SHARE OF THE WORK IN THE NET ADDED VALUE PRODUCED IN THE NATIONAL ECONOMY

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Abstract:

The paper addresses the concept of net added value, distribution and redistribution of net added value in the national economy. The dimensions of the concepts and the determined behaviors are closely related to the evolution of the national economy, but also to the state's power of intervention through income policies. The purpose of the paper is to present an analysis of the factors that determine the share of work in the net added value produced by the economy. In conclusion, the paper highlights the impact of the fiscal solutions adopted in Romania and will be debated how the net added value produced in the economy can be fairly distributed between, employees and the public budget, based on the criteria of equity, efficiency and sustainability.

Keywords: *net added value, distribution and redistribution, income policies, fiscal policies, work*

JEL classification: E64, J30, D33

Introduction

This research paper is based on the own research of the draft year „A model of analysis of the distribution of the net added value produced in the national economy between financial capital, salary and the public budget"

The dynamics of capital accumulation, the concentration of wealth and implicitly of power in an overwhelming share in the hands of a few people, the increase in inequalities require the verification and re-verification of the fair distribution of income among people. The dimensions of the concept and the determined behaviors are closely related to the evolution of the national economy, to the power of intervention of the state. An important chapter of the project is the analysis of the factors that determine the share of labour in the net added value produced by the economy, in the case of Romania, as an EU member state.

The main objective of the large project aims to score a topical, renewed theoretical framework, bearing in mind that although the concepts and problems addressed are interdependent, the logical theoretical approach of each one involves distinct considerations, an unbiased approach anchored in the analysis of empirical data ultimately lead to a analysis model of the distribution of the net added value produced in the national economy between financial capital, salary and the public budget without creating confusion.

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A suite of intermediate objectives competed for the achievement of this objective:

• Contextual and conceptual framing of the net added value produced in the economy and the need to distribute/redistribute the net added value based on criteria of equity, efficiency, sustainability

- the result: a conceptual clarification based on the literature review of recent years

• Checking how the dynamics of capital accumulation, the concentration of wealth and implicitly power in an overwhelming weight in the hands of a few people has led to the growth of inequalities and, as a consequence, requires the re-examination of the models of fair redistribution of income between people

- the result: an analysis of the relevant criteria for fair distribution of the net added value produced in the economy, between the three actors – entrepreneur/shareholder, employee, state

• Identifying several possibilities for evaluating the impact of the distribution of the net added value produced in the economy on the labor market, based on the equity criterion

- the result: suggestions regarding the use of the proposed model for behavior change

• Considerable influences of the effects of the COVID-19 pandemic

- the result: marking the place and role of digital transformation processes in the national economy in the context outlined by the study.

Stages completed in the elaboration of the work:

• documentation (consulting specialized literature and identifying representative works from the studied area, as well as consulting reports, studies and analyzes aimed at institutions with direct attributions or related to the researched topic);

• research of empirical facts (study, interpretation, analysis of data and information from

economic reality);

• elaboration and presentation of intermediate papers in conferences, as is this one;

• elaboration, drafting of the final work.

For conference presentation, however, we focused on the general theoretical framework based on the models, methodologies, methods and tools studied in the literature review. This work paper will be limited to reviewing the concepts in the literature and exposing some elements of analysis.

This article reviews the long-term developments and knowledge in the distribution of income and wealth, but the focus is on developments in recent years. Key theoretical concepts, empirical analyses, suggested explanations for observed patterns, and implications for changes in government strategies and policies are discussed.

In the last two years probably a large number of opinions, reports, studies have been written that address the concepts included in our proposal, but we consider that the field is still very fertile and topical. Figure no. 1 represents a diagram of the conceptual framework approached in the investigative approach.

