational groups corresponding to the areas of budgetary activity, as follows:

- 1) Public administration;
- 2) Justice;
- 3) National defence;
- 4) Public order and state security;
- 5) Education and research;
- 6) Culture, youth and sports;
- 7) Social assistance and health;
- 8) Complex positions.

### 6.4 Assessment of the Salary System

Legislation establishes a classification system for civil service positions, but there are professional groups and public agencies that benefit from exceptions to increase low salaries. The salary supplements for various positions through external funds have the same goal, but this practice has already created exceptions and raises questions in terms of core responsibilities. As a result, the current system remains fragmented and inconsistent and does not ensure competitiveness of salaries, internal fairness, and transparency of remuneration.

The salary system remains too complex and lacks transparency in the salary structure, especially through numerous benefits and allowances. The fixed monthly increment or variable salary includes performance bonuses and other special supplements. There is a wide range of remuneration elements, including compensation for work in unfavourable conditions, increments for overtime work, increments for participation in externally

funded projects, health risk compensation, unique prizes and annual awards. For instance, the raise for work performed in conditions of increased health risk can reach up to 100% of the base salary. Ad-hoc methods to compensate low base salaries jeopardize its internal fairness.

The lack of transparency in the salary system due to its complexity is compounded by the insufficient amount of publicly available information on salaries. General information on the salary scales or the average salary by category of civil service positions is not easily accessible.

On June 22, 2023, the Parliament adopted amendments to the Salary Law that significantly increase the reference value (used to calculate base salaries) for significant groups of civil servants, including general secretaries, deputy general secretaries, staff in the central apparatuses of ministries and the State Chancellery. The amendments stipulate a 58% increase to the reference value used to calculate the basic salary for the central apparatuses of ministries, but the salaries in subordinated agencies remain unchanged. So these changes had a limited impact.

These deficiencies do not depend on financial limitations and can be remedied. The PAR strategic framework, including the PAR Strategy do not provide for a consistent and uniform salary reform. The salary reform under the PAR aims to raise non-competitive salaries, but without a fiscal impact analysis and without focusing on other important aspects such as equity, transparency and predictability. Therefore, it has little chance to correct the problems of the salary system and ensure its fairness.

## 7. Staff units/employees in 2022 – 2023 within the Central Public Administration, as of August 1

### 7.1 Central Public Administration

The number of positions in public authorities was 49.313 at the beginning of 2023, which raised by 9.5% from 2019. Out of the total number of positions in public authorities 6.743 (14%) positions were vacant<sup>24</sup>.

Total in said authorities 2.152 staff units were approved/specified in 2022, of which actually engaged – 1.697 people and respectively vacant positions – 455 people, compared to 2023 (as of August 1) – specified 2.340 staff units, of which 1.740 filled positions and 600 vacant positions.

The employment percentage in 2023 was 76.1%, which by 2.8 percentage points lower than in 2022, even following the salaries increases within the central public authorities.

At the same time, a negative factor of the staff turnover is the volume and the accelerated tempo in which work has been done recently, including from the perspective of the process of the accession of the Republic of Moldova to the European Union, and an important factor in that process being the non-competitive remuneration in relation to the salaries offered by NGOs and externally funded organizations in the context of the refugee crisis and other emergency projects/humanitarian crises.

Respectively, after the salary increases in the CPA/ministries things have advanced but a detailed situation will be visible after having the final information regarding the execution of the national public budget as of December 31, 2023 after further extensive analysis carried out and seen in vacancy/attractiveness trend, taking into account the fact that salary increases have been approved and are applicable from June 1, 2023 (second semester). Proceeding from the number of staff employed in civil service within the ministries, there is an essential discrepancy in the number of employees within them.

Table 2: Staff units – Central Public Administration

| Name | 2022     |           |                                |           |              | 2023 (August 1) |           |                                |           |  |
|------|----------|-----------|--------------------------------|-----------|--------------|-----------------|-----------|--------------------------------|-----------|--|
|      | Approved | specified | actually engaged at the end of | vacancies | engagement % | Approved        | specified | actually engaged at the end of | vacancies |  |
|      |          |           |                                |           |              |                 |           |                                |           |  |

<sup>24</sup> Decision on the approval of the Public Administration Reform Strategy of the Republic of Moldova for 2023-2030 no. 126 of 15.03.2023, Official Gazette No. 130-133/285 of 18.04.2023

