
ANALYSIS OF THE SITUATION REGARDING SALARY INCOME IN THE MIDDLE OF 2024

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Abstract

In this article, looking at wage incomes in mid-2024, the authors primarily considered the increasingly high costs of goods and services necessary for life, highlighting a significant problem in the current economy. So, rising costs of essential goods and services, such as food, energy and housing, have had a major impact on the real incomes of the population, and this situation is amplified by high inflation, which has eroded the purchasing power of wages. In the current context, even though nominal wages have increased in several sectors, the rise in the cost of living has often outstripped these wage increases. Thus, people's real incomes adjusted for inflation have fallen, meaning that many citizens can buy fewer goods and services with the same money compared to previous years.

Keywords: net and gross income, indices, developments, standard of living.

JEL classification: E20, E30

Introduction

In this article, the authors focused on the situation regarding salary incomes in the middle of 2024 in Romania, approaching in this sense a comparative analysis between June 2024 and the previous month and respectively June 2024 and June of the previous year.

Also, the authors comparatively analyzed the consumer price index and wage indices, the results being also presented graphically to highlight more clearly the evolution of the analyzed indicators.

Next, the average net and gross wage earnings by activities of the national economy, which vary significantly between different sectors, were analysed. These variations reflect the economic diversity of Romania and the differences in remuneration between sectors, influenced by factors such as the complexity of the work, the demand on the labor market and the capacity to generate income in each field.

At the end of the article, the authors made a comparative study regarding the structure of total household incomes and expenses by sources of training.

Literature review

The analysis of the evolution of the minimum and average salary in the economy has been the subject of several studies. Thus, Angel M.G. and others (2021) analyze the evolution of the population's income, taking into account the structure of the total income of the households by sources of training. Angel M.G. and others (2020) do an analysis of wage incomes and highlight the perspective of evolution in the context of overlapping, pandemic and economic-financial crises. Barti C. (2015) makes a study in which it highlights the possibilities of households to absorb the shock of the increase in electricity expenses. Bachelor M.I. (2021) is concerned with household incomes in Romania, taking into account both basic and additional incomes. Thus, it also presents a series of theoretical aspects of income classification and certain particularities thereof. Kroli K. and Notowidigdo M.J. (2016) do a study that presents some theories and evidence on the link between earned income and the unemployment rate, and Censolo R. and Colombo C. (2008) do an analysis of the impact of consumption growth on macroeconomic development.

Methodology

For easier understanding of the opinions expressed in this study, the main methodological aspects were extracted from the methodology used by the National Institute of Statistics and Eurostat. Thus, monetary income represents the sum of monetary receipts from different sources of provenance for which there is no obligation to return (excluding amounts withdrawn from CEC Bank, other banks and similar institutions, loans and credits received).

Income from wages and other wage rights represents the sum of monetary income in the form of wages, increases and allowances granted as a percentage or in fixed amounts for special working conditions (provided by law or by individual or collective labor contracts), both for the actual time worked in the normal or additional working hours, as well as for the paid non-working time, of the awards and benefits from the net profit, other incomes assimilated to wages, actually collected in the reference month, regardless of which period they are due, as well as the deductions made (taxes, contributions, installments for goods and loans, etc.).

The income from agriculture represents the sum of cash receipts from agricultural companies and associations, from the sale of agri-food products,

animals and poultry (farm and domestic) and from the provision of some agricultural work.

Incomes from independent non-agricultural activities represent the sum of cash receipts from trade activities, services, the practice of a job, liberal professions and intellectual property rights.

The income from social benefits represents the sum of cash receipts from social protection benefits and includes: income from pensions; other incomes assimilated to pensions; allowances for sick and maternity leaves; benefits from the unemployment fund; family benefits; social assistance benefits and other benefits.

Income from property represents the sum of cash receipts in the form of leases, rents obtained from the transfer of the use of goods and in the form of dividends, interest obtained from the holding of shares in closed/open investment funds or deposits at banks and other similar institutions.

The income from the sale of assets from the household's patrimony represents the total cash receipts from the transfer of ownership rights over securities and shares, from the sale of currency, land, real estate and other new or old goods that are not of own production.

Other cash incomes refer to all cash receipts from insurance, gambling, amounts received from people outside the household.

