THE IMPACT OF THE ECONOMIC CRISIS ON MINIMUM WAGE

Lect. Oana Dobre-Baron Ph. D
University of Petroșani
Faculty of Science
Petroșani, Romania

Abstract: Like the rest of the world, the European Union in 2008 has been hit by the global economic and financial crisis. European Member States were affected to varying degrees by the crisis, and their counter response to its effects has not been the same. The austerity measures applied by the authorities have mostly affected the labor market. Recourse was made to wage cuts, to reduce normal duration of work, to redundancies, and in parallel to increase taxes and fees for both the employees and the employers. But the labor market, even in these times has to provide social protection for the employees, and one of these measures is, in most European Member States, the enactment of a minimum wage. This paper aims to analyze to what extent the level and dynamics of the minimum wage has been unaffected by the crisis, especially if it proved its effectiveness in terms of social protection of the workers.

JEL classification: E24, J31, J38

Key words: global crisis, the European Union, labor market, social protection of the workers, minimum wage

1. INTRODUCTION

Crises, independent on their nature and field of manifestation (general or specific), are a disturbance factor of order and social stability. However, some types of crisis are considered by researchers to be more dangerous than others. For example the financial crises, acquire a global character, becoming world crises, due to the impact and the easiness with which they extend from one country to another (found among multiple industrial, commercial, financial, cultural, diplomatic, connections, and others).

The extension of such a crisis as the 2008 U.S. one which continued throughout the rest of the world has shown us, can influence, and as we know has negatively affected the operation of other areas of economic and social life and, in some contexts, it produces a chain of crises which has serious consequences on the functioning of human society.

Moreover, the economic crisis that followed the financial one has had the strongest social impact, creating insurmountable situations for citizens, due to their direct impact on other areas of social activity.[14]

As we all know, the economic crisis had a major impact on labor markets in almost all countries, but the impact was felt differently from country to country,

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[14] Otovescu A., Frăsie M. C., Motoi G., Otovescu D., *Criza mondială*, Pro Universitaria Publishing House, Bucharest, 2011, pp. 84-85

depending on their level of development, economic stability when the crisis started, the economic and social policies applied. On the other hand, the response of the countries to the crisis, especially their countermeasures to end the crisis and resume economic growth were different.

Economic measures were needed of course, but they had to be completed with increased social protection measures, which although not applied to employees, in those moments had to be extended to the classes of employees most exposed to the risk of poverty.

2. LABOR MARKET AND MINIMUM WAGE

The majority of specialized books define the labor market as the economic area where the demand and the supply of the labor force meet and face each other. However not all economists agree, but consider an important particularity of the labor market to be "by involving various organizations: trade unions, employers and governments, it is more regulated than other markets. That is why at present it cannot be defined as an economic space where the supply and the demand for labor meet and face each other, meeting from which wage (price) equilibrium is obtained ... The labor market is characterized by imperfect competition."[15]

From this last feature it appears that salary is formed only in principle based on the balance between supply and demand for labor, its size is actually a result of negotiations between the bodies previously discussed. These negotiations carried out in the general labor market establish the global conditions according to which the labor market will operate, including the average or minimum wage on the level of national economy.

In this context it is necessary to approach the minimum wage in terms of its role as a measure of economic policy, which in the view of economist George Oprescu is "attractive in terms of politicians, but extremely controversial in that of economists."[16] Reasoning continues with certainty that the minimum wage is a measure, where applicable, has a greater or lesser influence on the labor market and has often generated controversy in specialized literature.

There are of course pros and cons. Proponents of applying this form of income believes that this measure is liable to provide a subsistence wage to the recipients. On the opposite side are those who argue that applying this measure results in immediate increase in unemployment.

The conclusions drawn from the various specialized studies tend to lean towards a general unfavorable opinion concerning the imposition of the minimum wage, and the effects of such a measure would result in:

- the reduction of employment, especially among young people;

- the increase of unemployment is smaller than the decline in employment, meaning that young people cannot find work, give up seeking one and leave the labor force ranks;

- diminishing the activity of qualification in the workplace and an increase of those who qualify through the education system;

[15] Prahoveanu E., Matei A., *Economie și politici economice*, Economic Publishing House, Bucharest, 2004, p. 94

[16] Oprescu Ghe., *Piața muncii*, Expert Publishing House, Bucharest, 2001, p. 138

- does not reduce the size of income inequality between members of society, and in this regard it is considered that minimum wage is not an effective weapon against poverty.

