

JUSTIFICATION OF MINIMAL QUANTUM OF WAGE  
IN THE REPUBLIC OF MOLDOVA

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The relevance of the article is conditioned by the fact, that in the Republic of Moldova there are several levels of the minimal wage, but only one of them – a guaranteed minimal quantum of wage in the real sector – reached the subsistence minimum of the work-apt person. The aim of the article is to justify the minimal quantum of the wage. There were used the following research methods: statistical, comparing, analogy, monographic. There were made conclusion on the need for a step-by-step approach of the quantum of the minimal wage that is used for the payment of workers in the budgetary sphere to a quantum of the subsistence minimum of the work-apt person. It is proposed to make amendments in some legislative acts.

**Key words:** the minimal wages, the tariff rate for the I qualifying category of the wages, the guaranteed minimal quantum of wages in real sector, an average wages, the subsistence minimum of the work-apt person, the consumer price index, the labor productivity.

Actualitatea articolului este determinată de existența în Republica Moldova a mai multor niveluri ale salariului minim, însă numai unul din ele – cuantumul minim garantat al salariului în sectorul real – a atins valoarea minimului de existență a persoanei în vârstă aptă de muncă. Scopul articolului este de a justifica mărimea minimă a salariului. Au fost utilizate următoarele metode de cercetare – statistică, comparație, analogie, monografică. S-a ajuns la concluzia despre nevoia de o apropiere treptată a mărimii salariului, care este utilizat la remunerarea salariților a sferei publice, la valoarea minimului de existență a persoanei apte de muncă. Se propune de a face modificări în unele acte legislative.

**Cuvinte cheie:** salariul minim, salariul tarifar pentru categoria I de calificare, cuantumul minim garantat al salariului în sectorul real, salariul mediu, minimul de existență a persoanei în vârstă aptă de muncă, indicii de prețurilor de consum, productivitatea muncii.

Актуальность статьи обусловлена тем, что в Республике Молдова существует несколько уровней минимальной заработной платы, но только один из них – гарантированный минимальный размер заработной платы в реальном секторе – достиг величины прожиточного минимума трудоспособного человека. Целью статьи является обоснование минимальных размеров оплаты труда. Используются следующие методы исследования – статистический, сравнения, аналогов, монографический. Сделан вывод о необходимости поэтапного приближения размера минимальной заработной платы, используемой при оплате труда работников бюджетной сферы, к величине прожиточного минимума трудоспособного человека. Предлагается осуществить изменения в некоторых законодательных актах.

**Ключевые слова:** минимальная заработная плата, тарифная ставка для I квалификационного разряда оплаты труда, гарантируемый минимальный размер заработной платы в реальном секторе, средняя заработная плата, прожиточный минимум трудоспособного человека, индекс потребительских цен, производительность труда.

**JEL Clasification:** E24, J24, J31.

**Introduction.** The minimal wage plays an important role in state regulation of wages. The minimal wage occupies the central places in the system of state minimum social standards, and is used in the formation of the mechanism of regulation of wages in the Republic of Moldova [4]. The minimal wage provides an opportunity to:

– determine and guarantee a minimum volume of consumption of material goods and services necessary for the worker simply labour, sufficient for the reproduction of the labour force;

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- lead such a volume of consumption into accord with the current economic potential of a society;
- serve (at the given volume of material benefits and services made in the country) as an important factor in real differentiation of wages (there is means the establishment of a interrelation between minimal and average wages, the minimal and maximal wages, both in the economy as a whole, and for the basic qualifying groups);
- influence on the structure of wages, on a proportion in it between a fixed and a variable parts, and through this on the organization of wages at the enterprise;
- focus a society on a minimum level of performance (productivity) of work which it has the right to require from the employee.

In the Republic of Moldova is kept the low **quantum of the minimal wage**. The problem is aggravated by the existence of several levels of minimal wage.

*a) The minimal wage of the general application.* It has an extremely limited scope of application and is used only for the payment of some categories of workers. For example, it is used in establishing the monthly salary to representatives of the state in administration of the state enterprises and joint stock companies, as well as the enterprises with predominantly of the state capital.

Per 2001-2015 the size of the minimal wages has increased from 100 up to 1000 lei per month. Thus for this period the change of the quantum of the minimal wages was carried out four times: since April, 1<sup>st</sup> 2001; since January, 1<sup>st</sup>, 2005; since April, 1<sup>st</sup>, 2007; since January, 1<sup>st</sup>, 2009. Since October, 1<sup>st</sup>, 2014 by the Government Decree of the Republic of Moldova no. 550 from July, 09<sup>th</sup>, 2014 approves the new quantum of the minimal wages for the country – 1 thousand lei.

