

EXPLORING ENTREPRENEURIAL INSIGHTS ON THE INFLUENCE OF MIGRATION ON MOLDOVAN BUSINESSES

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Abstract: *The paper explores, from an entrepreneurial perspective, how migration influences the business activities in the Republic of Moldova. The research uses a combination of primary and secondary data, encompassing statistical data analysis and a survey involving 204 entrepreneurs across 25 districts in the Republic of Moldova. The findings reveal that generally, entrepreneurs regard migration as having a negative consequence on their businesses, with sectors such as construction, IT, hospitality, and agriculture being the most affected by fluctuations in the active workforce. Migration's influence on labor availability is significant in both urban and rural areas, although more pronounced in rural regions. Rural entrepreneurs perceived that this migration of workers affected their businesses more adversely compared with urban ones, thus indicating economic disparities across these areas.*

Keywords: entrepreneurship, migration, workforce, population, business.

JEL Classification: L26, J61.

1. Introduction

In an era of increasing global mobility, the interaction between migration and economic processes has been one of the most important points of interest for understanding economic environments. This also creates much relevance for Republic of Moldova as a case study, since it is part of the current wide demographic shifts such as labor migration and emigration trends. Migration plays a key role in Moldova's economic progress, making it indispensable for its development. However, this important phenomenon also poses challenges due to the size of the country. Driving factors for emigration are an unfavorable economic environment and unstable working conditions, characterized by corruption, low wages and job insecurity - all of which are on the rise.

Migration, especially for labor, provides a short-term solution to pressing problems such as unemployment and insufficient income sources in many households. However, in the longer run, migration has an adverse effect on the local labour market and disturbs the holistic growth trajectory of the national economy. The departure of labor forces from a country presents significant challenges for businesses, affecting productivity, operational continuity, and economic stability. Some factors that have been discussed in the literature to explain this phenomenon include globalization, immigration policies, and labor market dynamics in the context of entrepreneurship and labor loss.

The loss of human capital has been noted in the research to have severe consequences for businesses, particularly in terms of innovation and competitiveness (Wadhwa & Salkever, 2012; Roudgar & Richards, 2015; Doyle, 2004). A sudden reduction in the workforce can disrupt services and production lines, leading to a direct impact on business performance (Kikeri, 1998, Aguirre & Reese, 2004). To mitigate these losses, companies often face increased costs to attract and retain local talent or invest in training programs to fill the gaps left by departing workers (Kikeri, 1998). This labor shortage can drive up wages and operational costs for businesses (Ghose et al., 2008), and companies may struggle to find specialized talent, leading to delays and reduced productivity (Kuptsch, 2006).

The compounded effects of labor shortages, higher recruitment costs, and operational disruptions all detract from business competitiveness, particularly in the global market (Kuptsch, 2006). Such disruptions not only hinder growth but also limit innovation,

exacerbating the problem of talent scarcity and driving up operational expenses (Wadhwa & Salkever, 2012). Over time, the cumulative impact can weaken the overall business environment, and add extra loads to companies that compete in the global economy.

In response to these challenges, various policy proposals have emerged, aiming to address the need for better migration management. Doyle (2004) stresses the importance of establishing norms that facilitate labor mobility while ensuring the protection of workers' rights. After all, good migration management is not only necessary for economic stability but also for preventing the social and political upsets brought about by the migration of labor. The exodus of workers can destabilize communities, with local economies and social structures bearing the brunt of the impact. Doyle emphasizes the need for international cooperation to manage migration effectively and limit its adverse social effects (Doyle, 2004). Additionally, Kikeri (1998) suggests that governments must focus on reintegration policies and job creation to alleviate the social costs associated with labor market adjustments.

While the challenges associated with labor migration are significant, some argue that out-migration can also have positive outcomes. Remittances from migrants can bolster local economies, and returning workers can contribute to knowledge transfer, enhancing the skill levels of the local workforce and potentially boosting productivity (Drinkwater et al., 2003). In many cases, migrants themselves return to establish businesses, particularly in rural areas, where they contribute significantly to job creation. Bosworth (2008) notes that in-migrants often own over half of rural microbusinesses, and their entrepreneurial efforts not only create jobs but also inject new vitality into local economies. By leveraging diverse networks, these entrepreneurs enhance local connectivity, contributing to broader economic growth and development (Bosworth & Glasgow, 2012).

