REGULATORY FRAMEWORK AND DYNAMICS OF GROSS MINIMUM WAGE PER COUNTRY

Alunica MORARIU

Abstract:

Through this paper, the author intends to approach the issue of minimum gross wage per country (Romania) from a regulatory perspective and the latest developments. It is taken into account that it has an extremely important role in the economy well beyond the simple assurance of the minimum food security for the worker and his family. Starting from the idea that the minimum wage covers both social progress correlation with economic progress and some negative economic effects and social justice, it shows that at this level is achieved in conjunction with a number of factors play into work. The approach includes playback parameters of statistical order and ends with indicating foreseeable consequences of last modification (2016) on the minimum gross wage per economy.

Keywords:

social protection; cost of living; wage rights; employees; employers; personal deductions; taxes; penalties.

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1. PRELIMINARY CONSIDERATIONS

As provided in the Constitution, "employees are entitled to social protection of labor", this reference to "occupational safety and health, working conditions for women and young people, establishing a minimum salary, weekends, paid leave, paid work in difficult conditions (...) "(Constitution, 2003). In Romania were introduced two categories of social protection measures to improve the living standards of employee (Teculescu, 2005, p. 80): "Minimum salary, bound by itself constitutional text and index-clearing wage extent permitted Constitution, but essentially circumstantial, closely linked to the evolution of inflationary phenomena."

Establishing minimum wage is justified by the fact that wages are not only remuneration for a service, but also the middle minimum subsistence for its recipient. In fact, it ensures that minimum resources necessary to live according to their potential economy "so that" any trader employer - legal or natural - is not allowed to negotiate or, where appropriate, establish basic wage below the minimum gross hourly wage (Brehoi and Popescu, 1993, p.15.).

The theme in question has aroused the interest of many researchers who have published a number of valuable works, some aimed strictly at this issue (Burloiu 1993, 2001; Dorneanu, 1999; Manolescu, 1998) and others addressing related issues (Burciu et al., 2008; Bostan, 2005; Bostan and Grosu, 2009, 2010; Bostan et al., 2008, 2010; Pascariu, 2010). Besides the issue of minimum salary, it becomes subject of debate for both specialists in economics, but also of those in law or sociology etc.

2. REGULATION OF THE MINIMUM GROSS WAGE PER COUNTRY

The minimum wage has an extremely important role in the economy (Bostan, 1999), as long as it is limited to providing a minimum food security. It covers both social progress correlation with economic progress and some negative economic and social justice, the essential goal is to avoid the implications of inflation.

Establishing minimum wage is done in conjunction with several factors, including (Teculescu, 2005, p. 84): i. the needs of employees and...
their families; ii. general level of salary; iii. fluctuations in the cost of living and cost; iv. the level of social security benefits; v. the living standards of other social groups; vi. economic development, labor productivity and employment of labor.

The concept of minimum wage was set by the Labour Code of 1972 (Act no. 10 of November 25, 1972) which, in art. 83, stipulate that it is determined taking into account the level of labor productivity, national income, aiming at meeting the growing needs of employees and family members. Subsequently, by Law no. 57, 1974, the provision regarding the minimum wage was implicitly abolished, "Following the establishment of the possibility of reducing wage without specifying a minimum limit" (Burloiu, 1993), that the enactment of the Romanian Parliament (Pay Law no. 14 of 1991) to be established again.

This law stated that "minimum wage in the country is established by government decision, after consultation with trade unions and employers. Basic salaries determined by negotiation and established by a decision of the Government or by law, cannot be less than the minimum wage in the country approved for the normal work "(art. 5). As a result, a decision was issued to the Romanian Executive (Government Decision no. 133 of 1991) which was first established minimum gross wage in the country under the new legislation. Subsequently, the Government issued such decisions annually and then, to ensure effective implementation of the minimum wage has been developed and adopted a special law to that effect (Law no. 68 of 1993).

That regulation stipulates (art.1 lit. 1) that legal persons and individuals who hire workers with individual labor contract employee are obliged to ensure payment of a gross monthly wage at least equal to the minimum gross monthly wage in the country.

The current Labour Code (Act no. 53 of 2011) states in art. 164: "The minimum gross wage guaranteed payment corresponding to the normal labor is established by Government decision, after consultation with trade unions and employers. Where normal hours of work is, by law, less than 8 hours daily minimum wage hourly gross is calculated by reference to the basic wage minimum gross average number of hours per month under the program of legally approved work". The same law also introduces severe restrictions in this matter. It's about that "An employer may not negotiate and establish basic salaries by the individual employment contract under minimum wage gross hourly country", while
the obligation "to guarantee payment gross wage per month at least equal to the basic wage minimum salary. These provisions also apply if the employee is present at work in the program but cannot operate for reasons beyond it except the strike ".

Non-compliance with the guarantee of the payment of the gross national minimum wage constitutes an offense punishable by a fine of 300 lei to 2,000 lei (art. 260, alin. 1, lit. a of the Labor Code).

On the other hand, to establish the basic wage below the governed "is a contravention and is punishable by a fine of 1,000 lei to 2,000 lei (...)" (fine settling for each individual employment contract that the CD comprises deficiency) (Government Decision no. 1017 of 2015).

3. DEVELOPMENTS OF MINIMUM GROSS BASIC WAGE (COVERED) AND SOME PREDICTABLE CONSEQUENCES IN ROMANIA

Among EU member states, 22 grants a national minimum wage; the lowest value is found in Bulgaria (184 euro), followed by Romania - (218 euro) (Figure 1).

