Comparative Analysis Between the Salary of the Romanian Civil Servant and the European

Catalin Razvan Dobrea[1], Carmen Valentina Radulescu[2], Mihai Dinu[3] and Catalin Octavian Manescu[4]
[1)2)3)4)] *Bucharest University of Economic Studies, Bucharest, Romania.*
E-mail: razvan.dobrea@man.ase.ro; carmen-valentina.radulescu@eam.ase.ro; mihai.dinu@eam.ase.ro; catalin.manescu@defs.ase.ro

Please cite this paper as:
Dobrea, C.R., Radulescu, C.V., Dinu, M. and Manescu, C.O.,2024. Comparative Analysis Between the Salary of the Romanian Civil Servant and the European. In: R. Pamfilie, V. Dinu, C. Vasiliu, D. Pleșea, L. Tăchiciu eds. 2024. *10th BASIQ International Conference on New Trends in Sustainable Business and Consumption.* Almeria, Spain, 6-8 June 2024. Bucharest: Editura ASE, pp. 72-79
DOI: 10.24818/BASIQ/2024/10/021

Abstract

The main aim of the research is to determine the maximum salary limit for the population employed in the public sector in Romania and Europe. Conversely, the study seeks to compare the conditions between the two entities and determine the influence of various specific factors that contribute to these conditions. The methodological approach relies on a collection of methodological tools that integrate basic research with quantitative research and contemporary methods with traditional methods. The intricate nature of the subject necessitates the implementation of a suitable methodology, which involves defining objectives, determining directions, formulating hypotheses, and selecting methods. These steps are crucial for conducting high-quality research.

The ongoing relevance of the vulnerability of banking systems necessitates banking regulators and decision-makers to devise policies and implement measures that foster trust in the banking sector, ensure effective risk management, and prevent crises.

By conducting a thorough analysis of existing literature, it was determined that there is a significant lack of scientific resources on administrative performance in the public domain. There is a need for further studies that focus on specific performance indicators in this field. This research is situated within the extensive body of literature in the field of administration. It encompasses both theoretical and applied research, shedding light on the correlation between salary levels and the attainment of a higher quality of life.
This paper's research is of practical significance as it provides the original data necessary for analyzing administrative performance. Accounting analysis primarily centers around specific quantitative metrics.

Keywords

comparative analysis, civil servant, salary, Romania

DOI: 10.24818/BASIQ/2024/10/021

Introduction

The analysis proposed in this paper starts from the empirical observations found in the previous researches studied in the vast range included in the specialized literature regarding the fiscal part and especially the salary niche. In this sense, works are related to the realization of a comparative analysis, based on some economic statistics taken and processed in accordance with the hypotheses of the research. In this sense, the authors want to draw attention to some economic inequities between Romanian officials and those from the EU states.

Salary is one of the fundamental tools for human resource management, which should be used to increase the motivation and performance of civil servants. This should reflect principles such as equality, transparency and fairness, which should therefore be reflected in the rules used to calculate basic pay, bonuses and other benefits for civil servants (Almeida et al., 2021). This also corresponds to the European administrative principles that define transparency and predictability as two main pillars for pay, as well as two main preconditions for improving the motivation of civil servants and for attracting and maintaining qualified labor in public functions.

Basic salary- the salary or salaries that each civil servant receives regularly (usually monthly) by virtue of being on the payroll. Base pay is usually tied to an employee's position and is not uniform across similar positions. Base salary is often cited to compare public and private sector salaries. However, it is only a component of the total income of civil servants.

Salary grade- unit in a salary system. A job classification in a salary grade usually depends on factors such as job description, education or seniority.

Salary range- it varies between the lowest and the highest salary rate in a salary grade. A salary range is assigned to each salary grade (Merler, 2016).

Jobs in a job family are similar in that they require similar knowledge, skills, and abilities (competencies). The salary grade is instrumental that underlies all the basic salary scales of civil servants in all European Union countries, and the number of salary grades can have an impact on the salary evolution system (Greta and Lewandowski, 2015).

