

## IMPLICATIONS OF THE EVOLUTION OF THE ROMANIAN ECONOMY REGARDING THE PERSONNEL SALARY IN THE PUBLIC SECTOR

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### Abstract:

*For the Romanian economy, the period 2011-2015 was that period within which many measures concerning surpassing the recession were applied. Besides, the existence of a double anchoring was added: first, through the existence of the IMF, but also through the continuing presence of the financial assistance from the European Union. In this context, the salary and the employment knew some tendencies on which we would like to focus in this study, taking into account the literature and some specialized reports in such a topic, trying to bring arguments and explanations concerning the economic phenomena/ processes circumscribed to the described context.*

**Key words:** salary policy, IMF, EU, programs, budgets, incomes

**JEL Classification:** E24, G35, G38

### I. INTRODUCTION

The problems of the salary system, in its complexity, constitute an important topic of economic debate (Bostan, I., 1999), both in the crisis periods and in those of economic growth. The interest is increased if we take into account the concern of different categories of specialists for multiple aspects related to remuneration of the work: managers, lawyers specialized in labor law, etc. (Burciu, A., 2008). Against this background, we will focus on some implications of the evolution of the Romanian economy concerning the much discussed and analysed topic - that of the salary of human resources within the budget area.

### II. THE EVOLUTION OF THE MACROECONOMIC FRAMEWORK IN THE CONTEXT OF THE CRISIS AND SOME CONSEQUENCES ON THE PERSONNEL SALARY WITHIN THE PUBLIC SECTOR

Within the period 2003- 2008, Romania knows an evident economic boom, which determined a certain overheating and evident lack of balance of unsustainable type. The average increase of the GDP was situated at about 7% per year, the direct foreign investments and capital inflows attracting the development of the investments, besides the fact that consumption knew new dimensions, in a positive evolution. The considerable development of the exports to the member states of the EU reflected a bigger and bigger process of integration within the economic space of the Western Europe, but on the other hand, the increase of imports, which was faster, generated major deficits of current account, that climaxed with the level of 131% from GDP in 2007 (Guvernul României, 2009).

But, beginning with the fourth trimester of 2008, the GDP registers a decrease by 3.9% (trimester to trimester/ t-to-t, seasonally adjusted series), being the debut of a major crisis period. Also in this period there were problems at the level of the salary system of the personnel in the public sector, where salary increases were a much too big part of the total remuneration, not having an available unitary salary scale. On the other hand, the existence of a big number of legislative acts which regulated the salaries in different areas of the respective system, made us confront with an unproductive over-legislation. Eliminating these inconveniencies meant rethinking the legislative framework since 2009, when taking into account some directions/ recommendations of the IMF and the World Bank, the legislation on the restructuring of the salary system in the public sector was elaborated (Legea-cadru nr. 284/2010). Essentially, it meant the introduction of:

- a unitary, simplified salary scale;

- the reform of the salary increase system, eliminating most part of the salary increases of including them in the basic salary;
- gradual introduction of a ceiling below 30% concerning the weight of the non-salary personnel expenses in the total of the public remuneration;
- interdiction to create non monetary increases;

Subsequent to the way of the evolution of the economy after 2009 and the legislative measures, a decrease of the differences between the average gross salary in the budgetary sector and the private sector took place (Figure 1).

