

SALARISATION SYSTEM IN ROMANIA AND THE EU

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Abstract: *Personnel remuneration is an important tool of management that influences the efficiency of a company's business. The transition from the centralized economy to the market economy requires essential changes in the field of human resources salaries. The salary is the total amount of money due to employees for their work. In this article, the authors start from the importance of labor in the production activity of each country. Salaries depend on the capacity of each economy, both for the people working in the budgetary system and in the private system, to ensure adequate salaries, and the European Union aims to achieve, as far as possible, an approximation of the level of pay in the member countries of the European Union. The authors analyze purchasing power parity as an important indicator in assessing the quality of life in each country. An element of analysis over which the authors have stopped is represented by the minimum wage in Romania as well as in the Member States of the European Union. Another aspect over which the authors stop is the gender pay gap. Romania is the country in the European Union with the smallest differences in salaries received by women and men. The small gender pay gap in Romania is explained by the fact that women and men alike gain little.*

Keywords: *salaries, Romania and EU, cost of the labour force*

JEL Codes: *M41*

Introduction

In the functioning of an economy, the workforce plays a leading role. From the point of view of the entities, the labor force represents the respective cost of the labor force, which includes not only the salaries and salaries paid to the employees but also the non-salary costs, especially the social contributions, contributions for accidents and other contributions that are almost perceived similar but differentiated from one country to another.

Thus, labor is a determining factor for the competitiveness of entities, being influenced by capital cost and non-tariff elements such as entrepreneurship, skills and labor productivity, innovation and brand positioning in the markets.

Remuneration received by employees for their work, known as salary or salary income, is generally their main source of income and therefore has a major impact on their ability to spend or save. While the gross salary includes social contributions payable by the employee, the net salary is calculated after deducting these contributions and all amounts owed to the state, such as income tax.

Literature review

Anghel and Anghelache (2017) analyzed the wage and labor cost system of the EU Member States by carrying out a comparative study on the cost of the mountains in the EU Member States. Anghelache, Anghel, and Solomon (2017) studied the main effects of migration on labor resources. Burda and Hunt (2011) addressed issues related to employment and unemployment in Germany. Anghel and Anghelache (2017) analyzed the labor market in the EU Member States by conducting a comparative employment survey in the EU Member States and other countries with high economic potential in other geographical areas. Ruxandra Moldoveanu conducted a study on the brief description of the current employment model of women in Romania, especially compared to men, using the results obtained through the Household Labor Force Survey. Anker and Hein (1986) claim that women are less productive than men because they have a lower average human capital. Gary Becker (1976) has largely developed the framework needed to apply human capital theory to the study of phenomena such as segregation of the labor market and discrimination.

Methodology, data and conclusions.

In the last 10 years, Romania has made significant progress, managing to double its salary. This growth places the country on the second place in Europe in terms of salary changes, but the gap with the European average remains significant.

According to Eurostat on February 1, 2019, 22 of the 28 member states of the European Union used a national minimum wage, except for Austria, Cyprus, Denmark, Italy, Finland and Sweden.

The data shows three main groups of Member States as regards the minimum wage level expressed in euro:

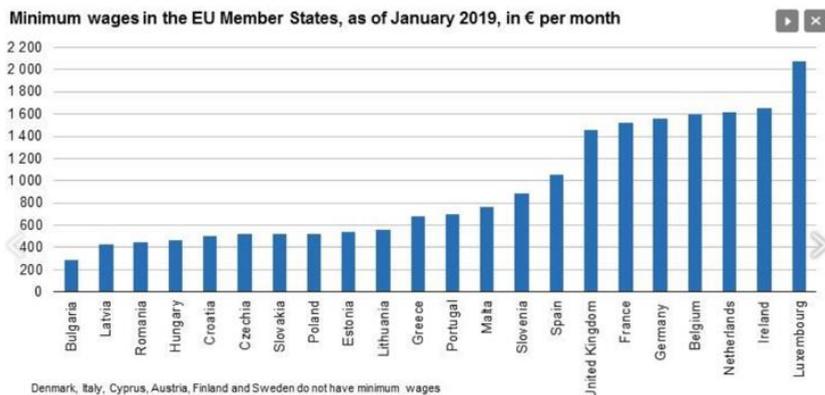
Minimum salary under 600 euro / month	Minimum salary between 650 and 1,050 euro	Minimum salary over 1,450 euro
Bulgaria- 286euro/ month Romania – 446 euro/ month Letonia 430euro/ month Lithuania 555euro/ month Czech Republic- 519 euro/ month Hungary- 464 euro/ month Croatia -506 euro/month Slovakia- 520 euro/ month Polonia- 523euro/ month Estonia-540euro/ month	Grecia – 684 euro/ month Portugal - 700euro/ month Malta – 762euro/ month Slovenia – 887euro/ month Spain -1050euro/ month	Luxemburg-2.071euro/ month Irlanda-1.656euro/ month Olanda -1.616euro/ month Belgia-1594euro/ month Germania -1.557euro / month France -1.521euro/ month Mare Britanie1453euro/ month

Starting January 1st, 2019, the gross minimum wage is 2,080 lei / month. This monetary amount does not include bonuses and other bonuses. The gross minimum wage from 2019 is reported for a full-time work schedule of 167,333 hours, on average, per month in 2019, representing 12.43 lei / hour.