In general, the more salary grades there are, the smaller the differences between them. This increases the importance of the conditions under which a civil servant advances to a higher salary grade, for example, if it is too strict (ie they have to go through a public selection procedure, acquire new skills, etc.), it is possible that, in general, it is not worth the effort to advance to a salary grade only slightly higher than that in which he is already. On the contrary, a small number of salary grades implies that the differentiation between salaries is greater. This raises the importance of differentiating job roles by grade, because if the job content in different grades is similar, a risk of being entitled to a higher grade increases.

The difference between the lowest and the highest salary is called the compression ratio and implies the possibility of salary progression. In general, the higher this ratio, the greater the possibility of salary increases, which can significantly affect the motivation and performance of civil servants (Ciutacu, Chivu and Andrei, 2015).

1. Literature review

If the first specialized studies were only interested in the connection between the minimum wage and employment, the literature gradually enriched as other correlations were also investigated, such as those with the informal sector of the labor market, with wage and income inequality, inflation and competitiveness companies. In this study, we have made a grouping of the results from the specialized literature according to the studied issue (Basri et al., 2018).

The minimum wage can have a direct impact on income inequality only if wages are indexed according to them, as Suciu et al. (2021) demonstrated for South American countries. Otherwise, income inequality is not only influenced by wage disparities, but also by income on capital and wealth, by the progressivity of the tax system or by the expenditure on social transfers. However, compared to the last factors stated, the minimum wage does not represent an expensive instrument from the budgetary point of view. Martinho (2021) estimated a positive impact of the minimum wage on the income distribution as a result of the influence on the lower end of the wage distribution. The emerging and relatively less developed economies in Europe are characterized by relatively higher income inequalities, as a result of the trend of polarization of economic activities, low employment rates, the high share of the informal sector and the relatively lower share of spending on social protection (Rădulescu et al., 2023). The minimum wage increases are consistent with lower income inequality only in Poland, Romania and Slovakia.

In countries such as Latvia, Hungary or Poland, the income distribution did not change significantly, although the ratio between the incomes corresponding to the tenth decile and the first decile decreased, respectively the share of the minimum wage in the average wage increased. The distribution of wages in Romania is relatively similar to that of incomes, but the increase in the minimum wage does not generate an increase in incomes in the case of all the poorest households, once they are made up of inactive, retired or unemployed people (Herman, 2016).

Regarding poverty, it has been estimated that there is no statistically significant impact of the minimum wage for emerging economies in Europe (Burlacu et al., 2023). In the case of Romania, there are only a few empirical studies regarding the adjustment of the impact of the minimum wage at the micro and macroeconomic level, although a significant percentage of employees are paid at its level. The topic gained more relevance as there were more frequent changes to it and the time span for which data is available increased. In addition, the literature has been enriched with the analysis of the microeconomic effects of the minimum wage, respectively with the inclusion of Romania in the comparisons made by international institutions, such as the IMF.

Thus, Done et al (2012) highlighted with the help of a two-stage estimated simultaneous equations model (TSLS) that the real minimum wage has a negative and statistically significant impact on employment and the active population in the case of all age categories, the most impact high being surprised on the population category between 15 and 19 years.

Bourgeot (2013) estimated that the reaction of employment to the increase of the minimum wage is not a uniform one, taking place rather a gradual adjustment of it according to the planned wage fund.

Thus, the increase in the minimum wage causes an increase in employment after the first quarter, as a result of the increase in employment incentives for people looking for a job, after which there are two negative corrections, 9 and 12 months after the initial shock, generated by the decisions companies faced with increasing salary costs. Forgó and Jevčák (2015) estimated that increases in the national average wage are followed by increases in the minimum wage and unemployment benefits in real terms, but to a relatively lesser extent.