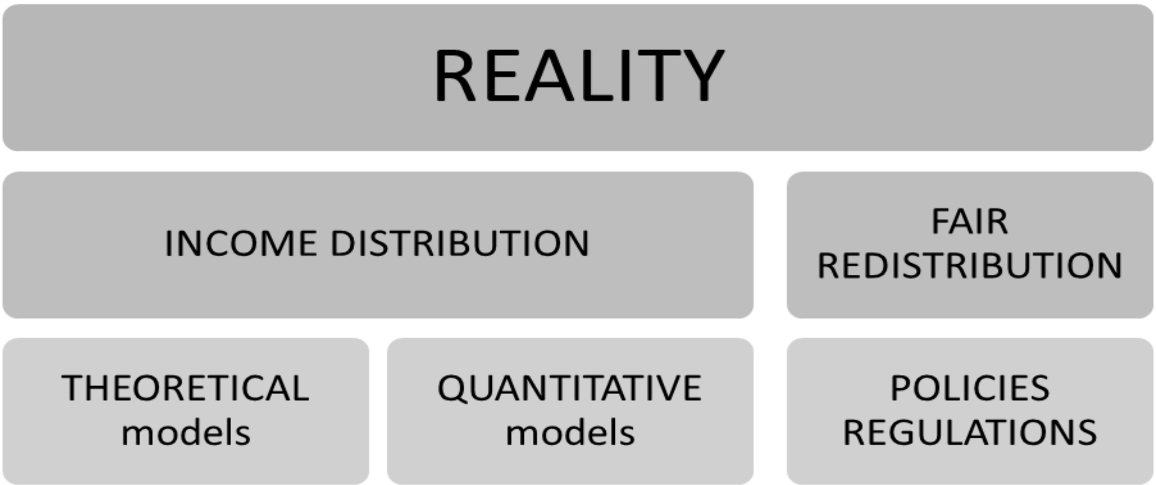

Figure 1Structure of the investigation

Source: author's conception

The figure shows the hierarchical grouping, from top to bottom, of the sets of information necessary and useful for research, starting from the observation of reality, without representing the relationships between the blocks, these being specific to time periods, authors, and sometimes public policy decision-makers through their interventions .

Literature reviews

For the purpose of the paper, we divided the main sources of documentation as presented in table no. 1

Table 1

Review of the literature on the distribution of Net Value Added produced in the economy

Theoretical models	Empirical Models	National Accounts System	Official reports and programs
Minsky, H. (2008)	**Minsky, H. (2008)**	**The National Accounts System** is the national record system that is the basis for the calculation of macroeconomic indicators of results, **Carp and all (2017), Anghelache și Sacală (2020)**	**ILO** **OECD** **FMI** **WBG**
Becker, G. &Posner, R. (2009)	**Piketty, (2013)**		
Piketty, (2013)	**Galbraith, J.K., (2015)**		
Galbraith, J.K., (2015)	**Georgescu, F. (2018)**		
Georgescu, F. (2018),	**Păuna B, Georgescu Fl. (2021)**		
Komlos (2019)	**Emilian Dobrescu, (2021)**		

Source: author's conception

"How to stabilize an unstable economy" Minsky, H. (2008), is an alternative analysis to Keynes through the system of two prices (for current production and for assets) and the lender of last resort. He disapproves of state aid because it encourages unemployment and supports inflation. Minsky used Kalecki's Equation for the proposed Reform Agenda, which refers to the Big State, a balanced budget, an employment strategy and tax reform.

Becker, G. and Posner, R. (2009) "Out of the ordinary sense - economic perspectives from marriage to terrorism" - an approach anchored in reality sustain:

- the remuneration of executive directors, especially in the USA, is correlated with the financial value of the company managed and the volume of managed resources

- Investing in education is beneficial

- The problem of income inequality should not be confused with the problem of poverty

Piketty, (2013) in "The capital in the 21st century" has the following ideas:

-Labour income inequality can be a race between education and technology and social groups, because if the supply of skills does not grow at the same pace as technology needs, then groups whose training has not progressed will have low wages and depreciated jobs, which increases inequalities in relation to work.

-Labour market regulations depend on the perceptions and norms of social justice of the respective society.

- Modern redistribution is a matter of fiscal progressivity.

He supports the exceptional tax on capital, and he considers inflation an imperfect substitute for the progressive capital tax. Piketty analyzes inequalities starting from distribution tables, which show the shares of different deciles and centiles in total income and total wealth, instead of using synthetic indicators, (Gini indicator, e.g.). Also, he analyzes the inequality of income from work and the inequality of capital holdings based on the data from 1910, respectively 1810 to 2010 and makes forecasts until 2100 or 2200.

