
WAGE GAIN ON THE ECONOMY - SERIOUSLY AFFECTED BY THE CRISES FACING ROMANIA

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Abstract

Romania is currently under the influence of crises that act together on the national economy. Thus, the pandemic crisis has not said its last word and although some analyzes are being made that lead to the reconsideration of this scourge, the effects continue to leave deep traces in the national economy.

The pandemic crisis determined from the beginning the triggering of the economic-financial crisis, which then deepened and determined a particular problem, that of the reduction of production, of some delicate aspects.

Later, the war in Ukraine intervened, which has behind it three negative elements for Romania's national economy. First of all, the energy crisis that Romania has to endure was triggered. This energy crisis led to unprecedented inflation, which greatly reduced the salary income of the population. And not thirdly, trade had to be restructured in terms of origins for imports or destinations for exports.

Under these conditions, the wage incomes of the population, in nominal terms, showed as a result of some last-minute measures of increases, but brought in real terms by applying the effect of inflation, they are increasingly reduced.

The problem is that inflation is based on the increase in prices primarily of the basic products that the population consumes at every moment, agricultural products and energy. In this context, through a comparative study, we tried and managed to highlight the results that have been recorded in the national economy in the last period of time. Also, salary increases were minor and due to the fact that there are no additional incomes, which would determine the increase of at least the minimum wage in the economy. In this context, approximately 3.5 million wage earners have the minimum wage income in the economy, which even if it will increase in the first quarter of 2023, will be minor compared to the increase in the cost of living during the same period of time.

We used the statistical data series provided by the National Institute of Statistics and Eurostat. I also recalculated, rearranged a series of data that I also presented through tables, graphs, and comparisons. I used extensively the indicator system of the variables that I mentioned.

Keywords: salary gain, inflation, crises, national economy, developments.

JEL classification: E20, E30

Introduction

In this article we started from the fact that the standard of living is primarily based on the wage earnings of employees and the level of pensions. These two elements have decreased in recent time as a result of the fact that although in nominal terms there is deflationary growth, using the level of inflation above 16% recorded in December 2022, real incomes are lower.

The high costs of goods and services necessary for life have contributed to the substantial reduction of real incomes of the population.

In this article I have extensively used tables and graphs, indicators that are very expressive and that highlight the fact that the level of salary income of the population is decreasing and substantially affects the situation of the population.

I also resorted to the comparison of the consumer price index and the wage indices, which I also presented graphically and which attest to a negative evolution with effects on the population's standard of living.

Next, we also referred to the health system in Romania and perspectives, in the sense that the standard of living is also affected by the special medical expenses, in the sense in which a large part of the population is in a position to receive medical assistance and to be able cope with these very high expenses with increasingly reduced salary income.

Literature review

Many works by some researchers had as their objective the analysis of the evolution of minimum and average wage earnings in the economy. Thus, Anghelache C., Anghel M. G. (2019) approaches from a theoretical and practical point of view problems related to the collection, sorting, arrangement of statistical data series and those of economic modeling. Anghel (2015), as well as Anghelache, Niță and Badiu, A. (2016) conducted studies on the evolution of the price index in Romania. Anghelache and Sacală (2015) presented a series of basic notions of inflation. Armantier et al. (2015) addressed a number of issues regarding inflation forecasts. Karanassou and Snower (2007) addressed a similar theme in their research. Kim and Henderson (2005) addressed issues related to inflation and the influence on nominal income growth.

Data, Results and Discussion

The average gross salary in December 2022 was 7,107 lei, 428 lei (+6.4%) higher than in November 2022. The average net salary was 4,398 lei, up 257 lei (+6.2 %) compared to November 2022. The highest values of the average net salary were recorded in the manufacture of coke oven products and products obtained from the processing of crude oil (11,540 lei), and the lowest in the manufacture of clothing (2,361 lei).

