THE MINIMUM WAGE AND INCOME, INSTRUMENTS OF FIGHTING POVERTY IN THE EUROPEAN UNION STATES

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Abstract: The social and economic policies experts' support the idea according to which no economy in which labour is only paid to the limit of human survival or below this threshold can grow. There is currently available legislation on the minimum income or collective agreements at industrial branch level regarding the minimum income in 90% of the world states. In the efforts taken to decrease poverty, a series of instruments have been highlighted, specific to each country or period, the most frequently used being the minimum wage and the guaranteed minimum income. Their selection is obviously determined by the economic situation of the population, the spread and the profile of poverty, as well as the prevailing doctrine in the social policies related to the poverty reduction strategy. These are different depending on the poverty approach and measurement manner, the actual operational objectives, the temporal perspective, as well as the impact area and pursued direction. Further to the economic crisis, many European countries are confronted with the increase of the population living at the human poverty line or below the poverty threshold. Among those affected by this phenomenon one can also mention employees or members of families in which there is only one wage or another type of incomes (pension, guaranteed minimum income, social securities), which are under the line of what the public policies specialists call "living wage" or "family wage" (Romanian Economic and Social Council, 2014).

JEL classification: H24, J38

Key words: poverty, minimum wage, living wage, social policy, guaranteed minimum income

1. INTRODUCTION

Although there is not necessarily a consensus regarding the international definition of the poverty concept, a common trait however exists: all the definitions relate the necessities of the individuals or the living standard to a welfare indicator. We can thus assess that in a society, we can speak about poverty if one or several persons do not achieve that level of economic welfare, considered to be a reasonable minimum level as related to the standards of that society. The starting point of the researches performed by the Statistical Office of the European Community, in an ample effort regarding the statistical assessment of poverty in the European Union countries, is a definition adopted by the Council Decision (19.12.1984): The poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the states in which they live. (Milicenco S., 2014). It is obvious that this wording refers to poverty in terms of lack of resources (one-dimensional approach). As it was not possible to extend the definition of poverty by explicitly including the different cultural and social components, the definition is expressed in the terms of material resources. According to this approach, poor is considered the person (family or group) which benefits from a welfare level that is below a certain threshold.

In the European Union, they approach two levels of poverty: the relative poverty and the extreme or absolute poverty. Thus, in the summit held in Copenhagen in 1995, focused on the issues of social development, the absolute or extreme poverty has been defined as a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. (Stanciu M., 2012).

The definition of relative poverty was accepted for the first time by the European Council in 1975. According to it, we estimate that people live in relative poverty if their income and resources are so reduced that they do not allow them to have a living standard considered to be acceptable by the society in which they live. This poverty generates multiple disadvantages such as unemployment, available incomes which are too low, living in improper conditions, non-existent or poor medical assistance, incapacity of accessing the permanent education system, several cultural services, sports and recreation. These people are thus excluded or marginalized from taking part in economic, social and cultural activities, which are a normal fact for several categories of citizens, and because of the missing economic means, their capacity of exerting their fundamental rights is also diminished.

While the extreme poverty can only affect relatively restricted social groups, the relative poverty tends to become an acute phenomenon within the European Union, being in the focus of the social policies. The forms of relative poverty can be differentiated depending on type, age group, living manner, and so on and so forth. (Eurostat, 2010). Thus, in order to analyze the poor population, the relative poverty threshold is the most frequently used in the European Union. This is set in the EU to 60% of the average income available for the persons /households. At the same time, in order to measure the absolute poverty, they use the 40% threshold of the average income.

Similarly, Romania uses two methods of poverty assessment: the relative method and the absolute method. The relative method, as proposed by Eurostat, is based on the estimation of the poverty parameters by assessing the available incomes of the households, as compared to a threshold below the 60% level of the income average. This poverty level is set by each country annually, based on the level and national income distribution in the respective year, so that the number of poor persons and the poverty rate reflect the poverty incidence in relation to the current welfare level. Thus, the modification in time of the poverty ratio, determined by the modification of the general level of incomes, of the positive or negative evolution of the economic decline is not obvious.

