

## **Current Research on Flexibilizing the Labor Market – second part –**

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**Abstract.** *We try to explain why entities opting for short-term contracts or staffing/personell leasing. These are less common/usual forms of employment and to explain that there are two approaches:*

*- What are the intensions behind the use of these methods and arguments?*

*- What circumstances must solve using such methods?*

*The questions is why some companies use more staffing/personell leasing than other contracts. What factors influence a company's decision to adopt these unusual methods for the employment contracts rather than open indefinitely-term contracts.*

**Keywords:** staff/personell leasing; outsourcing human resources; human capital; employment contract indefinitely.

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### **The intangible capital assets in the actual context**

#### *A new wealth: the competence*

The modern economy is more and more intangible. The service providing entities are more numerous than those in the primary and industrial sectors. Two thirds of the GNP of Western countries are carried out in the service supplying sector (Fustee, 2005, pp. 63-89).

Therefore, without analyzing all the consequences, we entered the information era. In this economy, the new wealth is knowledge (competence). The information often becomes a necessity, its excess or incomplete character being harmful.

This new wealth of the entities, the knowledge as information, has the following characteristics:

- The information is infinite, by advertising, electronic information, by web sites, by reunions and reports. In exchange, the knowledge by science is synthetic, a synthesis for action (to know what to do in line with the objectives set);
- The information is easily transmitted – any relative information regarding the exercising of a profession. In exchange, science is difficult to transmit. In order to become a specialist in a certain field, one must graduate a university, one must update its knowledge by post-university training forms etc.;
- Information has not have a high commercial value. In exchange, science has a high value;
- The information generates entropy while science creates a structure and harmony.

Within the industrial entities the science has become dominant. A traditional industrial entity fabricates glass by using sand. An industrial entity in the science era fabricates microprocessors by using the same sand.

#### *The complexity*

In post-industrial economy, the complexity is ubiquitous:

- In entities with complicated structures;
- In relations between companies because the tendency is to more and more externalize what does not belong to the specialization with the purpose of having performance;
- Because the flows and exchanges are permanently increasing;
- Because everything is based on knowledge and the information of the entity is a very complex matter;
- Because information overwhelms us.

We are now in the era of planetary education, what is complex is not necessarily complicated. Each isolated element is often easy to understand. Complexity comes from the number of parameters, the inaccuracy of the measurement, the unpredictability of the evolutions, the interactions between the parameters.

In such a new context, new quantitative and qualitative (subjective) measures are required which may often evidence empirical or comparative reality reflecting clarifications. These are adapted to the complex environments metrology and allow the answer to problems such as: How is a commercial team's productivity measured? How is the value creation by a computer science department measured? How is the efficiency of a place of work appreciated? How is a client's satisfaction appreciated?

*The value of the entity is more and more intangible*

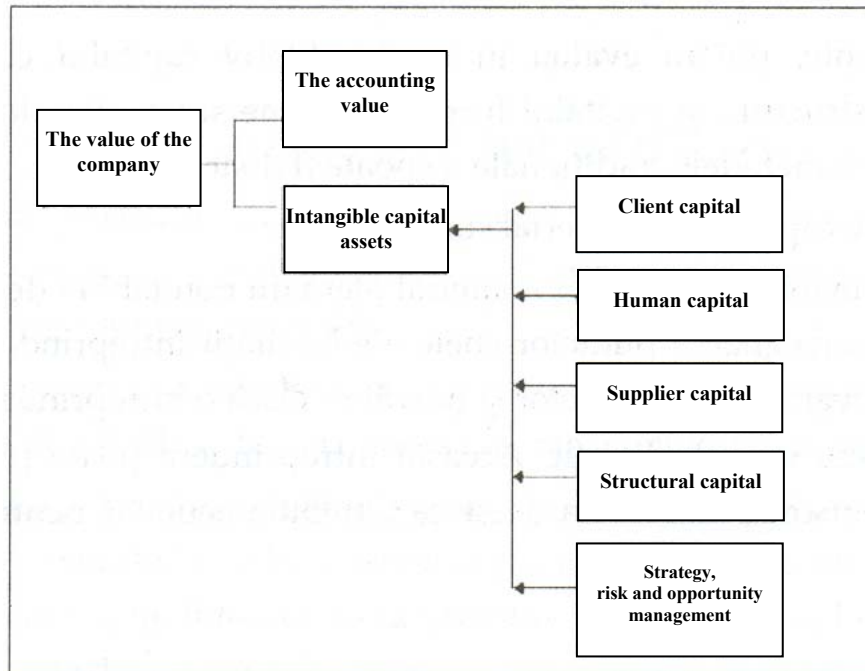
The entities may become rich through their specialists; through traders, clients, patents, technology. In fact, it has a very high hidden value, a strong intangible value which is not reflected in the balance sheet and which actually has a high capacity for the creation of future values.

