

**STUDY REGARDING THE LEVEL OF MINIMUM GROSS SALARY
GUARANTEED IN PAYMENT FROM ROMANIA**

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***Abstract:** The paper presents an analysis of the evolution of the minimum salary in the last 15 years from Romania. The minimum salary is generally considered sufficient to meet the vital needs of food, clothing, and education, and so on of the employees, given the economic and cultural development of each country. It is also an important tool to reduce the inequality between salaries and of raise the salaries for the low-paid, such as young people, unorganized workers in trade unions, women and immigrants. Theirs functions are complex and cannot be reduced only to ensuring a minimum food security, basing in essence on both the correlation of the social process with the economic process and certain economic and social effects, where an essential purpose is to avoid effects such as stimulating inflation, which by its nature erodes and compromises any social protection policy.*

Keywords: *minimum salary, employees, social protection, economic effects, social effects*

INTRODUCTION

In the specialized literature dealing with the issue of rewarding human resources, but also in the practice of companies from different countries of the world, a series of terms are used such as: reward, salary, remuneration, remuneration, payment, compensation, bonuses, awards, incentives, and so on

It represents the employee's reward, all material and monetary incomes, of the present and future benefits directly or indirectly determined by the employee's quality and the work done by the employee. In Romania, the term "reward" is less used, and can easily be confused with the "compensation" or compensation elements [2].

Salary is the amount of money received by an employee for the work done or the results obtained by the employee over a certain period of time (hour, day, week, month, year). The concepts of remuneration or retribution have the same meaning. The salary can be either basic or tariff (established under standard conditions - no bonuses); nominal (value of the moment, amount of money); real (quantity of goods and services that can be bought with the amount received); minimum (parameter of social protection - being established by the government) [1].

The Convention no. 95 of 1949 on the protection of the salary of the International Labor Organization, art. 1, defines salary as remuneration or gains that are likely to be valued in cash, established by convention or by law, which is granted by virtue of a service contract, written or verbal, paid by the patron to the worker for his work or services [12].

In the Universal Declaration of Human Rights, art. 23, the salary is considered the corollary of the right to work, according to which the person who works has the right to a fair and sufficient salary that will provide him and his family with a life conforming to human dignity [5].

In the Labor Code art. 154, paragraph 1 (Law no. 53 of January 24, 2003), the salary is the share of the work done by the employee on the basis of the individual labor contract [13].

The International Labor Organization has been campaigning since its conception (1919) to guarantee a salary that would provide a convenient living environment for all workers. At the Philadelphia Conference from 1944 has been provided an obligation for this organization to help all countries of the world to develop and implement programs regarding the minimum vital salary.

The minimum salary on the economy is the lowest value of hourly or daily salary that the law of the country allows employers to pay to an employee. For the first time, a minimum salary in Australia and New Zealand has been set by law. At present, the minimum salary is set in over 90% of the world's countries.

The minimum salary is that salary considered sufficient to meet the vital needs of food, clothing, education, etc. of the employees, taking into account the economic and cultural development of each country [10].

According to art. 159 of the Labor Code, the gross minimum salary per country guaranteed in payment, corresponding to the normal work schedule, it is established by a G.D., after consulting the trade unions and employers' associations. If the normal work schedule is less than 8 hours a day, the minimum gross hourly salary is calculated by reporting the gross minimum salary per country to the average number of hours per month according to the approved legal work program [8].

The employer cannot negotiate and set basic wages under the individual labor contract below the country's minimum gross basic salary. He is required to pay a monthly gross salary equal to at least the minimum basic salary per country. The provisions also apply if the employee is present at work within the program but cannot work for reasons beyond his control, except for the strike.

The gross minimum salary per country guaranteed in payment is brought to the attention of employees through the employer's care [7, 8].

Understanding the distribution of minimum and sub-minimum salary is important in understanding the impact that minimum salary growth may have on income inequality.

The impact of raising the minimum salary on the social well-being of poor households depends on the distribution of the minimum income between the poor and the rich, the elasticity of working hours and the elasticity of employment.

MATERIALS AND METHODS

The authors of the article used a rich bibliography from different sources from the special literature, consisting of books, specialized papers, legislation, other publications and statistical data provided by the Ministry of Labor and Social Justice and the National Institute of Statistics. The collected data was analyzed and graphically presented. The conclusions formulated provide an overview of the minimum salary, the main purpose of which is to reduce inequalities, combat poverty and improve labor market participation.

RESEARCH RESULTS

Starting with 2005, for 15 years, the country's gross minimum salary in Romania has had an upward trend, with increases every year, in many cases even in two or three annual installments.

The need to introduce and increase the minimum salary is mainly motivated by the fact that full-time workers earn incomes below the minimum subsistence level or the minimum decent living standard calculated at the level of the employees' households.