In order to capture the modification in time of the poverty parameters, considering the increase or decrease of economy, they use a consistent threshold, which is stable in time. According to the absolute method, in its variant developed in collaboration with the World Bank experts, poverty is assessed based on the consumption expenses of the households, in relation to a poverty threshold, which has been set based on a minimum food basket, to which a minimum amount of non-food expenses is added, estimated depending on the weight of the food consumption in the consumption expenses (Presidency, 2009). Thus, the poverty threshold is set based on the consumption expenses of the population during 1995-2002, being consistent in time, so that it allows the assessment of the poverty under the conditions of increasing/decreasing the general level of welfare. The minimum monthly consumption basket has been introduced in Romania by the "Government Emergency Ordinance no. 217 of 24 November 2000 regarding the approval of the minimum monthly consumption basket" (www.infolegal.ro).

Thus, year 2000 was also the year in which the calculation of the minimum wage started, considering this minimum monthly consumption basket of an "average statistic family" made up of 2.804 persons. According to a methodology approved by the National Indexation Commission (NIC), which has operated as a consultative body attached to the Romanian Government, they have succeeded in adopting the structure, components and value of the minimum monthly consumption basket (MMCB), in relation to the prices available in October 2000. The minimum monthly consumption basket for the "family of 2.804 persons" included the food and non-food expenses – garments, woollies, footwear, school books and writing materials, medicines, personal hygiene objects and others, and services – water, sewerage, sanitation, power, heating, gas, radio-TV subscription, telephone, public transportation, medical services, taxes and duties, and others (Romanian Economic and Social Council, 2014).

The absolute method is important in highlighting the poverty dynamics and monitoring the poverty policies in Romania. According to this method, poverty has increased until 2000, and then it has constantly decreased, under the circumstances of the economic growth (Presidency, 2009). The same significant decrease is highlighted by the relative poverty rate, estimated in relation to a consistent threshold (of year 2004).

We must mention the fact that the minimum standard of living is a very complex and relative concept, of an economic and social nature, based on which poverty is measured. Its complexity comes from the multitude of material, cultural, educational, health elements, etc., which it is made up of, while its relativity comes from the interaction and modifications that these elements are subject to, which shows us the consumption needs of the people (family, household), as well as the existing connection between these needs and the economic and social framework in which they manifest themselves.

2. Analysis

In 2007, only 6% of the EU population earned incomes under 40% of the average income of the European Union, while one person out of 10 earned incomes under 50% of the EU average income, and approximately 24% of the population earned incomes under 70% of the median income (the 70% rate of the median income designates the highest poverty in the EU). In 2013 however, after a few years of recession, 16.6 % of theEU-28 population was exposed to the poverty risk after performing the social transfers. At the same time, in five of the member states, i.e. Greece (23.1 %), Romania (22.4 %), Bulgaria (21 %), Lithuania (20.6 %) and Spain (20.4 %), it is estimated that over a fifth of the population is very exposed to the poverty risk, a situation that also exists in Serbia (24.5 %) and the former Yugoslav Republic of Macedonia (24.2 %). The lowest percentages of persons exposed to the poverty risk have been recorded in the Netherlands (10.4 %) and in the Czech Republic (8.6 %). Norway (10.9 %) and Iceland (9.3 %) have also reported relatively low levels of population exposed to the poverty risk (Eurostat, 2015).

In 2014, around 81 million persons in the European Union (17% of the population, 19% of the children) lived in poverty, material deprivation and social exclusion, having incomes lower than 60% of the EU average income.

Further to the low performance of the Romanian economy, in the last two decades, complementary to the lowest level of social protection, the poverty level in Romania was and still is the highest in Europe. In 2008, almost one third of the Romanian population (32%) earned incomes under 70% of the median income value in the EU area, being in a relative poverty situation. In the first decade of transition, Romania has recorded two periods of large-scale poverty expansion: 1991–1993 and 1997–2000. After the crisis that began in 2010, the population is facing a new poverty phase, this time under much more difficult conditions, because a large part of the economy that existed in the 90s has disappeared due to privatization.

Notwithstanding, Romania is among the EU member states which, between 2008 and 2014, have succeeded in making great progress regarding the diminution of the poverty risk and social exclusion, so that this risk has decreased by four percent, while a larger decrease at the Union level, i.e. 5.8%, was only recorded in Poland.