The analyze of scientific literature highlights the dual nature of labor migration as both a challenge and an opportunity for business, especially in a globalized economy. It adds that good management of migration is necessary to minimize its disruptive impact and maximize its benefits.

The business consequences of migration are multi-dimensional and cannot be reduced to just statistical figures. The entrepreneurs, main players in the economic environment, have a privileged vantage point that allows them to give value-added information on the problems and opportunities induced by population movements. This paper represents an attempt at contributing to the complex understanding of how migration influences the Moldovan entrepreneurial landscape through the exploration of the entrepreneurs' perspectives. This might also allow for a more in-depth analysis of the different impacts and responses within the different segments of the business community by looking at the opinions of entrepreneurs in the context of the residential area, economic sector, region, and size of the business.

2. Data sources and methods

In order to assess the way migration influence on businesses in the Republic of Moldova, primary data were used, using a survey methodology. This survey was carried out between the months of June and October 2022 and involved a comprehensive pool of 204 entrepreneurs from the Republic of Moldova. The composition of this sample was deliberately structured to reflect the key demographic characteristics that characterize the wider business sector.

The results were generalized and processed using the SPSS statistical analysis programme, which facilitated the synthesis and interpretation of the data collected and helped to extract meaningful patterns and insights. The survey questionnaire, designed to capture the perspectives of the respondents, included a number of closed-ended questions. This design

allowed participants to choose their responses from a pre-defined set of options. In order to quantify the impact of migration on businesses, the survey used a 5-point Likert scale. This scale provided participants with a range of choices to assess the impact of migration, with the points representing different levels of impact: 1 indicating 'significant negative impact', 2 indicating 'negative impact', 3 indicating 'neutral impact', 4 indicating 'positive impact' and 5 indicating 'significant positive impact'.

In addition to the primary survey data, this research integrates statistical data from the National Bureau of Statistics. This auxiliary data source contributes to the external validation of the findings, strengthens the trustworthiness of the research results and provides a well-rounded perspective on population dynamics in the context of migration.

This paper employs the terms "migration" with the following specific meaning: migration refers to the territorial movement of individuals, involving a shift in their place of residence. When this movement occurs within a country, it is termed internal migration, while migration across national borders is referred to as international migration (National Bureau of Statistics of Moldova).

3. Results and discussions

In 2020, Republic of Moldova had just over 3 million inhabitants and over 1.15 million international migrants representing about 32% of the resident population. During the period 2000-2020, the migrant population has steadily grown, at a rate of approximately 100,000 people each five years, up to 248,000 in the period 2015-2020. Considering depopulation and low fertility rates, the contribution of international migrants increased by 2-3% every five years, with big increases in the last few years. This trend has been further enforced by the COVID-19 pandemic (European Training Foundation, 2021).

This significant migration has had two main socio-economic effects. The first is the significant impact of remittances on economic growth and the living conditions of the population. Conversely, the second effect is negative and manifests itself in an overall decline in national human capital development. This is reflected in brain drain, an ageing population structure and reduced work motivation. The brain drain exacerbates a complex human capital problem that entrepreneurs have to face. According to the 2019 World Economic Forum, Republic of Moldova received a score of only 3.2 out of 7 on the Ease of Finding Skilled Employees indicator, ranking last (136th) among the benchmark countries (World Economic Forum, 2019).

High emigration rates influence population dynamics and the age distribution of the population directly, thus having wide-ranging effects, especially in rural areas characterized by high ageing rates (European Training Foundation, 2021). Republic of Moldova has been experiencing demographic regression since 2014, whereby mortality rates surpass birth rates. As a result, current demographic trends and structural changes in Moldovan population outline a challenging perspective that will surely bring negative implications in terms of human capital formation (Government of the Republic of Moldova, 2017). In the context of the three main age groups associated with the stages of entry and exit from the labour market, a significant decrease of 21.1% in the working age population (16-56/61 years) was observed in the last 10 years (2014-2024), amounting to 377.2 thousand fewer people. Meanwhile, the population beyond working age (57/62 years old) has increased by 4.7% (Table no. 1).