Labor Code is the one that provides information on how to establish the minimum salary's value on the economy.

The minimum salary on the economy (Figure 1) has known increases 18 times in the last 15 years, rising from 310 lei (2005) to 2,080 lei (starting January 1, 2019), the

increase being made at a much higher rate, faster than average salary growth on the economy.

As can be seen from Figure 1, the country's gross minimum wage has changed even 3 times/ year (for example, 2013). Each change has made reference to an increase of it, and two years in a row in 2009 and 2010, based on H.G. 1051/2008 (Table 1), the gross national salary remained at the same value of 600 lei.

In 2008 and 2014, the country's gross minimum salary increased in two installments, as in 2015.

Table 1.

Legislation regarding of the national minimum gross wage

Years		The Legislation
2005	Jan. – Dec.	G.D. 2346/2004
2006	Jan. – Dec.	G.D. 1766/2005
2007	Jan. – Dec.	G.D. 1825/2006
2008	Jan. – Sept.	G.D. 1507/2007
	Oct.-Dec.	G.D. 1051/2008
2009	Jan. – Dec.	G.D. 1051/2008
2010	Jan. – Dec.	G.D. 1051/2008
2011	Jan. – Dec.	G.D. 1193/2010
2012	Jan. – Dec.	G.D. 1225/2011
2013	Jan.	G.D. 1225/2011
	Feb. – June	G.D. 23/2013
	July – Dec.	G.D. 23/2013
2014	Jan. – June	G.D. 871/2013
	July – Dec.	G.D. 871/2013
2015	Jan. – June	G.D. 1091/2014
	July – Dec.	G.D. 1091/2014
2016	1 May	G.D. 1017/2015
2017	1 Feb.	G.D. 1/2017
2018	1 Jan.	G.D. 846/2017
2019	1 Jan.	G.D. 937/2018
	1 Jan. (superior studies)	G.D. 937/2018

Source: <http://www.mmuncii.ro>[13]

According to G.D. (Government Decision) 1091/2014 (Table 1), starting with January 1, 2015, the minimum salary value has increased from 900 to 975 lei gross for a full work program of 168,667 hours on average per month in 2015, representing 5,781 lei/hour. Starting with July 1 2015, the minimum salary was increased again, from 975 lei gross to 1,050 lei, for a full working schedule of 168,667 hours per month in 2015, representing 6,225 lei/hour.

From May 1, 2016, the minimum salary was set at 1,250 lei per month for a full-time work program of 169,333 hours on average per month, representing 7,382 lei/hour. Practically, this meant a net income of 925 lei that the employee received on a monthly basis [13, 16].

The country's gross minimum salary guaranteed in payment increased by February 1, 2017 by 200 lei, according to G.D. no. 1/2017. More precisely, the gross minimum salary increased from 1,250 lei to 1,450 lei, for a full working hour of 166 hours, on average, per month, representing 8,735 lei/hour. Thus, the paid employee with the minimum on the economy received monthly the net amount of 1,065 lei, 140 lei more than he received from May 1 2016 [15].

The measure has had positive effects on economic growth and on stimulating employment and reducing black work. At the same time, the measure had an important social impact, ensuring a higher standard of living and reducing social gaps.

At January 1 2018, the gross minimum salary increased to 1900 lei, the net minimum salary was 1162 lei and the company's salary cost was 1943 lei.

The minimum salary has increased since January 2019, with higher thresholds for employees with higher education and construction workers, under certain conditions.

In Romania, we have three minimum salaries starting with January 1, 2019, and besides the standard one, there are two: one according to higher education and seniority, in the amount of 2,350 lei and the other one in construction, amounting to 3,000 lei.

According to HG 937/2018, the minimum salary increased by 10% from 1900 lei to 2080 lei gross. For people with higher education who have at least 1 year of seniority in higher education, the minimum gross salary is 2350 lei per month [13, 14].

At the gross minimum salary of 2080 lei per month, the net salary (in hand) received by the employee is 1263 lei, and the total cost paid by the company, of 2127 lei.

