

Current Research on Flexibilizing the Labor Market⁽¹⁾ – first part –

Daniel ȘTEFAN

Christian University “Dimitrie Cantemir”, Bucharest
stefandaniel73@yahoo.com

Costantin ROMAN

Bucharest Academy of Economic Studies
roman_costantin@yahoo.com

Abstract. *Increasing the competitiveness of companies is closely linked to its development of a strategic human resources management. Such a trend has emerged in response to dynamic environment, most of organizations including human resources function in the global strategy, based on the fact that human resources can have a decisive influence upon the success of an organisation. In these conditions, the main concern of the entities is to locate and identify the human resources to ensure their competitive advantage in an international environment. Under conditions of globalization process amplification, human resources should be managed as investments, the organizations will consider human capital as a cost of work required and will have very small chances of success.*

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Introduction

The intensification of competition at international level, as result of amplifying the globalization process, and progresses registered in managing human resources determine us to recognize the important role of human resource management as being one of the most important factors for success. The influence of certain factors on the international development of a company is well known, e.g. cultural diversity, international migration of labor force, development of market relations and competition in an international context, etc. This has immediately resulted in intensifying efforts of entities in preparing their own employees and their families, thus highlighting the fact that exploring the international dimensions of the activity of human resources has become, at the level of multinational entities, one of the most important activities of the human resources department.

Apparently, there still is an imbalance between focusing efforts to internationalize human resource activities and the attention granted to this phenomenon, with emphasis on the first of the two components. The internationalization of activities of entities and education institutions, as a result of the globalization process, will have, in turn, as main effect, the highlighting of content and importance of the international management of human resources. The increasingly large number of conferences and seminars on the internationalization of activities of human resource management, simultaneous with the intensifying of efforts in this direction, demonstrate the increased attention granted to this field by specialists, managers, researchers and even students, to the same extent. Perhaps the most important recognition of these tendencies is represented by the application the international management of human resources within more and more companies. The tendencies of internationalizing the activities of entities increase attention granted especially to activities of the human resource departments, as one of the key factors for ensuring success.

We can assert that we are assisting, in the latest period, to an increase of importance of human resource departments within companies, especially as a result of rapid changes of the external environment. The demographic and labor force evolutions, global economic conditions, legislative frame, technological developments are challenges to which entities can resist. Because these challenges directly influence human resources and the necessities of an organization for surviving and being competitive, it is necessary to reconsider the function of human resources in an international environment.

The effects of globalization are also felt at the level of human resources, and the globalization process amplifies the international dimensions of human resource management. This is why it does not come as a surprise that, under the

increasing international competition and the increasing number of companies, the largest part of the labor force develops its activity outside national borders.

We can unequivocally assert that, at present, we are witnesses of the development of a multicultural labor force, as result of the interference of different national cultures.

Performing activity in an international competition frame even implies a redefinition of the role of the human resource department of a company, as it is characterized by:

- the capacity to react on a highly competitive market, within global business structures;
- tight relations with the strategic plans of the company;
- involvement of both managers and employees in formulating and implementing objectives;
- orientation towards quality, productivity, team work, labor force flexibility.

Such an approach involves a collaboration relationship between the human resource department and the superior management of the organization, so that human resource managers become the central element of all activities of a company.

Increasing the competitiveness of companies is closely linked to its development of a strategic human resources management. Such a trend has emerged in response to dynamizing the environment, as the majority of organizations include the human resources function in the global strategy, based on the fact that human resources can have a decisive influence upon the success of an organization. Under these conditions, the main concern of entities is that of localizing and identifying human resources which ensure their competitive advantage in an international environment.

Duerr M.G. asserts, referring to the need of highly trained human capital, the following:

Logically, any problem, regardless of the level where it occurs, national or international, is created by man, but ultimately the man is the one who resolves it. Thus, having the right people at the right place and time represents the key which ensures the success of a company on international level. If we manage to solve this problem, it means that we will be able to solve, much faster and easier, all the others.

In the opinion of Dowling P. and Schulerr R., the main factor differentiating the national or entity's management from the international management of human resources is represented by the categories of employees in multinational entities. This means that, in a broader sense, the international

management of human resources includes all the other functions of human resources management, but in numerous cases the complexity of the managerial practice in the field of human resources is underestimated, under the conditions of the existence of multinational entities.