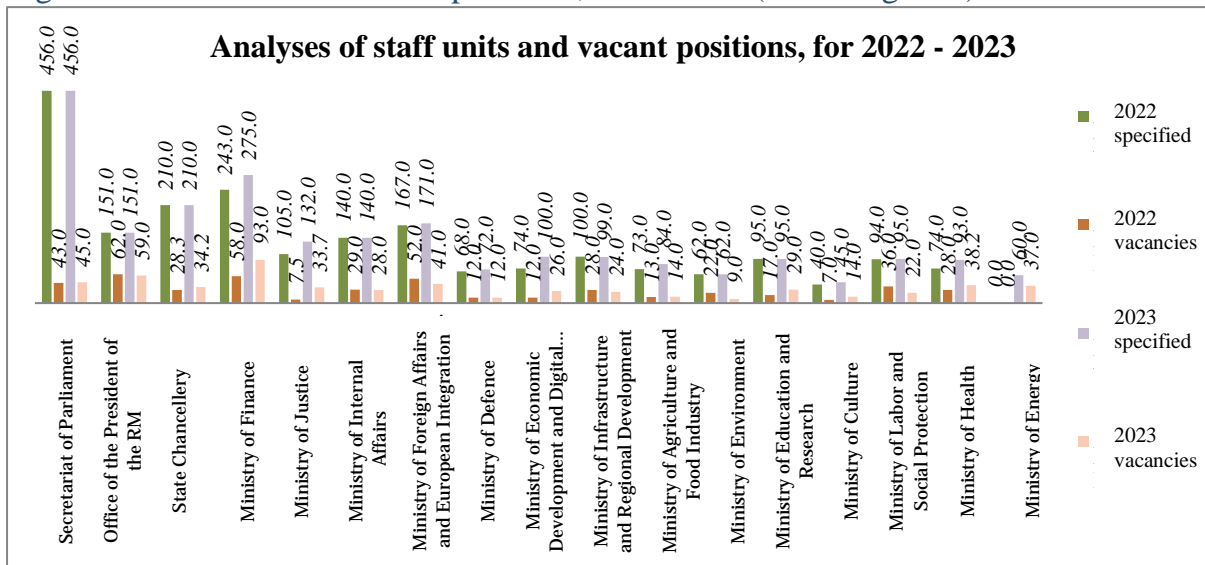
|   |                |                | the reporting period |              |             |  |                | the reporting period |                | engagement % |             |
|---|----------------|----------------|----------------------|--------------|-------------|--|----------------|----------------------|----------------|--------------|-------------|
| 1   | 2              | 3              | 4                    | 5            | 6           |  | 7              | 8                    | 9              | 10           | 11          |
| <b>TOTAL</b>  | <b>2.135,0</b> | <b>2.152,0</b> | <b>1.697,3</b>       | <b>454,8</b> | <b>78,9</b> |  | <b>2.181,0</b> | <b>2.340,0</b>       | <b>1.780,8</b> | <b>559,3</b> | <b>76,1</b> |
| <b>including:</b>   |                |                |                      |              |             |  |                |                      |                |              |             |
| <b>Secretariat of the Parliament</b>                        | <b>519,0</b>   | <b>456,0</b>   | <b>413,0</b>         | <b>43,0</b>  | <b>90,6</b> |  | <b>456,0</b>   | <b>456,0</b>         | <b>411,0</b>   | <b>45,0</b>  | <b>90,1</b> |
| <b>Office of the President of the Republic of Moldova</b>   | <b>151,0</b>   | <b>151,0</b>   | <b>89,0</b>          | <b>62,0</b>  | <b>58,9</b> |  | <b>151,0</b>   | <b>151,0</b>         | <b>92,0</b>    | <b>59,0</b>  | <b>60,9</b> |
| <b>State Chancellery</b>                                    | <b>202,0</b>   | <b>210,0</b>   | <b>181,8</b>         | <b>28,3</b>  | <b>86,5</b> |  | <b>210,0</b>   | <b>210,0</b>         | <b>175,8</b>   | <b>34,3</b>  | <b>83,7</b> |
| <b>Ministry of Finance</b>                                  | <b>243,0</b>   | <b>243,0</b>   | <b>185,0</b>         | <b>58,0</b>  | <b>76,1</b> |  | <b>243,0</b>   | <b>275,0</b>         | <b>182,0</b>   | <b>93,0</b>  | <b>66,2</b> |
| <b>Ministry of Justice</b>                                  | <b>105,0</b>   | <b>105,0</b>   | <b>97,5</b>          | <b>7,5</b>   | <b>92,9</b> |  | <b>105,0</b>   | <b>132,0</b>         | <b>98,3</b>    | <b>33,8</b>  | <b>74,4</b> |
| <b>Ministry of Internal Affairs</b>                         | <b>135,0</b>   | <b>140,0</b>   | <b>111,0</b>         | <b>29,0</b>  | <b>79,3</b> |  | <b>140,0</b>   | <b>140,0</b>         | <b>112,0</b>   | <b>28,0</b>  | <b>80,0</b> |
| <b>Ministry of Foreign Affairs and European Integration</b> | <b>138,0</b>   | <b>167,0</b>   | <b>115,0</b>         | <b>52,0</b>  | <b>68,9</b> |  | <b>167,0</b>   | <b>171,0</b>         | <b>130,0</b>   | <b>41,0</b>  | <b>76,0</b> |
| <b>Ministry of Defence</b>                                  | <b>68,0</b>    | <b>68,0</b>    | <b>56,0</b>          | <b>12,0</b>  | <b>82,4</b> |  | <b>68,0</b>    | <b>72,0</b>          | <b>60,0</b>    | <b>12,0</b>  | <b>83,3</b> |
| <b>Ministry of Economic Development and Digitalisation</b>  | <b>74,0</b>    | <b>74,0</b>    | <b>62,0</b>          | <b>12,0</b>  | <b>83,8</b> |  | <b>74,0</b>    | <b>100,0</b>         | <b>74,0</b>    | <b>26,0</b>  | <b>74,0</b> |
| <b>Ministry of Infrastructure and Regional Development</b>  | <b>100,0</b>   | <b>100,0</b>   | <b>72,0</b>          | <b>28,0</b>  | <b>72,0</b> |  | <b>124,0</b>   | <b>99,0</b>          | <b>75,0</b>    | <b>24,0</b>  | <b>75,8</b> |