Galbraith takes the concepts I (increase in inequality between 1980 – 2000), II (decline in inequality), III (measures inequality at the level of the globe) of income distribution between countries, from Milanovic, economist of the World Bank. He dealt with the distribution of expenditure in India, the Palma Ratio, the Lorenz Curve, the Gini coefficient, the Quantile Distribution, Theil's statistics - the intergroup method, the Augmented Kuznets Curve, the low interest rates and the low prices of raw materials that in his view caused free markets to abandon fairness.

An analysis and interpretation of Romanian statistics considering the ratio between capital and labor factors, an expression of the effectiveness-equity relationship, is offered by Georgescu (2018) starting from the general equilibrium theory and Pareto's optimum.

The author claims, arguing that, in Romania:

- the state favored capital and weakened the bargaining power of labour instead of the "flexibility of labour" the precariousness of labor and the consolidation of the power of capital took place;

- incomes from work are strongly polarized;

- since 2005, social disparities have deepened significantly;

- the evolution of the share of wages in GDP is in decline;

- fiscal policy is an essential lever for ensuring the sustainable balance between the remuneration of labor and capital, especially through the progressive taxation of global income.

His work emphasizes that the level of tax revenues and that of total budget revenues are very low in Romania.

Komlos (2019) argues against the model of efficient markets, argues for the need to systematically search for ways to improve the production, consumption and distribution of resources.

It supports the use of the minimum wage as a lever to balance income distribution. The author is convinced that economic growth, in itself, does not lead to satisfaction in life, and poverty can be combated through education.

Emilian Dobrescu, (2021) offers an interpretation of market conditions by including the potential output in the model.The measurement of potential output was approached in economics from a supply and demand perspective, focusing on market conditionalities and providing a macro-model (EUMOD21) as a calculation tool for the period 1996–2019. The potential production estimates obtained with the proposed methodology are compared with those calculated by EU-DGFIN using the production function method (close to the supply-side view).

According our proposal to systematize the literature:

• **macroeconomics and macroeconomic analysis -** Smith (1970) Usher (1980), Barro (1987), Sargent (1999), Dornbusch, Fischer and Startz (2007), Turnovsky (2000), Piketty (2002), Minsky (2011), Anghelache and Sacală (2016), Piketty (2015), Stiglitz (2016), Georgescu (2019);

• **economic thinking models -** Heyne (1991); Bekerman (1968), Dinga (2011), Mazzucatto (2019,2020), Dobrescu (2021);

• **NAS-** the macroeconomic accounts determined by multiple aggregations and syntheses of the information contained in the accounts compiled by economic subjects, economic sectors and branches at the level of the entire national economy **(**Anghelache, Mitruţ and Voineagu (2010, 2013)**, the European EAS 2010 methodology, the IMF methodology, etc.**

• **econometric** modeling - Bekerman (1968), Alesina (1991), Perroti (1992), Barro (1987), Dobrescu – the Romanian model (2013, 2021, 2022);

• **public value, public policies -** Weber (2004), Jessop (2015), Jørgensen and Bozeman (2007); Benington and Moore (2010), Alford and O'Flynn (2011), Nabatchi (2018), Mazzucato and Ryan-Collins (2019**).**

We can observe that:

The recent works revalue established classical texts because the stated principles seem to maintain their relevance (Smith – personal interests, wealth and power, Turgot – inequality in the distribution of property, Rousseau, Sen – justice of distribution, Keynes – macroeconomic issues).

In SNA, conceptually, net balancing elements may be more meaningful because they take into account the sustainability of the use of capital. However, gross balancing items are also used because they are easier to compile than net balances. To accommodate both solutions, dual presentation of gross and net balances is allowed.

Measuring the inequality of income distribution through indicators is of significant importance.

