

The Wage – An Important Element of the Market Economy

Dorin Vaculovschi

Academy of Economic Studies Moldova, str. Bănulescu-Bodoni 61, Chișinău, MD 2005,
Republic of Moldova
e-mail: vadorin@mail.md

Abstract

This paper presents an analysis of the main economic and social indicators from Moldavia Republic, between 200 and 2004, which reveals the unemployment increasing, degradation the social protection system, inefficient use of the labor, labor productivity decreasing, significant reducing of the employees' real wage etc. Also it proposes for improving the activity of labor market. Although the monthly average wage analysis shows a rising evolution, it is still a significant difference between people's incomes.

Key words: wage, labor, labor market, market economy

During the last years, the Moldavian economy has been registering important improvements. After a ten years period of crisis and economic fall related to the market economy transition, the main macroeconomic indicators signaled a reestablishment of their evolution. Therefore, either the gross domestic product or the industrial production indicators, agriculture production, fixed share investment volume, e0commerce, carried on services volume etc, starting with 2000 had been registering continuous growths, meanwhile, the inflation rate, unemployment rate, as well as the other macroeconomic indicators show a relative improvement of the Moldavian market economy.

The same thing may be said about the evolution within the social domain. The social indicators confirm that the incomes, salaries, pensions demographic indicators level, confirm these positive tendencies (table 1).

Table 1. The main economic and social indicators evolution

	Unit measure	2000	2001	2002	2003	2004
Gross Domestic Product (GDP)	Billion lei	16020	19052	22556	27619	31992
Industrial production	Billion lei	8167,7	10427,6	12624,1	15963,1	17533
Agriculture production	Billion lei	8268	8646	9474	10300	12601
Investments in the fixed capital	Billion lei	1759,3	2315,1	2804,2	3621,7	5140,0
Commercial balance	Billion lei	-304,9	-324,6	-394,6	-612,7	-787,9
Consolidated budget fall	% towards the GDP	1,0	0,0	0,5	1,6	0,4
Consumption prices indicator	%	131	110	105	111,6	112,4
Unemployment rate	%	8.5	7.3	6.8	7.9	8,1

Table 1. (cont.)

Monthly medium nominal wages/ worker	lei	407,9	543,7	691,5	890,8	1104
Population's available incomes (monthly average per one person)	Lei	185,8	241,0	321,6	422,4	491,3
Monthly pension	Lei	85,1	135,8	161,0	210,6	325,0
Minimum of existence value	Lei	-	468.7	538.4	628.1	679,9

Source: Statistics & Sociology Department

Therefore, in the conditions of the social-economic aspect improvements within the republic, an improvement should have been seen also on the market economy. Or, the market economy being derived, must entirely reflect the success or failure registered by the national economy.

But, analyzing the market economy evolutions within the Moldavian Republic during the last years, a continuous diminishing of the main occupational indicators is to be observed. Therefore, even though the Man Power research performed by the Statistics and Sociology department certifies a reduction of the unemployment calculated according to BIM, as well as of the ones registered at the man power departments. The statistics show that from 2000 up to 2004, the unemployed number calculated according to the BIM methodology reduced from 140.000 to 116.000 persons or with 17.17%, meanwhile the unemployed registered at the man power departments at the end of the year reduced from 28.8.000 to 21.000 persons or with 27.1%. At the same time, the number of the active population reduced from 1654 billion to 1432 billion persons or with 1.5%, meanwhile the number of the occupied population and employees reduced from 1514 billion and 950 billion persons, or respectively with 13.1% and 11.5% (table 2). At the time being a reduction of the occupational indicators may also be noticed.

Once with the economically active population decrease, a continuous increase of the inactive population registered, the most part being aged, still able for work. Therefore, according to the data supplied by the Man Power department, during 2000-2004, the inactive population increased from 1992 billion to 2180 billion persons or with 9.44%, which may condition an increase of the economic dependency report and, in consequence, may create serious problems to the population's social protection. In 2004 the economic dependency report, expressed by the inactive persons evidenced as unemployed for 1000 persons was 1745% being in continuous increase compared with 2003 (1671%).