|  |       |       |       |      |      |  |       |       |       |      |      |
|--|-------|-------|-------|------|------|--|-------|-------|-------|------|------|
| <b>Ministry of Agriculture and Food Industry</b> | 68,0  | 73,0  | 60,0  | 13,0 | 82,2 |  | 73,0  | 84,0  | 70,0  | 14,0 | 83,3 |
| <b>Ministry of Environment</b>                   | 62,0  | 62,0  | 40,0  | 22,0 | 64,5 |  | 62,0  | 62,0  | 53,0  | 9,0  | 85,5 |
| <b>Ministry of Education and Research</b>        | 95,0  | 95,0  | 78,0  | 17,0 | 82,1 |  | 95,0  | 95,0  | 66,0  | 29,0 | 69,5 |
| <b>Ministry of Culture</b>                       | 34,00 | 40,00 | 33,00 | 7    | 82,5 |  | 45,00 | 45,00 | 31,00 | 14   | 68,9 |
| <b>Ministry of Labour and Social Protection</b>  | 67,0  | 94,0  | 58,0  | 36,0 | 61,7 |  | 94,0  | 95,0  | 73,0  | 22,0 | 76,8 |
| <b>Ministry of Health</b>                        | 74,0  | 74,0  | 46,0  | 28,0 | 0,0  |  | 74,0  | 93,0  | 54,8  | 38,3 | 58,9 |
| <b>Ministry of Energy</b>                        | 0,0   | 0,0   | 0,0   | 0,0  |      |  | 0,0   | 60,0  | 23,0  | 37,0 | 38,3 |

Thus, the lowest number of staff units/ personnel is currently held by the Ministry of Culture – 45 staff units and the Ministry of Environment – 62 staff units, compared to the Ministry of Finance – 243 staff units approved with their subsequent increase after the 2023 reform, being specified – 275 staff units.