But of course there are supporters of this measures which consider that imposing a mandatory minimum wage is a correct measure both in terms of the fight against poverty, as well as contributing to jobs creation.[17]

This latter point of view is supported by the fact that in time, even the development of social protection systems in the world have brought into discussion the minimum wage and imposing it as a countermeasure of poverty and protection of disadvantaged workers in the labor market. An example is the UK's liberal reforms in the early twentieth century including the introduction of the minimum wage as a measure of the labor force protection.[18]

3. THE WORLD IMPACT OF THE MINIMUM WAGE

In terms of global economic and financial crisis, this resulted in the increase without precedent of unemployment and in very high levels of poverty, which persisted long after the crisis has reached its peak. Unemployment reached its highest level ever recorded, namely 210 million people globally and even if there are countries that managed to some extent an economic recovery, ILO's experts believe that a global jobs crisis could still persists for six to eight years.

Another negative impact of the economic crisis redounded upon the wages in all parts of the world but especially in the South-Eastern Europe, where wages were particularly affected. ILO reports show that the greatest impact of the global financial and economic crisis on wages can be seen in Central and Eastern Europe and Central Asia, where the yearly real wage progression has changed from a double-digit growth before the crisis to an increase close to zero or even negative for some of these countries.

In addition it is shown that a number of countries in South Eastern Europe were affected by unpaid wages, wage freezes, informal wage payments, and a growing number of low-wage workers, which contributed to the enlargement of the wage gap between those at the top and the bottom of the pay distribution.[19]

In this context, ILO believes that globally, in recent years there is a tendency to reconsider the minimum wage. Thus, in June 2009, ILO's Member States adopted The Jobs Global Pact, which encourages governments to consider options such as minimum wages that can reduce poverty and inequity and may increase demand and contribute to economic stability. It also emphasizes that the minimum wages should be regularly reviewed and updated. Immediately after this the countries of Central and Eastern Europe have recognized, in November 2009, the insufficient development of labor institutions and agreed on the need to establish minimum wages which actually represent a safety net for the most vulnerable employees. Even in Western Europe the public debate regarding the possible use of minimum wages regulated by law in countries that have traditionally only collective agreements is increasing.[20]

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[17] Idem, pp. 138-139

[18] Pop L. M., *Politici sociale: elemente de teorie, analiză și evaluare a politicilor sociale*, Economic Publishing House, Bucharest, 2005, p. 75

[19] ILO, *The Impact of the crisis on wages in South-East Europe*, 2011, p. xi, http://www.ilo.org

[20] ILO, *Global Wage Report 2010/11: Wage policies in times of crisis*, International Labour Office, Geneva, 2010, p. 64, http://www.ilo.org

Although the experts' opinions are divided, ILO believes that the minimum wage should always be part of the social protection system of each country, to be recognized as one of the areas of intervention against various risks that people may face, besides unemployment benefits, pensions, health care and social assistance benefits. Moreover, during the crisis, its implementation should lead to avoid deflationary wage spirals and protect the purchasing power of low-wage workers.

These points of view are the result of studies and researches carried out by ILO, among which is a research the conclusions of which can be found in the document entitled "Social protection and minimum wages responses to the 2008 financial and economic crisis". The study aimed at providing information on the impact which they have had the social protection measures implemented in a number of 77 countries in response to the economic crisis. Among these, the minimum wage and the role that it plays in the protection of disadvantaged workers can be found.[21]

Out of the 77 countries surveyed, only 32 reported changes in the minimum wage in 2008-2010. But it must be said that others are countries where the minimum wage is set by collective bargaining in each sector (Germany) or is set at different levels depending on the sector or area (Japan). Also among the 77 states are those in which the minimum wage has not changed during the period under review. Countries that have experienced changes in the minimum wage are on different levels of development and include export-based economy, and countries hit by the food crisis and that passing through a severe recession. For this reason it is believed that in these latter countries the minimum wage is used as a tool to respond to the effects of the crisis.