The ratio of minimal wages with the subsistence minimum of the work-apt person testifies that during 2001-2015 the quantum of the minimal wages covered the quantum of the subsistence minimum only on 14-58%. Thus the best ratio between these two values (57.9%) took place in 2014, in which the quantum of the minimal wage has increased from 600 to 1000 lei per month. The worst ratio (13.9%) was in 2004, when at growth of the quantum of the subsistence minimum of work-apt person, minimal wage (100 lei) has remained unchanged within four years.

A similar trend is characteristic and for the ratio between the quantum of minimal and average wages. The value of this ratio, which in the scientific literature is identified as Kaitz index, varies from 9.1% in 2004 to 24.0% in 2014 (table 1). Somewhat better is the ratio between the minimum and average wages in the budgetary sphere it ranges from 12.1% to 27.2% (the budgetary sphere is the ensemble of enterprises financed from the state budget, state social insurance budget and the administrative-territorial units budgets).

**Table 1**

**The ratio of the minimal wages with subsistence minimum and average wages**

Years	The minimal wage quantum, lei	The subsistence minimum of work-apt person	The average wage for the country, lei	The average wage in the budgetary sphere, lei	The ratio of the minimal wages (%) with:		
					subsistence minimum	average wages for the country	average wages in the budgetary sphere
2001	100	496,3	543,7	407,8	20,2	18,4	24,5
2002	100	571,2	691,5	555,8	17,5	14,5	18,0
2003	100	664,8	890,8	685,5	15,0	11,2	14,6
2004	100	718,9	1103,1	827,5	13,9	9,1	12,1
2005	200	809,3	1318,7	992,4	24,7	15,2	20,1
2006	200	986,7	1697,1	1450,1	20,3	11,8	13,8
2007	400	1159,5	2065,0	1624,5	34,5	19,4	24,6
2008	400	1446,5	2529,7	1954,3	27,6	15,8	20,5
2009	600	1251,1	2747,6	2405,5	47,9	21,8	24,9
2010	600	1453,1	2971,7	2552,5	41,2	20,2	23,5
2011	600	1582,8	3193,9	2860,2	37,9	18,8	21,0
2012	600	1585,9	3477,7	3210,2	37,8	17,2	18,7
2013	600	1710,0	3765,1	3317,2	35,1	15,9	18,1
2014	1000	1726,8	4172,0	3673,9	57,9	24,0	27,2
2015	1000	1842,2	4610,9	4125,3	54,3	21,7	24,2

**Source:** Calculated by author according to Government Decision on establishing the minimal quantum of wages for the country for a.a.2001-2015.

The Republic of Moldova on the minimal wages quantum seriously concedes not only to developed countries, but also many CIS countries. In 2015, the minimal wages quantum in a dollar equivalent in Moldova amounted 51 USD, while in Belarus is 124 USD (at 2.4 times more), in Armenia is 114 USD (at 2.2 times more), in Russia is 86 USD (at 1.7 times more) [8]. Only in Tajikistan (36 USD) and Kyrgyzstan (13 USD) the minimal wages quantum was less than in Moldova.

*b) The tariff rate for the 1 category of the wages of the Uniform tariff network of budgetary sphere employees*, which, in accordance with article 14 of the Law on salaries No. 847-XV from February, 14<sup>th</sup>, 2002 „is established at a quantum equal or greater than the minimal wage quantum in the country” [3]. Since October, 1<sup>st</sup>, 2014 tariff rate for the 1 category of wages in budgetary sphere was equalized with a quantum of minimal wages on the country and constituted 1,000 lei per month.

*c) Guaranteed minimal quantum of wage in real sector*, which, according to art. 2 of the Law on salaries no. 847-XV from February, 14<sup>th</sup>, 2002 represents „the minimal mandatory quantum of wages guaranteed by the state, for work done by an employee in the real sector (totality of self-supporting enterprises). This quantum is established by the Government after consultation with the social partners and is reviewed annually, depending on the annual overall growth of the consumer price index and the growth in productivity at the national level” [3]. Since May, 1<sup>st</sup>, 2016, the guaranteed minimal quantum of wage in real sector constituted 2100 lei per month.

Increasing the guaranteed minimal quantum of wage in real sector to the level of 2100 lei is justified as follows: 1) since May 1<sup>st</sup>, 2015 the guaranteed minimal quantum of wage constituted 1,900 lei; 2) the consumer price index in 2015 compared to 2014, constituted 109.7%; 3) in 2015 increasing the gross value added compared to 2014, constituted 99.6%; 4) in 2015 the number of employees compared to 2014, constituted 98.7%; 5) growth of labor productivity, calculated as the ratio of change in the gross value added (99.6%) to change the number of employees (98.7%) constituted 100.9%; 6) the total growth of consumer price index and labor productivity constituted:  $9.7\% + 0.9\% = 10.6\%$ ; 7) the amount of the guaranteed minimal quantum of wage in the real sector constituted  $1,900 \times 1.106 = 2,101.4$  lei, or rounded – 2,100 lei per month.