According to the data published by Eurostat, approximately 40.2% of the Romanian population was exposed to the poverty risk and social exclusion in 2014, a situation which placed it on the first position in the European Union, given the fact that at EU level, 122 million persons, or 24.4% of the population, were in this situation.

As such, the poverty rate records approx. 2.5 million persons in Romania. If we assess how many those suffering from poverty risk, but also severe material deprivation are, we see that we have 2.2 million persons who are much poorer, but are also severely materially deprived. There are around 157,000 persons suffering from severe material deprivation, and also living in low labour-intensive households. There are also 145,000 persons exposed to the poverty risk, and living in low labour-intensive households, but there are approx. half a million persons suffering from poverty, severe material deprivation, and living in low labour-intensive households" (National Institute of Statistics, 2015).

What has been left unchanged is the fact that Romania is consistently on the last positions in Europe regarding remuneration, irrespective of whether we make assessments depending on the minimum wage level or the average wage level. This situation causes serious consequences in the social stratification field, foundation of retirement conditions, consumption of goods and services, and last but not least, extension of the poverty phenomenon.

The effect of this state of the society is that a large proportion of the Romanian population risks becoming dependent on social security. The social security systems world-wide, Romania included, are searching for solutions in order to improve this situation, but they are also facing major difficulties regarding the clarification of the social objectives and even regarding their social legitimacy.

In Romania, the social problems are serious partly because of the aggravated economic crisis which has frozen, for a while, the low-level economy, and on the other hand, because of the excessive austerity measures which have affected the groups and persons that were already economically vulnerable. Notwithstanding, there are still people nowadays who support a policy, characterized by ignorance of the social problems and withdrawal of the state from its social responsibilities (Stanciu M, Mihăilescu A., 2013). In the view of this ideological orientation of the governors, the removal of the social functions of the "welfare state" would be necessary, as they parasitize the economy. Hence, the reduction of the public social expenses and destructuring of the social assistance system seem inevitable in time, moreover a major objective (Zamfir, 2012).

It is difficult to assess how the economic recovery will take place, given the uncertain circumstances worldwide, but we assess that this becomes more and more related to the internal demand. Thus, even though a moderate recovery takes place also at the European Union level, in the context of the low prices for oil and a quite flexible monetary policy, the internal demand is still modest. In 2016, it is estimated that the economic activity in the European Union would increase up to 2.0 %, after an increase of 1.4 % in 2014, and approx. 1.9% in 2015. In the Euro zone, in 2014, 2015, and 2016 respectively, the real GDP increase rates are at a level of 0.9 %, 1.6 %, and 1,8 % respectively (European Commission, 2015).

Thus, although consumption has recently consolidated, the internal demand stays modest, partly due to serious pressures related to the lowering of the indebtedness in several member states. This phenomenon is reflected on a small rate of inflation and increase of the current account surplus in the Euro zone, which is estimated to increase again in 2016, also against the background of oil cost reductions starting mid-2014, and lower exchange rate of the Euro currency. Depending on the global economic evolution, the EU member states could significantly be affected, proving the need to reinforce the measures in the competitiveness sector, and also making the internal demand become very important for the recovery.