In the initial phase of the crisis, three countries have decided to freeze the minimum wage either to counter the downward effects of the crisis on export markets as China did, or because of fear that it will have a negative impact on employment work (Australia). Australia and China have further increased the minimum wage in 2010.[22]

Two other countries of the 32 increased the minimum wage, but with a prudent rate, which was not sufficient to protect real earnings of minimum wage recipients. These are Hungary and Spain. Instead, a number of countries such as France, the Netherlands and the United Kingdom have increased the minimum wage in 2009-2010 in line, more or less, with the consumer prices increase, thus maintaining the purchasing power of workers without increasing the burden of enterprises in these difficult times.[23]

Finally, there is within the study the group of countries that have increased the minimum wage in real terms over the period, which includes, among others Brazil, Poland, Moldova, the USA, Lithuania, etc.

It follows from the conclusions of the study and ILO`s experts that currently there is a trend in the use of minimum wage during the crisis. Countries where growth continued to be slow in 2010 abstained to increase the minimum wage (Europe and U.S.) and other countries where GDP growth and employment growth have reached levels recorded before the onset of the crisis had a greater willingness to raise the minimum wage.

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[21] ILO, *Social protection and minimum wages responses to the 2008 financial and economic crisis*, International Labour Office, Employment Sector, Geneva, 2012, p. 2, http://www.ilo.org
[22] Idem, p. 28
[23] ILO, *Global Wage Report 2010/11: Wage policies in times of crisis*, International Labour Office, Geneva, 2010, p. 65, http://www.ilo.org

The data provided by ILO shows that in the period 2001-2007 prior to the global crisis, in 70% of the countries for which data exist, strong economic growth and increased productivity were accompanied by corresponding adjustments of real wages, which was increased regularly in real terms. Even in the crisis year of 2009, a majority of countries have adjusted their minimum wages upwards. This shows the continuity of policies regarding the salary but in a more active manner. Minimum wage policy revival seen in 2000 continued during the crisis.

An interpretation of this trend could argue that institutional regulation of the minimum wage makes it easier to adjust than other labor market regulations established by legislative measures. Also the frequency with which it is adjusted is fixed by law in 37% of the countries for which data exist globally, as well as its review obligations depending on a number of economic and social criteria are regulated in 74% of the countries.

Nevertheless the minimum wage policy contains an element of social dialogue important in maintaining the cohesion policy within economic and social crises.

In 2008, 45% of the 105 countries that provided data for ILO studies have established the minimum wage as a result of consultation or advice of a specialized body. In addition, other countries as Estonia have set the national minimum wage through collective negotiations.

To conclude, it can be said that the ILO experts believe that the simplicity with which the minimum wage can be adjusted to the new economic and social conditions encountered, often after consultation with the social partners, makes it become an integrated political measure during the crisis.[24]

4. Minimum wage in the European Union

Our analysis continues of course with the existing situation in the European Union concerning the application and level of minimum wage in the Member States.

In July 2012, 20 of the 27 European Union Member States (Belgium, Bulgaria, Czech Republic, Estonia, Ireland, Greece, Spain, France, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia and the UK) had national legislation regulating minimum wages either by law or by national intersectoral agreement (this is the case of Belgium and Greece).

The National Minimum Wage usually applies to all employees, or at least for a large majority of employees in the country. Monthly amounts which are usually granted to full-time employees and for all professions, but can be modified by taking into account age, seniority, skills of employees or economic conditions of the enterprise in which they work.[25]

Minimum wage statistics published by Eurostat refer to the monthly minimum wage. For countries where minimum wage is not established monthly but hourly or weekly, these values are converted into monthly sizes. Minimum wages are gross amounts before deduction of income tax and social security contributions. Such deductions vary from country to country.[26]

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[24] ILO, *Social protection and minimum wages responses to the 2008 financial and economic crisis*, International Labour Office, Employment Sector, Geneva, 2012, pp. 27-30, http://www.ilo.org

[25] http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/earn_minw_esms.htm

[26] Eurostat, *Labour market statistics*, 2011, p. 82, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-32-11-798/EN/KS-32-11-798-EN.PDF

Based on this information and using Eurostat data it is estimated that the minimum wage dispersion in the EU is very high. It starts from the minimum recorded in Bulgaria, only 138 EUR in 2012 and up to a maximum of 1801 EUR of Luxembourg, which means that Bulgarian workers receive an income 13 times smaller than Luxembourgian (Table no. 1).