*Presenting the intangible capital*

In most cases, the entities are bought and sold at a higher value than the accounting value in the balance sheet. The difference between these two values bears the name of goodwill. This means that an entity is accepted for a higher price than the accounting value because its intangible value is also bought.

But what is the signification of the intangible capital assets? It consists of the totality of the prior elements of prosperity and sustainability. It consists of the following elements:

- The value of the client, respectively the number of clients, the faithfulness, the financial health, their profitability and notoriety, etc.;
- The human and the managing team value, respectively the competence, the motivation, the cooperation, again the faithfulness but with higher potential;
- The value of the structure by structuring the knowledge and competences of the informational system, the patents, the brands etc.;
- The capital-suppliers, respectively the faithfulness, the reliability, the quality, the loyalty etc.;
- The risks and opportunities which are not part of the intangible assets but which may increase or reduce risks and strategy opportunities, the geographical environmental, social, competitive risks are added to these four basic elements.



**Figure 1.** Chart of the value of the entity

*The importance of the concept*

The concept of intangible capital assets appeared in Sweden ten years ago and it was fast developed in the industrialized countries.

The appearance of this new concept derives from the fact that the actual economy is more and more intangible.

The professional people in the financial-accounting field know exactly the accounting value of the entity, but not the intangible value. They have created a multitude of methods in order to calculate the global value of the entity: EBIT, OCF, EVA etc.

The most successful methods calculate the value the entity may create in the future by taking into consideration the business plan.

But how trustful can a business plan be if the available means to accomplish it are not known?

The economies need new financing instruments and accurate calculation of the value of the entity because if they are wrong about its value the economic decisions made (investments, subinvestments, ending the working relationships etc.) will be based on unaccurate criteria and may lead to similar decisions.

*The applications of the intangible capital assets*

The client capital, the human capital, the structural capital and the suppliers capital may be assessed from a qualitative point of view; the process of the intangible capital assets can not be measured by traditional methods; it can only be completed.

The applications of the intangible capital assets are multiple:

- For the manager the intangible capital assets offer a new strategic aspect which allows the observation of the key points of entity reliability: the reliability of the suppliers, the adequacy of the competences and needs. If an entity loses 20% from the stocks of inventory, nobody is calm. This entity may lose 15% of its clients and will record capital losses. In this case, one must fight against it.
- For the person who wishes to maintain the exchange rate at the stock exchange or the sale of the entity, the intangible capital asset allows him to present some convincing arguments. The market capitalization index, the net accounting value of the entity may be very high because the clients are faithful, the brands are prestigious, the research and development is exceptional.
- For the investor, the intangible capital assets reduce the risks. If, before buying, 20% of the clients of the entity bought proves low reliability the managing team will have to be informed or a low price will be obtained;
- For the bank, this instrument reduces the risk of long – term credit default;
- For the insurer, it allows the better assessment of risks;
- There is also the possibility to measure the value of the non – lucrative organizations.

*The intangible capital assets means knowledge*

The connection between the knowledge management and the value creation is acknowledged. The analysis of the intangible capital assets and its semantics takes into consideration:

- The commercial capital – the client knows that he can trust the entity, it knows how to find clients, it knows the categories of clients and the trends in the field;
- The human capital – the competent collaborators are prepared, know how to work together, know the objectives, etc.;
- The structural capital – the entity capitalizes the competences, the brands are acknowledged, the organization gains experience by learning, some knowledge is turned into patents, the informational system is the memory of the entity.