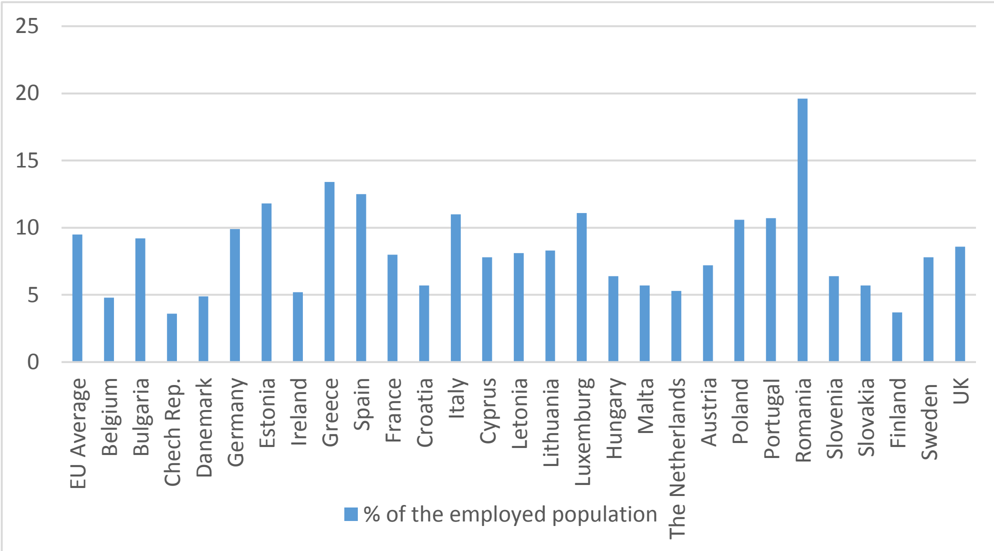
3. International comparisons regarding the labour duration, cost of the labour hour and minimum national wage

From the multitude of poverty fighting instruments, the ones to be found in the labour incomes area have become more and more important lately due to the fact that a significant part of the poor population belongs to families which include employed persons. The need to act in this poverty identification area is amplified both in Romania, and in the other East-European transition countries, by the range of the impact that the decrease of the purchasing power of the wages has had on the impoverishment (Milicenco S., 2014).

We consider that, in an economy marked by recession and inflation, given that fact that the market is faulty, it is necessary to manage the evolution of wages by controlling he wages increase, as a stabilization instrument. Thus, the need to reduce poverty implies a more complex wage policy, in which the distribution balance function would not lead to the neglection of the protection function and provision of the resources required for the decent living of the employee, or obviously of the stimulation function.

Thus, while using controlling instruments of wage increase, such as those used for their overtaxation, special attention should be paid, in parallel, to the operation of the minimum wage and wage indexation, as these are instruments for preventing the decrease of the purchasing power of the wages. The wages can decrease down to levels which could mean the impoverishment of a large part of the employees. Here is why it is not necessarily important to focus our actions on the income control, especially given that inflation has multiple causes. Beyond the direct and immediate increase effect of poverty, forcing this income securing instrument to the limit imposed by achieving the balance between demand and supply and beyond this limit is, by means of its adverse effects, counter-productive for re-launching the economic growth.

For a few years, the European Commission has been suggesting to bring in the minimum wage in all European countries in which this social security instrument had not already been brought in, as well as increase the level of this minimum wage, especially in the states where its level was considered to be too low as compared to the real cost of life. Thus, based on statistical data, we can assess that in many countries, especially in the Eastern Europe, having a job that is paid for does not automatically mean the absence of poverty. Besides the large number of unemployed persons in the EU, there is a large percentage of the population - over 8% at the European Union level, of those who have a job, but live on wages that keep them below the poverty line.



Source: Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php/

Figure no. 1 Percentage of the employed population that lived under the relative poverty line in 2014

We assess that the poverty risk is high also for those working in exchange for a remuneration, especially in those states where there is an inequitable distribution of the incomes and a low level of the minimum wage, especially for the employees with temporary contracts, the part-time employees and the single-parent families. In this context, also aggravated by the economic crisis, the European Commission supports bringing in the minimum wage in all European Union countries, and increasing this minimum wage whenever possible. Many European states have already brought in the minimum wage, with significantly different levels from one country to another, and varying also in relation to the level of the average wage.

If in Romania the minimum wage is a quarter of the average wage, in Ireland, for instance, it exceeds half of the value of the average wage, according to the data provided by the European Industrial Relations Observer, but there are however countries where there is no such minimum level regarding the value of labour, for instance Germany, Italy, Austria and the Scandinavian countries (Romanian Economic and Social Council, 2014).

Thus, if in Italy and Austria, they have set a minimum wage in the content of the Collective Agreements adopted at the level of each sector of activity, almost 30% of the workers in Germany do not have a minimum wage provided, as many of these countries are opposed to bringing in a minimum wage at the level of the entire economy.