Conceptual aspects

In economic terminology is utilised aggregate supply of gross national product analysed in terms of supply produced in the national economy si aggregate demand or gross national product analysed from a demand perspective represents the destinations of national income (consumption, investment, export, import), using distinct models, which include economic multiplier (of investments, government expenditure, transfer payments, taxes, balanced budget), the economic accelerator, the attractor, the automatic stabilizer, the rezilientor, the public value, etc. Potential GDP (output) is the level of income that can ensure sustainable economic growth while efficiently using the factors of production, in particular the labour factor, without generating macroeconomic imbalances (inflationary pressures and the accumulation of deficits). Sometimes it is also called full occupancy income, a state otherwise impossible from the perspective of analyzing the output gap variation.

Real GDP (the one actually recorded in the analysis period) depends on the productive capacity of an economy, and this is determined by the resources available to the economy, such as the size of the capital stock, labour force, as well as other factors (demographic, educational, technological level).

The change in the output gap (of the current GDP gap versus potential GDP may be greater than or less than 0, which leads to an increase or decrease in inflationary pressure, underemployment or over occupation. In the nil situation we return the impossible situation, that of full occupation.

Fiscal (budgetary) policy is the instrument used by the government to influence incomes and expenditures, demonstrating the capacity to intervene on the 3 indicators: unemployment (employment), inflation, prices.

The national income (NI) represents the income obtained by the owners of the factors of production through which their contribution to the production of material goods and services is rewarded.

The classic function of the state is to provide public goods and services for citizens.

The distribution of direct income from the economy is determined by the owners of the factors of production who directly participated in their creation (profit for entrepreneurs/ shareholders, salary for the holders of the labour factor , named labour force or human capital, interest for holders of financial capital, annuity for landowners.

Reduce inequality within and among countries is posible by adopting policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality. Redistribution is necessary because the distribution of primary income, does not provide income for all members of the society.

Redistribution reflects the fact that the state is "rooted in a relational ontology of public goods, services, goods, resources and values" Bozeman (2007). Within contemporary states, public activities therefore also include services related to fiscal, monetary and industrial policy.In essence, public value describes what is legitimately created and supported by the government on behalf of the public (Nabatchi, 2018).

Key political areas where public value is created in government include education, health, pensions and the environment, cf. Benington and Moore (2010).

The taxation of income, consumption and other taxes and duties levied by the state become budgetary resources (state budget, local budgets, social insurance budget, etc., respectively the general consolidated budget) constitute secondary income (derivatives).

The budgetary resources are intended to cover the expenditure of those activities that are not productive, but necessary in any society: education, health, culture, public administration, defense, public order, protection and social assistance, especially for disadvantaged and vulnerable categories, etc.

Labour is the most dynamic factor of production at both microeconomic and macroeconomic level. From the confrontation of demand with labour supply result the size and dynamics of the nominal salary , and the deflation of nominal wages with inflation (indicating the purchasing power of the nominal salary) leads to the concept of real wage.

Labour share of Gross Domestic Product (GDP), comprising wages and social protection transfers, is the total compensation of employees given as a percent of GDP, as a measure of total output. It provides information about the relative share of output which is paid as compensation to employees as compared with the share paid to capital in the production process for a given reference period.

In the short term, the level of actual output (national output) can be indirectly changed by fluctuations in the employment rate; theoretically, it is considered to be the optimum degree of employment up to the limit of natural unemployment, an essential condition, in order to achieve a balance at macroeconomic level in any economy.

The most pressing objectives of economic policies in any country are to increase employment and reduce the unemployment rate. It is important to take into account the labour income of the self-employed (half of the global workforce, according ILO), especially as a element of comparabilitty in the states of different region. Economic models divide self-employment different groups, such as free lancers (own-account) workers, contributing family workers and employers.

The labour income of each group mentioned is calculate based of the microdata, and the results means the share of total income that accrues to labour:

Share Labour Income =Labour Income/GDP.

All those employed people who have a job contribute to the national output, while the unemployed cannot or will not contribute to the production of goods and services within the economy. It is therefore assumed that a reduction or decrease in the unemployment rate will be accompanied by a reverse change in the rate of economic growth.

