**Romania: New law on unique pay in the public system adopted**

***Wage increases, paid extra hours and smaller wage gap in the public sector***

Following numerous negotiations between the Government and the social partners the Parliament adopted the Law on Unique Pay in the public system at the end of June 2017. The discussions started back in 2015 and were triggered by the rising pay inequalities in the public domain, such as different wage levels for similar functions within one institution, lower wages for positions requiring higher educations than for positions requiring lower education, high concentration of low wages at the bottom of the remuneration pyramid.

Some of the wage inequalities have been eliminated in 2016, following a series of Government Emergency Ordinances (20/2016, 57/2016 and 43/2016). Though, not all discrepancies have been properly addressed and new inequalities emerged when wage increases took place in February 2017, deepening the pay gap between certain categories of public employees from the public administration and cultural sectors.

The [Law no. 153/2017](http://www.cdep.ro/pls/proiecte/upl_pck.proiect?idp=16329) entered into force on 1st July 2017. Although the initial draft law provided for a wage increase starting from July 2017, the final version of the law on pay in the public sector stipulates an increase by 25% only starting from January 2018. The pay rise is scheduled to gradually increase with 56% , on average, by 2022, when it will reach the maximum level provided by law. According to the Ministry of Labor, Olguta Vasilescu, 60% of the public sector’s employees will benefit of an increase of 100% or even more, while about 3% will see a cut in their wages following the law application. The wage maximum level is being calculated based on an estimated gross minimum wage of 2.500 Lei (555 Euro at the current exchange rate) in 2022; currently, the gross minimum wage in Romania is 1450 Lei (322 Euro).

As an exception, the wages of medical doctors and medical assistants will already reach the maximum level as from 1st March 2018. The measure is motivated by the low remuneration of the sector - despite several pay rises in the last year, which is among the lowest in the public sector employees. For instance, in June 2017 the average net wage in the health care system was [2672 Lei](http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/cs06r17.pdf) (apr. 593 Euro), slightly above the national average net wage of 2380 lei (528 Euro)..

Additionally to the pay rise planned for 1st January 2018 in the health sector, the wages in the education sector will also be increased from 1st of March 2018. Following the implementation of the law, a teacher starting his/her career in the pre-university education system will receive a wage of 4098 Lei (about 910 Euro at the current ex-change rate) up to 2022. Similarly to the health care sector, the wages in the education sector are among the lowest in the public sector – in June 2017, the average net wage was [2345 Lei](http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/cs06r17.pdf) (apr.521 Euro), slightly under the national average wage.

Another important modification brought by the Law 153/2017 is a pay equal to 75% of the basic wage payable for extra-hours. Prior to the law, the employees of the public system that worked extra-hours could not be paid and were entitled, instead, to free hours or days as a compensation. The law provides now that employees working during legal holidays and weekends will be entitled to a 100% extra-pay if the compensation in equivalent free hours/days is not possible within a period of 60 days. Also, the public sector’s employees will receive a yearly vacation allowance, equal to a gross minimum wage.

The law will impact approximatively 1,19 million employees currently working in the public sector.

***Social partners’ reactions***

Some of the employers’ organizations, such as the National Council for Private Small and Medium Enterprises of Romania (CNIPMMR) criticized the law’s provisions, warning that the wage rise might trigger a high migration from the private to the public sector, more attractive with higher salaries. CNIPMMR stressed that the public sector employees already earn, in average, 19% more than the employees of the private sector. On the other hand, the Coalition for Romania’s Development (CDR), an informal business association that have employers’ organizations like Concordia amongst its members stated that pay rise is a necessary step to act against the low wages trap, but that the budgetary impact must be carefully analyzed.

The trade unions have opposed to the new law provisions before its adoption. In May 2017, about 22.000 employees of the Finance Ministry have protested in reaction to the provision of the draft law on unique pay. Other protests have been organized in May and June by the trade unions form public administration, police, education.

Although many of the trade unions’ requests have been included during the negotiations in the Parliament, in June 2017, CNS Cartel Alfa – one the five representative trade union confederations - sent a public letter to the President Klaus Iohannis asking that the law should not be promulgated, pointing to the inequalities that the law would generate. According to Cartel Alfa, the exclusion of some categories, such as mayor, vice-mayor and presidents of the county councils from the law provisions will result in new discrepancies between different institutions of the local administration.

***Overview***

Recent [data](http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/cs06r17.pdf) of the National Institute of Statistics indicate significant wage increases in the public sector already prior to the adoption of the unique pay law. The biggest increase was in the public administration sector, where the average net wage in June 2017 was 720 Lei (160 euro) higher than in June 2016, followed by the health care system, that registered an increase of 703 lei (156 Euro) - more than twice the increase registered by the national average wage, that raised with 302 Lei (72 Euro). The wages in the education system increased with 413 Lei (91 Euro) in June 2017 as compared to the same month of the previous year. Currently, Romania spends 8% of the GDP on wages in the public sector and the share of public salary expenditures is expected to increase to 10% in 2020 and to 12% in 2022, according to the [Fiscal Council](http://www.zf.ro/zf-live/zf-live-dezbatere-tema-legii-salarizarii-unitare-adrian-marius-dobre-secretar-stat-ministerul-muncii-salariul-unui-profesor-gimnaziu-ajunga-minim-1-000-euro-net-2020-16229533). In [2009,](http://cursdeguvernare.ro/remunerarea-muncii-private-relatia-cu-pib-ul-si-cu-salariile-de-la-stat-de-ce-e-romania-codasa-si-aici.html) the public employees remuneration in GDP was 9, 9% and decreased to 7, 1% in 2011, following the 25% cuts in the public wages operated in 2010.

Although the need for higher wages and the reduction of the pay gap are almost unanimously admitted by social partners and other stakeholders, the financing of the wages’ reform operated by the new law raises some serious questions. The law does not calculate the budgetary impact and does not indicate the source of financing. In an attempt to increase the budgetary revenus needed for the wage increases provided by the law 153/2017, the Government announced in July 2017 a series of highly controversial fiscal and economic measures , such as replacing of the profit tax with tax on turnover for companies, additional taxation of higher wages, introduction of a maximum threshold for maternity leave indemnity or the interdiction to cumulate the pension and wage in the public system might represent an attempt to find the necessary financial resources.