

Emerging Markets Queries in Finance and Business

Pay trends in European Union

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Abstract

The promoted wage policies at the national level influence the employment packages offered by public and private companies in that country. At this point, there are commitments and recommendations coming from Euro Plus Pact Commitments (2011) and European Commission- which protects the supranational interests of the European Union, on pay systems improvements that Member States of European Union should implement. This article's purpose is to offer a clear image of the wages and performances of the employees from European Union between 1998 and 2013 that conduct to these recommendations. In order to accomplish the main objective, there are analysed in the Member States statistics like: level of compensation per employee, average annual growth rate of pay, actual compensation per employee, real and nominal collectively agreed wages. In addition, there are explained some correlations between wages and labour productivity that are contingent on the period that is looked at.

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1. Introduction

There are many definitions and concepts as well that currently are used to explain payments related to employees that are working in different types of companies. While Michael Armstrong includes the financial rewards and the non- financial ones in total rewards (Armstrong, 2009), Richard Kantor and Tina Kao bring well- based arguments in order to sustain that total reward is „everything that an employee gets from a company” (Kantor and Kao, 2004). The official statistics regarding payments at the European level refers to the wages of the employees in various sectors of activity and contain financial earnings stipulated in the

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employment contracts that regularly came to the employees (e. g., monthly, bimonthly). Earnings statistics “vary with regard to periodicity of the data collection (biannual, annual and four-yearly), coverage (economic activity, enterprise size) and units of measurement (hourly, monthly or yearly earnings)” (Earnings, 2014).

In present, European Union it is quite varied across the Member States in pay setting and practicing. National legislation, the main activities that are producing added value to the national economy, or the simple presence of qualified human resources- are examples of factors that definitely influence the level of wage/ compensation from a country. In fact, there are a lot of elements that influence pay trends from European Union area (Aumayr-Pintar, et. al., 2014):

- The existence of multiple types of bargaining at the same time;
- The possibility to connect bargaining at different hierarchical levels;
- The possibility to extent how rewards vary from different levels across organizations, branches or sectors;
- The fact that the timing of bargaining rounds;
- Legislation of the states (e. g.: compulsory minimum wages established by the governments);
- The mechanism of pay indexation implemented;
- The possibility for special sectors to became “pace- setters” for other bargaining rounds.

The analysis for pay trends it is useful to improve the performance of the employees. When it comes to measure the results, the employers are interested in each and every employee’s productivity. Thus, it becomes essential to get a global view of the relationship between wages and/or compensation and labour productivity and then to discover what strategies can be applied to increase the profit for the organisations.

According to the European Union, there are three main points related to the connection between employees productivity and their rewards, as it fallows (Aumayr-Pintar et. al., 2014):

- There is no predefined direction between productivity and performance: both can decrease or increase;
- Labour productivity it is a key factor when negotiating the annual/ monthly salary;
- The improvements of the employees’ s productivity can be influenced by vary factors, such as: the intensity in working time, the increasing of the capital productivity, the increasing of the capital intensity or technological changes.

The idea of this article is to compare the payments trends in European countries between 1998 and 2013 using indicators like- compensation, annual growth rate of pay, real and nominal collectively agreed wages and productivity- where possible. We specify that at this point it is not intended to rank a pay system, but only to identify the trend and to put it in the front of the action requested by the European Commission in different reports, the most important being- Euro Plus Pact Commitments (2011).

2. Methodology

The present research started from the idea of comparing compensation/ wages from different countries from European Union using existing data in different reports that are constantly published by central organizations. In other words, the main questions from the beginning were:

1. What are the differences related to compensation/ wages in European countries over time?
2. How can be explained pay trends?
3. To what kind of decision conduct these descriptive statistics?

Regarding the analysed period, it was used available data between 1998 and 2013 from all countries from European Union coming from official statistics published on the main portal. It is necessary to point out that sometimes occurred lack of information or no access for different countries statistics. However, in general, the missing data from the reports appeared since countries joined European Union in different years, so the existing data was available after adhesion. For example, while United Kingdom joined the European Union in 1973, Sweden, Finland and Austria in 1995, countries like- Czech Republic, Slovenia, Slovakia, Lithuania, Latvia, Hungary, Estonia and Cyprus acceded the economic organisation in 2004. The latest state which has adhered the European Union is Croatia, and entered in the Union last year. This discordance between the periods for

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