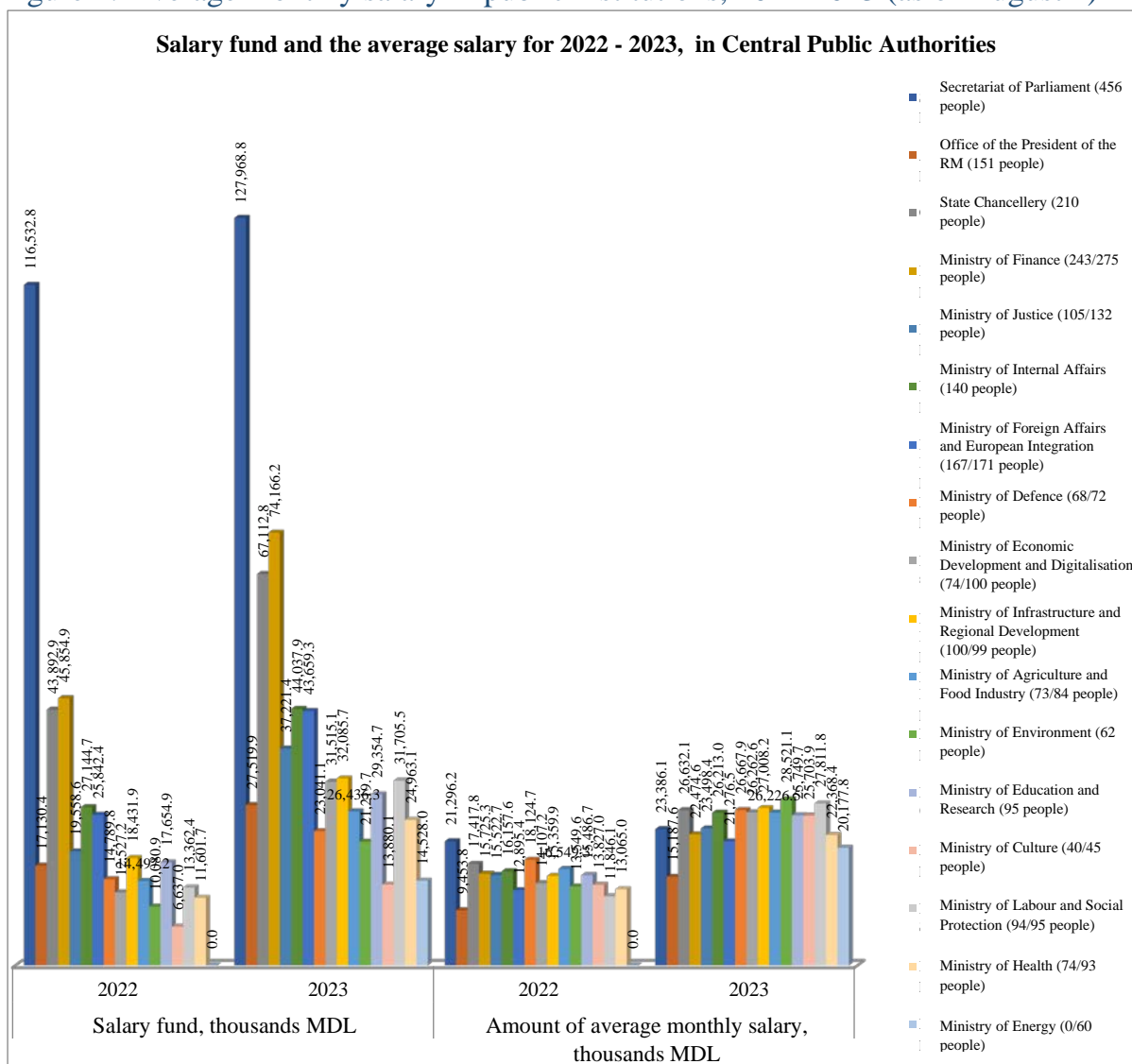
Contextually, it should be mentioned that the current legislation does not provide for a standard stepped structure, or any conditions to standardize the staffing levels of the ministries (e.g. in some ministries at the organizational level of subdivisions general directorates have been created, respectively the salaries of the management units are at a much higher salary level compared to others).

Figure 3: Staff units and vacant positions, 2022-2023 (as of August 1)



Despite the salary increases in the last year, the staff salaries established on the basis of Law No. 270/2018 on the unitary salary system in the budget sector continue to be below the average salaries in the private sector with direct consequences for the staff recruiting and retaining in the given system.

Figure 4: Average monthly salary in public institutions, 2022-2023 (as of August 1)



## 7.2 Institutions subordinated to the Government

Overall, 3,655 staff units were approved/specified in the institutions subordinated to the Government in 2022, of which 3,074 people were actually engaged and respectively 581 vacant positions, compared to 2023 (as of August 1) – 3,347 staff units were specified, of which 2,705 filled positions and 642 vacant positions.

The employment percentage in 2023 was 80.8%, which is by 3.3 percentage points lower than in 2022 when it was 84.1%.

Table 3: The number of staff units in 2022 – 2023 in the institutions subordinated to the Government, as of August 1, 2023