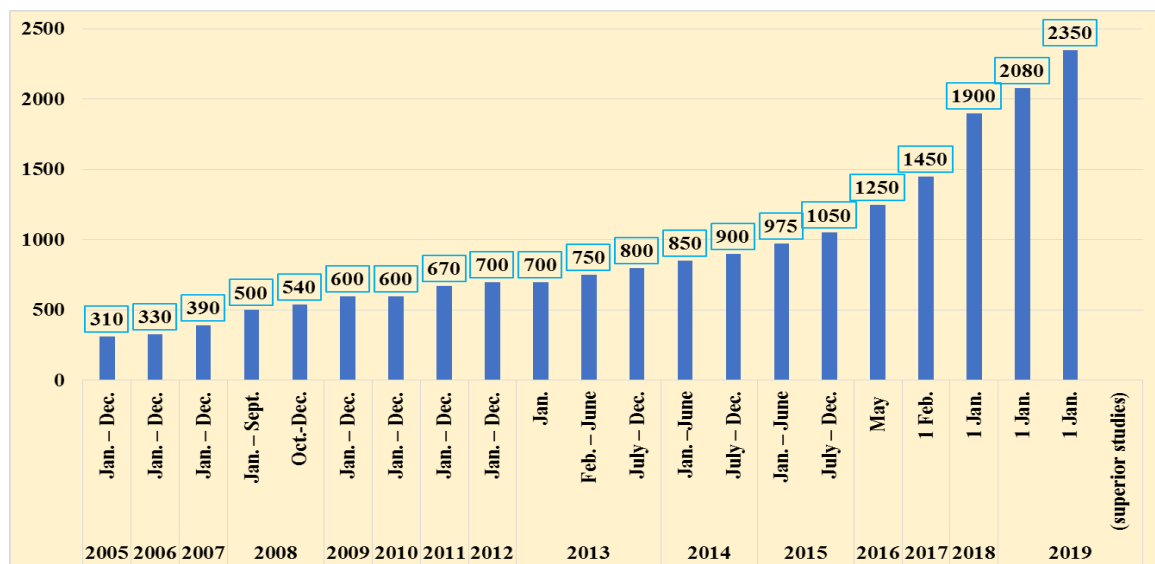


Figure 1. Evolution of the national minimum gross wage (lei) in the period 2005-2019

Sources: <https://legestart.ro>, <http://www.mmuncii.ro> [11, 13]

In the conditions in which the employee also has people in maintenance, he receives higher personal deductions, and the net salary increases as follows: 1279 lei (1 person in maintenance), 1295 lei with (2 peoples in maintenance), 1311 lei (3 peoples in maintenance), 1343 lei (4 or more peoples in maintenance) [4].

For a minimum salary of 2350 lei gross, the salary received by the employee is 1413 lei and the total cost paid by the company, of 2403 lei. If the employee has persons in maintenance, the net salary increases as follows: 1429 lei (1 person in maintenance), 1445 lei with (2 persons in maintenance), 1461 lei (3 persons in maintenance), 1493 lei (4 or more persons in maintenance) [6].

At present, 2.1 million employment contracts are concluded at the minimum salary level of a total of 6.39 million national employment contracts [17].

The most recent European analysis (Figure 2) of the minimum salary in Romania and other European states is in July 2018, when the minimum salary in our country was 1,900 lei gross, equivalent to 407 euros. Thus, 22 countries from the 28 EU Member States grant a minimum national salary. In Denmark, Italy, Cyprus, Austria, Finland and Sweden there is no minimum gross salary [3, 9].

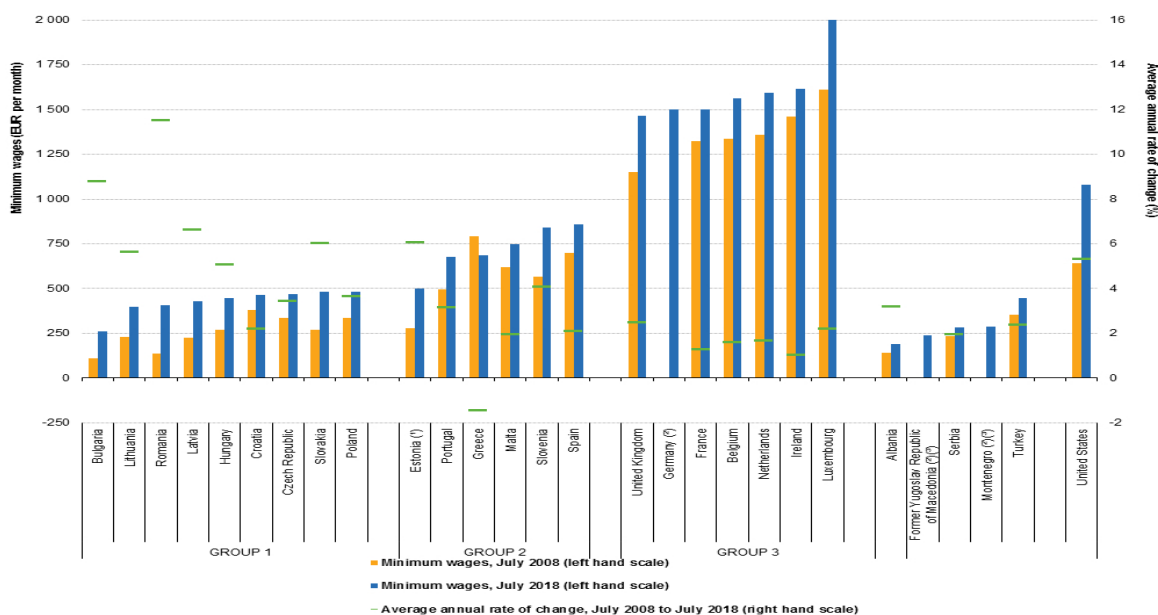


Figure 2. Minimum wage, July 2008 and July 2018 (EUR per month and %)
 Source: <https://ec.europa.eu/eurostat> [3]

Lower amounts than us were granted in July 2018 only in Bulgaria (261 euros) and Lithuania (400 euros). We were followed by: Hungary - 418 euro, Latvia - 430 euros, Croatia - 465 euros, Czech Republic - 468 euros, Slovakia and Poland - 480 euros [3, 9].