For the staff assigned to higher education positions, with at least one year of seniority in the field of higher education, the minimum gross national salary guaranteed in payment starting with 2019 is 2,350 lei / month. The salary is reported for a full-time work schedule of 167,333 hours, on average, per month in 2019, representing 14,044 lei / hour.

Therefore, in order to apply this provision, the employee must cumulatively fulfill the two above conditions, namely the existence of higher education and seniority of at least 1 year.

Figure 1



According to data published by Eurostat, Romania is on an antepenultimate place among states as a minimum gross salary, with a level of 446 euro.

Surprisingly, countries with a low minimum wage (including Romania) have high tax rates (over 40%), while countries with a high minimum wage (such as Luxembourg, Ireland or the UK) have effective rates taxing less than 30%. When calculating effective tax rates, account is taken of tax rates, as well as contribution rates, relative to the gross salary.

In order to have an international reference, according to Eurostat, the minimum wage in the US in January 2019 was 1,098 euros, slightly higher than in Spain and significantly lower than in the other Eurozone countries. Low-wage Member States generally have relatively low prices compared to those where higher minimum wages are recorded.

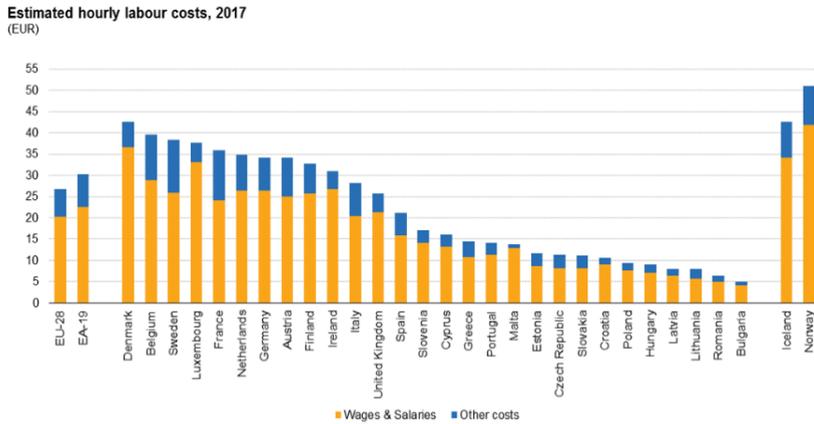
The price level varies considerably between countries, which makes the salary scale significantly lower in reality than it appears if the values are taken in euro.

Thus, in the EU, at the standard purchasing power parity (PPS), the difference between the maximum and the minimum level is reduced to less than half from 7.2 to 1 to only 2.96 to 1 (Luxembourg 1.646 PPS and Bulgaria 557 PPS).

According to Regulation (EC) No. 1737/2005, the labor cost includes the employee's remuneration (including salaries and wages in cash and in kind, social contributions paid by employers), training and other costs (such as recruitment costs, labor costs and taxes on force of labor, considered as labor costs of which subsidies are deducted).

The average hourly labor cost in 2017 was estimated at EUR 26.80 in the EU-28 and at EUR 30.3 in the euro area (EA-19). However, this average masks significant differences between EU Member States, with hourly labor costs ranging between EUR 4.90 in Bulgaria and EUR 42.50 in Denmark (see Figure 2); the average was still higher (EUR 51.00) in Norway and in Iceland (EUR 42.60).

Figure 2



Note: whole economy (excluding agriculture and public administration), in enterprises with 10 or more employees. Provisional data.
Source: Eurostat (online data code: lc_lci_lev)

Labor costs include costs for wages and salaries plus non-wage costs such as employers' social contributions. In 2017, the share of non-wage costs in total labor costs for the whole economy was 24.0% in the EU-28, while it was 25.9% in the euro area. (32.8%), Sweden (32.7%), Lithuania (28.3%) and Italy (27.5%), the highest share of non-wage costs, while the lowest shares were recorded for Malta (6.7%), Luxembourg (11.9%), Ireland (13.7%), Denmark (13.8%) and Croatia (15.0%).