As we know, the European Commission can only support bringing in a benchmark and changing the social policies, but the decision-making in this field lies only with the governments of each state. Thus, among the recommendations of the Commission, one should also mention those regarding the adoption of wages increase measures, as a lever of increasing the aggregated consumptions and economy development. Of course, the wage increase must be correlated to the state economic competitiveness, so that an income security could be provided. There are also particular situations, such as Greece, that benefit from a minimum wage between 50 and 100% of the average wage, and have all too generous social security programs, if we were to consider the economic situation of this state.

When setting the minimum wage level, each state considers a series of criteria and reference elements. Choosing them, which especially depends on the functions granted to the minimum wage, is one of the most difficult problems in identifying the minimum wage, especially due to the fact that only considering one or another criterion can lead to contradictory solutions. Thus, we consider that each state must find an adequate admixture of criteria, so that, by wanting to provide a protection as good as possible, one would not come to adverse effects which the economy could not bear. This definitely implies getting all the stakeholders involved and especially taking the political responsibility for the results.

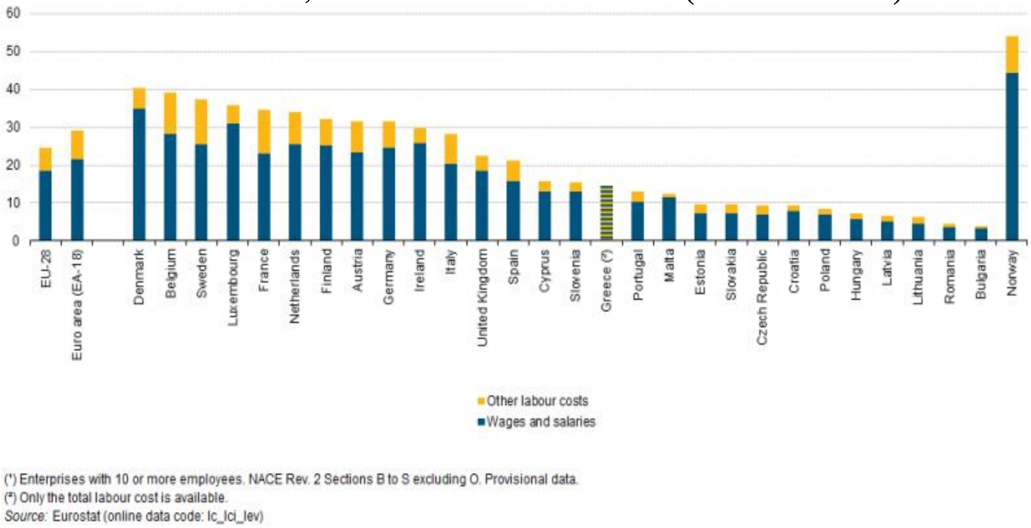
Although it seems theoretically easy, the criteria imposed by achieving the functions of the minimum wage are quite difficult to implement, as a series of practical issues occur, whose settlement is not easy at all.

Mainly, the criteria that the European Union states are considering when setting the minimum wage are in general the needs of the workers, the general level of wages and other incomes, the payment capacity and exigencies of the economic balance and economic development, as well as the effect on employment. The first two are social, answering to the objectives of combating poverty and providing equitable wages; the other three derive from the economic constraints of the wage system operation (Milicenco S., 2014)

A concern of the European Commission is to identify solutions for moving the tax burden from wages to other categories, such as the environmental, consumption or property taxes, so that the labour costs for the employers would be reduced and the employment of a larger number of persons would be encouraged. In this respect, in many member states, they are acting towards decreasing the social contributions which are a considerable part of the tax package paid by the employer and employees. In order to decrease the number of unemployed persons, they often use the measure of bringing in employment subsidies, so that the employers would be motivated to create new jobs, subsidies which are directed towards favouring the most vulnerable groups - especially the young people. Other solutions meant to support employment, combating poverty and unemployment at the EU level can be supporting self-employment and turning informal and unreported labour into a legal form.