2. Research methodology

The methodology relies on a collection of methodological tools that integrate fundamental research with quantitative research, as well as modern methods with classical methods. The intricate nature of the subject necessitates the implementation of a suitable methodology, encompassing the establishment of objectives, guidelines, hypotheses, and techniques, which are crucial in conducting a high-quality research. Like other social sciences, including economics, knowledge in this article is derived from real phenomena and observing reality. It is based on a positive constructivist epistemological approach and acknowledges the importance of using quantitative modeling to obtain research results. The field of banking performance utilizes a combination of systematic and evolutionary research techniques, employing both theoretical and empirical methods to address specific research inquiries.

This research aligns with a systematic, evolutionary approach and a positive constructivist epistemological positioning within the field of economic sciences. It focuses on studying the economic phenomenon and the role of quantitative modeling in explaining its evolution. The research draws on previous studies by Rogojanu and Serban-Oprescu (2013) and Bakir and Bahtiyar (2021). This research employs a simultaneous mixed methods approach to information seeking. It combines qualitative research, which focuses on narrative exploration, with quantitative research that emphasizes experimental research to determine the influences of specific factors.In this analysis, the authors sought to obtain some results, starting from the main hypothesis according to which there are important gaps between the salary level at the Romanian and European levels. Of course, they create certain problems of a socio-economic nature, with a profound long-term impact on the development of society itself.

The research established two main objectives: the analysis of ways to contribute to the development of Romania's public administration, as well as the analysis of possible ways of cooperation between the public sector and the private sector at a comparative level in the two entities. The chosen research hypothesis contains two variables, an independent variable and a dependent variable. The independent variable is represented by public administration, while the dependent variable is represented by security and economic development.
In the current research, the sources used to collect information were only open sources, both secondary and primary sources. We would like to mention the fact that, from the moment of starting the research, we considered that not so much the amount of information accessed is important, but, above all, the relevance of the information collected, in relation to the research topic

Respecting the scientific research methodology, in order to test the stated research hypothesis, we chose the following research methods and/or techniques, applied differently in each point: document analysis, existing statistics analysis method, secondary analysis, statistical method, participatory observation, comparative analysis, the elements of knowledge obtained on the basis of the researcher's personal and introspective experience.

3. Results and discussion

We can easily see the lowest and highest salary levels by country. The lowest and highest salaries are lowest in Serbia, Bulgaria, Lithuania, Slovakia and the Czech Republic. The smallest and largest are the largest in Switzerland, Denmark, Luxembourg.

For the individual performance-related component, the part of the salary that is based on performance, only 19 out of 30 countries have formally defined criteria for awarding the individual performance component.

For example, in Sweden, the principles of wage setting are set out in national collective agreements with trade unions. More detailed criteria are decided at the institution level during the salary setting process. Wage formation and wage setting should contribute to the achievement of objectives and should depend on operations being carried out effectively and efficiently. An essential prerequisite for efficient and functional operations is that the employer can recruit, motivate, develop and retain employees with the necessary skills in the short and long term. Adding a performance component to pay should be a tool that should stimulate engagement and development at work and be perceived as fair in terms of work performance and work efforts.

An employee's salary should be determined by objective factors such as responsibilities, job requirements, and other job requirements, as well as the employee's skills and performance relative to operations objectives. On the other hand, for example, in Slovakia, the criteria are set only by the level of quality of the exercise of public office.

In the results and discussions section, the three major points were discussed in order to highlight certain differences that appeared within Romania and the EU member states, respectively the obtaining of performance bonuses, their approval, respectively the achievement of performance within the public administration. In this sense, graphs were made one after the other based on data collected from the Eurostat database and from the qualitative research carried out at the level of a small sample of people from the public and private environment. Also in this direction, a processing of the data from the Eurostat source was carried out in relation to the vacation days obtained by officials from several European states, a fact seen from the perspective of attracting highly qualified personnel in the public administration.

Award of the performance bonus

One of the major problems with performance-related pay systems in the public service, and this is true of almost all incentive pay systems, is that they tend to escalate performance appraisals and automatically lead to increases in staff costs, even if formal pay ceilings are set (Uctum, Uctum and Vijverberg, 2017).