Table no. 1 Monthly minimum wages in UE member states in 2007-2012 (EUR)

	2007	2008	2009	2010	2011	2012
Belgium	1259.00	1309.60	1387.50	1387.50	1415.24	1443.54
Bulgaria	92.03	112.49	122.71	122.71	122.71	138.05
Czech Republic	291.07	300.44	297.67	302.19	319.22	310.23
Denmark	-	-	-	-	-	-
Germany	-	-	-	-	-	-
Estonia	230.08	278.02	278.02	278.02	278.02	290.00
Ireland	1402.70	1461.85	1461.85	1461.85	1461.85	1461.85
Greece	730.30	794.02	817.83	862.82	862.82	876.62
Spain	665.70	700.00	728.00	738.85	748.30	748.30
France	1254.28	1280.07	1321.02	1343.77	1365.00	1398.37
Italy	-	-	-	-	-	-
Cyprus	-	-	-	-	-	-
Latvia	172.12	229.75	254.13	253.77	281.93	285.92
Lithuania	173.77	231.70	231.70	231.70	231.70	231.70
Luxembourg	1570.28	1570.28	1641.74	1682.76	1757.56	1801.49
Hungary	260.16	271.94	268.09	271.80	280.63	295.63
Malta	601.90	617.21	634.88	659.92	664.95	679.87
Netherlands	1300.80	1335.00	1381.20	1407.60	1424.40	1446.60
Austria	-	-	-	-	-	-
Poland	244.32	313.34	307.21	320.87	348.68	336.45
Portugal	470.17	497.00	525.00	554.17	565.83	565.83
Romania	115.27	138.59	149.16	141.63	157.20	161.91
Slovenia	521.80	538.53	589.19	597.43	748.10	763.06
Slovakia	220.71	241.19	295.50	307.70	317.00	327.00
Finland	-	-	-	-	-	-
Sweden	-	-	-	-	-	-
United Kingdom	1314.97	1242.24	995.28	1076.46	1136.22	1201.96

Source: http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/main_tables

It can be observed of course, as it has been said that not all Member States have a minimum wage. These are Denmark, Germany, Italy, Cyprus, Austria, Finland and Sweden.

Considering this wage level for 2012, the 20 Member States that have it, can be divided into three groups. The first group, the largest, includes countries with the lowest minimum wage between 100 EUR and 500 EUR per month (Figure no. 1). These are Bulgaria, Romania, Lithuania, Latvia, Estonia, Czech Republic, Hungary, Slovakia and Poland. It must be pointed out that Romania, unfortunately, with a minimum wage of only 161.91 EUR is on the second place, but at the bottom, after Bulgaria.

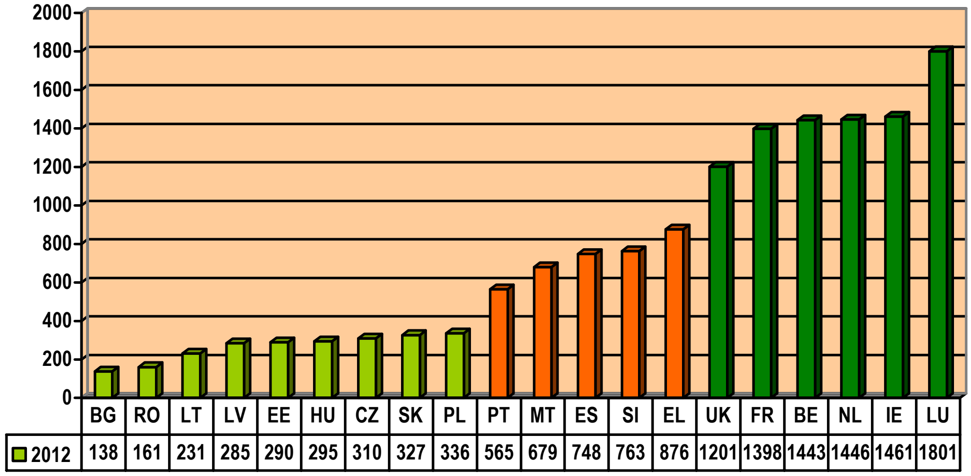

Figure no. 1 Minimum wages in EU Member States, July 2012, in EUR

The second group of European Union countries includes Portugal, Malta, Greece, Spain and Slovenia, with an intermediate level of the minimum wage situated above 500 EUR, but below 1000 EUR.