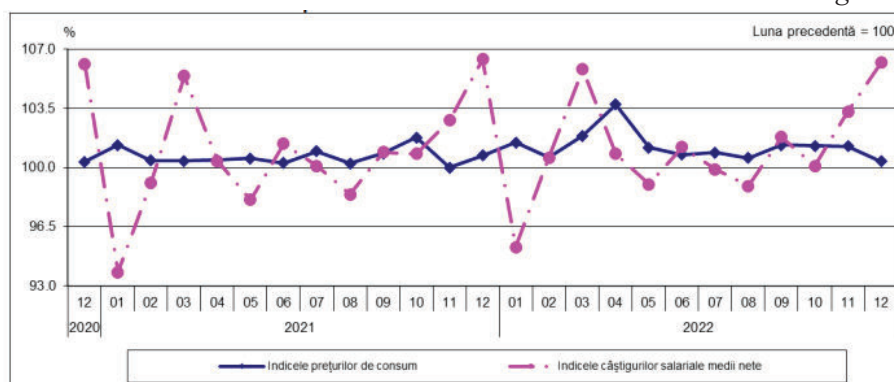
If we compare the average net salary in December 2022 compared to the similar month of 2021, we find that it increased by 13.4%.

The real salary earnings index was 97.4% in December 2022 compared to December 2021. At the same time, the real salary earnings index was 105.8% in December 2022 compared to November 2022.

In figure number 1, the evolution of the consumer price indices and the indices of average net salary earnings is presented, in the period December 2020 - December 2022.

Evolution of consumer price indices and average net salary earnings indices, between December 2020 and December 2022

Figure 1



Source: INS press release

The most significant increases in the average net salary at the level of CAEN Rev.2 sections/divisions were recorded: 53.1% in the manufacture of coke oven products and products obtained from the processing of crude oil, 42.8% in the extraction of superior coal and lower, respectively 38.6% in the extraction of crude oil and natural gas; between 23.0% and 30.5% in water transport, production and supply of electricity and thermal energy, gas, hot water and air conditioning, financial intermediation (except for insurance and pension fund activities), storage and activities auxiliaries for transport,

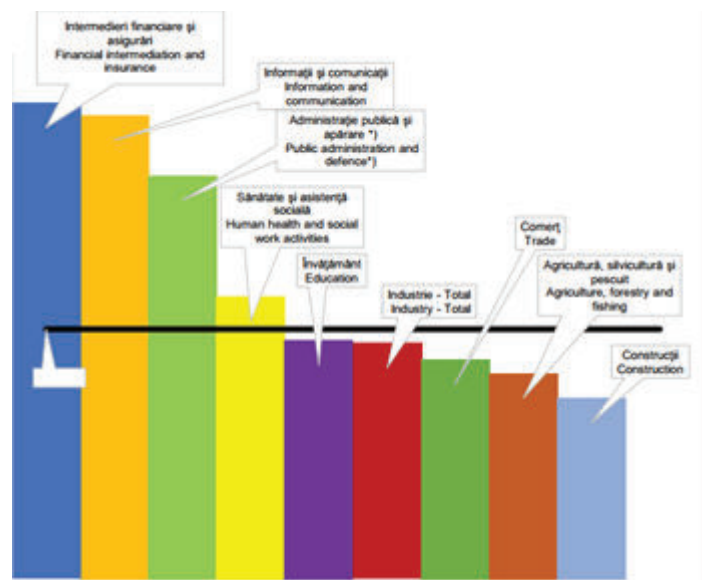
metallurgical industry; between 13.5% and 20.5% in telecommunications, manufacturing of other means of transport, insurance, reinsurance and pension fund activities (except those in the public social insurance system), publishing activities, other extractive activities, collection and wastewater treatment, manufacturing of other products from non-metallic minerals, auxiliary activities for financial intermediation, insurance activities and pension funds; between 10.0% and 13.5% in the manufacture of basic pharmaceutical products and pharmaceutical preparations, real estate transactions, printing and reproduction on recording media, water capture, treatment and distribution, service activities related to extraction, manufacturing of tobacco products, wholesale and retail trade (including repair of motor vehicles and motorcycles), manufacture of chemical substances and products.

The most significant decreases in the average net salary at the level of CAEN Rev.2 sections/divisions were recorded: 25.2% in forestry and logging (including fishing and aquaculture); between 1.5% and 8.0% in the manufacture of machinery, machinery and equipment n.e.c., the tanning and finishing of leather (including the manufacture of travel and leather goods, harness and footwear; the preparation and dyeing of furs), the manufacture of rubber and plastics products, the manufacture of road transport vehicles, trailers and semi-trailers.

Figure number 2 shows average gross salary earnings on the main activities of the economy.

Gross average wage earnings by the main activities of the economy

Figure 2



Source: INS press release

Inflation continues to play a different role in the assessment of the ratio between the average net nominal wage index and the consumer price index.