Effectively, under pressure to retain staff or hire additional staff needed to overcome internal bottlenecks managers tend to give better ratings and pay staff better sometimes in an indiscriminate manner. This causes staff and their unions to view performance pay as a negotiable part of pay, thereby missing the true value of performance bonuses (Morales-Zumaquero and Sosvilla-Rivero, 2016).

Another major problem with performance-based pay is associated with the fact that no performance can be fully objectively evaluated because, by definition, it is all subject to human judgment and thus has a strong subjective component.

In the public administration this can lead to abuses, turning the granting of performance bonuses into a tool for manipulating officials, which has a devastating effect on the legitimacy of public institutions, in the eyes of the staff and the public in general.

Theoretically, it is debatable whether the increases in wage costs produced by systems involving performance bonuses could be financed or even offset by increased productivity, as is the case in some private sector industries.

This is also because measuring productivity in the public service poses many problems. Not all public service activities are measurable. In some areas of public administration, however, there are quantitative objectives and reference points that, once established, can then be measured.

One conclusion based on the experience of pay-for-performance countries is that the solution does not work as it should in any of these countries' public administrations. In addition, it created side effects that are difficult to treat.

The fact that the experience related to performance-based pay in the public administrations of some countries has not been satisfactory should not lead to the conclusion that there is an impossibility of retaining public servants who are also paid based on their performance. The granting of performance bonuses involves an evaluation process based on current activity and performance achieved over a somewhat longer period. The process requires that a civil servant proposes to grant him a performance bonus, and another civil servant approves the granting of this bonus.

In most countries, the proposal to grant a performance bonus is presented by the immediate superior. This is implemented because it probably helps in giving performance bonuses to those who really deserve it, because it is the immediate superior who will have accurate and immediate information about the performance of his employees (Stockhammer, 2013).

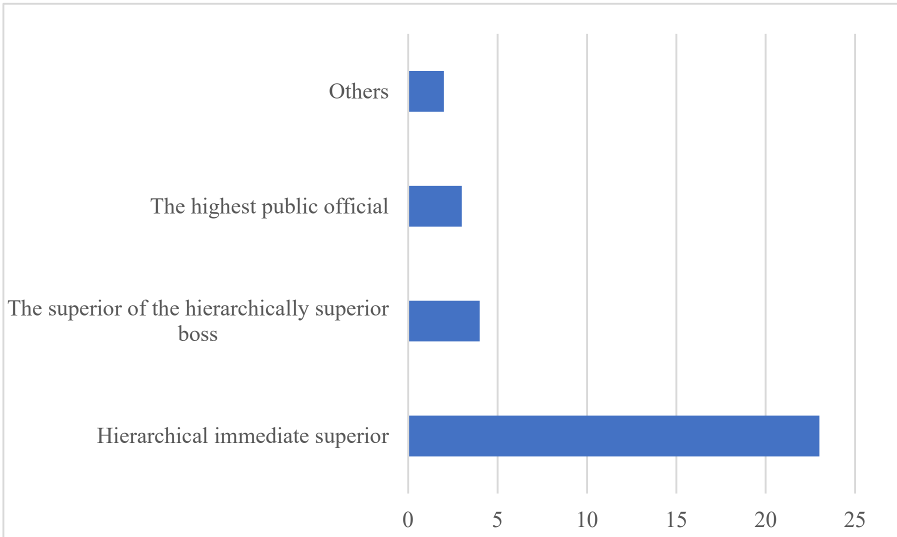

Figure no. 1. Hierarchical official proposing the granting of performance bonuses
Source: National Institute of Statistics-Slovakia

Approval of Performance Bonus

The approval of the proposal to grant the performance bonus to a civil servant is generally done by the person with the highest rank of civil servant in the institution. However, there are also cases when approval is obtained from the superior of the immediate superior.

This may be mostly for budgetary reasons, i.e. so that the organization does not exceed its budget. However, in some countries the highest civil servant may be a political candidate. This would mean that the political element could enter into the decision-making process of awarding an individual performance component, which could have undesirable effects.