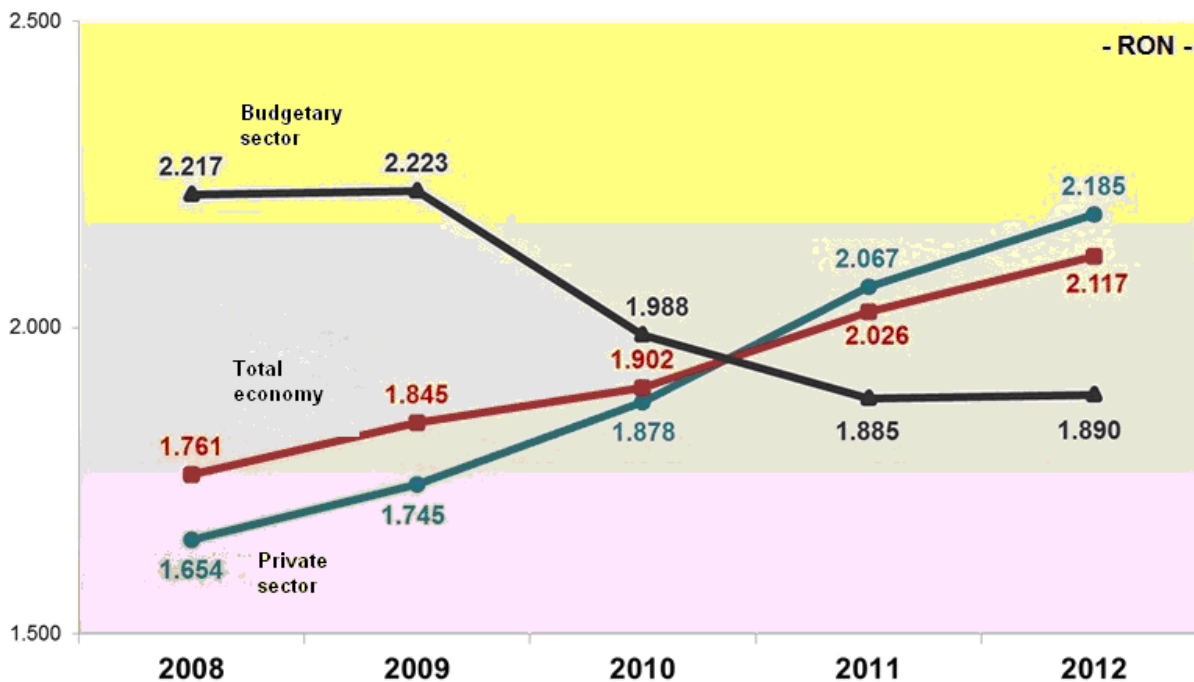


Fig. 1 Decrease of the differences between the average gross salary in the budgetary sector and the private sector (2008-2012)

Source: CNP, 2013

Also, the main parameters of the pension system were reformed, in coordination with the World Bank, this constituting a structural objective. The modifications included the passing to the indexing of the public pensions with the consumption prices index and not with the salary level, and limiting the sphere of the discretionary increases of pensions. The evolutions from the point of view of the level of pensions are presented in Figure 2.

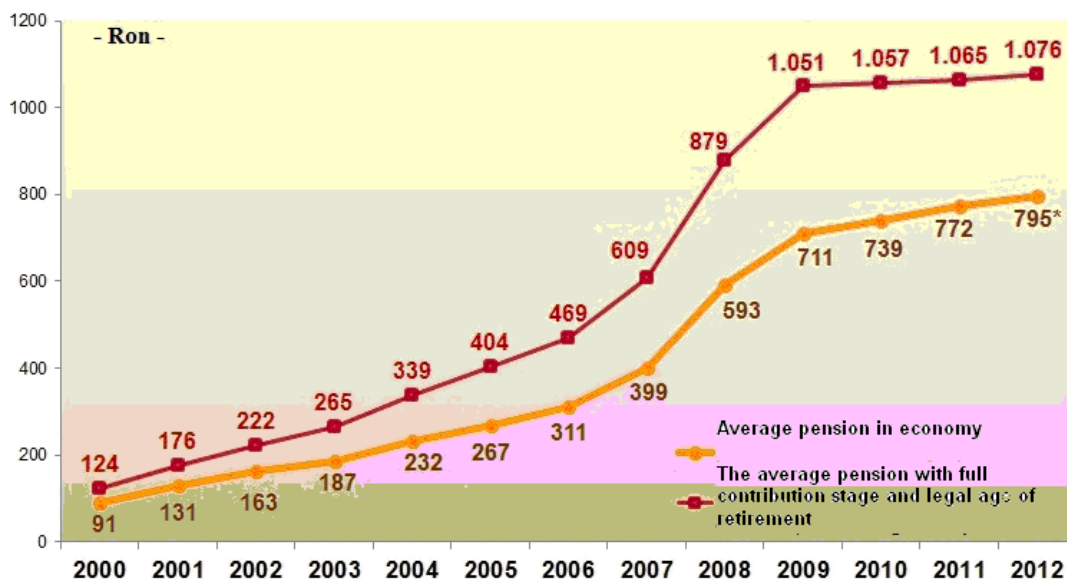


Fig. 2 Evolutions concerning the level of pensions (2000- 2012)