*Consequences on the business relationships*

The actual economy and the business of the future are intangible, based on competence (knowledge). These are characterized by complexity, they evolve rapidly and as a consequence they are unpredictable.

In order to succeed and in order to be performant from an economic point of view, we must accept the idea that different economic actors are no longer interchangeable.

An entity forms a specialist in its domain for a certain period. A collaborator with a great potential leaving an entity costs this entity more than three times the annual wages of this collaborator, taking into consideration some works with hidden costs as it results from studying the human capital and the performances of human resources.

When the entities no longer have an increased productivity, a loss with intangible value may occur. If the entity no longer has reliability and records losses it should not lose its good suppliers, its shareholders or clients. In the actual conditions, the replacement of the valuable persons on favourable terms is very expensive.

The entities are constrained by the complexity and speed of the appearance changes which means efforts must be made for a complete change. The value creation needs more and more a state of mind that involves a certain period of transformation.

*The intangible capital assets lead to sustainable development*

From a financial point of view, the personnel represents an expense. For the approach of the intangible capital assets this means a fortune. According to a purely accounting logics, in difficult economic periods, all expenses, including the personnel expenses, can be the object of reduction. For “the management of the intangible”, the employees represent an economic adjusting variable. The essence of this debate is to create value. Easily enough, the destruction by elimination of hidden values is risked.

Another example is the customer loyalty obtained by establishing a trustworthy relationship which derives from an ethical business action. That action which proves the development of the client capital is part of a long lasting development logics which will be in its interest.

In such conditions, according to the intangible capital assets action, the management of an entity is considered as an subensemble of the long lasting development.

*Measuring the performance from a financial point of view*

The traditional evaluation of the entities' performance basically refers to the use coefficients (ratios) resulted from studies and pertinent analysis (Lucey, 2000, pp. 78-86).

*The assessment of long lasting development policies of the entities*

The assessment models of profile agencies are based on the recommendations of social and environmental liability standards of entities. These have multiple sources, amongst which UNO, OCDE or independent actors such as GRI (Global Report Initiative), which suggests a standard model of institutional communication related to SEL (Social – Ecological Liability).

The mentioned agencies take into consideration references related to:

- The observance of the human rights;
- The management and social relationships;
- The client relationship;
- The supplier relationship;
- The new type of management;
- The environment policy;
- The policy in favour of the nonstock professional corporation.

It is necessary that we create an image over the human capital. In this respect, two aspects are appreciated: the means the entity is endowed with in order to meet its objectives and the results it obtains (Tinsely, Pillai, 2006, pp. 15-19).

*Example of human capital*

Scorecard regarding the human capital which involves more assessment criteria.

<i>Head-hunting efficiency</i>	Number of positions filled / number of free positions throughout the year
<i>Reliability of collaborators</i>	Number of departures throughout the year
<i>Reliability of managers</i>	The annual number of managers departures The seniority of the leading team members
<i>Managers competence</i>	Number of experts, of persons with experience and competence, of beginners, of difficult persons (very low competence because of the age)
<i>Climate</i>	Number of files submitted The frequency and tone of reunions The existence of a satisfaction investigation of the collaborators or of a social barometer Rate of absenteeism
<i>Motivation</i>	Number of initiatives of the voluntary and extrafunctional collaborators (the quality, the sports club of the entity, actions of promotion of the entity, associating life) The annual number of situations in which the collaborators are standard bearers for the entity (interview, participants to seminars, the importance of cooptation etc.)
<i>All criteria</i>	The notification of clients over the human capital (see the satisfaction investigation)

The criteria is easy to appreciate by using simple indicators.

*Scorecard of the human capital*

<i>Motivation</i>	Means of communication of the strategy and and entity market with the employees The existance of a direction of human resources The exigency of a benchmarking regarding wages Advantages outside the remuneration, converted into months of salary The EC budget rate according to the wage bill
<i>Motivation and competence</i>	The existance of formalized career paths, elaborated job definitions The exigence of individual plans of formation The exigence of a book of management The number of training days declared for the previous year
<i>Motivation and climate</i>	Licensing treatment
<i>Climate</i>	The number of holidays per year
<i>Recruiting</i>	Partnerships with schools

*Objective measures in an uncertain and heterogeneous environment*

We are leaving in a complex world which is not less complicated. The elaboration of the scorecards (Gervais, 2005, pp. 619-625) in this context is quite difficult. Their life is short, their use is marginal and their content is unstable.