In general, a solution should be sought so that all salary components of civil servants are independent of the political sphere, especially in institutions with a strong political emphasis.

When the political side has influence on the remuneration of civil servants, their performance will decrease, both among the favored, because they know that regardless of their activity they will receive these performance bonuses, and among the disadvantaged, because they are aware that regardless of their work performance, they have little chance of receiving an additional financial reward.

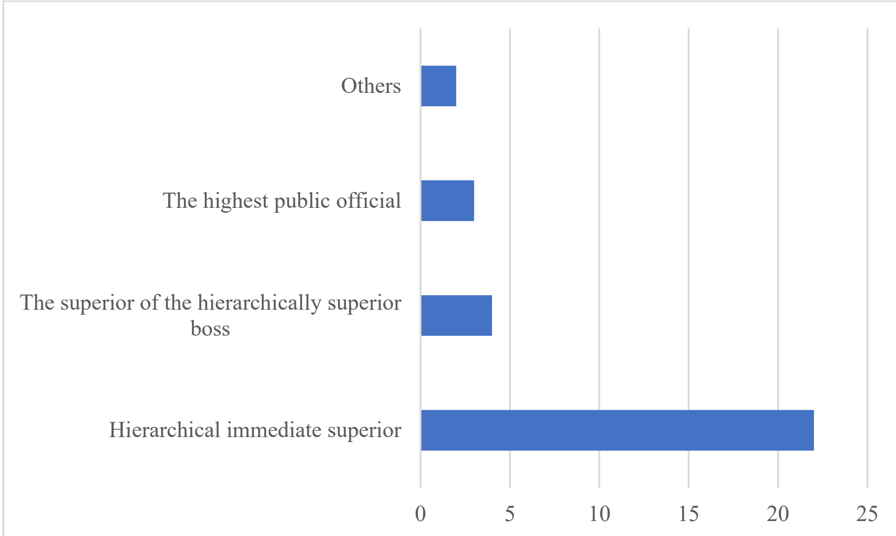

Figure no. 2. The hierarchical official approving the granting of performance bonuses
Source: National Institute of Statistics-Slovakia

Regarding the percentage share of civil servants with a component of collected incomes in which there is also an individual component to reflect performance, this differs significantly from one country to another. The percentage varies between 5 and 95 percent. This demonstrates that performance bonuses for civil tablecomplex criteria to award these bonuses. As for Germany, there are special regulations regarding, for example, task forces, project or work groups with several civil servants who can benefit from performance bonuses.

On the other hand, some countries use the individual performance component as a regular part of a salary (Sweden, Finland, Czech Republic, Slovakia), variable criteria on the basis of which the number of days of annual leave is calculated, such as, for example, age, years in public office, years of work (including the private sector), etc. As mentioned earlier, most of the 19 countries that have more than 25 days of annual leave for civil servants have stated that years of professional experience is one of the criteria for granting additional days.

Attracting high performing people in public administration

In order for a lower wage system to motivate people to enter the system and to keep employees in the system (to keep civil servant turnover low and retain employees with so-called institutional memory), this system should provide benefits. The primary division of benefits is into financial benefits and non-financial benefits.

Flexible working time as the distribution of working time between mandatory office hours and voluntary program hours. This usually means that civil servants can come to work later / leave earlier if the required number of hours are spent in the office. This is the most used benefit of all the benefits mentioned in the survey at the public administration level. Flexible working time is a non-financial benefit and its nature is to help civil servants organize their private and professional lives and is therefore a very welcome benefit from both sides, employers and civil servants alike.

It mostly helps with commuting during morning/afternoon traffic, dropping off/bringing kids from day-care or school, etc. For this reason. it is known to benefit work-life balance. On the other hand, flexible working hours allow civil servants to come to work earlier or spend more time at work when urgent tasks need to be carried out. Flexible working time regulations differ from country to country.