Table no. 1. Usually resident population size and structure by age group, 2014-2024

	2014	2020	2021	2022	2023	2024
Total per country, pers.	2869302	2643675	2626588	2565030	2492278	2423287
Share, %	100	100	100	100	100	100
Under the working age (0-15 years)	547196	517536	510396	497735	476683	452927
Share, %	19.1	19.6	19.4	19.4	19.1	18.7
Working age (16-56/61 years)	1786239	1562014	1563039	1511270	1467881	1409001
Share, %	62.3	59.1	59.5	58.9	58.9	58.1
Over working age (57/62+ years)	535867	564125	553153	556025	547714	561359
Share, %	18.7	21.3	21.1	21.7	22.0	23.2

Source: authors' calculations based on National Bureau of Statistics data

The findings of the analysis of the labor migration distribution based on educational attainment highlight the prevalence of migrants with lower educational backgrounds (secondary school, high school, secondary vocational, and specialized secondary) in the overall migration population over the whole reference period. Throughout the course of the analysis, these demographic groups made up, on average, 85% to 90% of the total labor migrants observed over the time period analyzed. On the other hand, between 2018 and 2023, the percentage of migrants with tertiary education varied between 10% and 14%, making them a minority within the migrant community (fig. no.1). Because of their greater capacity for adaptation and flexibility, migrants with lesser levels of education may, therefore, integrate into their new nations more quickly. But this dynamic might also result in a lack of skilled workers on the domestic market, particularly in fields that need for medium or higher education. The aforementioned discovery underscores the complexity and interdependence of the labor migration phenomena, along with its economic and social ramifications on a local and worldwide scale.

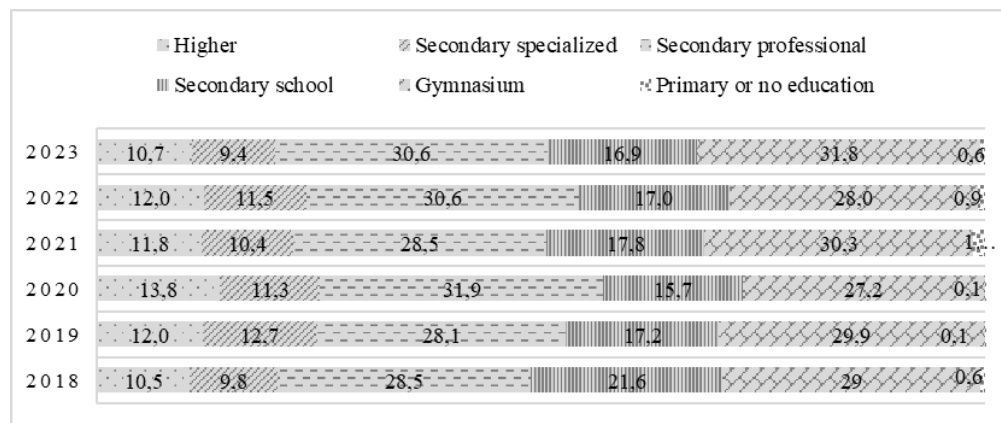


Figure no. 1. Structure of labor migrants by educational attainment, 2018-2023, %

Source: prepared by the author based on NBS, Labor Force Survey - Employment and unemployment, 2019-2023

In addition to its socio-economic effects, migration, particularly brain drain, poses significant challenges to the competitiveness of businesses in Republic of Moldova:

- Brain drain, or the outflow of highly educated and competent persons, reduces the available talent pool for enterprises in Republic of Moldova. The migration of qualified professionals depletes local businesses of critical human capital required for innovation, productivity, and competitiveness.
- The exodus of highly qualified people from industries like technology, healthcare, and engineering might hinder innovation and technical growth in Moldovan enterprises. With fewer skilled employees participating to research, development, and problem-solving projects, organizations may struggle to remain competitive in fast changing markets.
- The Republic of Moldova is experiencing brain drain at both the level of established enterprises and at entrepreneurial ventures. This could make it even more difficult for start-ups and small businesses to attract and retain qualified employees; thus, they can't expand their activities or innovate as extensively. This can create entrance obstacles for new entrepreneurs and decrease the competitiveness and dynamism of the overall entrepreneurial environment.

