

Regional implications of salary in the European Union

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Abstract. *To have a unique labor market at the European level, must keep in mind the fact that wages in the European Union member states are very different. In industry, for example, the salary of Germany is about four times higher than that of Portugal. Therefore, the remuneration of the labor market and regulations in this area are highly diversified and, therefore, slows the progress of the single market in the European Union labor. However, the salary varies from state to state. So we divided the EU into regions and analyzed the implications of labor remuneration regional perspective. In this paper, we want to show these aspects of labor remuneration in different Member States of the European Union, taking into account mainly the minimum wage.*

Keywords: labor market, the minimum wage, the average wage, European regions.

JEL Classification: F62, F63, F66.

REL Classification: 12F.

Bălăceanu and Benteoiu said in their book that “in discussions with people working in different economic activities that are beneficiaries of income from work, we find terms such as: salary, soldiers, retribution. Economic theory synthesizes these terms the notion of salary.” (Benteoiu and Bălăceanu, 2007: p. 65).

In economic theory, Grund and Slivka (2005) showed that the satisfaction derived from work depends not only on the absolute level of wages, but the wage increases. Also, Easterlin (2001) argued that people do not anticipate that aspirations increase in direct proportion to the increase in income, and this result was supported with empirical evidence.

EU labor remuneration is very different, especially by European regions. In this paper we consider a classification of EU regions geographically. Thus, there are four major regions of the European Union⁽¹⁾, namely:

- Northern Region (Sweden, Finland, Denmark, Estonia, Latvia, Lithuania, UK, Ireland);
- Western Region (France, Belgium, Netherlands, Luxembourg, Germany, Austria);
- Eastern Region (Romania, Poland, Czech Republic, Hungary, Slovakia, Bulgaria);
- South Region (Italy, Greece, Slovenia, Spain, Cyprus, Portugal, Malta, Croatia).

Depending on the salary of each Member State of the European Union will set wage region.

The average salary considered one of the most important economic indicators economy, which is one of the decisive factors for investors who want to invest in a country. Moreover, the average salary is of major importance because its evolution is taken into account when calculating pensions.

However, the average wage is strongly influenced by the inflation rate. Thus, while the net average wage increased by 300%, while inflation increased by over 100% in the same period, real wage growth net average wage in the economy is 200%, given that prices have doubled.

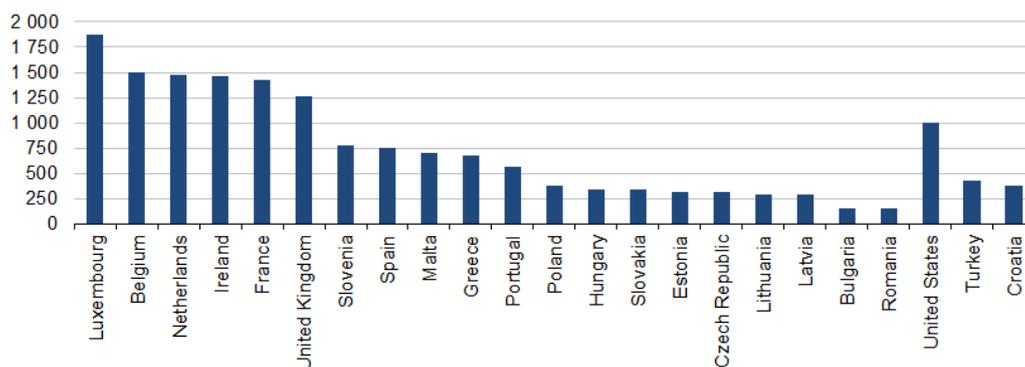
At the same time, the existence of the minimum wage is justified, even if it is a market economy there are negotiations between employer and employee. Thus, a company can set a threshold below which it can not descend, even if both parties so desire.

The Member States of the European Union there are several types of minimum wage, for example:

- There is only one minimum wage required by law, the following EU Member States: France, Luxembourg, Netherlands, Ireland, UK, Malta, Spain, Portugal, Croatia, Czech Republic, Hungary, Latvia, Lithuania, Romania, Slovenia;
- There is only one minimum wage set by collective agreements in the Member States of the European Union: Belgium, Estonia and Greece (bipartite agreements), Bulgaria, Poland and Slovakia (tripartite);
- There sectoral or occupational minimum wages fixed by law in Cyprus;
- There sectoral or occupational minimum wages set by collective agreements in the Member States of the European Union: Austria, Germany, Italy, Denmark, Finland and Sweden.

In Chart 1 can see the minimum wage on 1 January 2013, Member States of the European Union along with the United States and Turkey (EU candidate).