Methodology and Data

The methodology used in carrying out the study consisted in combining several types of analysis:

• theoretical, logical analysis of the concepts of net added value, distribution and redistribution of added value in the economy, resources, capital, wages, public budget, based on an extensive theoretical and bibliographic documentation

• methodological analysis of identification, creation, reporting and analysis of the public budget, of the net added value in the economy based on SNA

• institutional, procedural and behavioral analysis of fiscal policy mechanisms and the net added value redistribution mechanism

• statistical analysis and interpretation of the economic significance of specific statistical indicators:

• The national public budget – the draft budget for 2022 and previous executions

• System of National Accounts (SNA) - the main macroeconomic aggregates reflected by the accounts that are drawn up in the framework of national accounting by institutional sectors and activities

• documents and analyzes regarding the perspective of the national economy in a European and global context based on the inventory of numerous specific or contextual approaches under the conditions of the shock of the COVID_19 Pandemic, of major macroeconomic disturbances and under the influence of a cluster of crises and vulnerabilities

• Romania's National Recovery and Resilience Plan (PNRR) approved by the EU Council

• with regard to quantitative analyzes and algebraic calculations, I note that a better determination of the role of fiscal policy in the fair redistribution of added value through taxation systems can play a key role in ensuring more realistic forecasts, but certain difficulties in accuracy remain estimates and in extracting unaltered effects.

The statistical data used are from primary sources or compilations made by international organizations: the Statistics Department of the ILO (ILOSTAT), the Organization for Economic Cooperation and Development (OECD), the Statistical Office of the European Union (Eurostat), the World Bank (WB), the Monetary Fund International (IMF), National Institute of Statistics (INS), National Bank of Romania (BNR).

The information and data collected by other organizations, mainly from the private sector, are based on the application of questionnaires on selected samples of the population or businesses or they have processed, in turn, in official national and international sources.

Brief Results and Conclusions

We choose for this paper work to present some relevant issues, according the theoretical aspects described above. As we can see below, the share of the income components, implicit labour income, varied significantly across the EU in latest twenty years.

Table 1 presents the changes to each of the income components between 2001-2021 in EU.

Table 2 Income components of GDP (%)