How migration influences businesses: entrepreneurs' perceptions. Entrepreneurs' assessment of the impact of migration on businesses shows an overall negative perception. About 79% of entrepreneurs gave scores of minimum 1 and 2 as ratings for these indicators, with an average score of 1.84. That means this is a significant obstacle that affects recruitment negatively and influences the development of the entrepreneurial ecosystem in an unfavorable way.

There are significant differences based on place of residence. The negative assessment of migration as an obstacle is particularly high among entrepreneurs from rural areas, with 90.9% of respondents expressing this view. This figure is 16.8 percentage points higher than for respondents from urban areas, where the negative assessment is 74.1% (fig. no.2).

Many complex socio-economic factors provide grounds for differences between urban and rural areas in the Republic of Moldova. In villages, due to underdeveloped economic activities and infrastructure, there is greater reliance on local manpower and resources. Thus, labor migration can lead to a loss of skilled labor force and entrepreneurs and, consequently, harm the development of local businesses. In addition, rural communities often face challenges in accessing education and training, which hinders competitive business

development. The lack of diversified economic activities in rural areas exacerbates the impact of brain drain on the local business ecosystem. Conversely, urban areas generally have better access to resources, markets and educational institutions.

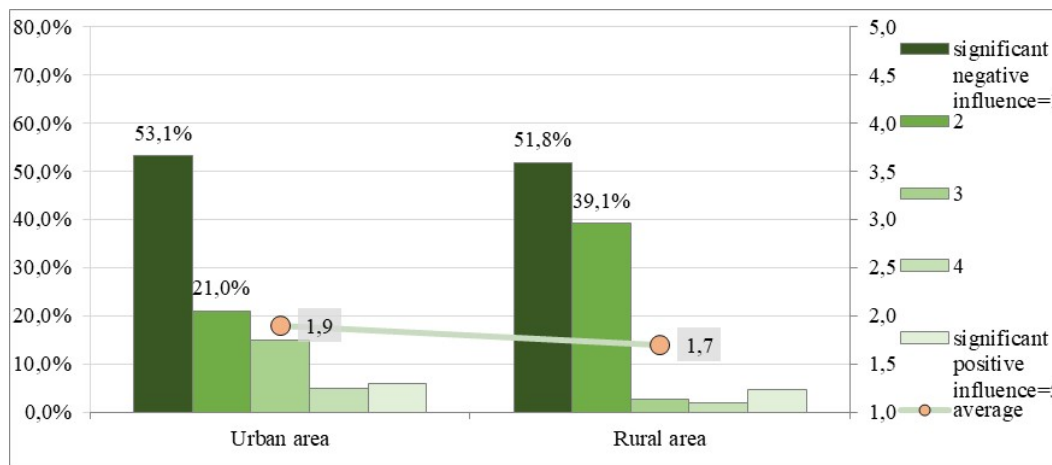


Figure no. 2. Perception of migration influence on businesses by area, % of respondents assessing the indicator

Source: developed by the authors based on the survey of entrepreneurs, 2022

Irrespective of the *size of the enterprise*, entrepreneurs have indicated that migration phenomena have a significant impact on business development. In particular, large enterprises have the highest percentage (90%) of respondents recognizing the negative impact of population migration on business development (fig. no.3).