The managerial styles applied in various multinational companies have proved their effectiveness and efficacy internally, but, most of the times, externally, these have led to frustrations and realizations below the anticipated level. That is why, for ensuring its international success, a company must consider not only the financial and marketing aspects, of which many of the decisions depend, but especially the aspects regarding labor force (Manolescu, 2004).

Entities around the world are more and more conscious that, in order to survive, they must be competitive on international markets, to cope with a competition sustained from all points of view.

Studies realized on globally successful companies show that these not only operate on a multinational scale, but also have a work force and an organizational culture which reflects their global market. These companies, among which we can name General Electric, Coca-Cola, Microsoft, Walt Disney, Intel, follow the principle that people are the most important production factor and employ a part of the staff from the foreign country where they operate. Many times, multinational entities, when they expand in a foreign country, they prefer to send their managers and specialists in the field for imprinting the branches with the specific and basic economical principles of the mother-company.

This leads to a migration of work-force through multinational entities. Some companies invest in under-developed countries because there they can find people with great productive potential and who, at the same time, accept lower salaries than in the company's country of origin. For a multinational organization, the management of human resources must take into account the cultural differences and the managerial practice. Although there is the risk that these employees are not familiar with the technology and principles of the company, it seems that, in the end, this is a profitable affair.

The expansion to international level of activities of the human resource management is especially materialized in the transfer of managerial know-how from the field of human resources from one country to another, from the level of multinational entities to its branches or between various companies, regardless of their dimensions or field of activity.

At present, the most ample challenge which the international economic environment raises to the field of human resources is globalization. The Australian Department for Foreign Affairs defines globalization as a phenomenon generated by the action of the following factors: technical progress, labor force mobility, commerce liberalization and know-how transfer.

The significance of the term of globalization can be analyzed and understood from different points of view. Giddens A. and Rowley C. consider that the phenomenon of globalization can be described by three essential characteristics its universal character, economical and social implications which it generates and intensity of manifestation.

In the opinion of specialists from the field of strategic management, such as Floyd D., globalization is analyzed from the point of view of the competitive advantage which can be obtained by a company by expanding its activity at global level.

Analyzing the content of this definition, we can observe that specialists in strategic management underline the fact that the competitive advantage can be obtained by a company if its activity accomplishes the criteria of efficiency, and labor force costs are low. Beyond the action of certain factors, such as free circulation of labor force and goods, these are actually the main criteria which the multinational entities target in the process of activity expansion at global level, by establishing new branches in other geographical areas.

In his paper *Culture and Globalization a Latin-American challenge*, Granell E. describes globalization as a continuous process characterized by the following particularities: development of foreign investments, amplifying export activities and development of strategic alliances at international level, for expanding the activities of entities on new markets. In the opinion of Granell E., globalization does not represent the elimination of each company's local specific and of regional differences, or the imposition, by developed states, of their own models of success, but, on the contrary, globalization implies the integration of differences in a common model, applicable at universal level, of which main purpose is represented by obtaining success. From the point of view of organizations, globalization is perceived as being one of the most important factors which influence their activity.

It is well known that, by its nature, the globalization phenomenon affects in a greater or lower extent the development directions of the activity of each organization, but, from the point of view of the human resource management, the following aspects must be clarified. Can globalization and management of human resources be considered two compatible partners? Which is the influence exercised by one over the other? Are their objectives convergent? Does globalization involve the harmonization, at international level, of human resource management systems from different countries?

In the opinion of some authors such as Ramirez M. and Mabey C., the finality of the globalization process is represented by obtaining success, in conditions of successfully capitalizing managerial abilities and understanding the cultural differences existent from one country to another. Other specialists

consider that, beyond the expansion of entities' activity beyond national borders, the success of organizations in the global context is ensured by the efficient use of human capital. This means that investments in human capital, for ensuring, maintaining, developing and motivating human resources, represent the main premise which the entities must capitalize, for ensuring the competitive advantage.