Source: CNP, 2013

The groups of employees in the public sector, excluded from the pension contributions, are taken into account in order to make the object of the gradual introduction of these contributions. The gradual adjustment of the retirement age continues, taking into account the evolution of the life expectancy, aiming at the stabilization of the system, in accordance with the tendencies of the member states of the European Union. In order to protect certain vulnerable categories of pensioners, the programs that aim at the support of the poor population are stimulated, through which the life standard of them will be improved. Also in matters of pensions, the gradual implementation of the second pillar is continued, and the increases of the contributions will be made progressively.

III. POST-FINANCIAL CRISIS STAGE

The expansion of the Romanian economy became evident beginning with 2013, when there was an increase of the real GDP by 0.6%, when a return of the net exports took place (Guvernul României, 2013). These were supported by the expansion of the sales of equipments/ transport equipments in the non –EU countries.

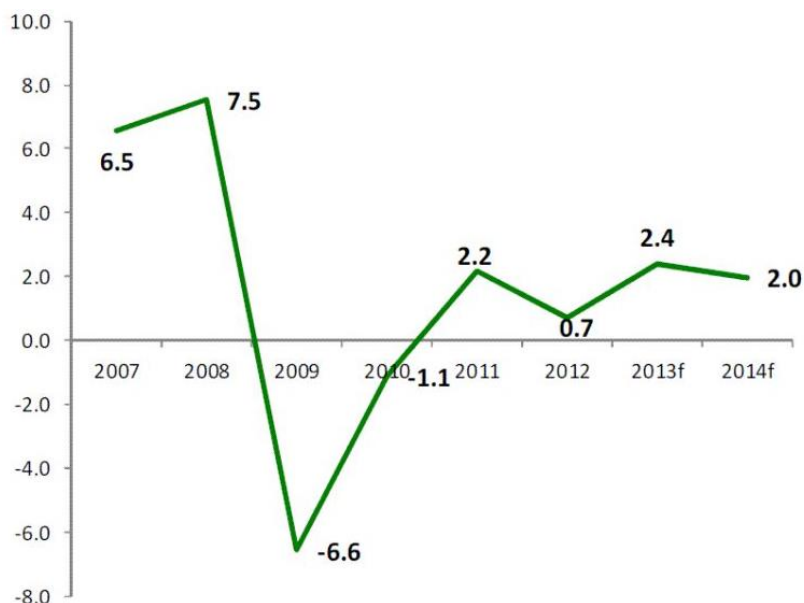


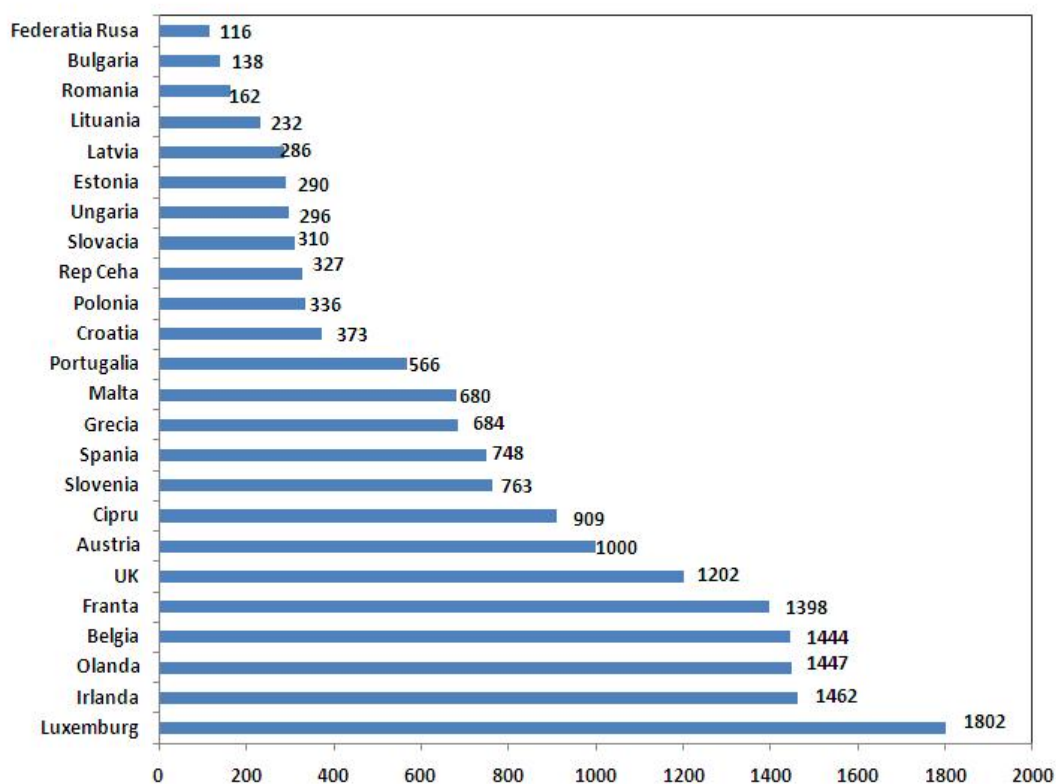
Fig. 3 Evolution of Romania’s GDP (2007- 2014)