Chart 1. *The minimum wage on 1 January 2013 (euro/month)*



(1) Denmark, Germany, Italy, Cyprus, Austria, Finland and Sweden, not applicable.

Source: Eurostat (online data code: tps00155)

From these data, it is noted that Romania reached in January 2013, the last in the European Union regarding the minimum wage, according to Eurostat.

The highest minimum wage was in the Netherlands, Belgium and Luxembourg, where the latter was the minimum wage in January 2013 to 1874 euro/month.

From this point of view, it can be seen that the poor countries of the European Union⁽²⁾, the minimum wage is at least twice higher than the minimum wage in Romania and Bulgaria.

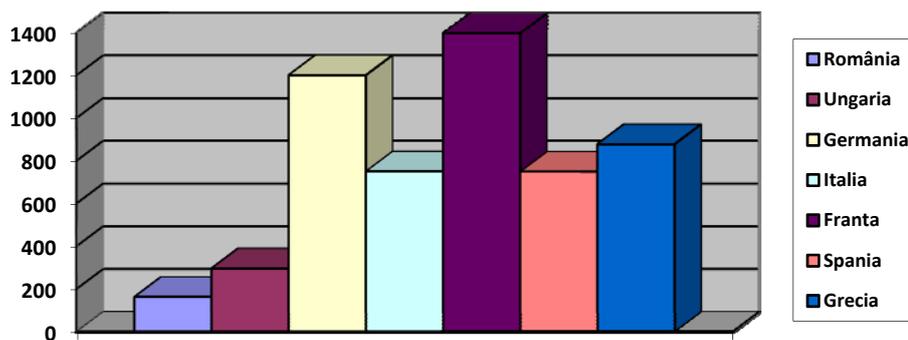
For example, in Croatia (state which joined the EU on 1 July 2013), the minimum wage was in January 2013, the 374 euro/month, while in Turkey (State candidat EU) is 429 euro/month.

Meanwhile, in Greece, where severe restrictions have been imposed, the minimum wage (which received 14 times a year, as in Spain and Portugal) was in January 2013 to 684 euro/month.

To better differentiate the Table 1 we present minimum wage in different Member States of the European Union.

Table 1. *The minimum wage in different Member States of the European Union*

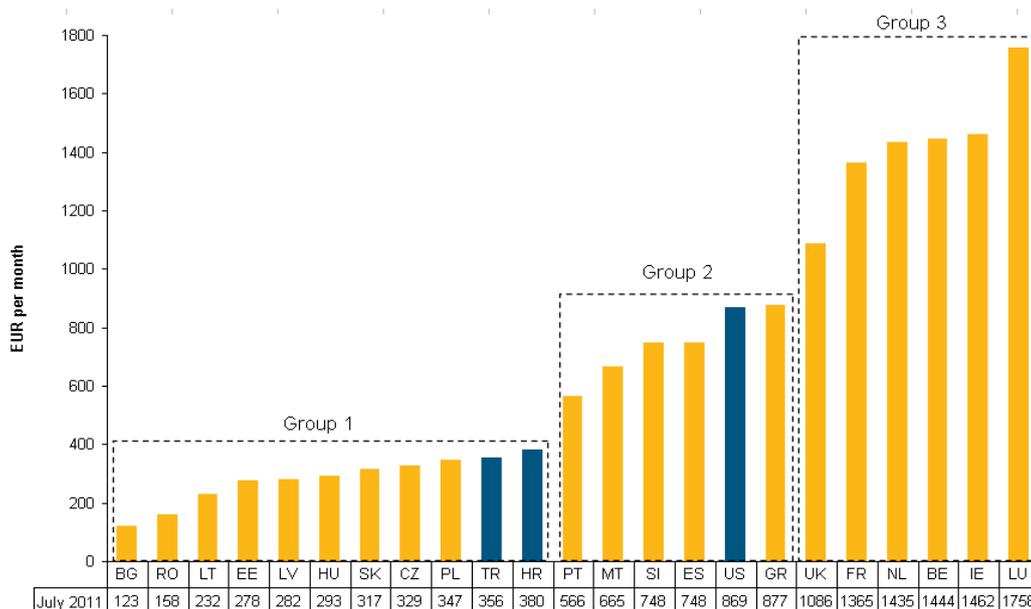
No.	Member States	Minimum wage (euro)
1	EU	162
2	Romania	296
3	Hungary	1200
4	Germany	750
5	Italy	1398
6	France	748
7	Spain	877



Source: Eurostat.