	Compensation of employees			Wages and salaries			Employers' social contributions			Taxes on production and imports less subsidies			Gross operating surplus and mixed income		
	2021	2020	Difference 2021- 2001 (in pp)	2021	2020	Difference 2021- 2001 (in pp)	2021	2020	Difference 2021- 2001 (in pp)	2021	2020	Difference 2021- 2001 (in pp)	2021	2020	Difference 2021- 2001 (in pp)
EU-27	47,8	48,7	**0,5**	37,8	38,5	**0,7**	9,9	10,2	**-0,4**	10,8	10,3	**-0,6**	41,4	41,0	**0,1**
Belgium (¹)	48,0	50,4	**-3,3**	35,8	37,4	**-2,2**	12,2	13,0	**-1,1**	9,3	8,5	**-1,9**	42,7	41,1	**5,2**
Bulgaria (²)	45,5	45,5	**9,9**	38,5	38,7	**11,3**	7,0	6,8	**-1,4**	10,8	10,2	**-1,4**	43,8	44,3	**-8,4**
Czechia	45,7	46,1	**6,5**	34,7	35,0	**4,8**	11,0	11,1	**1,7**	7,9	7,9	**0,0**	46,4	46,1	**-6,5**
Denmark	52,2	52,1	**1,4**	47,9	47,8	**0,6**	4,3	4,3	**0,7**	13,5	12,6	**-0,9**	34,3	35,2	**-0,5**
Germany (¹)	53,7	54,9	**1,3**	43,9	44,8	**1,5**	9,8	10,0	**-0,2**	8,1	8,2	**-0,9**	38,2	36,9	**-0,4**
Estonia	48,6	51,8	**4,2**	36,5	38,9	**2,6**	12,1	12,8	**1,6**	11,8	11,2	**0,3**	39,6	37,0	**-4,5**
Ireland	26,0	27,1	**-12,4**	21,8	22,8	**-10,8**	4,1	4,3	**-1,7**	5,1	4,6	**-4,6**	68,2	67,4	**17,1**
Greece (¹)	36,6	39,8	**5,8**	28,5	30,9	**4,1**	8,1	8,9	**1,7**	10,9	11,4	**-0,5**	52,5	48,8	**-5,3**
Spain (¹)	47,7	48,5	**-0,4**	36,3	36,8	**-1,1**	11,4	11,7	**0,8**	10,3	9,1	**1,1**	42,0	42,5	**-0,7**
France (¹)	51,4	51,9	**0,3**	38,6	38,8	**1,0**	12,9	13,0	**-0,5**	13,0	13,4	**0,0**	35,6	34,7	**-0,3**
Croatia (¹)	46,3	49,8	**-1,8**	40,6	43,7	**-0,4**	5,7	6,1	**-1,4**	15,7	14,2	**-1,2**	38,0	36,0	**3,1**
Italy	40,7	40,6	**3,7**	29,6	29,5	**2,8**	11,1	11,1	**0,9**	12,4	11,6	**0,2**	46,9	47,8	**-3,8**
Cyprus (²)	44,9	45,7	**5,6**	35,9	37,0	**2,9**	9,0	8,7	**2,8**	11,6	10,7	**1,0**	43,5	43,6	**-6,6**
Latvia	49,9	51,7	**9,7**	41,1	42,4	**8,2**	8,8	9,2	**1,5**	11,7	11,5	**0,4**	38,4	36,8	**-10,2**
Lithuania	48,9	48,4	**11,1**	47,3	46,8	**17,5**	1,6	1,6	**-6,4**	9,8	8,0	**-1,6**	41,3	43,5	**-9,5**
Luxembourg	47,2	49,7	**-1,5**	41,0	43,1	**-1,2**	6,3	6,6	**-0,2**	10,7	10,2	**-1,1**	42,1	40,1	**2,6**
Hungary (¹)	40,2	41,3	**-4,7**	35,3	35,8	**1,1**	4,9	5,5	**-5,8**	15,5	15,7	**1,8**	44,3	43,0	**2,8**
Malta	45,0	46,6	**-0,3**	41,4	42,8	**0,7**	3,6	3,8	**-1,0**	6,2	5,5	**-5,0**	48,9	47,9	**5,4**
Netherlands (¹)	48,7	50,3	**-0,9**	38,2	39,3	**-1,6**	10,6	11,0	**0,8**	9,0	7,6	**-1,4**	42,3	42,0	**2,3**
Austria	50,3	50,7	**2,4**	41,4	41,8	**2,1**	8,8	8,9	**0,2**	9,3	8,6	**-3,3**	40,4	40,8	**0,9**
Poland (²)	38,6	39,7	**-3,4**	32,5	33,3	**-2,6**	6,1	6,4	**-0,8**	13,2	9,7	**0,9**	48,1	50,6	**2,4**
Portugal (¹)	48,8	48,8	**0,6**	37,9	37,9	**-0,8**	10,9	10,9	**1,4**	12,5	12,1	**0,9**	38,7	39,1	**-1,6**
Romania (¹)	38,1	39,5	**-3,4**	36,3	37,7	**2,3**	1,7	1,8	**-5,7**	9,2	8,6	**-0,5**	52,7	51,9	**3,9**
Slovenia	51,7	53,8	**0,8**	44,5	46,2	**0,2**	7,2	7,6	**0,7**	10,4	8,2	**-3,0**	37,9	38,0	**2,2**
Slovakia	44,1	44,4	**4,8**	33,5	33,7	**3,3**	10,6	10,7	**1,5**	10,2	10,2	**0,8**	45,7	45,4	**-5,7**
Finland	46,4	46,4	**0,1**	38,6	39,0	**1,8**	7,8	7,4	**-1,7**	12,0	12,0	**1,0**	41,6	41,6	**-1,1**
Sweden	47,8	48,6	**1,8**	39,6	40,4	**0,4**	8,2	8,2	**1,5**	19,5	18,8	**-1,4**	32,7	32,6	**-0,4**

Source: Eurostat (online data code: nama_10_gdp)

Source: Eurostat (online data code:nama_10_gdp)

The evolution over the last 20 years shows the clear impacts of the economic and financial crisis and of the COVID-19 pandemic in 2020. We observed a decrease of compensation of employees and increase in profit shares in relation to rather high increases of GDP, between 2000 and 2007. During the crisis, GDP decreased by 4.3 % in 2009 and profits took the biggest hits, and the share of compensation of employees remained resilient. After the crisis, indicator remained relatively stable until 2019. The covid 19 pandemic since 2020 has produced disruptions that will continue in 2021, as we can see in figure 2.