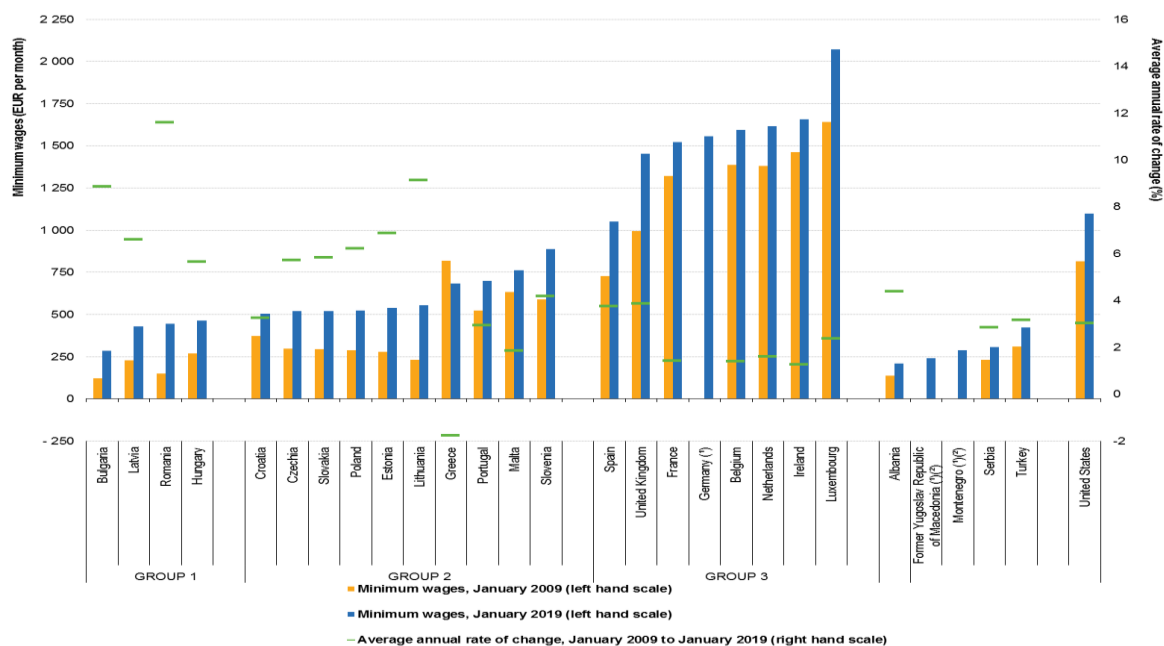


Figure 3. Minimum wage, January 2009 and January 2019 (EUR per month and %)
 Source: <https://ec.europa.eu/eurostat> [3]

From January 1, 2019 (Figure 2), after rising to 2080 lei (the equivalent of 446 euros), the minimum salary in Romania exceeded the one from Latvia (430 euros), but it was exceeded by than the one from Hungary equivalent to 464 euro). If we report to the increase of 2350 lei (the equivalent of 500 euros), then we are leaders in the region. The amounts are higher than January 1, 2019 in Croatia, equivalent to 506 euro, Czech

Republic, equivalent to 519 euro, Slovakia, equivalent to 520 euro, and Poland, equivalent to 523 euro [3, 9].

CONCLUSIONS

The minimum salary fulfills complex functions, which cannot be reduced only to ensuring a minimum food security, essentially aiming at the correlation of the social process with the economic process, as well as certain economic and social effects, where the essential aim is to avoid some possible negative effects, such as inflation stimulation which, by its nature, erodes and compromises any social protection policy. Social protection is not and cannot be an end in itself, but a means of ensuring the protection of citizens by working. Therefore, it cannot and must never be to the detriment of the development of society but, to the extent that it is possible, an incentive of which, most importantly, it is the increase of the purchasing power of the citizens and, therefore, implicitly the power of absorption of the domestic market.

Minimum salary is a powerful tool to reduce the inequality between the salaries and of raising salaries for the low-paid, such as young people, workers in unions, women and immigrants. Often salaries that are slightly above the minimum salary tend to rise after the minimum wage has been adjusted, but no effect on higher wages appears to be felt.

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