

BRIEF ASSESSMENTS OF THE WAGE ISSUES AT THE LEVEL OF E.U. COUNTRIES

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ABSTRACT: *The issue of salaries including salary levels, evolution, purchasing power, salary differentiation between business areas, development areas, men and women, are some of the aspects that bring forth multiple and lasting concerns not only among researchers, but also to governors and to European bodies interested in the field of labour, employment and in social issues derived from payroll as a way of design, implementation, size and development. A brief analysis of the aspects related in particular to the minimum and average wage, as well as of the share of employees earning the minimum salary, meaning below the threshold of average salaries of employees in the total of European Union countries, on the basis of the data supplied by Eurostat, shows significant differences among them, differences that persist despite a legislative and institutional framework created at EU level to monitor, identify and implement effective solutions, based on the indissoluble bond that exists between wage policies and the economic efficiency of a State.*

KEY WORDS: *wage policy, minimum wage, average salary, wage differential.*

JEL CLASSIFICATION: *J31, J38.*

1. INTRODUCTION

In modern times, the wage is the most frequent form of income, its level and evolution influencing the economic situation of a significant number of people.

The wage is determined based on an agreement between an employer and an employee, meaning a ratio between labour demand and supply. In determining the salary, the labour demand and supply ratio acts in two ways: the first one reveals the overall conditions of an economy, branch, sub-branch and local markets; the second is the one that corresponds to the real situation in hiring companies. While the first stage allows the formation of hypothetical or theoretical wage, the second one actually sets it nominally [1].

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The rates and the dynamics of the salary depend on the following factors: the cost of labour resources, the ratio between demand and supply of labour, labour productivity, the level of economic development of the country, labour mobility, discrimination in employment, the level of union organizations, legislation concerning the trade union movement and the claims of each country, etc., being the result of wage policies which, normally should start from the belief that remuneration is not only a consequence but also a prerequisite for an effective social and economic activity.

At the macroeconomic level, wage policy must be conceived as a component of general economic strategy, alongside employment policy, fiscal policy, budgetary, monetary and credit, having as its defining coordinates. At macro-economic level, the wage policy should be considered a component of the general economic strategy alongside employment policy, fiscal and monetary policy, budgetary and credit policy with the following defining coordinates [2]:

- establishing a correlation between the rapid growth of labour productivity in relation to that of salaries;
- creating a legislative framework that encourages efficient negotiations between the Government, employers and trade unions in an optimal climate;
- the increase in nominal wages is to establish of a correlation between real salaries and increasing labour productivity; otherwise, a purchasing power that does not reflect the efficiency of the economy will lead to impairment of investments and expenditure.

2. THE MINIMUM WAGE

The guaranteed minimum wage is the lowest compensation on an hourly, daily or monthly basis which employers must pay to an employee, according to the law. The minimum wage is considered to be sufficient to satisfy the vital needs of employees for food, clothing, education, etc., taking into account the cultural and economic development of each country. Ever since it came into being (in 1919), the International Labour Organization have militated for guaranteeing a wage that ensures suitable living conditions for all employees. At the Philadelphia Conference in 1944 it was agreed that this organization would help every country in the world to develop and implement programs regarding the vital minimum wage.

At the level of EU, the guaranteed minimum wage has registered significant discrepancies every month mainly because of price changes in each economy. Obviously, the rate of pay is very different from one country to another. Therefore, the highest level of the minimum salary is registered in Luxembourg (1,922.96 Euro/month) followed by Belgium (1501.82 Euro/month), while the lowest levels of the minimum wage can be found in Bulgaria (184.07 Euro/month) and Romania (217,5 Euro/month); these values were registered in 2015, adding that minimum wages are gross amounts, that is, before deduction of income tax and social security contributions. Such deductions vary from country to country [8].

In some countries, the guaranteed minimum wage is not computed per month, but per hour or per week, subsequently being set on a monthly basis. Such cases are presented below [5]:

- Germany: hourly wage x 40 hours x 52 weeks / 12 months;
- Ireland: hourly wage x 39 hours x 52 weeks / 12 months;
- France (as of January 1999 until January 2005): hourly wage x 39 hours x 52 weeks/12 months; (as of July 2005): hourly wage x 35 hours x 52 weeks/12 months;
- Malta: weekly wage x 52 weeks / 12 months;
- United Kingdom: hourly wage x number of hours paid per week to full time employees in all sectors of economy x 52.18 weeks / 12 months.