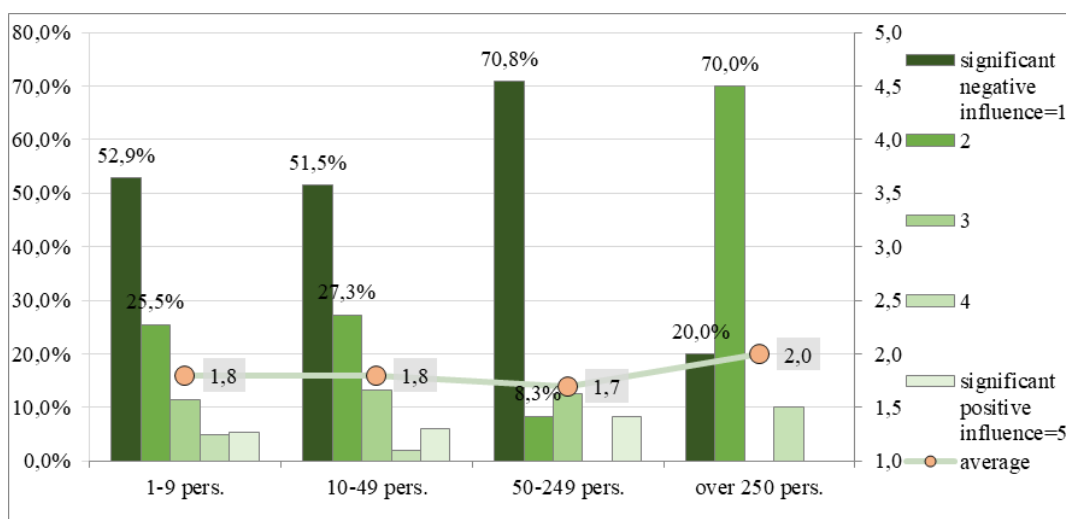


Figure no. 3. Perception of migration influence on business by size of enterprise, % of respondents assessing the indicator

Source: developed by the authors based on the survey of entrepreneurs, 2022

The importance of human resources is consistently recognized in all 5 development regions. Internal migration and international migration are seen as obstacles by most entrepreneurs in these regions. In particular, enterprises in the Southern Region and in the

ATU of Gagauzia have an overwhelmingly negative perception of these indicators, with 100% of respondents giving scores of 1 and 2, highlighting the negative impact of this phenomenon on the entrepreneurial ecosystem. Conversely, enterprises in the city of Chisinau had a relatively lower proportion of respondents who perceived population migration as an obstacle (73%) (fig. no. 4).

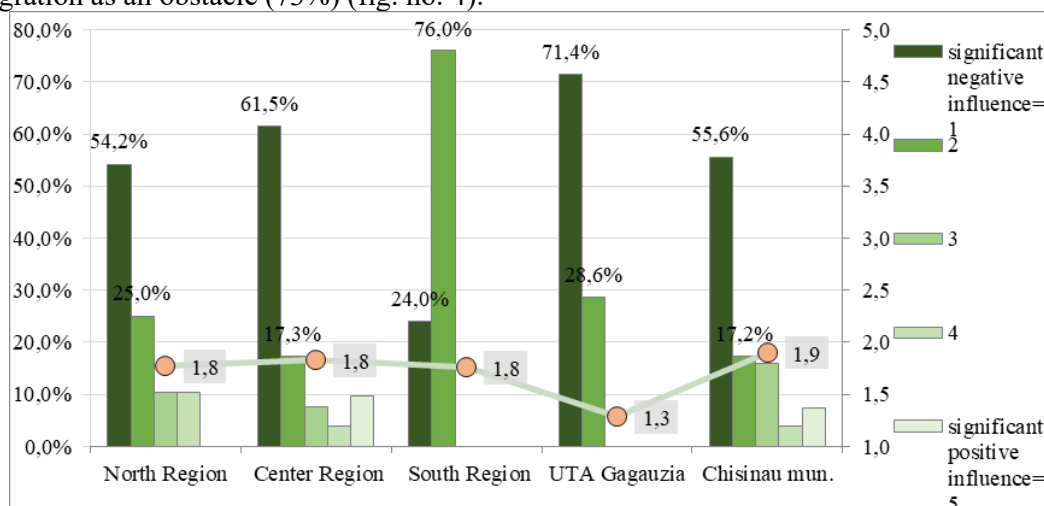


Figure no. 4. Perception of migration influence on businesses by region, % of respondents assessing the indicator

Source: developed by the authors based on the survey of entrepreneurs, 2022

There are also differences in the assessment of the impact of migration across sectors. The construction and IT sectors had a predominantly negative view of these indicators, closely followed by agriculture and hotels and restaurants (an obstacle for 90% of entrepreneurs). In contrast, a lower proportion of respondents in manufacturing (68.3 %) saw population migration as an obstacle to their business (fig.no. 5).