In addition to minimal wage levels, which have national coverage, each branch of the real sector has the right to negotiate and establish collective agreements at a branch level, the levels of the minimal wage in the quantum equal or greater than the guaranteed minimal wage in the real sector.

The main reason for using of different minimal levels of remuneration consists, first of all, in the way of financing of the budgetary sphere and the real sector. So, the state budget has very little opportunities to provide the level of remuneration equal to a level of the real sector. At the same time, the level of remuneration in the real sector, in large extent depends from the cost of the labour force on a labour market.

For 2000-2015 years the quantum of the tariff rate for the I qualifying category has increased from 115 lei up to 2100 lei, or more than in 18 times. Thus if by Government Decree no.455 from May, 16<sup>th</sup>, 2000 the tariff rate for I the qualifying category was established identical for all types of activities (115 lei per month), then later the differentiated approach to an establishment of this quantum has been entered.

The ratio between the tariff rate for the I qualifying category of a wages at the self-supporting enterprises/guaranteed minimal quantum of the wages in real sector with subsistence minimum of the work-apt person has the extremely adverse character. In the beginning of 2000<sup>th</sup> years it was 30-40% (table 2). In recent years the situation in this area has changed to the best. In 2014 there has been a significant convergence of the guaranteed minimal quantum of wages in the real sector (1,650 lei) and cost value of subsistence minimum of the work-apt person, therefore the ratio between these indicators constituted 95.5%. For agricultural workers this ratio amounted to 90.3%. After an establishment on May, 1st 2015 of the guaranteed minimal quantum of a wages in real sector in 1,900 lei its level for the first time exceeded the size of subsistence minimum of the work-apt person. This trend continued in 2016. After an establishment on May, 1st 2016 of the guaranteed minimal quantum of a wages in real sector in 2100 lei its level constituted 114% of the subsistence minimum of the work-apt person.

Table 2

**Ratio of the guaranteed minimal quantum of wages in the real sector / quantum of the tariff rate for the I qualifying category to the subsistence minimum of work-apt person**

Years	Guaranteed minimal quantum of wages, lei		The subsistence minimum, lei	Ratio with subsistence minimum of the work-apt person, %	
	industries of economy	agriculture and forestry		industries of economy	agriculture and forestry
17.01.2001*	150	150	481.5	31.2	31.2
1.09.2001*	169	169	498.8	33.9	33.9
1.07.2002*	250	250	571.2	43.8	43.8
1.04.2003*	300	300	698.6	42.9	42.9
1.07.2003*	340	340	571.4	59.5	59.5
1.02.2004*	440	340	718.9	61.2	47.3
1.08.2005*	550	550	809.3	54.4	42.0
1.07.2006*	700	550	986.7	44.6	34.5
1.07.2007*	900	700	1159.5	77.6	60.4
1.02.2010	1100	900	1453.1	75.7	61.9
1.05.2012	1300	900	1585.9	82.0	56.7
1.05.2013	1400	900	1710.0	81.9	52.6
1.05.2014	1650	1560	1726.8	95.5	90.3
1.05.2015	1900	1900	1842.2	103.1	103.1
1.05.2016	2100	2100	1842.2**	114.0	114.0

\* *tarif wage for the I qualifying category*

\*\* *the subsistence minimum 2015*

*Source: Calculated by author according to Government Decision on establishing the minimal quantum of wages for the country and Government Decision on the guaranteed minimal quantum of wages in real sector for a.a.2001-2015.*

However these positive shifts are obviously insufficient. According to the European Social Charter the quantum of the minimal size of a wages should be established by the state at a level, not less than in 2.5 times exceeding a subsistence minimum. Thus, for achievement of a recommended European level it is necessary substantial growth of the minimal quantum of a wage.

Regulation of the minimal wage in most of the developed world is based on the documents, adopted by the ILO. The first legislative acts in this area were the Convention no.26 (1928) and Recommendation no.30 (1928) „On the establishment and application of procedures for the determination of minimal wages”. However, these documents contained only „a call for Governments of the countries to establish a minimal wages” [6, 9]. Therefore, for many years the representatives of the trade unions in the ILO persistently raised the question on acceptance of the general mandatory international document concerning the minimal wages.

As a result, in 1970 had been accepted the Convention no.131 and Recommendation no.135 „On minimal wage fixing, with special reference to developing countries”. In these documents it is underlined, that „the minimal wage has force of the law, is not a subject of reduction and that non-using of this provision entails criminal or other sanctions” [7, 10].