Table 2. Main indicators of the labor market

Indicators	2000	2001	2002	2003	2004
Total population	3646987	3639591	3631462	3623062	3612874
Economically occupied population	1654662	1616681	1614967	1473580	1432525
Occupied population	1514577	1498980	1505117	1356479	1316042
Number of employees	950877	899159	891797	868160	840916
Unemployed according to BIM	140085	117701	109850	117102	116483
Registered unemployed at the end of the year	28873	27646	24019	19666	21018
Inactive population	1992325	2022910	2016495	2149482	2180348
Population working abroad	138259	171976	231254	290966	345266

The man power shows an imperfect functionality of the market. At the time being, the work relations within the republic take place in new formatted market, including elements and mechanisms brought from the socialist economy, as well as elements specific to a modern market, which caused a series of dispatches manifested on the one hand by increasing the unemployed and degradation the social protection system on the market, and on the other hand by the inefficient use of the man power. In these conditions, the correlation between the

productivity, qualification and the workers' salary level is usually missing and the employed are still living in poor life conditions. Also there are many cases when the employed have less incomes than the unemployed. For these reasons, the most part of the population able to work is not present in the Moldavia Republic market. These persons prefer either the emigration abroad in order to find a better paid job, or a black paid job, which may assure them a better income than an official job.

The imperfect functionality of the market is due to its extremely hard process of formation. Or, the market formation firstly supposes its characteristic elements formation, labor request and offer, social protection system, the new mechanism of establishing the salary at a national level or on one of its segments. It is especially about the individuals' economic behavior change, independent of the social-economic and occupational stratus, which shall be present on the market as labor offers or labor requesters. At the same time, a very important element in constituting new labor relations is represented by the formation of a new mechanism of obtaining an equilibrate salary.

The new economic conditions suppose the salary and the man power determination. In the event the market mechanism is only in its formation stage, as an equilibrium price, the salary on the most fragile of the markets cannot fully accomplish its basic economic and social functions that is reproducing function, stimulation function, economic regulations function.

Analyzing the salaries from the Moldavian Republic from the time being we may acknowledge that they are extremely low. The salaries low level maintenance represents an inheritance of the socialist economy, practically continued by the most of the countries being in a continuous economic transition stage. In the socialist economy, the low salary was compensated by a price drastic policy, and each worker, besides this low income, freely benefited of a large amount of social services such as: medical assistance, nursery schools, a place to live in etc. The salaries low level, as well as their relative alignment by different measures and means, caused the workers' motivation decrease being manifested by the work discipline decrease, workers' lack of wish for raising their qualifications, leading to the work productivity diminishing.

On the other hand, the salary low level within the republic is determined by the economy structure, in which over 40% from the human resources are occupied by domains in which the labor productivity is the lowest (agriculture etc.) and another part, quite imposing on the labor market (21% in 2004) is represented by the budgetary sector where the salaries depend on the budget limited possibilities.

Usually these are the education, protection, culture sectors employees – persons having a high level of qualification deserving a better life. The non taking of urgent improvement measures may have unforeseen consequences, affecting seriously the existent human capital and undermining the human development.

The salaries low level within the republic leads to the accentuated diminishing of the salary percentage within the total population's income. The salary percentage diminishing within the incomes formation, in the favor of other income sources represents a normal process in the conditions of the transition to the market economy. But, when this diminishing is taking uncontrolled proportions may take place a transfer of the man power reproduction function from the salary to other income sources which are not linked to the labor process, therefore undermining the economic mechanism and also the human capital development.

Seeing these aspects, the most part of the employees obtaining the incomes exclusively from salaries are disfavored towards other categories of population ensuring the incomes from other sources. This situation leads to the decrease of the labor motivation. Therefore, if in the countries with a developed economy market the salary percentage within the total of incomes is maintained at a level of 50-70% by different governmental policies, this way ensuring the labor motivation (table 3).