The third group comprises six countries: UK, France, Netherlands, Ireland, Belgium and Luxembourg, where the monthly minimum wage exceeds 1200 euro.[27]

For states that do not apply the minimum wage policy at the level of national economy, the situation is the following:

- in Germany and Cyprus the minimum wage is regulated, but it does not apply to all employees, but only to certain groups established by law, depending on the industry or profession.

- in Denmark, Italy, Austria, Finland and Sweden the minimum wage is not regulated at national level. In these countries, wages are either determined by negotiations between the social partners at company level or at the level of individual employment contracts.

The above comparison on the level of minimum wage recorded by European Union Member States referred to its expressing in euro for both the euro area countries and for those outside the area. For the latter, the amount in national currency shall be converted into euro at the exchange rate applicable at the end of the month preceding month for which the calculation is performed.[28]

Moreover, the data provided by Eurostat allow us another comparison, more real, in terms of standard of living of the beneficiaries of this form of income. This refers to the expression of the minimum wage in PPS (Purchasing Power Standards)[29].

[27] http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/earn_minw_esms.htm
[28] http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/earn_minw_esms.htm
[29] Purchasing Power Standard, abbreviated as PPS, is an artificial currency unit. Theoretically, a PPS can buy same amount of goods and services in each country. However, price differences across national borders means that different amounts of national currency units are needed for the same goods and services

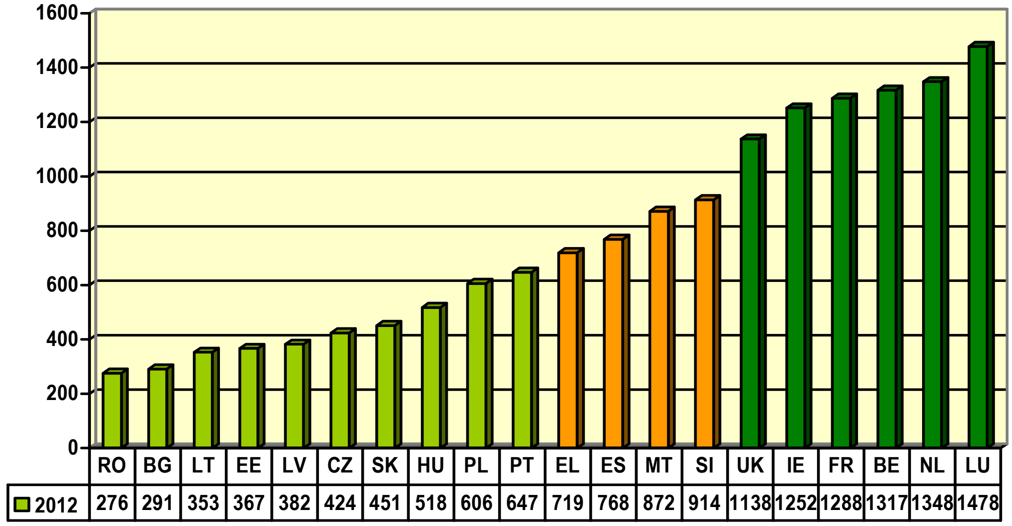

Figure no. 2 Minimum wages in EU Member States, July 2012, in PPS

Figure no. 2 compares the minimum wage, taking into account the differences in price levels in the Member States by applying the purchasing power parity for final consumption expenditure of households.

Among Member States, the gross minimum wage expressed in PPS ranged from 276 (Romania) to 1478 (Luxembourg).

As expected, adjusting the differences in price levels between countries reduces the difference: while the minimum wage in euro (Figure no. 1) ranged from 138 EUR to 1801 EUR in July 2012 (a factor of about 1:13), wage in PPS (Figure no. 2) ranged from 276 to 1478 (a factor of about 1:5). Countries in the first group, with a relatively lower minimum wage in EUR also lower a price level when expressed in PPS. On the other hand, countries in group 3 with higher minimum wages in EUR have higher levels of price, and then their minimum wages in PPS are relatively low. In addition, as a consequence, the differences between the three groups are partially mitigated when taking into account minimum wages expressed in PPS.