The elaboration of the scorecards consists of a multitude of inovations in the field and difficulties explained as follows:

- The data is scattered and difficult to collect expecially in large entities;
- The measuring units are not comparable between them;
- The measuring methods are adapted to different indicators and consist of numerous calculations, expertise, audits, surveys.

The elaboration of such efficient scorecards must allow the decision making. In this context, the application of certain principles is necessary:

- It worths more to turn on a small source of light than sitting in the dark;
- The use and interpretation of a complex measuring system that is improved in time;
- The elaboration of a complex indicators system is much more necessary if the relative character of the measure is accepted;
- For the aggregation of the indicators in compatible units, the solution is to transform them in representative and performant notes.

These notes appreciate the level reached within the measurement in relation to a purpose or objective.

*Collecting the data of the informational system*

There are five types of data participating in the creation of a table of long lasting and responsible economic performance:



- Basic data present in the informational system of the entity;
- Declarative, verifying data, obtained from interviews (for example: Do you have ISO 9001 certification? The „YES” answer being accompanied by the certificate);
- Declarative data which can not be verified or which are difficult to be verified (for example: Do you reform the security system in such a field?);
- Statistic data obtained by investigation or survey;
- Extimations presented by assessors.

The characteristics of an informational system (IS) regarding the intangible capital assets or the long lasting development are the following:

- The collection of information resulted from other systems, basically the commercial IS, the technical IS, the financial IS, etc.;
- Very numerous and various basic data;
- Complex aggregations and calculations in order to answer multiple questions;
- Questionnaires (more than a hundred questions);
- The model of the intangible capital assets – with a multitude of indicators of human liability, with financial and commercial data;
- A common referential based on numerous international, national and sectorial norms.

The challenges of the intangible capital assets management and the development of an economy that protects the people and the environment, the problem of the tables, of the indicators and generally of their measures of accomplishment have a central place.

#### *Scorecards with strategical orientation*

The scorecards with strategical orientation (Gervais, 2005, pp. 619-633) are indicators systems which try to measure the global performance in different constitutive dimensions. They allow the clarification of the strategic objectives and their expression in concrete target values. Also, they ensure a development of the general policy within the organization and a return to the strategy for its gradual development.

The prospective or balanced scorecard (balance scorecard) is an instrument offering an operational representation of the global performance of the company, at the same time allowing the guidance and the assessment of the strategy.

#### *The content of the balanced measurements system*

In order to obtain the highest possible global result, it is necessary to offer quality performance and thus to influence the processes. Therefore, the measuring with more categories of indicators is suggested:

- financial indicators (to appreciate the economic performances);
- client satisfaction level indicators (economic performance according to the answers offered by the expectations of consumers);
- internal procedures indicators (the improvement of the innovation, production and maintenance process expressed in lower costs);
- organizational experience indicators (training, competence development). The prospective scorecard (balanced scorecard) clarifies the nonfinancial objectives which must be complied with to accomplish the financial objectives;
- sense indicators in evidencing the cause-effect relations between the operational performances and the strategic result;
- the monitoring indicators for the functioning of the entity and not just for the control of the results; Kaplan and Norton suggest (1998) the identification of result measuring indicators (lagging indicators), whose result intervenes after the ending of the action and the advanced indicators (leading indicators), upstream situations as an important warning before the performance degrades. For example, if the result is the clients satisfaction degree, according to criteria and rates of error or time of response to the clients requests, the entity may react faster to a default.
- *The financial indicators* depend on the strategy adopted. For example, an increasing entity shall have an increasing index of the turnover according to the sales percentage to the new products or on new markets.
- *The client indicators* are relatively classic: part of the market, level of satisfaction and rate of reliability of the clients; number of new clients, profitability on clients category. The monitoring indicators are assimilated to the attributes offered: those related to the product or performance (functionality, price, quality), those regarding the relationship with the clients, those related to the brand image and reputation. The criteria selection depends on the fact that the segment taken into consideration, the entity continues a low strategy of price or quality of performance.
- *The „internal procedures” indicators* are limited to the key procedures. For example, if the speed of the innovation is essential the company may choose the development and to wait for the percentage of the sales accomplished with the new products. The developing procedures for the development of the product and service after the sale will be taken into consideration because they play a more and more important role in the current competitive context.