It is obvious that workforce plays an important part in the proper operation of an economy. For enterprisers, workforce has a considerable cost, as it includes not only the remunerations and wages paid to the employees, but also the non-wage costs, within which the social contributions payable by the employer have a significant weight. Thus, we infer the importance of workforce for the entire economy, as it is a determinant factor for the competitiveness of the enterprises, although, in its turn, it is influenced by the cost of capital (such as loan interests and dividends) or by other non-tariff elements, such as the innovative process and product marketing. Diagram no. 2 shows that the labour hour cost has lately increased in all the analyzed countries. This phenomenon is, on the one hand, the result of a better training of the workforce, and on the other hand, an effect of increasing the importance of spare time.

The average hourly labour cost in EU-28 has been estimated to 24.60 Euro in 2014, and to 29.20 Euro in the Eurozone (Eurozone-18). However, this average masks significant differences among the EU member states, as the hourly labour cost is between 3.80 Euro and 40.30 Euro, while in Romania is 4.60 Euro (www.eurostat.eu).



Source: Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php/ Wages_and _labour_ costs/ro

Figure no. 2. Average hourly labour costs in the European Union in 2014

As we have mentioned before, the labour cost is made up of the costs related to wages, to which non-wage costs are added, such as the employers' social contributions. The percentage of the non-wage costs for the entire economy was 24.4 % in EU-28, while, for the Eurozone, it amounted to 26.01%. Moreover, the non-wage cost percentage considerably varies among the EU member states. The highest non-wage costs for the entire economy have been recorded in Sweden (31.6 %), France (33.1%), Lithuania (28.0%), Italy (28.2%), Belgium (27.8%), and the Czech Republic (27.1%). The lowest non-wage costs for the entire economy have been recorded in Malta (6.9 %), Denmark (13.1 %), Luxembourg (13.6 %), Ireland (13.5 %), Slovenia (15.7 %), and Croatia (14.9%). Romania records an average weight of the non-wage costs, i.e. approx. 19.5%.

In 2014, they have recorded decreases of the unit labour cost in a series of Eurozone countries which have especially been affected by the crisis (for instance Greece, Cyprus, Slovenia, Spain, Portugal and Ireland). If in Cyprus, Greece and Portugal, the adjustment is mainly determined by a moderation of the wage level, in Spain and Ireland, the productivity increase seems to have contributed a lot to the decrease of the unit labour cost. Moreover, in certain countries such as Spain, Portugal and Ireland, where the labour market is improving, they report a positive contribution to the evolution of the unit labour cost of the worked number of hours. In other countries such as Italy and France, the unit labour cost has increased by a faster rate than the average of the Eurozone (1.1%), while in Germany and Austria they have reported increases of almost 2%, especially because of the salary dynamics. The fastest increases have been reported in the Baltic countries, due to large increases of the hourly wage remunerations. On the whole, considering the evolutions reported in the last three years, the unit labour cost indicator exceeds the European average in Estonia, Latvia and Bulgaria (European Commission, 2015). The adjustment, i.e. lowering of the unit labour cost in the member states facing greater adjustment needs, has been followed by more subdued, but still visible, relative decrease of the real actual exchange rate, which suggests a certain level of reaction of the margins between prices and costs to the unfavourable economic conditions. As a result of these relatively limited evolutions, no alarming trend has been noted for this indicator, except for Greece.

In the different theories regarding public policies, living wage is the minimum income considered to be necessary for a working person in order for him/her to satisfy his/her basic needs, which does not coincide with the subsistence level (which only takes into account the minimum biological level – i.e. shelter, clothes and food).

In certain European countries, such as England and Switzerland, the living wage standard defines the situation in which a person that works 40 hours a week and does not have any additional income, would afford to cover their basic expenses for themselves and their family (while the size of the family is 4 persons). This time, the expenses that we refer to include food, utilities, transportation, health expenses, a minimum of recreational activities, a course per year for improving one's own skills, children's care and common legal taxes. Insurance expenses, other taxes or loan interests are not provided. Specialists call it the "poverty line" of a family. Sadly, despite of the campaigns organized by activists and social organizations, the living wage standard is only considered in a few European countries when calculating the minimum wage or guaranteed minimum income / social securities.