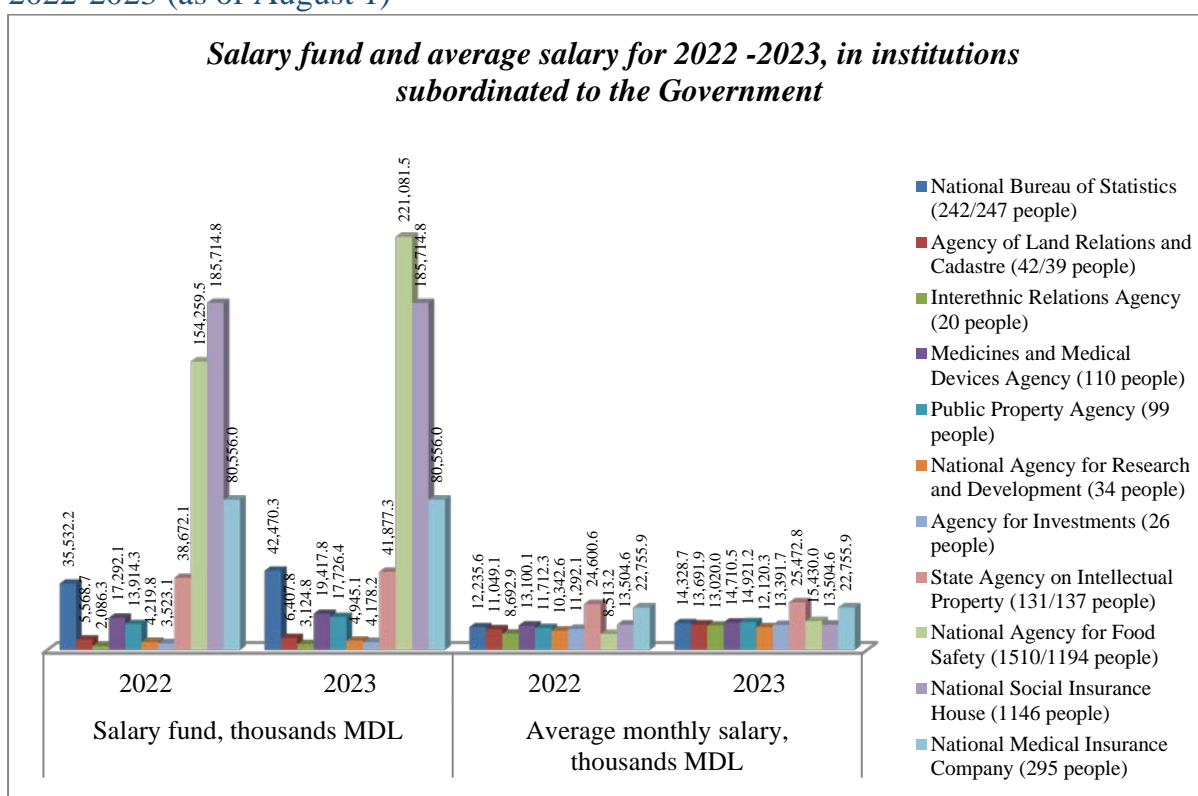
| Name | 2022 |  |  |  |  | 2023 (August 1) |  |  |  |  |
|------|------|--|--|--|--|-----------------|--|--|--|--|
|      |      |  |  |  |  |                 |  |  |  |  |
|      |      |  |  |  |  |                 |  |  |  |  |