	<b>Withdrawal strategy</b>	<b>Maintenance strategy</b>	<b>Increase strategy</b>
<i>Incomes optimization</i>	The profitability on product or client category. Percentage of non profitable clients.	The profitability on product or client category regarding the new applications of existing products.	Increase rate of the turnover on the segment. Part of the turnover generated by the new products or new clients. Turnover on employee.
<i>Productivity</i>	Unitary accounts.	Cost compared to the one of the competitors. Cost reduction rate. Indirect expenses (resulted from sales).	
<i>Assets utilization</i>	Time for the investment return. Utilization rate of the assets.	Need according to working capital. Profitability of the capital on category of assets. Utilization rate of the assets.	Investments (in sales percentages). Research - development expenses (in sales percentages).

- *The “organizational experience” indicators* – refer to: the level of satisfaction and competence of the personnel, the functionalities and the level of performance of the informational system, as well as to the quality of the management systems. The decisions made in this respect generate a formation effort, a modification of the remuneration system and of making available for the persons responsible, of an access instrument to information in real time. The monitoring indicators are:
  - The default between the level of competence intended and the actual situation;
  - The percentage of the expenses with the clients, whose remuneration complies with the new norms;
  - The equipping rate with informatic means adequate for the expenses with the clients.

#### *The interest and limits of the instrument*

The balanced table offers a coherent model of performance. It facilitates the application of the strategy and allows a reflection regarding the relevance of options (Nobes, Parker, 2004, pp. 534-535).

The prospective or balanced scorecard (balanced scorecard) allows a better communication of the strategy to the units. Often the managers limit their messages to the strategy intentions. This attitude is insufficient for the transmission of the clear managing lines. The scorecard mentioned expresses

the strategy in concrete objectives and mentions the cause – effect relationships between them.

The balanced scorecard generally offers data regarding the execution of the project. This instrument better trains the personnel on the results of the efforts, which should mobilize more. It allows the concentration of resources over the pertinent strategic initiatives.

Because the prospective or balanced scorecard regroups indicators regarding all the critical aspects of the strategy accomplishment, focused on the indicators directed more on the objectives, the weaker field becomes easily to identify.

#### *The limits of the balanced scorecard*

The distinction between the action indicators and the result indicators is often ambiguous. Most indicators are result indicators (lagging indicators), related to the financial performance, while the leading indicators (leading indicators) are related to the internal procedures and the organizational experience.

By referring to procedures related to the client and to the competences development, the balanced scorecard uses a procedural perspective. However, this may contradict the vertical logics of the budgetary instruments system.

The balanced scorecard allows a better monitoring of the strategy, but it does not do without a supervision system for an easier evolution. The indicators used do not inform however about the environment changing factors.

#### *Outsourcing human resources – conceptual approach*

The most important models of outsourcing labor force are represented by short-term employment contracts and employee leasing. These alternatives represent different methods for reaching an optimum of human resources, from the point of view of flexibility and stability.

We are trying to explain why entities opt for short-term contract or for employee leasing. These are less usual employment forms and, in order to be able to explain them, two approaches are imposed:

- which are the intentions behind using these methods and reasoning?
- what situations must be resolved for appealing to such methods?

The most important papers tend to consider short-term contracts and employee leasing as indicators of numerical flexibility. But we appreciate that the quantitative stability of staff, due to the necessity of compensating absenteeism and the lack of qualified human resources, becomes just as important as any other strategic objective of the company (Atkinson, 1984).

The majority of researches and studies dedicated to atypical methods of employing labor force was realized in the United States of America and in the United Kingdom of Great Britain and have tended towards ignoring judicial and legal constraints regarding the commitments of companies towards staff, which is not completely surprising because the market of labor force in these countries is relatively non-regulated.