Income in kind (assessed in lei) includes the value of the income in kind obtained by employees and beneficiaries of social benefits, including subsidies to cover expenses with public utilities and the value of the consumption of agri-food and non-food products from the household's own resources - the value expression of human consumption and fodder of food products and some non-food products from the households' own resources (agricultural production, stocks of previous periods, products processed in the household, products received as a gift, etc.).

Data, Results and Discussion

The average gross wage was 8,480 lei in June 2024, by 125 lei, respectively 1.5%, higher than in May 2024. Also, the average net wage was 5,176 lei, up by 58 lei, respectively 1.1%, compared to May 2024.

The highest values of the average net salary were recorded in publishing activities, respectively 11,614 lei, and the lowest in the manufacture of clothing items, respectively 2,798 lei.

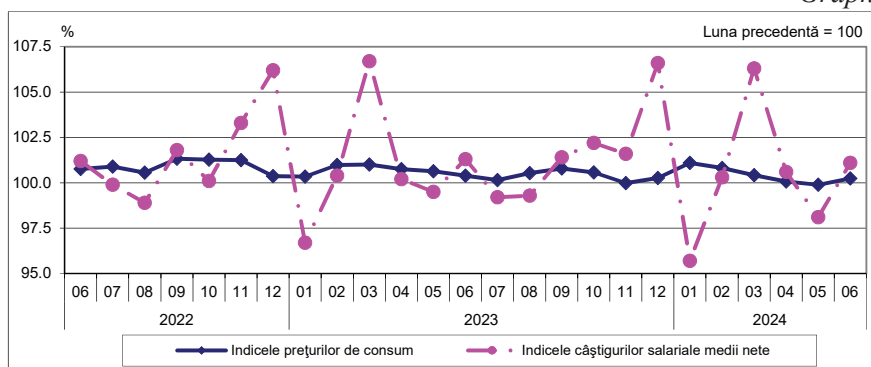
Analyzing the income situation in June 2024, compared to June of the previous year, the average net salary increased by 12.5%.

The real earnings index was 107.2% in June 2024 compared to June 2023 and 100.9% in June 2024 compared to May 2024.

Graph number 1 shows the evolution of consumer price indices and average net salary earnings indices, in the period June 2022 - June 2024

Evolution of consumer price indices and average net salary earnings indices, in the period June 2022 – June 2024

Graph 1



Source: INS press release

During the year, there are fluctuations in salary income determined, mainly, by the granting of annual awards and holiday bonuses, especially in the months taken as a basis for comparison (December, March/April). They influence the increases or decreases depending on the period in which they are granted, ultimately leading to the blurring of fluctuations in the monthly salary over the entire year. The evolution of the real wage depends, both on the fluctuations of the average net wage and on the inflation rate.

In table number 1, the data on the average net and gross salary earnings by activities of the national economy in June 2024 are presented.

Average net and gross wage earnings by activities of the national economy in June 2024

Table 1

	AVERAGE SALARY IN JUNE 2024			
	CRUDE		NET	
	SHE	% compared to May 2024	SHE	% compared to May 2024
TOTAL ECONOMIE	8480	101.5	5176	101.1
Agriculture, forestry and fisheries	6407	103.4	4152	103.3
Industrie total	7810	102.6	4800	102.3
Extractive industry	11546	102.0	7046	101.8
Manufacturing	7489	103.2	4626	102.9
Production and supply of electricity and heat, gas, hot water and air conditioning	12585	97.2	7489	96.7
Water distribution; sanitation, waste management, decontamination activities	7072	101.7	4251	101.5
Construction	6992	100.4	4722	100.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	7351	99.3	4435	99.2
Transport and storage	8313	98.8	4997	98.5
Hotels and restaurants	5030	102.5	3049	102.2
Information and Communications	16968	107.4	10453	107.4
Financial intermediation and insurance	14107	95.5	8408	95.4
Real estate transactions	7581	100.1	4536	100.0
Professional, scientific and technical activities	10878	99.2	6646	99.2
of which: Research and development	11446	101.3	6971	101.1
Administrative services and support services activities	6677	100.9	4030	100.6
Public administration and defense; social security in the public system *)	11853	103.8	7055	103.9
Educational	9843	96.6	5808	94.2
Health and social assistance	8903	104.4	5274	104.3
Entertainment, cultural and recreational activities	7154	103.8	4291	103.9
Other service activities	5834	103.5	3507	103.2

Source: INS press release

In most activities in the economic sector, the level of the average net salary increased in June 2024 as a result of the granting of occasional bonuses

(quarterly, half-yearly, annual or special performance bonuses), rights in kind and financial aid, amounts from the net profit and from other funds (including securities). Also, the increases in the average net salary were due to production achievements or higher receipts (depending on the contracts/projects).