|   | approved       | specified      | actually engaged at the end of the reporting period | vacancies    | engagement % |  | approved       | specified      | actually engaged at the end of the reporting period | vacancies    | engagement % |
|---|----------------|----------------|---|--------------|--------------|--|----------------|----------------|---|--------------|--------------|
| 1   |                |                |   |              |              |  |                |                |   |              |              |
| <b>TOTAL:</b>                                       | <b>3.655,0</b> | <b>3.655,0</b> | <b>3.073,8</b>                                      | <b>581,3</b> | <b>84,1</b>  |  | <b>3.661,0</b> | <b>3.347,0</b> | <b>2.705,1</b>                                      | <b>641,9</b> | <b>80,8</b>  |
| <i>including</i>                                    |                |                |   |              |              |  |                |                |   |              |              |
| <b>National Bureau of Statistics</b>                | <b>242,0</b>   | <b>242,0</b>   | <b>219,0</b>  | <b>23,0</b>  | <b>90,5</b>  |  | <b>242,0</b>   | <b>247,0</b>   | <b>218,0</b>  | <b>29,0</b>  | <b>88,3</b>  |
| <b>Agency for Land Relations and Cadastre</b>       | <b>42,0</b>    | <b>42,0</b>    | <b>31,0</b>   | <b>11,0</b>  | <b>73,8</b>  |  | <b>42,0</b>    | <b>39,0</b>    | <b>31,0</b>   | <b>8,0</b>   | <b>79,5</b>  |
| <b>Interethnic Relations Agency</b>                 | <b>20,0</b>    | <b>20,0</b>    | <b>14,0</b>   | <b>6,0</b>   | <b>70,0</b>  |  | <b>20,0</b>    | <b>20,0</b>    | <b>14,0</b>   | <b>6,0</b>   | <b>70,0</b>  |
| <b>Medicines and Medical Devices Agency</b>         | <b>110,0</b>   | <b>110,0</b>   | <b>89,8</b>   | <b>20,3</b>  | <b>81,6</b>  |  | <b>110,0</b>   | <b>110,0</b>   | <b>91,5</b>   | <b>18,5</b>  | <b>83,2</b>  |
| <b>Public Property Agency</b>                       | <b>99,0</b>    | <b>99,0</b>    | <b>76,0</b>   | <b>23,0</b>  | <b>76,8</b>  |  | <b>99,0</b>    | <b>99,0</b>    | <b>72,0</b>   | <b>27,0</b>  | <b>72,7</b>  |
| <b>National Agency for Research and Development</b> | <b>34,0</b>    | <b>34,0</b>    | <b>25,0</b>   | <b>9,0</b>   | <b>73,5</b>  |  | <b>34,0</b>    | <b>34,0</b>    | <b>22,0</b>   | <b>12,0</b>  | <b>64,7</b>  |
| <b>Agency for Investments</b>                       | <b>26,0</b>    | <b>26,0</b>    | <b>13,0</b>   | <b>13,0</b>  | <b>50,0</b>  |  | <b>26,0</b>    | <b>26,0</b>    | <b>13,0</b>   | <b>13,0</b>  | <b>50,0</b>  |
| <b>State Agency on Intellectual Property</b>        | <b>131,0</b>   | <b>131,0</b>   | <b>104,0</b>  | <b>27,0</b>  | <b>79,4</b>  |  | <b>137,0</b>   | <b>137,0</b>   | <b>106,6</b>  | <b>30,4</b>  | <b>77,8</b>  |
| <b>National Agency for Food Safety</b>              | <b>1.510,0</b> | <b>1.510,0</b> | <b>1.177,0</b>                                      | <b>333,0</b> | <b>77,9</b>  |  | <b>1.510,0</b> | <b>1.194,0</b> | <b>927,5</b>  | <b>266,5</b> | <b>77,7</b>  |
| <b>National Social Insurance House</b>              | <b>1.146,0</b> | <b>1.146,0</b> | <b>1.064,0</b>                                      | <b>82,0</b>  | <b>92,8</b>  |  | <b>1.146,0</b> | <b>1.146,0</b> | <b>954,0</b>  | <b>192,0</b> | <b>83,2</b>  |

|   |       |       |       |      |      |       |       |       |      |      |
|---|-------|-------|-------|------|------|-------|-------|-------|------|------|
| <b>National Medical Insurance Company</b> | 295,0 | 295,0 | 261,0 | 34,0 | 88,5 | 295,0 | 295,0 | 255,5 | 39,5 | 86,6 |
|---|-------|-------|-------|------|------|-------|-------|-------|------|------|

Figure 5: Average monthly salary in the institutions subordinated to the Government, 2022-2023 (as of August 1)



As a result of the analysis of the information on the average monthly salary in the institutions subordinated to the Government it was found that the highest average monthly salaries are in the National Medical Insurance Company – about 25.748,0 MDL in 2023 compared to 22.755,9 MDL in 2022, with an increase of approx. 2.992 MDL and in the State Agency on Intellectual Property – 25.472,8 MDL in 2023 compared to 24.600,6 MDL in 2022 with an increase of approx. 872,2 MDL.