The pay gap between women and men

The pay gap between men and women in unadjusted form is defined as the difference between the average gross hourly wage of men and women, expressed as a percentage of the average gross hourly earnings of men.

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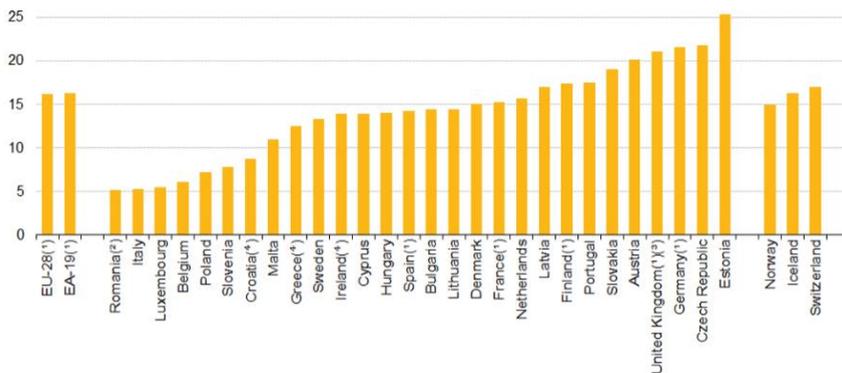
In 2016, at EU level, men earned 16% more than women.

In other words, a woman received 84 eurocents for each euro with which a man was paid. But the gender pay gap varies greatly if we look at each individual Member State.

The unadjusted gender pay gap is an important indicator to measure differences between the average earnings of men and women in the EU. In 2016, in the EU-28 as a whole, women were paid, on average, 16.2 % less

than men, while the difference was 16.3 % for the euro area. The smallest differences in average pay between the sexes were found in Romania, Italy, Luxembourg, Belgium, Poland, Slovenia and Croatia (less than 10.0 % difference in each of these). The biggest gender pay gaps were identified in Estonia (25.3 %), the Czech Republic (21.8 %), Germany (21.5 %), the United Kingdom (21.0 %) and Austria (20.1 %) — see Figure 3.

Figure 3



Note: For all countries except the Czech Republic: data for enterprises employing 10 or more employees, NACE Rev. 2 B to S (-O); Czech Republ

- (*) Provisional data
- (*) Estimated
- (*) Estimated by Eurostat
- (*) 2014 data

Various issues contribute to these gender pay gaps, such as: differences in labour force participation rates, differences in the occupations and activities that tend to be male- or female-dominated, differences in the extent to which men and women work on a part-time basis, as well as the attitudes of personnel departments within private and public bodies towards career development and unpaid and/or maternity/parental leave. Some underlying factors that may, at least in part, explain gender pay gaps include sectoral and occupational segregation, education and training, awareness and transparency, as well as direct discrimination.

Gender pay gaps also reflect other inequalities, in particular, women’s often disproportionate share of family responsibilities and associated difficulties of reconciling work with private life. Many women work part-time or under atypical contracts: although this permits them to remain in the labour market while managing family responsibilities, it can have a negative impact on their pay, career development, promotion prospects and pensions.

In our country, as in most EU Member States, there are specific occupations for women and men. According to studies, Romania ranks 9th in the ranking of countries with the highest percentage of women-owned businesses. Thus, out of the total Romanian businesses, 28.9% are owned by women. Our country registered an increase in this category, as last year it ranks 13th, with 27.5% of the total number of women-owned businesses.

Women generally work in economic sectors and professions where their activities are compatible with their family responsibilities, according to the National Institute of Statistics.

Among the activities of the national economy where women dominate the labor market

include:

- health and social care (79.0%),
- Education (75.8%),
- financial intermediation (65.1%),
- hotels and restaurants (59.9%),
- professional activities (55.7%) and
- Commerce (54.7%).

Among those working in agriculture in 2015, 43.2% were women. And in non-agricultural branches, women accounted for 43.2%.

At the opposite end, the highest share in the total number of employed persons was registered for women working as administrative staff (62,1%), service workers (60,6%) or specialists in various fields of activity (56,2%).

Conclusions

When we appreciate the quality of life in a country of the European Union, we must take into account three essential elements - wages, labor costs and minimum wage on the economy.

The discrepancies that separate Member States from the point of view of wages, labor costs and minimum wage will make it difficult for the countries that have joined the last batches to evolve to European Union standards.

Romania is on an before last place among states as the minimum gross salary, with a level of 446 euro.

Although women have a higher level of education, accounting for 60 percent of the total number of graduates, the employment rate on the labor market is lower than that of men. In Romania, the employment rate among the female population is significantly lower than that for the male population.

With few exceptions, women earn less than men's wage earnings in most national economy activities. Conditions of employment pay or promotion, as well as the family or socio-cultural context may limit the participation of women in the labor market.

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