

RECENT BENCHMARKS ON WAGES IN THE NATIONAL PUBLIC SYSTEM***

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Abstract:

With the formulation of requirements by the International Monetary Fund and the European Union to flexibilize employment and dismissal procedures in Romania, the wage law has undergone major changes. The continuous wage reform in our country is imposed, among other things, as the effect of reducing the budget revenues, of the increase of budgetary staff or because the enforcement of wages law in 2010 failed for causes such as: the rapid development of the law at the IMF pressure; the identification of some gaps after its entry into force; the usage of a small sample of budget functions resulting in the inability to achieve employments in some institutions; the existence of different salaries in different ministries on similar functions; the elimination or inclusion of increases in wages at the expense of providing incentives that led to the maintenance of wage disparities.

In all those presented, we propose to conduct an analysis of a unitary wage system of the staff paid from public funds which undergoes substantial changes after less than a year since the entry into force of the uniform law of wages.

Keywords: staff, payroll, public funds, wage reform, management

JEL Classification: H83, M12, H62

INTRODUCTION

In the sphere of activity of the Romanian budgetary environment, for the time worked, the staff is rewarded through various levers of pay, being known that the main method of reward is the wage. Under Article 155 of the Labour Code, the salary includes the basic salary, the allowances, the bonuses and other benefits.

In the specialty literature, the basic wage is defined as “the main and fixed part of the total salary, to be paid to each employee, taking into account the professional qualification and training and the professional skills. It constitutes a benchmark according to which other rights of employees are calculated, such as, for example, various allowances and bonuses”.

According to art. 41 of the National Collective Work Contract for the years 2007-2010, the contracting parties agree that, during the period which we referred to, to act for the inclusion of bonuses in the basic salary, to represent the remuneration for their work and the workplace conditions, so that the basic salary has a majority importance in the salary. Bonuses are granted only in workplaces where they are not included in the basic salary.

Minimum increases to be granted under the contract are:

- a) for particular, difficult, dangerous or embarrassing working conditions, 10% of the basic salary;
- b) for noxious working conditions, 10% of the minimum wage negotiated at the unit level;
- c) for overtime hours and for hours worked on free days and on public holidays which were not properly compensated with paid free hours, is granted a bonus of 100% of the basic salary;
- d) for work experience, minimum 5% for 3 years of ancientness and maximum 25% for an ancientness of over 20 years, of the basic salary;
- e) for night work, 25% of the basic salary;
- f) for the exercise of another function may be given a bonus of up to 50% of the basic salary of the replaced function; the cases in which it is applied and the amount are established through negotiations for the national collective working contracts at the branch level, groups of businesses or establishments.

Increases in point a) and b) are not included in the basic salary and are granted no more after the normalization of working conditions.

Through the collective working contract at branch level, groups of businesses and establishments, can be also negotiated other types of bonuses (bonus for isolation, increase for the use of a foreign language, if it is not included in job duties, etc.).

The same collective contract, through art. 42 regulates the issue of additions to the basic salary. These include:

- a) addition of agreement;
- b) awards granted from the prize fund, calculated at a rate of minimum 1.5% of the payroll per month and cumulated;
- c) other benefits, agreed to the level of businesses and institutions.
- d) share of profit distributed to employees, which is up to 10% for companies and up to 5% for autonomous administrations;
- e) meal vouchers, gift vouchers, childcare vouchers and other similar instruments granted under the law and understanding of the parties.

Terms of differentiation, reduction or cancellation of participation in the incentive fund of profits or in the prize fund, as well as the period for which employees are granted the share profit, which may not be longer than one year, shall be determined by the collective working contract at the unit level and, where appropriate, institution.

Multiple causes make the budgetary employers and not only, pay attention to the manner of granting the salaries with more or fewer pluses to the basic salary, the list of bonuses remaining open according to special laws and labour codes.

BENCHMARKS OF THE PAYROLL POLICIES IN THE ROMANIAN BUDGETARY ENVIRONMENT

The Agreement of Romania with the IMF in 2009, has meant a commitment to debt of 12.95 billion of euros, and along with money from the European Union, World Bank and EBRD, Romania's foreign borrowing amounted to 19.95 billion of euros, without being taken into account other debts. The funds received the destination of BNR and Romanian Treasury accounts.

Officially, the money that were directed to the Ministry of Finance, had intended to cover the budget deficit and the other half were destined for the monetary policy coordinated by the central bank.

In the context of the indebtedness degree, the Government has pledged to introduce measures to further reduce the wage bill, including a freeze on all wages, excepting the minimum wages. The commitment to further reduce staff costs was included in the letter of intent to the IMF agreement.

Thus, when formulating the requirements for the International Monetary Fund and the European Union, to flexibilize the hiring and dismissal procedures in Romania, the wage law undergoes major changes.

The presented situation and other causes, as they are shown (in Fig. 1), are leading to wage austerity policies in the Romanian budgetary environment.