However, related to the minimum wage at national level in the European Union, only 21 member states have available legislation, and Germany will soon become the 22nd state adopting such legislation. Although they do not have a minimum wage national legislation, states like Sweden, Finland, Denmark, Switzerland, Austria and Italy establish a minimum wage level for each economic branch by means of negotiations between the employers' groups and trade unions. The minimum wage level greatly differs among countries, not only regarding the actual value, but also according to other criteria - age (in UK), type of employment (in the USA), period (monthly levels, in Russia and China) or types of personal/family expenses which are taken into account when establishing the minimum wage level. Certain legislations allow employers to take into account the “gratuities” received by their employees in determining the minimum wage.

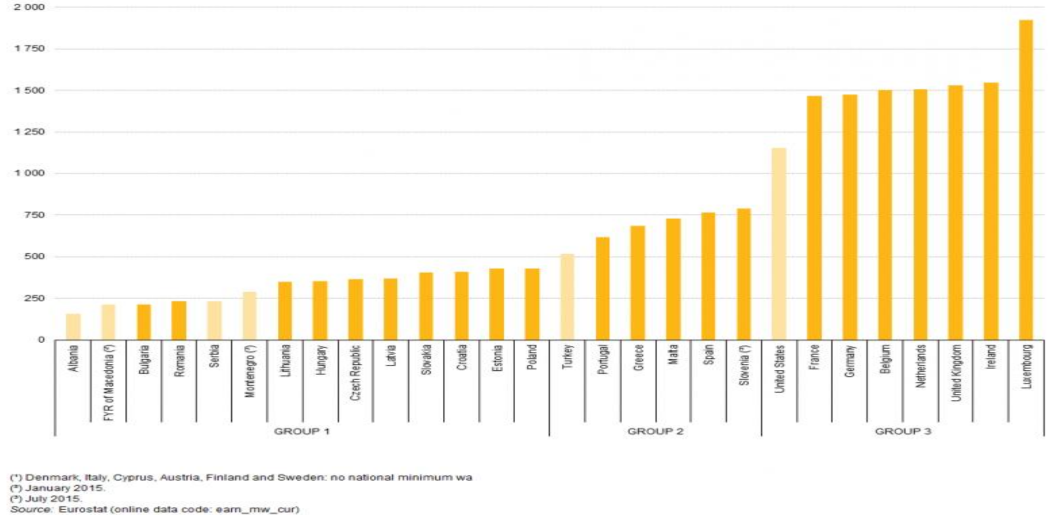
Comparing the percentage level of the monthly minimum wage in Romania with the one in the other countries, one can state that in Luxembourg the monthly minimum wage is 8.8 times higher than in Romania, in Germany it is 6.7 times higher, and in Turkey it is twice as high (www.eurostat.eu.).

Considering the monthly minimum wage, one can make the following classification of the European Union countries:

• countries with a monthly minimum wage varying from 61 Euro and 410 Euro (Romania and Bulgaria are among these countries);

• countries with a monthly minimum wage between 589 Euro and 791 Euro (Greece, Malta, Spain, Slovenia, Portugal);

• countries with a legal minimum wage exceeding 1,000 Euro per month (Holland, France, Belgium, Luxembourg, Ireland, Great Britain, Germany).



Source:Eurostat,http://ec.europa.eu/eurostat/statistics-explained/index.php/Minimum_wage_statistics#Source_data_for_tables_and_figures.28MS_Excel.29

Note: There is no national minimum wage for Denmark, Italy, Cyprus, Austria, Finland and Sweden.

Figure no. 3. The monthly minimum wage in certain European states and the USA

Expressed in the local currency, Romania has reported the highest percentage of the minimum wage, i.e. 95%. The increase of the minimum wage during the last two years has followed a period during which it has not actually been increased almost at all, and this increase has not reflected, up to now, on the upper levels of the wages distribution (COM(2015) 85 final). However, this situation implies the fact that the wage grids in several sectors (including the public sector) are more and more compressed, and the weight of the employees earning the minimum wage reaches a high level (27 % of the total employees at the end of 2014, a significant increase as compared to the 8 % recorded in 2011).

Romania is followed by Bulgaria, with an increase of 64%, Slovakia and Latvia, with increases of 58% and 57%, respectively. Calculated in Euro, the minimum wage in Romania has increased by 57% from 2008 up to now, from 139 Euro to 218 Euro, marking the third percentage increase in EU. According to these criteria, Romania ranks with Latvia regarding the percentage increase, as in Latvia the wage has increased from 230 Euro to 360 Euro per month.