Comparing standings on minimum monthly wages in EUR with those in PPS, the most notable changes are for Ireland, Hungary, Malta and the Netherlands, all moving with two positions. Other countries change their position, but only one place (Belgium, Bulgaria, Estonia, Greece, Spain, France, Latvia, Poland, Romania and Slovakia). Monthly minimum wages expressed in PPS divide countries under the same groups as when were expressed in EUR, except Portugal, passing from group 2 (average wages) in group 1 (lower wages).[30]

It may also be observed from the data in Table no. 1 that the dynamic evolution of the minimum wage was different from country to country. Most of the Member States, 13 in number, had a relatively steady increase in the minimum wage in 2007-2008 they did not recorded spectacular growth after 2008, as a response and as a countermeasure to the crisis. A small exception occurred in Slovenia in 2011 where

across countries. PPS are obtained by dividing any economic aggregate of a country expressed in national currency at purchasing power parities.

[30] http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/earn_minw_esms.htm

wages were approximately 25% higher than the previous year, but given that this significant increase was not applied immediately after the crisis, we cannot speak of using the minimum wage as countermeasures to the effects of the economic crisis.

In contrast, in other countries, the authorities' decisions were to freeze the level of minimum wage in Ireland and Latvia throughout the period 2008-2012, in Estonia from 2008 until 2011, after which there is a new growth in 2012. Bulgaria increase the level of minimum wage in 2009 compared to the previous year, but this value remains unchanged until 2012. In Hungary the situation is exactly the opposite, the wage decreases in 2009 compared to 2008 after which increases every year. United Kingdom registered successive decreases in 2008 and 2009 compared to previous years, but in 2010 resumed growth and is keeping it so far.

All the above lead to the statement that at the level of European Union minimum wage in countries where it was regulated before the onset of the global economic crisis has remained a wage policy measure applied to the labor market, but it cannot be asserted that it was used as a measure of social protection against the effects of the crisis on low-income workers.

5. National minimum wage in Romania

In Romania, starting with 2000, due to economic stability and development of private initiative, wages began to raise rapidly, a process that continued until 2008. As a result of this situation, the purchasing power of employees has doubled during this period. Annual growth rate of real wages between 2000 and 2008 was 19.8% higher than the average of other European Union Member States.

But this did not last. In 2009, real wages in the private sector decreased due to the reduction in nominal wages but also because of declining economic activity. Public sector wage cuts consisted of providing compulsory unpaid leave and eliminating bonuses. Additional restrictive measures in the public sector in 2010 have generated significant reductions in payments to employees. In the first two months after the enforcement of Law 118/2010 on measures to strengthen the state budget, average net income decreased by 25% in education, 20% in health and social assistance and 13.9% in public administration.

Anti-crisis measures consisting of wage reductions both in the public and in private sectors have generated differences and wage inequities. The crisis continued in 2010, GDP fell again by 1.3% compared to 2009. In the first quarter of 2011 compared to the fourth quarter of 2010, real GDP recorded its first increase of 0.6% since onset of the crisis.[31]

In Romania, according to the Labor Code, the minimum gross wage at national level is established by the Government in consultation with trade unions and employers' organizations. Gross national minimum wage does not change the wage set in collective agreements, individual employment contracts or other normative acts. However, employers are compelled to ensure the payment of a gross monthly wage at least equal to the minimum gross wage. Therefore, when the minimum wage rate is modified, all employers must raise salaries accordingly. This can be challenging for small and micro-enterprises where, bonus payment systems are underdeveloped or absent. There is a positive side, i.e. a higher minimum wage eliminates both the low wages and the proportion of workers receiving wages "in envelope".

[31] ILO, *The Impact of the crisis on wages in South-East Europe*, 2011, pp. 239-241, http://www.ilo.org

However, Romania stands out as one of the few EU member states with a minimum wage per hour under 2 EUR. Statutory minimum hourly wage in Romania, in January 2009 was 0.96 EUR, followed by Bulgaria, at 1.62 EUR. The National minimum wage has tended to reflect the dynamics of the Romanian economy. The Nominal minimum wage increased between February 2000 and January 2009 was 8.57 times and gave a purchasing power in real terms of 2.59 times higher. The minimum wage increase in 2000-2008 was 19.8% per year, and was higher than in Bulgaria (8.2%) and in other EU countries.

According to Eurostat data, approximately 9% of the total employees in Romania have earned the minimum wage in 2002, and nearly 10% in 2005. In 2009, according to the National Institute of Statistics of Romania, 0.2% of men and 0.3% of women earn less than minimum wage, while 4,6% of men and 4,7% of women have earned the minimum wage. For 2010, the previous figures have doubled as a result of the significant wage reductions in the public sector.[32]

For the period in question of this paper, the level of the minimum wage in our country was:

- 390 lei in 2007;
- 500 lei in January-September 2008;
- 540 lei in October-December 2008;
- 600 lei in 2009;
- 600 lei in 2010;
- 670 lei in 2011;
- 700 lei in 2012.