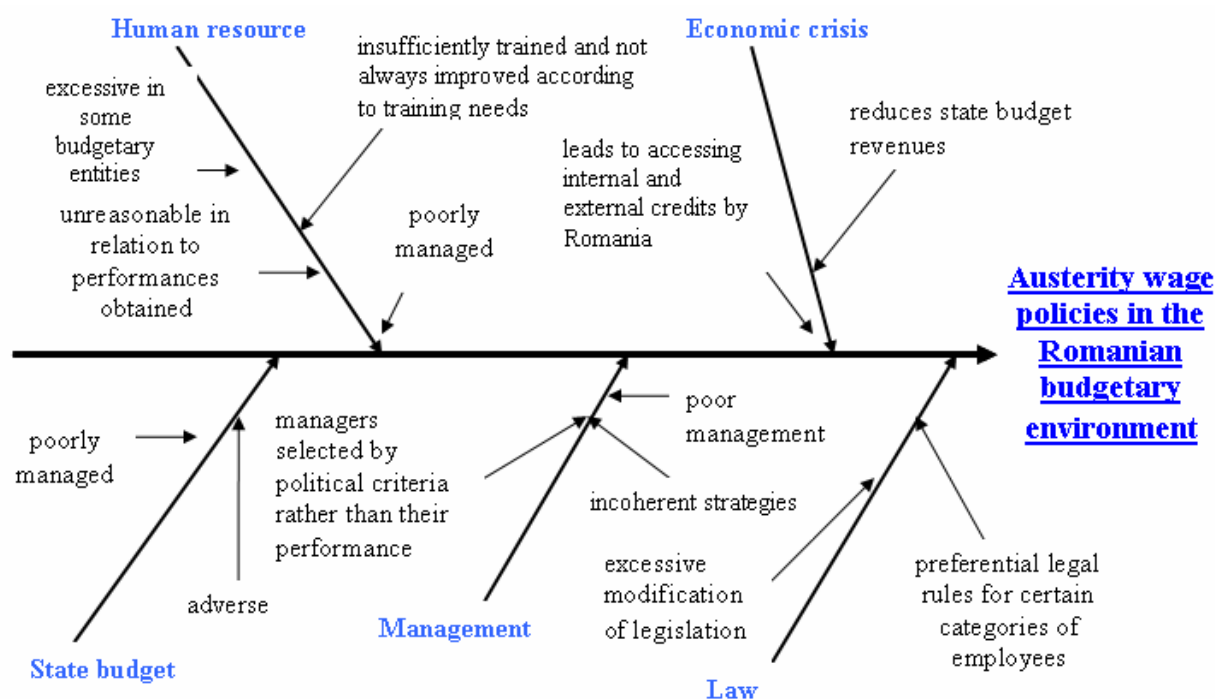


Figure no. 1. Cause-and-effect Ishikawa Diagram – on wage policies in the Romanian budgetary environment

Regarding the *Management of public environment*, it is characterized by limited performance if we consider the management of private organizations which feel negatively affected by delays in implementation of coherent strategies or by the poor implementation of a sustainable action plan.

On the other hand, the dismissal of numerous members of management teams working in state institutions, as a result of the effects of the legislation concerning the decentralized institutions and the appointment of managerial staff on political criteria, may represent stopping the application of an institutional strategy that leads to its final abandonment. The frequent repetition of this phenomenon and giving up some strategic action plans can not bring any added value to the Romanian public structures in short term but neither on long term. Disregarding the formulation and implementation of long-term strategies and the financial impact of designated persons' action or inaction, the performance will be entitled to a delay.

The human resource, the most valuable organizational resource, poorly managed or unreasonable in relation to performance, excessive from a numerical perspective, in some organizations or improved without reference to training needs where improvement can be achieved, is another main issue underlying the budgetary pay reform.

The state budget

For 2010, the Government has engaged in negotiations with the IMF to reduce public spending by cutting salaries by 25% and by increasing revenues by raising VAT from 19% to 24%, to fit in a deficit of 6.8% of GDP.

In the first five months, the revenues of the consolidated general budget were reduced by 1.6% to 64.2 billion lei, in terms of revenues declining by 7.8% in VAT, 6.4% in the income tax, 2.7% in the profit tax and 4.4% for CAS's. Thus, the deficit climbed to 16.7 billion lei, namely 3.1% of GDP.

On the other hand, the Head of the International Monetary Fund (IMF) mission in Romania considers that the macroeconomic indicators for the third quarter "look good" and the budget deficit agreed for 2011 is 4.4% and can not be changed.

In Romania, ***the Law*** is excessively modified through emergency procedures, and from another perspective, the preferential legislation on the wages of certain categories of budgetaries, led to an additional need for the development of new wage policies in the budgetary environment. Thus, after an application of salary reductions by Law 330/2009 and after the wage reduction by 25%, is expected to be approved and implemented a new uniform bill on the unitary salaries of the staff paid from public funds.