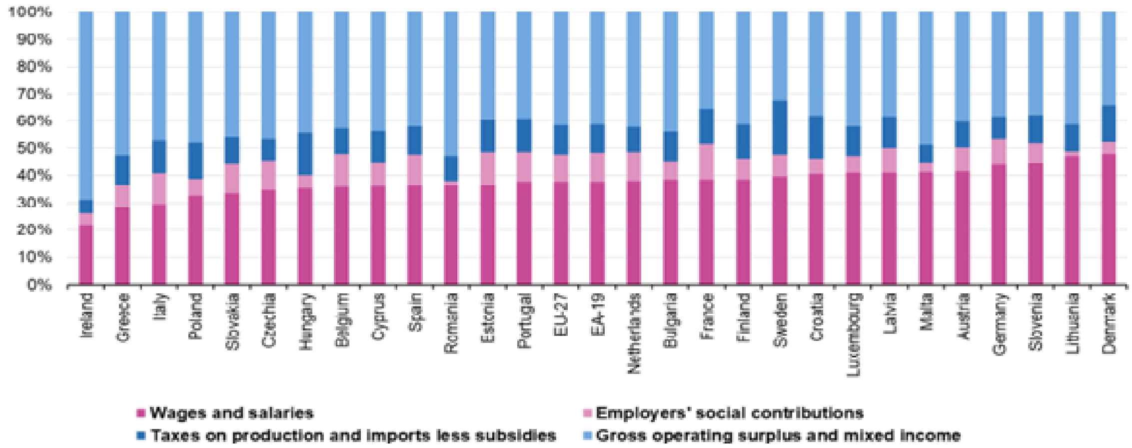

Figure 2 Income components to GDP in EU, in 2021 (%)

Source:Eurostat (nama_10_gdp)

By fig. 2 we can see Denmark (47.9 %) and Lithuania (47.3 %), accounting for 45 % and over share of GDP for wages and salaries, more than the EU average. Ireland (21.8 %), Greece (28.5 %) and Italy (29.6 %) recorded the lowest proportions. Romania (1.7 %) plus another five countries (Lithuania (1.6 %), , Malta (3.6 %), Ireland (4.1 %), Denmark (4.3 %) and Hungary (4.9 %)) reported an employers' social contribution of less than 5 % of GDP.

The share of wages and salaries has slightly risen in the EU, (from 37.1 % in 2001 to 37.8 % in 2021, or +0.7pp), were recorded significant decreases in the share of this component in Ireland (from 32.6 % in 2001 to 21.8 % in 2021, or -10.8pp), Poland (-2.6pp) and Belgium (-2.2pp).

The evolution of earnings by salary for Romania could be see detailed in fig. 3.

Figure 3 Salary earnings in Romania

Source: authors' processing according to INS

Figure 3 show as that the increasing tendancy it is maintained after the pandemic Covid-19, mostly because the state intervantion by publiv policies, and reglemem=ntation, like, minimum wage.

Salaries are the primary method of payment for the work performed by employees within an organization, but benefits and salary bonuses may also be offered. In Romania, the monthly minimum wage was established at 2300 RON (under 500 Euro) in 2021, and in 2022 it increased to 2550 RON (approx. 500 euro), and it will expect to be 3000 RON (600 euro) in 2023, see figure 4.