The impact of the minimum wage increase social welfare of poor households depends on minimum income distribution among the poor and the rich, the elasticity of work hours and employment elasticity. A change in the minimum wage level upwards it determines, in many cases, change all the upside and wage levels are close to the minimum, but without any other influence on the level wages.

Despite criticism against the guaranteed minimum wage (considered an unemployment factor when it is higher than the equilibrium wage; it disfavours unqualified labour in developed countries or generates a protected labour market) and arguments for guaranteed minimum wage (work more expensive reduce absenteeism, rationalization of jobs with lower productivity as long as minimum wage established equity between wage and marginal productivity it will not lead to staff reductions, stimulate consumption and reduce government spending to amounts set aside for helping those with low income), minimum wage is enforced by law, often after consultation with the social partners, or directly by national inter-sectoral agreement, in 22 out of the 28 EU member states (all, except Denmark, Italy, Cyprus, Austria, Finland and Sweden). The national minimum wage usually applies to all employees, or at least to a large majority of employees in the country.

Table 1. The minimum wage in EU countries

- Euro/month -

	2009	2010	2011	2012	2013	2014	2015	2016	Sem. I 2017
Belgium	1387.50	1387.50	1415.24	1443.54	1501.82	1501.82	1501.82	1531.93	1531.93
Bulgaria	122.71	122.71	122.71	138.05	158.50	173.84	194.29	214.75	235.20
Czech Rep.	297.67	302.19	319.22	310.23	318.08	309.91	337.58	364.90	407.90
Croatia	373.46	385.48	381.15	373.36	372.35	395.67	398.90	408.48	433.35
Estonia	278.02	278.02	278.02	290.00	320.00	355.00	390.00	430.00	470.00
Ireland	1461.85	1461.85	1461.85	1461.85	1461.85	1461.85	1461.85	1546.35	1563.25
Greece	817.83	862.82	862.82	876.62	683.76	683.76	683.76	683.76	683.76
Spain	728.00	738.85	748.30	748.30	752.85	752.85	756.70	764.40	825.65
France	1321.02	1343.77	1365.00	1398.37	1430.22	1445.38	1457.52	1466.62	1480.27
Latvia	254.13	253.77	281.93	285.92	286.66	320.00	360.00	370.00	380.00
Lithuania	231.70	231.70	231.70	231.70	289.62	289.62	325.00	380.00	380.00
Luxembourg	1641.74	1682.76	1757.56	1801.49	1874.19	1921.03	1922.96	1922.96	1998.59
Hungary	268.09	271.80	280.63	295.63	335.27	341.70	333.41	350.09	411.52
Malta	634.88	659.92	664.95	685.14	702.82	717.95	720.46	728.04	735.63
Netherlands	1381.20	1407.60	1424.40	1446.60	1469.40	1485.60	1507.80	1537.20	1551.60
Poland	307.21	320.87	348.68	336.47	392.73	404.40	417.55	417.02	453.48
Portugal	525.00	554.17	565.83	565.83	565.83	565.83	589.17	618.33	649.83
Romania	149.16	141.63	157.20	161.91	157.50	190.11	234.77	276.34	275.39
Slovenia	589.19	597.43	748.10	763.06	783.66	789.15	790.73	790.73	804.96
Slovakia	295.50	307.70	317.00	327.00	337.70	352.00	380.00	405.00	435.00
United Kingdom	995.28	1076.46	1138.54	1201.96	1249.85	1251.05	1509.70	1447.07	1396.90

Source: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_mw_cur&lang=en

Except for Greece, all EU member states have registered increases of the minimum wage within the timeframe subject to analysis (2009 – 1st semester of 2017).