Source: <http://bancherul.ro/previziunile-garanti-bank-pentru-2014-pib-mai-mic,-de-2-la-suta,-cursul-se-depreciaza-la-4,55-lei-1-euro,-dobanda-bnr-scade-la-3,5-la-suta--12235>

From the perspective of the Unitary Salary Law (Legea nr. 53/2003), according to some functional analyses, it was found the necessity to assure the sustainability of salary expenses in the public sector, aiming at the implementation of a more efficient and more equitable public sector. In order to achieve this objective, the application of the Unitary Salary Law in the public sector was necessary, within the limits of the existing budgetary cover, avoiding the introduction of the stimulus regime to the government agencies. The personnel plans for each ministry were elaborated in agreement with the functional analyses achieved by the World Bank and with the strategies of the ministries. The new Labor Code (Legea nr. 53/2003) significantly improved the functioning of the labor market, the fixed-term work contracts contributing to the increase of the occupancy rate, these increasing from 6% from the total of the active contracts at the end of June 2011 to 9% at the end of June 2013. The increased unemployment among the young population determined the modification of the legislation in order to improve the transition of young people towards the labor market- within the National Job Plan, to stimulate the employment of young people in 2013 and in the future. Also, the Apprenticeship Law (Legea nr. 179/2013) that introduces a dual model of apprenticeship was adopted, and another law which facilitates the stages of professional preparation of young graduates.