The main effects of *the global economic crisis* on Romania are identified first by stagnation or kickback of the economic growth and on the other hand, by reducing direct investments. They determined Romania to access more or less advantageous credits in the context of reducing the state budget revenues. On the other hand, the IMF considers that the austerity measures can affect the economic growth and may determine the rise of the unemployment rate.

Amid those presented, in 2009, the compliance of framework-agreements with the European Commission and the International Monetary Fund has been provided by Law 329/2009, still in force, governing among others *the measures to reduce the staff expenses in the budgetary system and the arrangements for exercising the addition of pensions from the public pension system and the systems that are not integrated to the public system with the wages* or, where applicable, related to salaries, according to the law, resulting from carrying on a professional activity in an individual employment contract, employment report or on the basis of appointment notice, in the central or local authorities and public institutions, regardless of the financing and subordination method, as well as in the autonomous administrations, national corporations, national companies and trading companies in which the state or an administrative-territorial unit is the sole or majority shareholder, but also *measures on the financial-budgetary discipline* in the autonomous administrations, national corporations, national companies and trading companies in which the state or an administrative-territorial unit is the sole or majority shareholder, as well as in their subsidiaries.

“The austerity of budgetary wages” is also regulated by Law 330/2009 which is based on principles such as:

a) the unitary nature, in that it regulates the pay system of all staff categories in the public sector, by taking into account the wage rights established by special legislative acts in the wages system governed by law 330/2009;

b) the rule of law, in that wage rights are established only by judicial rules having the force of laws;

c) taking into account increases, wage increases, the general or special allowances and other salary rights, recognized or established by the entry into force of Law 330/2009, by court orders, acts of collective negotiation and by other means, being found at an acceptable level, according to these principles, in the gross salary or, where appropriate, in the basic salary, in the basic function pay or in the monthly employment pay;

d) equity and consistency, by creating equal opportunities and equal remuneration for work of equal value based on uniform principles and rules concerning the establishment and providing of wages and of other entitlements such as wages of public sector employees;

e) financial sustainability, by establishing wage increases according to special annual laws, so that the share of the gross domestic product of staff expenses related to public sector employees is gradually reduced to a sustainable level.

The Framework Law on the uniform wages of the staff paid from public funds aims at:

a) harmonizing the salary system of staff from the public sector with the importance, responsibility, complexity of activity and level of education required for the activity;

b) establishing the basic wage, the remunerations of basic functions and of monthly benefits of employment as the main element of the wage, by including in it, as appropriate, bonuses, increases and allowances with general nature;

c) making the hierarchy of basic functions, of monthly employment allowances, among fields of activity, and in the same area, depending on the complexity and importance of their operations, based on the following criteria:

- level of education and skills;
- the social importance of the work;
- complexity and diversity of activities;
- accountability and impact of decisions;
- exposure to risk factors;
- incompatibilities and conflicts of interests;
- the difficulty of specific activities;
- the conditions of acceptance on the function;

d) transparency of the mechanism for establishing the basic wage, the salaries for basic functions and for monthly benefits of employment, as well as of other salary rights;

e) compatibility of the decentralization process with the principles provided by law;

f) the differentiation of basic salaries, of salaries for basic functions and for monthly benefits of employment and on the level to which the activity is accomplished: central, territorial and local.

Because the Unified Wage Law, in implementation, has side effects, it will be changed completely and we will no longer take account of the reference salary in 2009, but of the reduced ones of 2010, and, every year, will be given a special law to determine the level of salaries.

Thus, under the new draft law on wages, the difference between the lowest and highest salary will be from 1 to 15. Budgetaries would be divided into 55 classes depending on responsibilities of their functions, of the work accomplished, its quantity and quality, but also its importance for the society.

From 1 January 2011 to December 31 2012, the public wages and ranking system will be reformed and simplified through a bill providing for:

- reducing the number of positions in the public sector;
- the gradual transition to nominal wages;
- improving hierarchies within budget areas and the systems of degrees, gradations and wage levels.

CONCLUSIONS

The continuous salary reform from our country is one of the effects of diminishing the budgetary revenues, of increasing the number of staff in the budgetary environment or because the enforcement of wage law in 2010 failed from various causes, such as: the rapid development of the law under pressure from the IMF; the identification of some gaps after its entry into force; the usage of a small sample of budget functions resulting in the inability to achieve employments in some institutions; the existence of different salaries in different ministries, for similar functions; the elimination or inclusion of increases in salaries at the expense of providing incentives that led to the maintenance of wage disparities.

ENDNOTES

¹ http://www.sfin.ro/articol_9558

² www.bursa-financiara.ro

3 www.mediafax.ro

⁴ The fiscal-budgetary strategy during 2011-2013 of the Government of Romania

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NOTE:

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