In Recommendation no.135 criteria for determining of the level of minimal wages are established:

- „a) the needs of workers and their families;
- b) the general level of wages in the country;
- c) the cost of living and changes in it;
- d) the quqntum of social security;
- e) a comparative level of life of other social groups;

f) the economic factors, including the requirements of economic development, a labour productivity level and the desirability of achieving and maintaining of a high occupation level” [10].

In 2010, the Republic of Moldova had ratified Convention no.131 and Recommendation no.135. The main provisions of these documents have found the reflection in the Law of the Republic of Moldova no. 1432-XIV from December, 28<sup>th</sup>, 2000 „About the order of establishing and revising of the minimal wage”. In the Law (item 1, art.2) provides the definition of minimal wage: „The minimal wages is represents the quantum of wages established by the state in lei for a simple, unqualified labor, below which the employer is not entitled to pay for the norm of work performed by an employee monthly or hourly” [2].

Thus it is underlined, that „a monthly wages for labor of the employee, who has fulfilled the installed norm of time for the certain period and who has executed the duties assigned to it or norm of work, may not be less than the established quantum of minimal wages. Compliance of the minimal wages quantum is mandatory for all economic actors regardless of a type of the ownership and the organizational-legal form. This quantum may not be reduced neither by the collective agreement, nor the individual labour contract” [2].

An important feature of the Law no. 1432-XIV is fixing in it of the norm, which had put an end to existing for a long time in Moldova a practices in the use of minimal wages in other spheres. Item 5 art.2 of the Law read: „With the minimal wage connected only payments corresponded only to work. All other social payments (pensions, scholarships, compensation, allowances, etc.), as well as the state duties, taxes, tariffs, penalties and other payments, which not related to work, are established in the quantum’s not commensurate with the minimal wage” [2].

In the Labour Code of the Republic of Moldova in article 131 „The Minimal wages” are indicated: „(1) Each employee has the right to the guaranteed minimal wages. (2) The minimal wages are the minimal quantum of a payment established by the state in national currency for the simple, not qualified work, less of which level the employer have not the right to pay for the performed monthly or hourly norm of work. (3) The minimal wage does not include surcharges, allowances, incentives and compensatory payments” [1].

In the Republic of Moldova, the minimal wage are established by the Government Decree in consultation with employers and unions (art. 132 (1) of the Labour Code). It is underlined that „consultations concerning the quantum of minimal wage is carried out within the framework of the National Commission for collective negotiations and consultations, which represent the social partnership at national level” [1].

In Republic Moldova there are no legislatively fixed criteria for the establishment of the minimal wages. There is only legislatively fixed criterion of review of the quantum of the minimal wages.

In it.4 art.3 the Law 1432-XIV from December, 28<sup>th</sup>, 2000 it is underlined, that „the review of the quantum of the minimal wages is carried out by the Government after preliminary consultations of patronages and trade unions taking into account changes in the consumer price index and dynamics of average wages on national economy for the relevant period, volume of an gross domestic product, labor productivity, as well as a subsistence minimum in its cost expression” [2]. Thus, the change of the subsistence minimum is considered only at review of the quantum of the minimal wages. Herewith, it takes into account other factors among which the change of cost value of subsistence minimum is finalizing the list of these factors.

Meanwhile, in the CIS countries the subsistence minimum is a criterion for *establishing* the minimal wage. The labour legislation of Belarus, Kazakhstan, Kyrgyzstan, Russia, and Ukraine it is directly fixed that „the monthly minimal wage may not be lower than the subsistence minimum. And while in the most of the CIS countries this ratio is not complied, however, this legal rule serves as a justification of the need for convergence between the minimal wage and the cost value of the subsistence minimum” [5].

In this context we consider that it is advisable to:

– to initiate changes in several legislative acts. In particular to supplement article 2 of the Law No. 1432-XIV from December, 28<sup>th</sup>, 2000 „About the order of an establishing and revising of the minimal wage” [2] with the following item: „The minimal wage must approach stage by stage to the cost value of the minimum subsistence of work-apt person”;

– to justify and develop the order of the stage-by-stage approach of the minimal wage quantum to the cost value of the subsistence minimum of work-apt person.

**Conclusions:** Minimal wage is an essential starting point for workers and employers in their contacts on the labour market in occasion of an establishment of the price of labour force. The absence in Moldova of a reasonable quantum of minimal wage deprives both sides of labour relations an essential guide in establishing their partnership and does not provide the possibility to organize properly industrial and labour activity at the enterprises. Increase of the minimal wage took a central part in the system of measures to ensure a decent wages for work, thus strengthening the social protection of workers in area of remuneration.

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