Table 3. Available incomes structure (According to the researches of the domestic in %)

	2001	2002	2003	2004
Total available income	100,0	100,0	100,0	100,0
Including incomes resulted from:				
Paid activities	37,8	37,0	37,3	40,5
Individual agriculture activities	31,9	29,9	28,9	23,1
Non agriculture individual activities	2,7	2,6	3,9	3,6
Social activities	10,9	14,1	14,0	15,2
Other sources	16,7	16,4	15,9	17,6

Source: The Statistic and Sociology Department

The salary purpose discrediting within the national economy of the Moldavian Republic may be considered a direct consequence of the incomes policy, especially of the salaries policy during the transition years. The salary freeze at 18 lei with the aim of preventing the inflation process and consolidating the currency, using a unique salary quota applicable within the budgetary sector, the salary debts increased from one year to another are proving the state inability and lack of wish for of improving the employees' situations. All these lead, on the one hand to real incomes erosion of the persons directly depending of this kind of income, and on the other hand, to the population's credibility decrease towards the state.

At the time being, even though the nominal average monthly wages registered a certain increase, the Moldavian republic is characterized by the lowest salaries level, compared with other countries being in full transition state, fact which determines that the Moldavian republic be considered the most poor country within Europe.

In order to correct the created situation, the government promoted a series of concrete measures, between which the elaboration of a new law regarding the employees' salaries, the periodic increase of the budgetary workers' increase etc.

The results of such measures were immediately observed. Therefore, the salary for the first category increased up to 200 lei within the budgetary sector and up to 440 lei within the private sector and the basic wages for certain classes of employees within the education sector, medicine, culture, sport, social assistance were promoted may times with 60%. Even though the salaries increase within this period are not essential, this improvement may generate a rehabilitation of the population credibility towards the authorities which may contribute to the country economy improvement.

The measures taken by the executive lead to the monthly average wages increase. In 2004 it constituted 1103,7 lei and increased towards the anterior years with 23,8%. Maximum levels were registered within the financial activities – 3254,8 lei. Under the average were paid the employees working in agriculture and forestry domain – 642,6 lei, health and social assistance – 844,7 lei, education – 710,7 lei (table 4).

Table 4. The nominal average salary on classes of economic activities, in lei

	2001	2002	2003	2004
Total in lei	543,7	691,5	890,8	1103,1
From which:				
Agriculture and forestry activities	315,1	393,8	498,6	642,6
Industry	826,5	1001,8	1270,6	1501,9
Constructions	682,8	838,1	1194,0	1639,1
E-commerce	531,1	641,7	794,9	1051,0
Transports and communications	860,8	1054,5	1453,5	1786,3
Financial activities	2278,4	2564,4	2926,4	3254,8
Education	336,9	463,3	610,2	710,7
Health and social assistance	314,6	439,1	578,8	844,7
Other activities	390,9	505,3	671,4	801,9

Source: The Statistic and Sociology Department

Even though the salaries evolution within the Moldavian Republic registered certain progresses, the population's difference after incomes remains an acute problem. The Gini coefficient, which expresses the difference social degree, has a stable increase tendency. In 2004 it constituted 0.428 calculated according to the available population's incomes. The population's classification after incomes is conditioned not only by the incomes ways diversity, but also by the salaries classification in different branches of the economy.

Generally, the salary system represents a measures system, determined by the man power offer and request, conceived on the basis of certain economic and social principles, as well as of the in force legislation take in consideration simultaneously and by means of which the individual salaries within a company or economic branch are classified.

Compared with the centralized economy, characterized by a unitary salary system, within the concurential economy may exist different salary systems, elaborated either at the branch level or at the economic unit level.

At the time being, then economic units are trying to elaborate their own policies within the salary system domain which constitute the basis of the salary systems. Therefore, by means of the salary policy, the company is involved in the development of a salary system which has as main aim the labor performance, meaning following the salary level and evolution, quality, competitiveness and performance, which supposes a strong link between the labor results and the payment.

As a consequence, the elaboration of a salary system is based of several judgment elements and correlations which this supposes and the importance given to one element or another is strictly linked to the social policy.

Regardless of the principles had in view, the salary system is one of the ways allowing to act upon the employees' behavior within a company in order to ensure its development.

The priority of this salary system is to establish an equitable structure and payment system for all employees according to their work or activity and the performance level. Even though this is a very clear and important objective, its accomplishment is not an easy problem, as within the salaries administration may occur several problems related to the human relations.