Another advantage of working in the public sector can be the number of days for annual leave. Annual leave is the amount of leave to which a civil servant is entitled after one year of service. In 19 countries of the European Union, civil servants have more than 25 days of annual leave, 10 countries have 25 days of annual leave and in only 2 cases (Latvia, Switzerland) less than 20 days.

A number of days of annual leave is different not only from one country to another, but also from one official to another, as there are.

Table no. 1. Number of annual leave days in EU countries

Country	Annual leave	Country	Annual leave
Austria	25 to 30 days	Italy	32 days
Belgium	26 days to 33 days	Latvia	33 days
Bulgaria	20 to 32 days	Lithuania	28 days to 42 days
Croatia	20 days to 30 days	Luxembourg	32 days
Cyprus	25 to 36 days	Malta	24 days
Czech Republic	up to 25 days	Netherlands	up to 25 days
Denmark	25 to 30 days	Poland	N/A
CE	24 days to 33 days	Portugal	up to 25 days
Estonia	25 days	Romania	up to 25 days
Finland	30 days to 38 days	Serbia	20 days to 30 days
France	up to 25 days	Slovakia	25 days to 30 days
Germany	30 days	Slovenia	20 days to 35 days
Greece	up to 25 days	Spain	22 days to 28 days
Hungary	more than 25 days	Sweden	28 days to 35 days
Ireland	N/A	Switzerland	N/A

Source: Eurostat, 2023

Conclusions

In Romania, in recent years, there has been an increase in the attractiveness of the public office, not necessarily due to salaries, but mainly due to the fact that jobs in the public administration offer stability and predictability. It is true that salary plays an important role in the career choice of any official, and at present there is a real imbalance between job requests and offers in the public service caused by the legislative limitations imposed by the government, by the underfunding of the administrative apparatus, to which adds the bureaucracy in the case of contests for filling positions in the public administration, but also the phenomenon of corruption that drives potential officials away from contests.

States around the world have tried to solve the problem of recruiting qualified personnel, and one of the results has been the adoption of a more flexible remuneration system. However, their implementation has been difficult- pay for performance has not directly improved the performance of civil servants.

In addition to financial incentives, governments must identify alternatives to recruiting skilled personnel. Practice has shown that the remuneration of civil servants in career systems is mainly based on seniority, and is a factor of low motivation of young specialists, thus reducing performance. Pay for performance could be an alternative, but only when some elements are met: a fair and satisfactory pay system based on real resources; visible pay gaps, an organizational climate based on trust and shared goals and values, the ability to link individual performance to organizational goals, and an agreement on performance measurement tools.

References

***National Institute of Statistics-Slovakia

Almeida, V., Barrios, S., Christl, M., De Poli, S., Tumino, A. and Van Der Wielen, W., 2021. The impact of COVID-19 on households´ income in the EU. *The Journal of Economic Inequality*, 19(3), pp.413–431. https://doi.org/10.1007/s10888-021-09485-8.

Basri, N.M., Karim, Z.A., Ismail, R. and Sulaiman, N., 2018. The Effect of Wages and Industry-Specific Variables on Productivity of Manufacturing Industry in Malaysia: A Dynamic Heterogeneous Panel Evidence. *International Journal of Economics and Management*, 12(2), pp.379-391.

Bourgeot, R., 2013. *Les coûts salariaux au sein de la zone euro : Une relecture des divergences de compétitivité et de la stratégie de gestion de crise*. [online] Available at: <https://www.robert-schuman.eu/questions-d-europe/0289-les-couts-salariaux-au-sein-de-la-zone-euro-une-relecture-des-divergences-de-competitivite-et> [Accessed 2 March 2024].

Burlacu, S., Rădulescu, C.-V., Bălu, E.P. and Dobre, F., 2023. Socio-cultural Sustainability for Resilience in Public Services: Strategies for Achieving Inclusive and Equitable Service Delivery. *European Journal of Sustainable Development*, 12(3), p.29. https://doi.org/10.14207/ejsd.2023.v12n3p29.