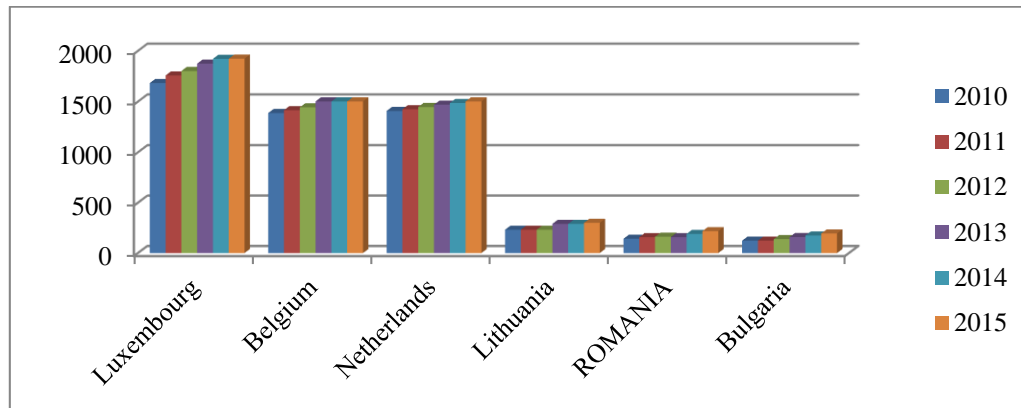


Figure 1. The evolution of the minimum wage in the top three and last three EU countries within the ranking

In January 2017, ten member states, including our country, located in the Eastern part of the European Union, set the minimum wage at under 500 Euros per month: Bulgaria (235 Euros), Romania (275 Euros), Latvia and Lithuania (380 Euros), Czech Republic (407 Euros), Hungary (412 Euros), Croatia (433 Euros), Slovakia (435 Euros), Poland (453 Euros) and Estonia (470 Euros). In five other member states located in the South, the minimum wage varies between 500 and 1,000 Euros per month: Portugal (650 Euros), Greece (EUR 684), Malta (EUR736), Slovenia (805 Euros) and Spain (826 Euros). In the other seven member states - geographically located in the Western and Northern European Union the minimum wage exceeds 1,000 Euros per month: United Kingdom (1,397 Euros), France (1,480 Euros), Germany (1,498 Euros), Belgium (1,532 Euros), the Netherlands (1,552 Euros), Ireland (1,563 Euros) and Luxembourg (1,999 Euros) [3, 4].

Between 2008 and 2017, the average wage doubled in Bulgaria (+109%) and Romania (+99%). Moreover, Slovakia (+80%), as well as the Baltic countries - Estonia (+69%), Latvia (+65%) and Lithuania (+64%) registered significant increases [3].

As regards the monthly minimum wage as a proportion of average monthly earnings, the analysis made in 2015 reveals percentages of 34,6 in Czech Republic and 52,8 in Slovenia. In Romania the monthly minimum wage as a proportion of average monthly earnings, recorded and increase by 40,5% as opposed to previous years (34,1% in 2012, 36,3% in 2013 and 38,5% in 2014) [9].

Low-wage earners as a proportion of all employees (excluding apprentices) by employment contract, at the level of 2014, represent percentages of 2,64 (Sweden) and 25,46 (Latvia). From this standpoint, Romania totals 24,4%, which means that almost a quarter of the salaried employees earn two thirds or less of the national average gross hourly earnings. [9].

Eurostat has published data on the proportion of employees receiving the guaranteed minimum wage in each country subject to analysis. Here too, the level

varies greatly. For reasons of comparability, the scope was restricted to full-time employees who are aged at least 21 and work in companies with at least ten employees, after excluding public administration sectors, defence and compulsory social insurance sectors [5]. In addition, monthly earnings exclude any hours in excess and shift allowances.

The proportion of workers whose compensation is less than 105% of the national minimum wage was more than 9.0% in eight EU countries, namely: Slovenia (19.2%), Lithuania (13.7%), Latvia (11.8%), Luxembourg (10.2%), Poland (9.9%), France, Ireland and Croatia (9.2% in all three of them). Spain (with 0.2%) has registered the lowest proportion of employees whose remuneration is less than 105% of the national minimum wage, while the proportion of workers in the other 11 EU Member States whose remuneration is below this threshold varies between 2.0% and 4.7% [5].

3. THE AVERAGE WAGE

If the minimum wage represents a fixed amount set by the law to in order to provide disfavoured employees with an income that secures a decent living standard, the average wage represents the average compensation levels recorded in the economy at a given time.