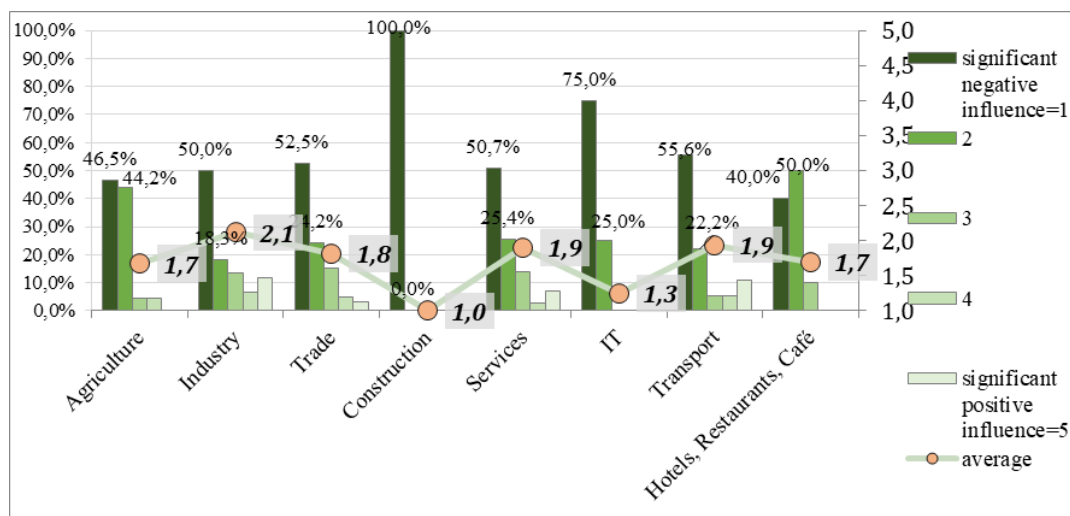


Figure no. 5. Perception of migration influence on businesses by economic sector, % of respondents assessing the component

Source: developed by the authors based on the survey of entrepreneurs, 2022

4. Conclusion

Migration is one of the most serious challenges facing Republic of Moldova, as it is clearly reflected in Moldova's labor market and economic development. While emigration can alleviate financial problems that are pressing in the short run, long-term consequences need to be foreseen through strategic plans and extensive policies capable to mitigate its impact.

Workforce reduction poses a serious threat to enterprise growth and economic stability. In the recent years, the country has been facing a significant decline in the working-age population; this is mainly due to reasons such as emigration of skilled manpower and professionals. The official statistical data and opinions from the entrepreneurs point out that migration is mostly adverse for enterprises, especially in the countryside. The impact of migration on labor force availability is more pronounced in rural regions than in urban regions, with a greater share of rural entrepreneurs perceiving it negatively. The main drivers of migration are economic in nature: they include low wage levels, limited employment opportunities, and substandard living conditions in rural areas. Large-scale enterprises (employing more than 250 people) also reported that they were more adversely affected by migration. Certain sectors—such as construction, IT, hospitality, and agriculture—are especially sensitive to fluctuations in the active labor force, making them more vulnerable to the consequences of migration.

In this view, addressing the impacts of migration, particularly brain drain, may be an essential ingredient in enhancing business competitiveness in Republic of Moldova. There is a need to prevent the loss of talent and valuable skills, boost innovation and knowledge sharing, and foster a climate favorable for entrepreneurship. In doing so, not only is the negative impact of migration minimized, but also will strengthen Moldova's economic resilience and position in the global marketplace.

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