Under the conditions of amplifying the globalization process, human resources must be approached as investments; the organizations which will consider human capital as a cost imposed by their activity will have very slim chances for success. In the opinion of E. Keep, the entities which, from various reasons, consider that their own staff represents a cost or a good and which do not invest in developing people, can be considered as not applying the management of human resources. The main aspect which must be understood by the responsible factors is that globalization eliminates national borders, and people are the main factor which ensures the adaptability and flexibility necessary for companies in order to achieve success. In the opinion of specialists in the field of human resources, the competence level of human resources managers has a major influence in the process of integrating the strategy of human resources in the global strategy of the organization. In the context of globalization, the management of human resources becomes the main instrument and means through which organizations can ensure their competitive advantage, and the strategic decisions of managers must reflect more and more the commitment to people. The absence, at organizational level, of coherent human resource strategies makes possible the adaptation of organizations to changes of the international environment, as human resource activities must be understood as being interdependent with all the other processes developed at the level of an organization. "This is because in the global era people, not entities, form the adaptive mechanism which determines the manner in which organizations respond to challenges of the environment. The leadership of human resources, as strategic managerial process, is much more difficult compared to the promotion of technical progress or lack of financial resources. Organizations which have learned how to lead their people, applying an effective management of human resources, are much ahead of others, because the insurance and maintenance of the quality of human resources are long-term strategic processes" (Kathri, 2007).

In the context of internationalizing businesses, the function of human resources has gained a key role, being considered a strategic partner which can decisively influence the strategy for development and expansion of multinational entities, both centrally, and at the level of branches.

The globalization of markets and businesses has determined the amplification of the role of human resources within organizations, which imposes an increased attention to elaborating human resources strategies, integrated in the global strategy of the organization, which allows creating the frame for training managers at international level. In this context, a greater and greater role must be given to activities of development of human resources and career management. According to some authors such as Perlmutter H., in the phase of initial development of the international activity, multinational entities adopt an ethnocentric approach, as expatriate managers are transferred at the level of branches in host-countries, for the purpose of implementing at their level the strategies and policies developed within the mother-company. Subsequently, as branches in the host-country are developed, the control exerted by the mother-company over them becomes lower and lower, and the ethnocentric approach is substituted by the polycentric or regiocentric approach. This means that, gradually, the mother-company adapts to the local specific of the host country or of regions where its branches are located, and expatriate managers are replaced by local staff.

Flexibilization of the labor market – recent concept of policies, based on the de-regulation of economies

In the frame of other markets, the labor market, although is one of the most important, is still a derived market. It suffers the influence of other markets and, at the same time, produces effects which can also be found in other economic sectors.

Considering the human capital, we can assert that, as consequence of the cultural, tradition, institutional aspects, this market is a sui generis market, or we can say that it is an imperfect market. Sometimes, the legislative and institutional frame necessary for this market to function is formed in several generations, and the theories trying to explain its functioning also change.

At present, there are mainly two means for approaching it:

- considering human resources as a production factor and, from here, trying to formulate balance conditions similar to those of other production factors, underlining the necessity of adjustments based mainly on price;
- humanist approach, connecting the occupancy and flexibilization to the human development.

Romanian researchers are inclined, by tradition, to use the second approach, but, gradually, the patronal-type approach makes its way, which attributes to the flexibility of the labor market the property of ensuring a normal functioning of this market.

The flexibilization has made its way especially in countries developed in the 8th decade, following the emphasis of the economical crisis and of the impossibility to balance this market by interventionist-type measures.

It is thus considered that reducing some legal norms and rules, meant to increase the degree of freedom of economic agents, can cause disproportions on the labor market.

It must be mentioned that, while in developed countries, a legal and institutional de-regulation process is underway for a decade and a half, in Romania authorities try to establish a new legal and institutional frame, coherent with the competitive functioning of the other markets.

It is important to avoid copying mechanisms existing in the developed countries, but, at the same time, to avoid including rigid elements in the system, which would subsequently be flexibilized.

Regarding this theme, some authors consider that flexibility and flexibilizing must be made for the benefit of occupying labor force. Adjustments can be made, without passing, necessarily, through unemployment. In order for this alternative to become real, it is considered that the economic reform must have as priority objectives the occupancy, training, development and utilization of human resources, and not treating these as a secondary product. This involves passing from passive policies to active ones, based on economic solutions and partnership.