Table 2. The evolution of average gross wages (of full time employees)

	2005	2006	2007	2008	2009	2010	2011
UE-27	29114	31302	-	-	-	-	-
Belgium	36673	37674	38659	40698	-	-	-
Bulgaria	1978	2195	2626	3328	4065	4396	4668
Czech Republic	7405	8284	9071	-	10663	-	-
Denmark	47529	48307	53165	55001	56044	58840	60002
Germany	38700	39364	40200	41400	41100	41736	43300
Greece	-	23861	25793	25915	29160	-	-
Spain	20333	21402	21891	25208	26316	27047	27204
France	30521	31369	32413	33574	35530	36155	-
Latvia	4246	5211	6690	8109	8727	8596	8923
Lithuania	4770	5543	6745	-	7406	-	-
Luxembourg	42135	43621	45204	51392	48914	-	-
Hungary	7798	7866	8952	9805	9603	10100	10467
Malta	14706	15278	15679	16158	20811	19016	19500
The Netherlands	38700	40800	42000	43145	44412	4,215	46287
Austria	36002	36673	37716	39023	33384	-	-
Portugal	14042	14893	15345	16691	17129	1,957	16586
Romania	3158	3720	4828	5457	5450	5891	6146
Slovenia	12985	13687	14625	15997	16202	10777	11224
Slovakia	6374	7040	8400	9677	10387	-	-
Finland	33290	34080	36114	37945	39197	39991	43848
Sweden	34027	35084	36871	37597	34746	40008	43196
United Kingdom	-	-	-	42327	38047	39626	40045

Source: Eurostat, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_gr_nace2&lang=en

Among EU Member States, the average gross annual salary of full-time employees within companies with 10 or more employees had registered the highest levels, according to statistics provided by Eurostat, in countries such as Denmark, (60,002 Euros) in 2011, followed by the Netherlands, Germany, Sweden and Finland – all with over 40,000 Euros, while the lowest values were recorded in Romania (6,146 Euros) and Bulgaria (4,668 Euros).

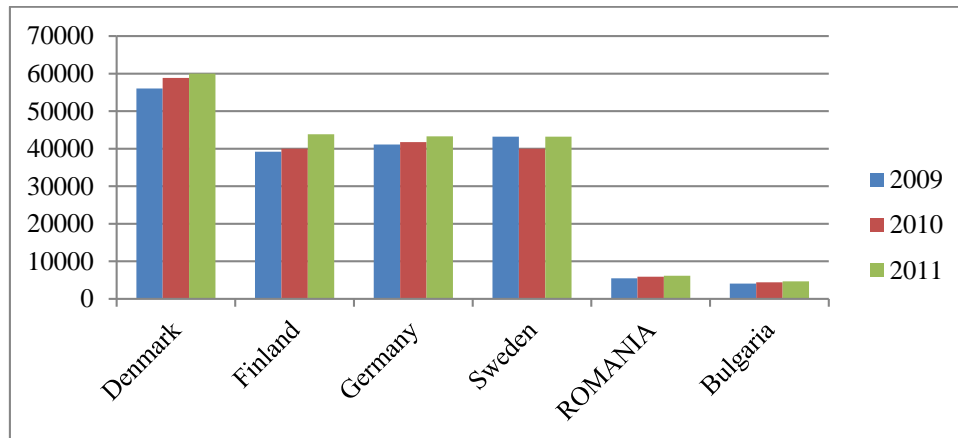


Figure 2. The average gross wage within the EU

The highest percentage of employees who have earned less than the average wage can be found in Latvia (30,9%), while 1 out of 4 employees have received wages under this threshold in Lithuania, Bulgaria and Romania. [7].

4. SALARY DISPARITIES

We are witnessing today a growing inequality in income distribution with significant differences between the highest wages and the medium wages, amid some Government policies to lower taxes on high incomes, the decline of the unionist movement, the growing impact of international trade, etc. The wage differential has registered disparities not only as regards the fields of activity, but also certain areas of development as a result of the prevailing economic branches within that area (for example, heavily industrialized areas are more privileged as opposed to agricultural areas) and the degree of economic development of the region itself.