![Figure 1. The situation of minimum wage in the EU (2015, Euros / month)](source: Eurostat (2016))

At the end of 2015, the minimum wage in Romania is 43% of the average, placing us over the Czech Republic and Estonia (both 40%), but also over Spain (41%). In total, 10 Member States, this figure is under
50%, including in Germany (49%); a peak of 60% (France and Portugal) (Ziare.com/afaceri/salariati, 2015).

Since 1st of May 2016 the basic wage gross minimum guaranteed payment has been established (Government Decision no. 1017 of 2015) to 1.250 lei per month for a full working program of 169 333 hours per month in year 2016 representing 7.382 lei / hour. The level is higher by 19% than the previous (CS 2016).

But until reaching here, the amount of regulated minimum gross wage experienced following increases (Figure 2).

![Figure 2. The evolution of the average wage and the minimum gross wage (lei) Source: http://www.zf.ro/profesii/evolutia-salariului-mediu-si-a-ului-minim-brut-lei-14562162](http://www.zf.ro/profesii/evolutia-salariului-mediu-si-a-ului-minim-brut-lei-14562162)

Currently, granting a minimum wage of 1.250 lei involves the amount of 1532 lei from the employer, the employee has approx. 912 lei net wage (CS 2016). The explanation is given that interferes calculation mandatory social contributions for the employee (Table 1) and the employer (Table 2) being both subject to tax law and labor law (Bostan, 2010a, 2010b).
Table 1. Obligatory social contributions due by employee

<table>
<thead>
<tr>
<th>Social contribution of employee</th>
<th>Procent</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS (Pension)</td>
<td>10.5%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.5%</td>
</tr>
<tr>
<td>CASS (Health)</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.5%</strong></td>
</tr>
</tbody>
</table>


Table 2. Obligatory social contributions due by employer

<table>
<thead>
<tr>
<th>Enterprise social contribution</th>
<th>Procent</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAS (Pension)</td>
<td>15.80%</td>
</tr>
<tr>
<td>Accident Fund (*)</td>
<td>0.15%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>0.50%</td>
</tr>
<tr>
<td>Guarantee Fund</td>
<td>0.25%</td>
</tr>
<tr>
<td>CASS (Health)</td>
<td>5.20%</td>
</tr>
<tr>
<td>Leaves and compensation</td>
<td>0.85%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.8%</strong></td>
</tr>
</tbody>
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Source: Ibid.

Regarding tariff risk of accidents at work and occupational diseases, according to CAEN code of main activity of a company is at the basis of which the contribution is calculated for work accidents and occupational diseases caused by the employer (Table 2, row 3). Such contribution rate has a value of between 0.15% and 0.85%.

In the year 2016, the tax on income from wage represents a 16% share; however, the tax base was modified in 2016, as a direct consequence of the amendments to the Tax Code on the calculation and granting personal deduction (Accace Romania, 2016).
That personal allowances are granted to individuals who have a gross monthly income of 1500 lei including so (Act 227 of 2015): (i) taxpayers without dependents (PI) - 300 lei; (ii) for taxpayers who have a dependent person - 400 lei; (iii) for taxpayers who have 2 PI - 500 lei; (iv) for taxpayers who have three PI - 600 lei; (v) for taxpayers who have four (or over) PI - 800 lei.

From the perspective of macroeconomic impact (Background note to the Government Decision no. 1017 of 2015), the last increase in minimum gross wage guaranteed payment exerts an influence on a number of 1,131,686 employees in total economy, of which 39,322 employees in sector and 1,092,364 employees in the competitive sector, for the amount of 1,250 lei per month.

The executive estimates that the proposed increase will also have positive effects on growth, boosting employment and reducing undeclared work. Also, the social impact is important, ensuring raising living standards and reducing social disparities; such net monthly wage of an employee who has no dependents will be 917 lei.

Recalling about other predictable consequences of the recent changes of the gross minimum wage (CS 2016), show that beyond increasing salaries that are below 1,250 lei, increase the monthly ceiling for calculating medical leave from 12,600 lei to 15,000 lei. As regards the calculation base for the contribution to the National Unique Fund of Health Insurance (capped to 12 minimum salaries for each employee), it is increased from 12,600 lei to 15,000 lei for each employee.

Finally, because it takes into account the minimum wage will rise and show that the basis for calculating the contribution to the Fund for Persons with Disabilities inconsistency.

4. CONCLUSIONS

Because of special importance addressed the socio-economic system, the minimum gross wage per country carries a special legal regime. After the approach from this perspective during our work, we resorted to playing the most important aspects wage using statistical and economic instruments.

At the end of 2015, in Romania the minimum wage represents 43% of the average, and since 1 May 2016, the basic wage gross minimum guaranteed payment has been set at 1,250 lei per month for a
full program of work 169,333 hours per month. The level is higher by 19% than the previous one.

In conjunction with the system of compulsory social contributions payable by the employer and employee, we determined that the related net wage is 925 lei, the total cost of the employer amounting to 1535 lei.

As for the consequences of the last changes in the gross minimum wage in the country, show that they are given increase all wages that are below 1.250 lei, increasing monthly limit for calculation of sick leave and bases of calculation for the contribution to the National Unique Fund of Social Insurance Health and contribution to the Fund for Persons with Disabilities inconsistency.

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Regulatory Framework and Dynamics of Gross Minimum Wage per Country

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