It is difficult to draw a conclusion regarding the evolution of inflation in the coming period. At first glance, the level of the inflation rate in 2014 and 2019 leads to the conclusion that the social-economic situation in Romania is in a more relaxed moment than in the period 2000-2010, being on a stabilization trend. For 2016, an annual inflation rate of around 101.00% is estimated, which I consider to be realistic compared to the low incomes of the population. Some comments can also be made in relation to the real level of this indicator recorded in 2019, because it is calculated according to a concrete methodology in which food, non-food products and services participate with a constant weight in building the consumer price index of the population.

From this point of view, we can appreciate that, in an organized structure, according to criteria closer to the real situation, and in a situation where the income resources of the population would have been greater, probably the price index, especially for food goods, it would have been different, in the context in which, in 2012, certain producers and traders had to reduce their profit margin as much as possible in order to be able to sell their

products and not keep them in stock, being not few cases where these goods were sold even below their real market value.

It should also be emphasized that, unfortunately, in Romania there is an underground activity that “produces” or “offers” some products and services to the population at low price levels and which, even if they do not always have the appropriate quality, represent an element of “temptation” for consumers, who turn to their consumption for financial reasons (in the sense of saving).

Thus, even if in the consumer price index of the population the payment of some services will be reflected only as a percentage, the increase in these prices, in the form of taxes and fees that the population will pay for properties, houses, land, vehicles, etc., already leads to the difficulty of registering such an index for this year.

On the other hand, it is desirable that some social protection measures be envisaged for the population, so that the increase in the inflation index does not affect too deeply, through pauperization, the situation of the population in our country. The reform must, of course, be continued, it must be accelerated, but a minimum of protective measures must be ensured for the population.

Special jumps in the average gross and net salary in the economy were achieved in 2008 and 2009, but these could not be paid in 2010 and 2011, because half of them had no real foundation. This trend was dictated by electoral interests without coverage in the market offer and economic capacity.

Now we are at the border of the masked scandal between the government and the opposition “under the mediation of the IMF.” In reality, with different degrees of responsibility, the culprits are all those who governed, as they could, between 01.09.2009 and 30.05.2012, but an analysis on this topic is not the subject of this paper. It’s just a theme, to temper our false illusion of “better”. The year 2012 marked for the first time in Romania the succession of three governments, different in terms of doctrine and strategy. After the elections of 9 December 2012, the situation became stable and some stabilization began.

However, we take it, until March 2013, when a year “expired” after Boc’s departure, we have a whole year in which we were greeted (that much I can write in this analysis) by four government teams. The economic-social effect is visible, and the prospects can be even worse if one of the three options does not happen: the acceptance of cohabitation based on Romania’s economic-social development strategies and not doctrinal ones; the departure of the president; the president’s determination to either stick to his duties or go. And last but not least, Romania must regain its “voice” as a European country without outside interference. In the period of 2014 and 2015, salary increases

for budget officers were returned, so that the 25% cuts from 2011-2012 were practically recovered. Since November 2015, when the government switched to “technocracy”, the Ponta government’s unitary wage law remained lost in some drawer and the electoral fight with former technocrats, turned politicians, only brought illusions that were not validated by the government. Payroll and pension laws are in deep debate. In the years 2016-2019, the inflation growth rate was somewhat moderate.

Conclusions

From the study of this article, it can be seen that the income situation of the population is affected by the crises that act together at the moment. We have in mind the pandemic crisis, which continues, even if some analyzes are made that highlight some elements that were somewhat wrongly applied, but the effect is maintained especially in the field of tourism and HoReCa where the number of employees has significantly decreased as a result of the reduction of activity in these areas.

Referring to the standard of living of the population, in addition to lower incomes, medical expenses have a negative effect especially on the third-generation population. Medical assistance in general terms is positive, but due to the multiple cases, which appear in cascade, it leads to unpleasant phenomena, in the sense that the treatment is mainly resorted to in individual, private clinics, which are expensive. The population is affected by the low level of income compared to consumption needs and especially healthcare.

In other words, it follows that there are no immediate prospects for increasing salary incomes, because even the increase that was foreseen for the first quarter of 2023 refers only to budget workers and not to employees in the private sector, since there is no legislation in this field, which requires compliance with such developments.

Last but not least, it also results from the fact that in the coming period there are few chances of increasing the salary income of the staff who continue to work in the country and to which even if the level of the minimum wage in the economy has increased, we must remember that more than 3 million employees fall under in this level.

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