**IV. THE RECENT CONCERN FOR THE MODIFICATION OF THE NORMS ON THE SALARY OF THE PERSONNEL PAID FROM PUBLIC FUNDS**

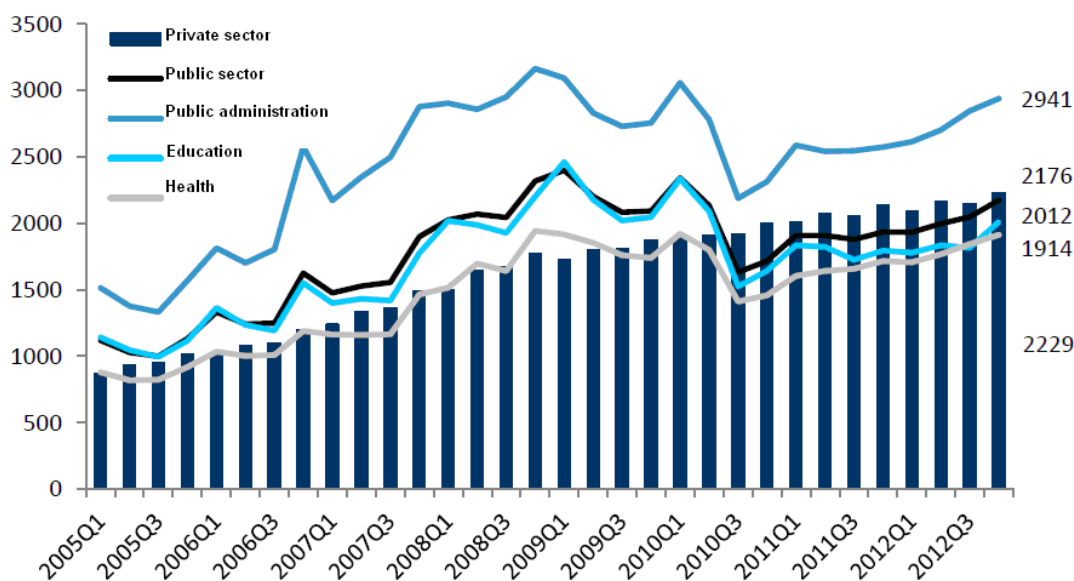
At present there must be an appropriate mixture of macroeconomic policy based on respecting the assumed obligations with foreign financiers (EC, IMF, WB) and continuing the process of fiscal- budgetary consolidation. Concerning the assumed obligations with the international financial institutions, the process of gradual adjustment of expenses must be continued, which corresponds to a deficit target of 2.2% from the GDP in cash terms for 2014, and as part of the Treaty on the stability, coordination and governance within the Economic and Monetary Union, Romania is liable to be applied a larger and more strict range of sanctions in case of non –observance of the criterion of public duty and the criterion of budgetary deficit. Concerning the salary of the personnel paid from public funds, given the European context on the minimum salary (Fig. 4), it is achieved in many stages, being modified by legislative acts (special annual laws) basic salaries, pays and monthly employee indemnifications.



**Fig. 4 Monthly minimum salary in Europe -2012 (Euro)**

Source: <https://resurseumane1001.wordpress.com/2012/07/19/salariul-minim-lunar-brut-in-europa/>

The way in which the personnel expenses supported from the consolidated budget are assigned on categories of personnel ( comprised in the public sector) and relative levels of salaries through annual laws of implementation of the Unitary Salary Law. For example, for 2014, the gross quantum of the basic salaries/ pays/ salaries/ employee indemnifications, as they were given to the personnel paid from the public funds for December 2013, is maintained at the same level with that which is given to the personnel paid from public funds for December 2013, if the respective personnel continues their activity not changing the conditions (OUG nr. 103/2013). As an exception to the rule, the teaching personnel in the state university education and state preuniversity education with a seniority in education up to 6 years benefit by a salary increase of 10%. Also for 2014, the quantum of the elements of the salary system which are part, according to the law, of the gross salary, monthly gross pay/ monthly gross salary, gross employee indemnification, that the personnel paid from public funds benefit by, are maintained in the payment, respectively are increased. Moreover, the execution personnel will be advanced in the length- of –service pay corresponding to the portion of seniority through the inclusion in the salary classes corresponding to the obtained seniority, eventually, benefitting by a salary increase in comparison with the previous level. An image of the evolution of the level of the average gross income in the private sector and the public one is presented in Fig. 5.



**Fig. 5 The average gross income in the private and public sector – lei/ month ( 2005- 2012)**

Source: <http://blog.prospectiv.org/2015/01/romania-in-contextul-polarizarii-globale.html>

The maximum number of jobs financed in 2014 from public funds by the public institutions and authorities, irrespective of the way of financing and subordination, was established, according to the above-mentioned source, at the level of the number of jobs held in the middle of November of the previous year, taking into account including the vacancies temporarily held on this date.

**V. CONCLUSION**

The legislative framework in matters of the personnel salary in the public sector provides that the salary increases are annually established by law, at the proposal of the line ministry (Ministry of Labor). It supposes the inclusion in the ceilings of the personnel expenses of the consolidated budget, approved according to the Law of fiscal- budgetary responsibility. The way in which the personnel expenses supported from the consolidated budget are assigned on categories of personnel (comprised in the public sector) and relative salary levels through annual laws of implementation of the Unitary Salary Law. From the perspective of this law, according to some functional analyses, it was found the necessity to assure the sustainability of salary expenses in the public sector, aiming at the implementation of a more efficient and more equitable public sector. In order to achieve this objective, the application of this law in the public sector was necessary, only within the limits of the existing budgetary cover, avoiding the introduction of the stimulus regime to the government agencies, achieving personnel plans for each ministry in accordance with the functional analyses made by the foreign financiers and with different government strategies.

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