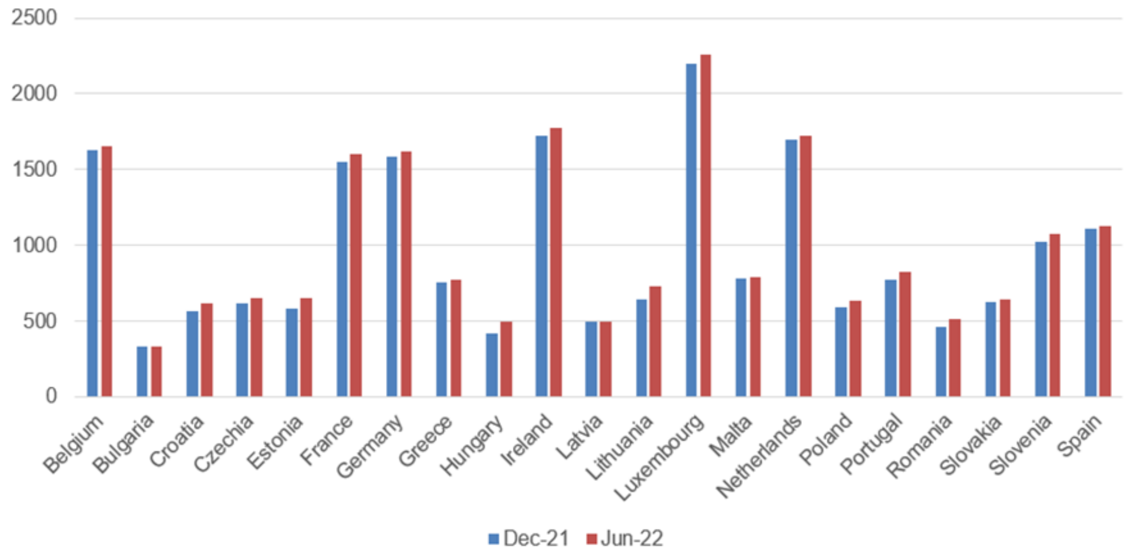

Fig.4 Minimum wage in EU member states (euro)

Source: authors' processing according to TheGlobalEconomy

Figure 4 reveal that Romania has a minimum salary somewhat higher than in Bulgaria (399 euro / month), but much lower than in Luxembourg (2387 euro / month). It must be noted that Italy, Denmark, Austria, Finland and Sweden, doesn't have national minimum wage. According the analyses, in 2018, in Romania (with 61 %), minimum wages represented over 60 % of the median gross earnings close with another 3 EU Member States: France (66 %), Portugal (64 %), Slovenia (62 %) The minimum wages ranged between 50 % and 60 % of the median gross earnings in eleven Member States: Bulgaria (59 %), Hungary (58 %), Luxembourg, the Netherlands and Poland (all 57 %), Ireland (53 %), Germany and Slovakia (both 52 %), Greece (51 %), followed by Belgium and Lithuania (both 50 %). In six Member States: Czechia, Croatia and Latvia (all 49 %), Spain (44 %), Malta (43 %) and Estonia (42 %), the minimum wages were less than half of the median earnings.

A shift in wages to aggregate demand can be negative, as price volatility increases, jobs become unstable, purchasing power decreases, etc. Rigidity of employment contracts manifests itself on the rigidity of real wages. Nominal wage rigidity favours persistence of unemployment.

Long-term and very long-term unemployment, disposable income or poverty can be associated with health and well-being.

Optimal production measurement remains an open problem, with several solutions possible. Increased production and GDP often lead to improved living standards of individuals in the economy, but this will depend on the distribution of real income and public policy and many others factors.

Spending on basic public services is also associated with an improvement in the unemployment situation, albeit in a more limited way. The results of the analyses suggest the positive role of active employment and income redistribution policies

What constitutes public value is constantly evolving, because it reflects the social demands on the state.

For any given level of GDP and profits, the labour income share can fall as a result of falling wages, falling earnings of the self-employed, changes in the composition of employment by income or a combination of these.

Work time (number of hours worked, extra work, programme of the work), type of employment contracts (fixed period, part-time, temporary projects, free-lancing, on demand), working conditions (minimum wage, annual leave, benefits for birth child leave), adaptability of the workforce (mobility, training, change culture, agility) etc. are factors with major influences regarding share of work in value added in national economy.

The share of labour compensation in national output can highlight the extent to which economic growth translates into higher incomes for employees over time (and/or higher earnings for the self-employed). In periods of economic recession, the labour income share provides an indication of the extent to which falling output reduces labour income relative to profits.

Future Directions

In future research, we intend to approached as research topics:

- the economic impact of the tax reform in the EU

- the financing of the tax reform in Romania.

Methodological we will research, not only through an econometric modeling, but also identifying patterns and differences in individuals ’reactions for various categories of incomes and taxes, by conducting analysis of labor market transitions.

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