### 7.3 Local Public Authorities

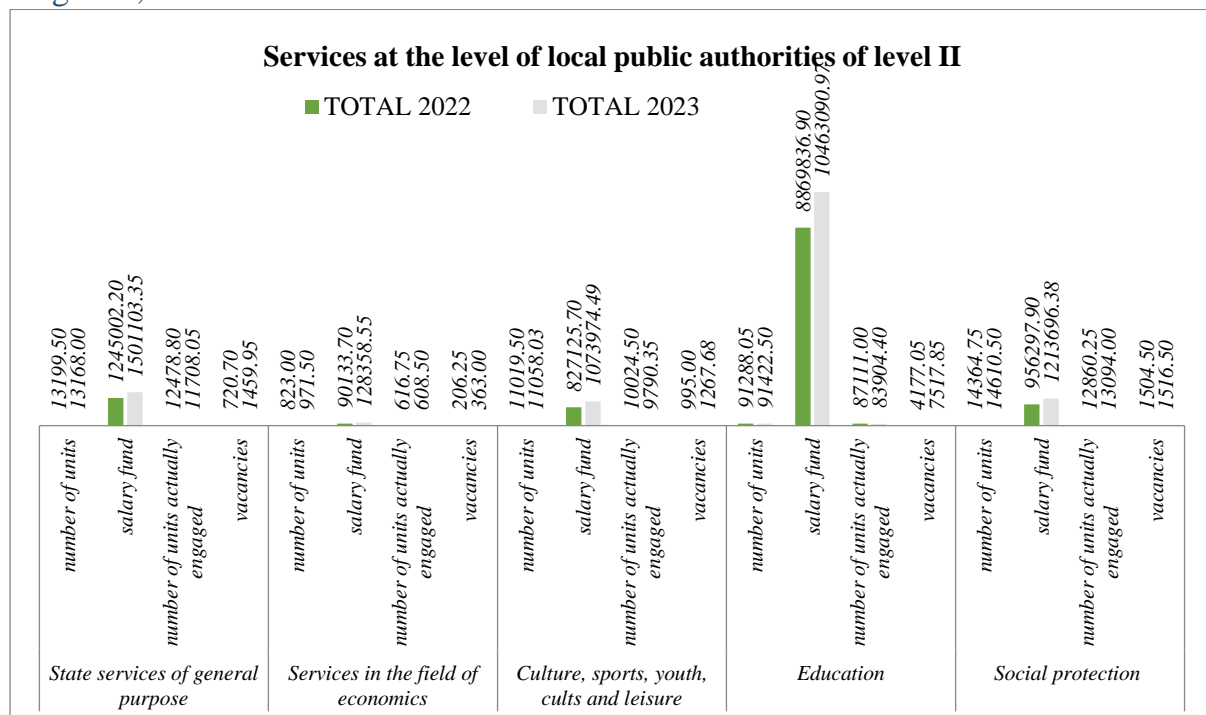
The Republic of Moldova is organized administratively in 896 administrative-territorial units (ATU) of first level (villages, communes, towns and municipalities) and 35 ATU of second level (32 districts, municipalities of Chisinau and Balti, the Autonomous Territorial Unit of Gagauzia). The population of the Republic of Moldova is continuously decreasing and reached 2.9 million inhabitants according to the 2014 census. Almost 330,000 live abroad; effectively, Moldova has 2.58 million service users and contributors to local budgets.

The local public administration of the first level is fragmented. Almost 90% of settlements have less than 5.000 inhabitants, which does not allow efficient provision of services and fiscal centralization. The average number of inhabitants in an administrative-territorial unit is 2.753. The European Commission pointed out: „There are significant urban and rural disparities in the provision of basic services, education and the job market, as resources are concentrated in the capital and a few medium-sized cities (...). Regional development and cohesion are hampered by the need for administrative-territorial reform: 844 rural local public authorities (86%) have a population of fewer than 5.000 inhabitants.”

The law on administrative-territorial organization provides a minimum number of 1.500 inhabitants for the existence of an administrative-territorial unit. At the same time, 318 (35%) of the ATUs have less than 1.500 inhabitants, and 811 (90%) of them have less than 5.000 inhabitants. The small number of the population limits the financial resources but also the institutional capacity of the LPA. According to international experience, units with less than 3.000-5.000 inhabitants cannot fulfil significant public responsibilities.

The competences belonging to the central public authorities can be delegated to the local public authorities of the first and second levels, respecting the criteria of effectiveness and economic rationality.

Figure 6: Services provided by the second level Local Public Authorities, 2022 – August 1, 2023



The local public authorities based on their own income can afford some increments, awards on various occasions, including from the combination of vacant/temporarily vacant positions, the salaries of which are considerably higher compared to other authorities.

At the same time, despite a centralized salary system there are categories of budgetary staff who carry out similar activities but who are paid based on different normative acts, such as the personnel in the field of healthcare. In this sector there are 2 parallel salary systems, except for the medical staff in units with financial autonomy (remunerated according to the provisions of the Government Decision No. 743/2002 on the salaries of employees in units with financial autonomy): there is staff remunerated according to Law No. 270/2018 and staff remunerated based on Government Decision No. 837/2016 for the approval of the Regulation on the remuneration of employees in public medical and sanitary institutions included in the system of compulsory health insurance.

As a result, the remuneration of staff on the same position from different budgetary units can vary significantly, thus the positions remunerated according to Government Decision No. 837/2016 benefit from 60% salary increases compared to the staff remunerated according to Law No. 270/2018, which leads to direct consequences for staff migration between various units.

Also, the medical staff from the social institutions/accommodation and rehabilitation centres who are no less involved in enormous activities working daily with the most vulnerable population groups (disabled people, elderly people, family violence, Romani people, children in conflict with law, people living with HIV, etc.), and very low and demotivating salaries. We have the same example in the field of education – nurses in school and pre-school institutions. For this reason, the situation forces them to combine activities, i.e. many positions are not filled being under the moratorium, a trend that is preserved from year to year.