There is a 28.2% salary increase in January 2008 compared to 2007 and a further increase of 40 lei in October 2008 compared to the previous month. After the year the economic crisis broke out, the Government decided to increase the minimum wage, but it will remain unchanged the following year, only in 2011 it recorded a new growth of 11.6% (Figure no.3).

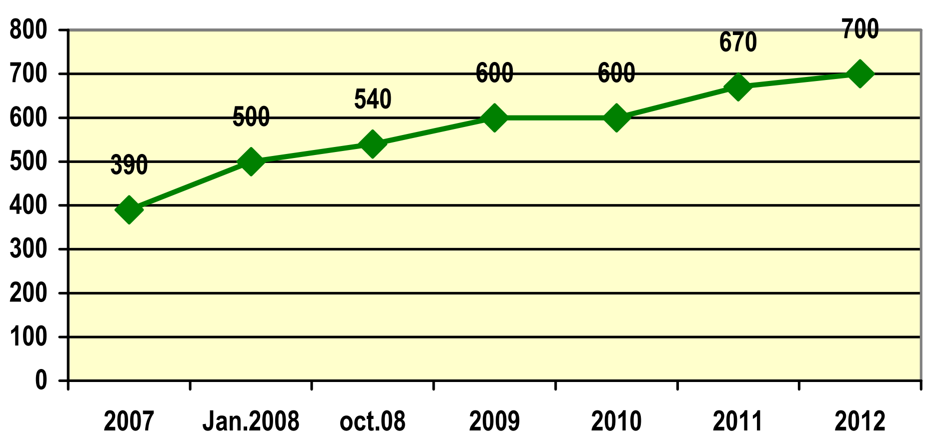

Figure no. 3 Minimum wages in Romania, 2007-2012, in lei

For the analysis it is necessary to take into account the minimum wage share in the national gross average wage. In recent years, the minimum wage in Romania was

[32] Idem, pp. 244-245

on average 30% of the average wage, but is still below the European Council's recommendations, respectively accounting for 50%. In March 2010, the country's minimum wage was only 28.9% of the average wage, even lower than in December 2009 (29.6%), but higher than in December 2008 (26.9%). "Wage reforms" led to the revision of public sector wages and the introduction of a new pay scale to guide negotiations with social partners.

In conclusion it can be said that in Romania, the minimum wage was kept at the same level in 2009 and 2010, years following the global economic crisis that broke out in 2008. However it can be said that the minimum wage policy has proved to be a welfare measure in response to the crisis whereas its level was a safety net as well as a threshold which could not be passed in December 2010 when the Government decided to cut down by25% the wages of the public sector. Minimum wage beneficiaries were not affected by wage cuts while the reduction of those close to the minimum wage was lower, in order for the reduction not to be below the minimum required by law.

6. CONCLUSIONS

Regardless of the experts' existing opinions over time in the specialized literature, pros and cons to the need to establish in each country a minimum wage, it is true that at certain times and periods in the history of the world economy, it has proved its efficiency.

From the analysis carried out in the paper it appeared that neither globally nor on a European Union level there are no countries to introduce in their legislation the national minimum wage which they didn't before the global economic crisis had broken out in 2008.

But, for the countries that have regulated the minimum wage, ILO experts believe that in the case of a significant part, this form of income has proved its efficiency and necessity in reducing poverty and social inequities caused by the crisis. Moreover, it is considered that there is a new trend in the use of the minimum wage as social protection measure for low-income workers, thereby constituting a final safety net against labor market risks.

Even on a European Union level decision makers support the idea of establishing a minimum wage, but as we have seen there are Member States which have neither applied this wage nor have considered it to be a measure to cope with its effects after the crisis had broken out. In this context the ILO considers that it was easier for states that have regulated this wage to adjust it according to the economic and social conditions than to resort to other measures to stabilize wages during the crisis.

This is the case of Romania, the country where, as we well know, the authorities resorted to the largest wage cuts in the public sector across Europe, and where the existence of a minimum wage guaranteed to be paid on economy, although remained unchanged in two years after the crisis, proved to be the instrument by which a large part of the employees did not reach the lower threshold of poverty.

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