Some natural or acquired rigidities have been consolidated on the labor market, along time. Flexibilization is mainly imposed in the crisis period of the regulation system, of Keynesian type.

Flexibility implies an increased and quick response capacity of the labor market to the signs received from the economic environment, favoring mobility and fluidity of the offer to the variations of labor force demand. It is obvious that flexibility overcomes the rigidity of remuneration and of the salary cost, including employment relations, organization of labor and work time. The market where the elasticity of work forces to variations of the demands is high and prompt is considered to be flexible. Flexibility is required all the more so as an internationalization process of economies and markets takes place, simultaneously with accelerating the technical and managerial progress.

Occupancy structures permanently need corrections, by promoting a new content of qualifying different formulas for organizing work time, new remuneration systems, etc. in report to incidences induced by this type of variations; some economists consider that labor flexibility tends to replace buffer stocks of raw materials, materials.

Flexibility must be perceived in the limits of efficiency, competition, without sacrificing the collective and individual labor security, as Roy Marchal, former American Minister of Labor, also points out, in the foreword to Philip Martin's book, entitled *The mobility of work force and public policy*.

It must be integrated in a global strategy of labor resource management. Flexibility is a means, a solution, among many others, and not the only remedy.

Flexibilizing production systems, transforming labor force in just a simple element of price of cost, can turn out to be a victory a la Phyrus; instituting a too great freedom at employment and dismissing is a two edged sword... Identifying the employee with the fate of the entity is the only thing which can make him progress... For this, it is necessary a certain occupancy stability, a convenient social protection and staff informed regarding the projects of the company's leadership.

On the short term, the effectiveness of flexibilization measures of salary costs, representing a moderation of salary increments, salary rigor and austerity, has any significant effects on occupancy, unemployment and inflation. Although salary and salary cost continue to be approached as main mechanism for regulating labor demand and offer, their rigidity to decreases being considered as a triggering factor and supporter of increasing unemployment, the evolutions from the last quarter of century seem to indicate that the report between labor force demand and offer tends to autonomize itself, to distance itself from the evolution of salaries.

Salaries are to decrease significantly in order for them to have a favorable effect on labor force occupancy and reducing unemployment.

In fact, in certain periods and countries it has been acknowledged that nominal salaries increase with the mass and long-term unemployment and with open inflation, defying certain economical theories.

Unemployment and inflation are also influenced by other factors which act on other markets

- increase of material costs,
- decline of industrial production,
- difficulties of restructuring,
- depreciation of the national currency,
- increase of monetary emission and monetary mass, considering that the national offer for goods and services remains low, and the solvable demand is restricted (by fiscal, budgetary measures, rate of interest, salary, etc.)

In this sense, in a study performed by the International Office for Labor, Robert Boyer – well-known specialist in problems of labor market functioning – mentioned. It would be economically inefficient – and socially dangerous – to make employees pay for imbalances occurred from other parts, e.g. from the international monetary system.

Analyzing the problematic of the labor market, we have acknowledged that, basically, the human society, in its evolution, can be divided in two types of civilizations: non-salary civilization and employee civilization.

The historical experience shows, however, that the process of increasing the weight of employed population is not linear; in different periods, marked by strong crises caused by natural or social disasters, a rebound of employed population can be observed, being considered a type of downfall.

This phenomenon can also be determined by the scientific and technical evolution, insofar as highly trained and talented people withdraw from the labor market and establish their own enterprises in which, assisted by effective computers, produce their own products, which they commercialize, thus entering an exchange report, as product or service owners for money.

How much will the weight of these independent modern individual producers increase, still remains to be seen. Anyway, this phenomenon still remains, mainly, at the level of distance workers, tele-workers, who have moved their workplace from enterprises and institutions to their homes.

Within this labor force segment, there is a great potential; among these, it is possible that a part will become independent individual producers, which will be able to sell their own products, and not the simple work force, which can be considered a progress.

Note

- ⁽¹⁾ In the second part we treat the issue of outsourcing human resources and assessing the effects.

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