Greece was the only country in the EU where the minimum wage has decreased, with a decline of 14% during the analyzed period, from 794 Euro per month to 684 Euro per month. In Ireland, the minimum wage has come to a standstill, i.e. 1,462 Euro per month (Chiroiu L., 2015).

The efforts for increasing the minimum wage have had a very low starting point in Romania, now reaching over 200 Euro per month. In this sense, we mention that only in Bulgaria do they report a lower level than the one in Romania, i.e. 190 Euro, of all the EU countries. Thus, the minimum wage is 360 Euro in Latvia, 380 in Estonia, 333 Euro in Hungary, and approx. 400 Euro in Poland (Dăianu D., 2015). In the Western countries, the level is much higher (around 1500 Euro), but the economic and social development level is also much higher. Under these circumstances, with low and very low salaries, Romania can remain stuck in its traditional production methods.

The labour intensity has special importance, and an excessive minimum wage will change the number of workers employed in labour-intensive enterprises. Thus, one can note that, against the background of the significant increase of the minimum wage in the last years, the effect was an increasing evolution of those officially paid with the minimum wage. Thus, the minimum wage increase is counter-balanced by the increase of the number of employees paid with the minimum wage. For a real and sustainable increase of the minimum wage there is need for an increase in labour productivity. Dachin, A. and Popa, R.A. (2011) have concluded in their study ”Regional disparities in employment structures and productivity în Romania” that there is a diference in the way the labour productivity is increasing beteen regions and that in Bucharest-Ilfov region the productivity is higher compared to the other regionsț productivity. Also, the authors of the study have considered that labour occupational rate and labour productivity are depending on educational level and thus the less developed regions with a low productivity rate are those intensive in agriculture.

The statistical records of the Ministry of Labour in Romania show that 4.43 million persons have full-time labour contracts, other 700 thousands have part-time labour contracts, and 120 thousands have copyright and temporary works contracts. There are also assessments according to which minimum 1.5 million Romanians work in the informal economy, as shown by the Fiscal Council.

According to a government decision adopted in 2015, the minimum gross basic wage per country guaranteed for payment shall be increased to 1,250 RON starting 1 May 2016, for the complete 8 working hours per day. As compared to 2015, starting 1 May 2016, the minimum gross basic wage per country guaranteed for payment shall be increased by approx. 19%. Approx. 1,131,600 employees, whereof 39,322 state employees and 1,092,364 employees in the competitive sector, will benefit from the increase of the minimum gross basic wage per country guaranteed for payment (Mihai A., 2015). As a direct economic effect, the increase of the minimum wage shall exert an increased pressure mainly on the private sector, as most of the state employees receive remunerations higher than 1,250 RON gross.

4. CONCLUSIONS

In this respect, we estimate that the fiscal burden is the main reason why labour is not reported or the paid amounts are reported at a lower value in the contracts. In Romania, the income tax and all the insurance contributions are 70-80% of the salary. Thus, for each Ron paid to the employee, the company owes another 0.7-0.8 Ron to the state (Zaharia D., 2014). Problems that the labour force market faced during the economic expansion entailed a dynamics of salaries greater than the one that productivity increase would have indicated, and, as a consequence, it eroded even more Romania's external competitiveness. Along with crisis outbreak, salaries, both in the public sector, and in the private one, have become too high so as to face the decreasing demand, forcing employers to adjust their labour force and, therefore, temporary decreasing pressure on the labour force market. Creating places of work within the community, through organised forms of social economy represents an essential feature, a major objective of it, which enhances its desirability in economic, financial and especially social crisis moments (Pirvu R., Pirvu G., 2012).

The analysis of these effectiveness indicators on the Romanian labour market allow us to be aware of Romania's position in relation to the European Union countries, to other European countries which are not EU member states, and to USA. Depending on these levels where we are, policies and strategies are imperative, which would allow the decrease and even elimination of the disparity between Romania and other more developed countries. In the absence of these disparities, we will face a much more pronounced migratory phenomenon, motivated by the desire to improve the living standard and quality of life.

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