Ciutacu, C., Chivu, L. and Andrei, J.V., 2015. Similarities and dissimilarities between the EU agricultural and rural development model and Romanian agriculture. Challenges and perspectives. *Land Use Policy*, 44, pp.169–176. https://doi.org/10.1016/j.landusepol.2014.08.009.

Done, I., Chivu, L., Andrei, J. and Panait, M., 2012. Using Labor Force and Green Investments in Valuing the Romanian Agriculture Potential. *Journal of Food, Agriculture and Environment*, 10(3&4), pp.737-741.

Forgó, B. and Jevčák, A., 2015. *Economic Convergence of Central and Eastern European EU Member States over the Last Decade (2004-2014) - European Commission*. [online] Available at: <https://economy-finance.ec.europa.eu/publications/economic-convergence-central-and-eastern-european-eu-member-states-over-last-decade-2004-2014_en> [Accessed 2 March 2024].

Greta, M. and Lewandowski, K., 2015. The Impact Of The Global Financial And Economic Crisis On The Convergence Process In OECD Countries. *Comparative Economic Research. Central and Eastern Europe*, 18(1), pp.81–96. https://doi.org/10.1515/cer-2015-0005.

Hasan Bakir & Gorkem Bahtiyar, 2021. Economics: From Modernism to Postmodernism, Istanbul Journal of Economics-Istanbul Iktisat Dergisi, Istanbul University, Faculty of Economics, vol. 71(71-2), pages 341-366

Herman, E., 2016. The Importance of the Manufacturing Sector in the Romanian Economy. *Procedia Technology*, 22, pp.976–983. https://doi.org/10.1016/j.protcy.2016.01.121.

Martinho, V.J.P.D., 2021. Impact of Covid-19 on the convergence of GDP per capita in OECD countries. *Regional Science Policy & Practice*, 13(S1), pp.55–72. https://doi.org/10.1111/rsp3.12435.

Merler, S., 2016. *Income Convergence During the Crisis: Did the EU Funds Provide a Buffer?* Bruegel, Working Paper: Brussels, Belgium, 6, pp.1-20.

Morales-Zumaquero, A. and Sosvilla-Rivero, S., 2016. A contribution to the empirics of convergence in real GDP growth: the role of financial crises and exchange-rate regimes. *Applied Economics*, 48(23), pp.2156–2169. https://doi.org/10.1080/00036846.2015.1114581.

Rădulescu, C.-V., Mănescu, C.-O., Popescu, M.-L. and Burlacu, S., 2023. Sustainable Development in Public Administration: Research, Practice, and Education. *European Journal of Sustainable Development*, 12(4), p.27. https://doi.org/10.14207/ejsd.2023.v12n4p27.

Rogojanu Angela& Oprescu G.S, 2013. Meanings and spreading patterns of the “positive concept in economic thought,"Theoretical and Applied Economics, Asociatia Generala a Economistilor din Romania - AGER, vol. 0(3(580)), pages 83-102

Romanenko and Rakhuba, 2019, Theory and Methodology of Small Business Development in an Innovative Economy, Proceedings of the International Scientific Conference "Far East Con" (ISCFEC 2018), DOI: 10.2991/iscfec-18.2019.186

Stockhammer, E., 2013. Why Have Wage Shares Fallen? An Analysis of the Determinants of Functional Income Distribution. In: *Lavoie M., Stockhammer E. (eds) Wage-led Growth. Advances in Labour Studies*. Palgrave Macmillan, London, pp.40-70.

Suciu, M.C., Petre, A., Istudor, L.G., Mituca, M.O., Stativa, G.A., Mardarovici, D., Tofan, O.R. and Cotescu, R.G., 2021. Testing Real Convergence as a Prerequisite for Long Run Sustainability. *Sustainability*, 13(17), p.9943. https://doi.org/10.3390/su13179943.

Uctum, M., Uctum, R. and Vijverberg, C.P, 2017. T*he Eurozone Convergence through Crises and Structural Changes*. Working Paper; CNRS, Université de Paris Ouest Nanterre La Défense: Paris, France, pp. 2017-2038.