Therefore, Member States of the European Union where there is regulated minimum wage, together with Croatia and Turkey were divided into three groups according to its level at 1 January 2013, according to Chart 2:

- I. Romania, Bulgaria, Latvia, Lithuania, Czech Republic, Estonia, Slovakia, Hungary, Croatia, Poland and Turkey, with the lowest minimum monthly wages, ranging between 100 and 500 euro/month.
- II. Portugal, Greece, Malta, Spain and Slovenia, with an intermediate level of minimum monthly salary from 500 euro/month, to just under 1,000 euro/month.
- III. United Kingdom, France, Ireland, the Netherlands, Belgium and Luxembourg, the minimum wage was in January 2013 over 1,200 euro/month.

Chart 2. *Minimum wage on 1 January 2011 (euro/month)*

Source: tpepp.eurostat.ec.europa.eu/statistics_explained/index.php?title=FileMW_EUR_July_2011.png&filetimestamp=20110805142929 (2)

The minimum wage in the economy is fixed at an hourly rate, weekly or monthly and is applied by law, after consultation with the social partners, or directly by national intersectoral agreement. According to Eurostat, in January 2013, 20 countries of the European Union of 27 Member States (Belgium, Bulgaria, Czech Republic, Estonia, Ireland, Greece, Spain, France, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia and the United Kingdom), and Croatia and Turkey have national legislation that sets a minimum wage or a national intersectoral agreement.

Minimum wages above were expressed by Eurostat in gross amounts, amounts expressed before the deduction of income tax and social security contributions, which vary from state to state. However, it should be mentioned that the data on national minimum wages are transmitted to Eurostat in the national currency. Thus, for countries outside the euro area, minimum wages are expressed in national currencies and the calculation of Eurostat are converted into euro by applying the exchange rate at the end of the previous month (e.g. for minimum wages on January 1, 2013 was used exchange rate at the end of December 2012).

The situation is similar if the gross monthly average salary, Romania (474 euro) and Bulgaria (363 euro) the states with the lowest gross wages in the EU, while in Germany the same indicator record in 2010, according to Eurostat, 3500 euro and the UK, Finland and Sweden around 3200 euro.

In Table 2 we present the evolution of the average gross annual salary in the years 2008-2010 in the Member States of the European Union.

Table 2. Average annual gross salary in the period 2008-2010

	2008	2009	2010
Belgium (2)	40 698	42 149	43 423
Bulgaria	3 590	4 085	4 396
Czech Republic (3)	10 930	10 596	11 312
Denmark	55 001	56 044	58 840
Germany	41 400	41 100	42 400
Estonia (2)	10 045	9 492	9 712
Ireland	45 893	45 207	:
Greece	25 915	29 160	:
Spain	25 208	26 316	:
France	:	35 530	:
Italy (3)	26 845	27 419	28 230
Cyprus (2)	:	24 775	25 251
Latvia	8 676	8 728	8 596
Lithuania (3)	7 398	6 895	6 735
Luxembourg (2)(4)	47 034	48 174	49 316
Hungary	10 237	9 603	10 100
Malta	:	20 811	21 446
Netherlands	43 146	44 412	45 215
Austria (2)	39 875	40 457	41 123
Poland (3)	9 868	8 399	9 435
Portugal	:	17 129	17 352
Romania	:	5 450	5 891
Slovenia (5)	15 997	16 282	17 168
Slovakia	9 707	10 387	10 777
Finland	37 946	39 052	40 122
Sweden	37 597	34 746	40 008
United Kingdom	42 327	38 047	39 626
Norway (2)	52 632	51 343	:
Switzerland (5)	:	:	56 509
Croatia (5)	11 979	11 969	:

(1) Enterprises with ten or more employees; NACE Rev. 2 Sections B to N.

(2) All enterprises.

(3) All enterprises; full-time units (FTU).

(4) Break in series, 2009.

(5) Enterprises with ten or more employees; full-time units (FTU).

Source: Eurostat (online data code: earn_gr_nace2)

Czech Republic is the state of the European Union scale wages nearest United States, the model that was developed labor market and developed Asian economies and Japan.

In conclusion, we find that the Western Region has a minimum wage of 1412 euro/month and the Eastern Region ranks last, with a minimum salary of 286 euro/month. Also, the North has a minimum wage of 725 euro/month and the South 691 euro/month. These data do not take into account the wages in Sweden, Finland and Denmark, as in these countries were not available, they will not regulated minimum wage.

Notes

- (1) Geographically division of Europe: http://commons.wikimedia.org/wiki/File:Europe_subregion_map_UN_geoschme.svg
- (2) According to Eurostat criteria, the minimum wage in a country is small if it is situated at a level between 100 and 500 euro/month.

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