*Legal restrictions and fiscal systems regarding the outsourcing of human resources*

Non-standardized employment contracts generically include "those contracts which derive from the standard form and from which it is expected that the average of collaboration hours would be full-time, the period to be undetermined and they will be performed at the workplace designated by the employer, under its supervision" . We must highlight a prime element which determines their special nature. They will not be performed on an undetermined period, this aspect corresponding to the concept of contingent labor.

Even if the general theoretical notions regarding the forms of these atypical employment contract models coincide and find common ground, the legal and judicial national divergences will not reach consensus any time soon. It is necessary to recognize the conceptual expansion of employment contract categories, expansion supported by very different approaches, definitions and national institutionalizations, sometimes even divergent. As Gonos (2006, pp. 83-110) also observed, "each discrete form of what has been labeled as contingent labor force represents a distinct social commitment, of which viable continuity depends on the presence of a favorable regulation environment and of the presence of a legal doctrine which supports it; either this, or the complete absence of institutional barriers, absence which will be used to the advantage of its own legitimacy" .

A comparison between the Norwegian system and the British-American one will reveal certain dimensions which will vary depending on the national, fiscal and legal system. These dimensions are important for revealing the nature of atypical employment contracts, their differentiation between countries and to what extent the mechanisms identified inside them explains their functioning.

*Individualizing employment and remuneration conditions*

In Norway, the alternatives of remuneration methods are regulated by statutory law. These are legally recognized and, once the employee is involved in this agreement, its status will be one of the following:

- involved in a contractual, bidirectional relation, free to be terminated, and of which validity is not affected in time. This is the standard type

of contract, both in Norway and in most European countries, including Romania;

- involved in a fixed-term contract. This is a short-term, bidirectional relation, of which validity in time must be mentioned;
- a tripartite leasing contract, involving the employer (lessor), employee (good) and the user-company (lessee).

The leasing implies that the lessor is responsible for directing, organizing and supervising the contracted good and the lessee – which most of the times is a brokering company between the human capital and company – acts as an employer.

When discussing about bidirectional contracts, the line which marks differences between undetermined period and fixed term is a very fine one. When two parties enter in association in a contract regarding the exploitation of human capital, there are no similar regulations which serve as customization benchmark, in the end, for any of them.

In case of tripartite contractual relations, the definition of employee leasing is the same, but the restrictions deriving from it are different. Only recently, the lessee has been obliged to submit to legal, social and fiscal regulations on the labor market. And the contract concluded between the employee and lessor is regarded as a service contract, and not an employment contract.

#### *Constraints of entities regarding the use of alternative methods for employing labor force*

For understanding the legal constraints resulting from the alternative uses of human resource leasing and of short-term contracts, they must be comparatively analyzed, together with continuous contracts.

As regards social protection, the following dimensions can be identified:

- extending procedures for finalizing employment contracts;
- duration of notice and costs of amicable termination of the collaboration;
- provisions regarding financial indemnifications and penalties deriving from the illegal termination of the employment contract.

These regulations are very important, because they influence the choice which the company makes when choosing one of the employment contract types: undetermined period, short-term or leasing. In cases where there is a high level of risk associated to the labor market, the company will avoid continuous contracts, because the possibility that these will be terminated before the provisioned term is relatively high, and the company will suffer both legal expenses, and consequences on its market brand or its reputation. In countries

such as Norway, costs for terminating employment contracts are consistently reduced by using alternative means of collaboration, such as fixed-term contracts and employee leasing. The alternatives do not imply prolonged commitments and can be terminated with a minimal cost for the company. And as regards the employee, the broad possibilities which he has in giving up one job for another service him in a benefic manner to the same extent in which cost control brings an advantage to the company.

The stricter legislation is regarding dismissals or breaking employment contracts, the more popular alternative methods for employing human resources become. Governments respond to this request by issuing regulations regarding employee leasing and fixed-term contracts. In European countries, a wide variety of restrictions over fixed-term contracts is imposed.