The most significant increases in average net salary at the level of CAEN Rev.2 sections/divisions were recorded in editing activities by 30.2%; in the manufacture of basic pharmaceutical products and pharmaceutical preparations by 10.0%; in the manufacture of chemical substances and products, telecommunications, cinematographic, video and television program production activities, audio recordings and music publishing activities (including broadcasting and program transmission activities), the manufacture of other means of transport, the manufacture of machines, machinery and equipment n.e.c., manufacture of road transport vehicles, trailers and semi-trailers, manufacture of textile products, manufacture of rubber and plastic products, manufacture of electrical equipment, manufacture of computers and electronic and optical products between 4.0% and 6.5% and in entertainment, cultural and recreational activities, air transportation, agriculture, hunting and related services, manufacturing of other non-metallic mineral products, other service activities, information technology service activities (including computer service activities), insurance activities, reinsurance and pension funds (except for those from the public social security system), crude oil and natural gas extraction between 2.5% and 4.0%.

The decreases in the average net salary compared to May 2024 were caused by the granting in the previous months of occasional bonuses, rights in kind and monetary aid, amounts from the net profit and from other funds (including securities). Also, the decreases in the average net salary were determined by production failures or lower receipts (depending on the contracts/projects).

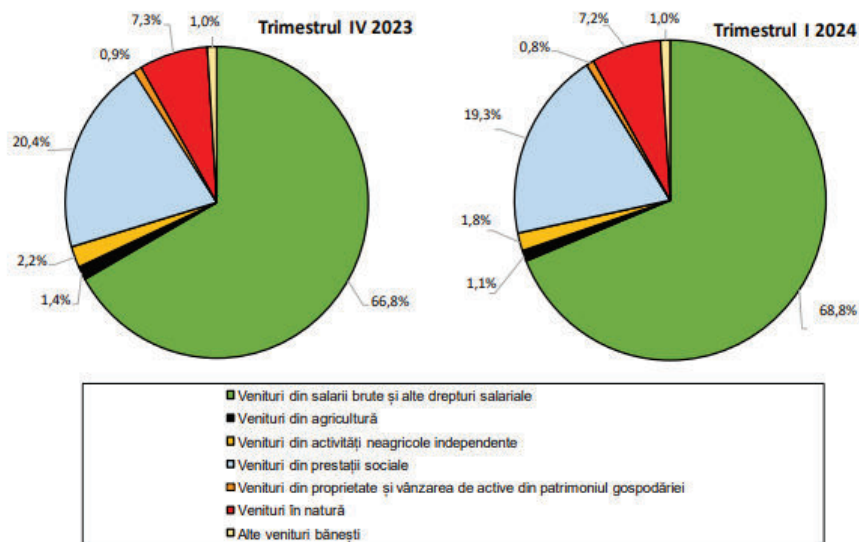
The most significant decreases in average net salary earnings at the level of CAEN Rev.2 sections/divisions were recorded in auxiliary activities for financial intermediation, insurance activities and pension funds, financial intermediation (except for insurance activities and pension funds pensions), the production and supply of electricity and thermal energy, gas, hot water and air conditioning, between 3.0% and 6.0% and in the manufacture of coke oven products and products obtained from the processing of crude oil, storage and auxiliary activities for transport, postal and courier activities, tanning and finishing of leather (including the manufacture of travel and leather goods, harness and footwear; preparation and dyeing of furs), water transport, repair, maintenance and installation of machinery and equipment, between 1.5% and 3.0%.

In the budgetary sector, there were increases in the average net salary compared to the previous month in health and social assistance, respectively 4.3%, in public administration, respectively 3.9%, mainly as a result of the application of the legal provisions in force. In education, the average net salary decreased, respectively 5.8%, mainly as a result of the reduction of the amounts representing the hourly payment of teaching staff during the school vacation period, as well as the granting of vouchers in May 2024 (vouchers holidays).