Despite some progress, at the level of the European Union there still remain important differences regarding salaries between women and men. The difference in remuneration between men and women represents the average difference between the hourly compensation of men and of women per economy as a whole. In 2015, in the EU-28 as a whole, women were paid, on average, 16.3 % less than men, while the difference was 16.8 % for the euro area. The smallest differences in average pay between the sexes were found in Luxembourg, Italy, Romania, Belgium, Poland and Slovenia (less than 10.0 % difference in each of these). The biggest gender pay gaps

were identified in Estonia (26.9 %), the Czech Republic (22.5 %), Germany (22.0 %), Austria (21.7 %), and the United Kingdom (20.8 %) [6].

Table 3. Gender pay gap

	2010	2011	2012	2013	2014	2015
UE-28	16.4	16.9	17.3	16.8	16.7	16.3
Estonia	27.7	27.3	29.9	29.8	28.1	26.9
Czech Republic	21.6	22.6	22.5	22.3	22.5	22.5
Germany	22.3	22.4	22.7	22.1	22.3	22.0
Austria	24.0	23.5	22.9	22.3	22.2	21.7
United Kingdom	19.5	19.7	21.2	20.5	20.9	20.8
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Slovenia	0.9	3.3	4.5	6.3	7.0	8.1
Poland	4.5	5.5	6.4	7.1	7.7	7.7
Belgium	10.2	9.4	8.3	7.5	6.6	6.5
Romania	8.8	9.6	6.9	4.9	4.5	5.8
Italy	5.3	5.7	6.5	7.0	6.1	5.5
Luxembourg	8.7	7.9	7.0	6.2	5.4	5.5

Source: Eurostat, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_gr_gpgr2&lang=en

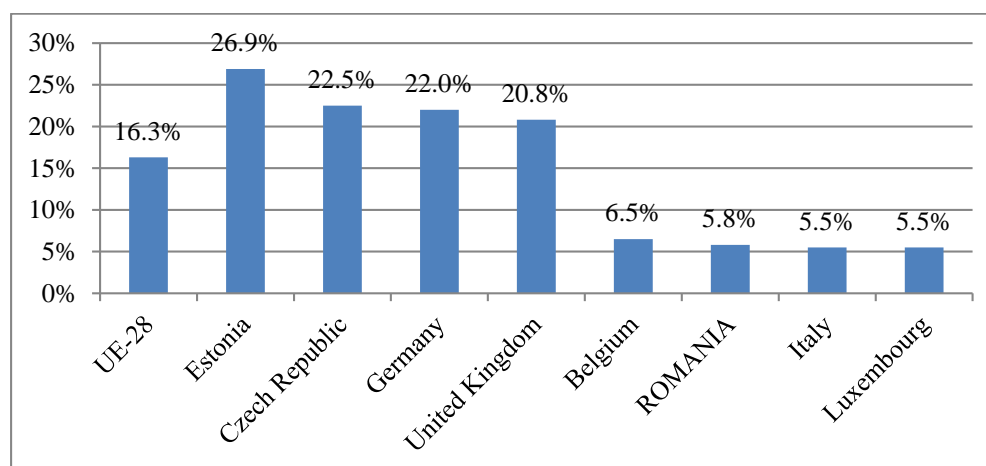


Figure 3. Gender pay gap

The difference in pay between women and men is the consequence of the continuous discrimination and of the inequalities on the labour market which, in practice, affect women in particular. This difference is related to a number of elements both legal and of social or economic nature, which go far beyond the issue of equal compensation for the same work (the employers' prejudice against women, whom they consider inferior, the forecasts regarding the productivity of a female candidate since her service might be interrupted by marriage, birth and child care, etc.).

5. CONCLUSION

A brief analysis of the defining coordinates which lead to salary issues within the EU, highlights significant discrepancies among the countries within the European Union, regardless of the indicators (the minimum wage, the average wage, the number of employees earning the minimum wage, the number of employees earning money below the average salary, gender pay differences); this means that the European Union is made up of developed countries that entered the Union with competitive advantages which have been preserved and countries which, despite their accession to this 'family', fail to overcome the disparities that separated them from other EU countries. It is also the case of Romania, which after 10 years since it joined the European Union, registers weak progress towards economic and social development.

If we focus only on the results recorded by our country, statistics show, unfortunately, that we are nominated every time we refer to one of the previously mentioned indicators because we are either among the last when we relate to the level of the minimum wage or the average salary or among the first if we relate to the share of employees earning the minimum wage or to the number of employees with salaries below the average threshold. Fortunately, we are top ranked when we analyse the wage differences between women and men.

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