As a direct impact of the salaries' unattractiveness there are significant problems in filling the positions, although in essence most of the vacant positions are blocked by moratorium, there are structures where more than half of the positions in the approved organizational chart are vacant, as is the case of the Chisinau City Hall, where 130 positions are vacant out of a total of 236 approved/specified positions. This fact has direct consequences on the quality and efficiency of the work carried out by the existing staff. Similar consequences have also been identified in specific sectors of activity, which are directly affected by competition with the real sector or which require special qualifications and which have high training costs, such as aeronautics, where the salary according to the hierarchy in Law 270/2018 is a demotivating factor, and the approach is in contrast with the practice in other European states.

Given that there are challenges in filling vacant positions, the combination of positions does not seem to be a practically applicable solution in most budgetary units for reasons related to legal and financial limitations. Thus, although most of the structures participating in the interviews indicated the problems encountered in filling vacant positions, the combination of positions was highlighted as a false solution due to legal and factual limitations in its application. On one hand, there are legal limitations in the use of the combination of positions (for instance, in the case of management positions, in the case of positions in the army with 24-hour working time), but especially practical limitations given the lack of financial resources for the payment of the combination, taking into account that at the beginning of the year only the filled positions in the personnel scheme are budgeted. This de facto leads to an increase in the workload in certain institutions without the possibility of adequate payment, with direct consequences in the sense of staff migration to the private sector or to other budgetary units with a lower workload and more attractive salary.

## 8. Findings

The creation of a competent and adequate public administration has become a vital necessity in the context of the opening of the negotiations on the accession of the Republic of Moldova to the European Union. It is one of three fundamental areas in the EU accession process. The salary system is an important part of a functional public service. At this stage:

- the salary system in the public service in Moldova is insufficient, uncompetitive and unfair;
- complex, non-transparent due to numerous benefits and allowances, which sometimes represent a significant share of the basic salary, and do not motivate performance. The 2018 salary reform failed to make the salary system more efficient;
- there is a need in a centralized salary reform for civil servants at the central and local level with the main aim of increasing the competitiveness and fairness of salaries, at the same time simplifying the salary system and making it more transparent, simpler and more consistent;
- revision by the Government of the responsibilities for HRM (human resource management), limiting the decision-making power of the ministers and extending the decision-making power in the field of human resource management to the state secretaries to ensure competitive, merit-based appointments, etc.

At the same time, salaries in the private and public sectors are among the lowest in the region. It is one of the causes of labour migration and the dangerous reduction of human capital. The average salary level in Moldova differs significantly from the European Union countries. Unlike the countries of the European Union, where salaries in the public sector are higher than in the private sector, salaries in the public sector in Moldova are 29% lower than in the private sector. This creates problems in retaining qualified personnel in public positions.

The current rate of economic growth in Moldova is not sufficient for a significant increase of the salary level in the private and public sectors. The desire for economic growth should remain at the centre of attention of the authorities to ensure a competitive and sustainable salary level.

## 9. Recommendations

In the context of attenuation of the crisis in human resources within the central and local public authorities, the improvement of the salary system should be addressed simultaneously with the crisis in human resources in the Public Authorities and the reform of the public administration as a whole, including:

- establishment of organized, professional and dedicated human resource management in the local and central public administration will improve the level of quality and remuneration of human resources. The human resource management is insufficient, which has a negative impact on the professional development of the civil servants, especially within the local public authorities;
- defining political and managerial responsibility for PAR and HRM. The role of the general secretary in the ministries in HRM decision-making is not enough, in most cases the essential decisions regarding human resources, their appointment and promotion are taken personally by the ministers. The general secretaries, as top civil servants could take on HRM and financial management responsibilities, but the legislation does not set out a clear mandate leaving the allocation of tasks to the discretion of the political leadership;
- the system of organization and distribution of responsibilities in the central administration leaves a large number of agencies outside the general rules. The Government should review the legislative framework to incorporate “public institutions” and regulatory authorities into a general liability, employment and remuneration regime;
- excessive bureaucracy and organizational culture focused mainly on procedures and not necessarily on results, which do not stimulate creativity and innovations. The prevailing management style remains to be authoritarian, not participative, with direct involvement of employees in decision-making;
- an integrated informational system for human resource management in the public service which would also include a sub-system for ensuring fair remuneration is a critical need;
- attractiveness of the civil service positions is insufficient, the number of candidates for new positions in the public service is very low, as is the efficiency of recruitment. Attracting, recruiting and retaining competent staff and professionals in the public service is a major challenge;
- career development in the public sector is not clear. Merit-based promotion opportunities in public service are not sufficient. The system of promotion and

professional growth is rigid, largely left to the discretion of hierarchical superiors;

- regulations establish obligations for civil servants to benefit from at least 40 hours of professional development each year. This is not followed.