Graph number 2 shows the structure of total household incomes by sources of training in the first quarter of 2024, compared to the fourth quarter of 2023.

Structure of total household incomes by sources of training in the first quarter of 2024, compared to the fourth quarter of 2023

Chart 2



Source: INS press release

Analyzing the data, we note that the average monthly monetary incomes were, in the first quarter of 2024, 7,473 lei per household (2,981 lei per person), up by 7.4% compared to the fourth quarter of 2023, and the incomes in kind of 576 lei per household per month (230 lei per person), increasing by 5.2% compared to the fourth quarter of 2023.

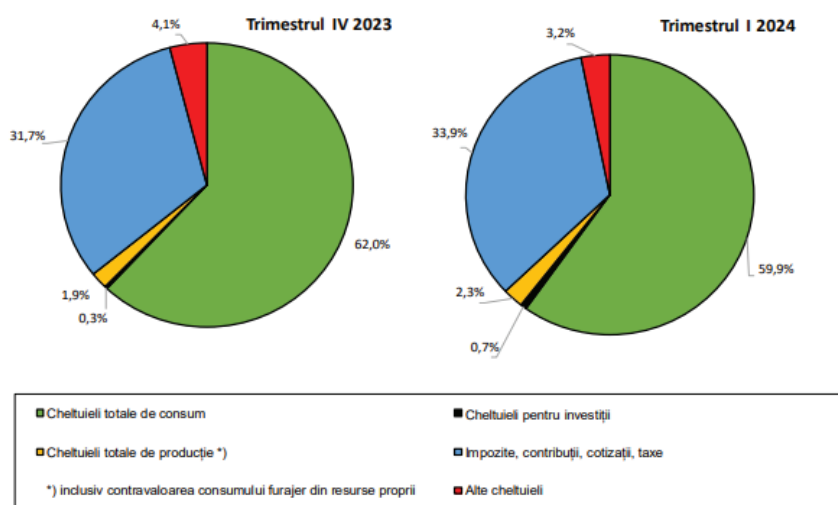
Salaries and other incomes associated with them were 5,539 lei per household per month and formed the most important source of total incomes

(68.8% of total household incomes, up 2.0% compared to the fourth quarter of 2023). In the formation of the total incomes of the households, a significant contribution was made by the incomes from social benefits of 1,558 lei per month per household (19.3% in the first quarter of 2024, respectively, 20.4% in the fourth quarter of 2023 of the total incomes of households), as well as income in kind (7.2% in the first quarter of 2024, respectively, 7.3% in the fourth quarter of 2023), formed by the amount of income in kind obtained by employees and beneficiaries of social benefits (1.3% in quarter I 2024, respectively, 1.6% in quarter IV 2023) and from the value in lei of agri-food and non-food products consumed from own resources (5.9% in quarter I 2024, respectively, 5.7% in quarter IV 2023) .

Graph number 3 shows the structure of total household expenses by sources of training in the first quarter of 2024, compared to the fourth quarter of 2023.

The structure of total household expenses by sources of training in the first quarter of 2024, compared to the fourth quarter of 2023

Chart 3



Source: INS press release

Regarding the average monthly monetary expenses, in the first quarter of 2024 they were 6,370 lei per household (2,541 lei per person), higher by 4.7% compared to the fourth quarter of 2023.

In the first quarter of 2024, the main destinations of the expenses made by households are consumption (monetary consumption expenses and the value of human consumption from own resources) of 4,099 lei per month per household (59.9%) and transfers to public and private administration and to the social insurance budgets in the form of taxes, contributions, dues, fees of 2,323 lei per household (33.9%), as well as covering some needs related to household production (monetary production expenses and the equivalent value of fodder consumption from own resources) of 154 lei per household (2.3%).

Conclusions

A number of conclusions emerge from the study presented in this article. A first conclusion that emerges is that the positive change in the costs of essential goods and services leads to a decrease in the standard of living, because the population has to allocate a greater part of its income to cover basic needs, leaving less available for savings, investments or discretionary spending.

Another conclusion is that the standard of living of a population is closely related to earnings and the level of pensions, as these are the main sources of income for most people. In other words, both earnings and pensions are fundamental pillars of living standards, influencing the population's ability to provide for their needs and maintain a decent standard of living.

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