The new social-economic enterprises situation, more unstable and concurential, leads and obliges to performances. The employees' mentality evolution is the one that the internal equity of the enterprise salaries is associated with the equalitarism any more, but with the individual payment or performance.

A salary system corresponding to the new concurential economy requests must be oriented towards certain conditions, that is:

- the adopted salary system must allow to the social partners to attain a stable and satisfactory agreement which facilitates the adhesion of the entire personnel to the promoted salary policy;
- the economic agents must dispose of the necessary freedom in order to elaborate the own salary system in accordance with the organization form, the financing way and the field of activity;
- the adopted salary system must be accurate and equitable and the employees must understand it;
- the main criteria of classifying the employees must be accepted by all interested parties;
- the salary that the organization is disposed to pay must attract, motivate and retain the competent personnel;

- it is necessary that within the salary system the minimum guaranteed salary level and the maximum level must be associated. The regulations must allow the attainment of a salary higher than the maximum established one for certain special unforeseen conditions;
- the enterprise must take into account the salary levels practiced by other concurential enterprises;
- taking into account that the salary system is elaborated terms of the performances it is necessary to determine the standards or norms which must be taken into account in order to measure or evaluate the labor performances;
- the salary system must comprise, besides the wages in money, also other means of personnel's motivation.

References

1. Blank, R.M., Danziger, S., Schoeni, R. - *Working and Poor: How Economic and Policy Changes are Affecting Low-wage Workers*, Russell Sage Foundation, 2006
2. Blau, F.D., Kahn, L.M. - *Wage Inequality: International Comparisons of Its Sources*, AEI Press, Washington, D.C., 1996
3. Fagan, G., Mongelli, F.P., Morgan, J. - *Institutions and Wage Formation in the New Europe*, Edward Elgar Publishing, 2003
4. Goerke, L. - *Taxes and Unemployment: Collective Bargaining and Efficiency Wage Models*, Kluwer Academic Publishers, Boston, 2002.
5. Gregory, M.B., Salverda, W., Bazen, S. - *Labour Market Inequalities: Problems and Policies of Low-Wage Employment in International Perspective*, Oxford University Press, New York, 2000
6. Hyclak, T. - *Rising Wage Inequality: The 1980s Experience in Urban Labor Markets*, W.E. Upjohn Institute for Employment Research, 2000
7. Koster, M.H. - *The Effects of the Minimum Wage on Employment*, AEI Press, Washington, D.C., 1996
8. Mares, I. - *Taxation, Wage Bargaining, and Unemployment*, Cambridge University Press, 2006
9. Marjit, S., Acharyya, R. - *International Trade, Wage Inequality and the Developing Economy: A General Equilibrium Approach*, Springer, 2003
10. Miller, M.S., Kazis, R. - *Low-Wage Workers in the New Economy*, Urban Institute Press, 2001
11. Mortensen, D. - *Wage Dispersion: Why are Similar Workers Paid Differently*, Mass., MIT Press, Cambridge, 2005
12. Neumark, D. - *How Living Wage Laws Affect Low-Wage Workers and Low-Income Families*, Public Policy Institute of CA, 2002
13. Piekola, H., Snellman, K. - *Collective Bargaining and Wage Formation: Performance and Challenges*, Springer, 2005
14. Scholliers, P., Schwarz, L.D. - *Experiencing Wages: Social and Cultural Aspects of Wage Forms in Europe Since 1500*, Berghahn Books, New York, 2003
15. *** *The Statistic and Sociology Department*, Chişinău

Salariul – element definitoriu al pieței muncii

Rezumat

Articolul prezintă o analiză a principalilor indicatori economici și sociali pentru republica Moldova, în perioada 2000-2004, care relevă creșterea șomajului, degradarea sistemului de protecție socială, utilizarea insuficientă a forței de muncă, descreșterea productivității muncii, reducerea semnificativă a salariilor reale ale lucrătorilor etc. De asemenea, se fac propuneri pentru îmbunătățirea funcționării pieței muncii. Cu toate că analiza salariului mediu lunar scoate în evidență o evoluție crescătoare, există totuși o diferență semnificativă între veniturile populației.