Researches which have been performed on atypical employment contracts are often related to Atkinson's concept on the numerical flexibility of staff: "Conceptually, numerical flexibility refers to the capacity of management of manipulating the numeric dimension of staff, depending on the company's necessities and despite fluctuations on the labor market. The result will be a report of employees/labor force necessary, at least close to the ideal."

In a study regarding new forms of employing human resources, Smith defines numerical flexibility as being "the ascension of contingent work positions and decline of permanent employment forms" (Hauseman, 2004). In another study, regarding the outsourcing of labor force as procedure of attributing numerical flexibility for the entity, Davis-Blake and Uzzi notice the fact that, unlike insourcing, which provides stability, outsourcing brings flexibility on several planes for the company:

- reduces numerous costs with human resources and diminishes administrative costs;
- employs personnel without permanence perspectives and by fluctuation of which no prejudices are caused to the company's image;
- offers niche specialists, which are necessary only in a certain moment .

Matusik and Hill (2004, pp. 680-697) notice an increasing trend of the contingent labor force aiming at technical and professional positions and have asserted that this type of contract should be adopted, with a prior analysis, also for key-positions, in fields which strongly influence the value brought to the company, places where they could be promoted in terms of their functionality, rather than of numeric flexibility. Companies could use the same type of contract for replacing employees which are temporarily absent, thus also promoting numeric stability. The fixed-term employees are allocated, often, jobs of permanent employees who are not present at a certain moment, thus allowing the company to maintain the quantity of human resources at a constant

level. In this way, while a part of the personnel contracted for a fixed term is used for responding variables in the activity field, another part is used for ensuring a quantitative permanence. There are several factors which influence the request of companies for substitute personnel, the most important being maternity leaves and medical leaves.

The question which must be asked is what determines some companies to use employee leasing more than others? Which are the factors influencing the decision of a company to adopt these atypical employment methods, rather than concluding continuous employment contracts? And we do not wish to include here the substitution of human resources or individual preferences for certain types of niche activities, elements which are very important in certain sectors and professions, but are detrimental to a general model of synthesis.

*Fluctuation of demand for human capital and market risk*

Numerical flexibility regards the intention and ability of optimizing the number of employees focused on one field or project, for fulfilling tasks or of fluctuations of demand for labor force. The idea of "necessity" for this type of flexibility varies from one company to another. If numerical flexibility is regarded as a vital element, then the introduction of atypical employment contracts will probably be considered.

First of all, we suppose that numerical flexibility – by this meaning the introduction of the employee leasing concept in the company's approaches regarding employment contracts – is associated to the fluctuations of demand on the market. In case a company experiences demand fluctuations or other seasonal changes, the introduction of atypical contracts will act as a buffer solution. And the more employees/ hour are needed, the more labor force will be recruited by means of employee leasing, rather than by means of long-term contracts. This way, the company will be able to interrupt contracts when fluctuations on the market hit a standstill, as associated costs are minimal, because temporary employees have no assertions for a stable, long-term job (Davis-Blake, Uzzi, 2005, pp. 195-223).

The volume of employments by employee leasing or by fixed-term contracts is modified inversely proportional with demand fluctuations on the labor market.

When there is a high degree of uncertainty regarding clients' preferences, the level of request or actions of competitors, the entities will tend to anticipate the need to adjust the human capital, both quantitatively and qualitatively. If a company wishes to reduce the sphere of a certain activity, the first thing will be dismissing employees, which attracts additional costs. If the personnel submitted to dismissals is employed on continuous contracts, the dismissal will cause prejudices, both on the financial side and on the side of intellectual



capital, affecting its reputation of being a trusted employer and diminishing the morale of those remaining to work within the company.

However, this cost will be substantially reduced if the atypical methods of contracting human capital will be applied to those activities which are subject to a high risk to the market's conditions. On a market characterized by a high level of risks, companies will want to outsource human resources by contracting employees though employee leasing or short-term contracts.

The higher the level of risk of a specific market, the more human resources will be used through alternative means, such as employee leasing.

#### *Specificity of human capital*

One of the most important arguments of the transaction-cost economic theory is the fact that the level of specificity of a detained good affects the decisional limits of a company. The specificity of a patrimony element is defined as being the degree in which it is valuable in a certain transaction. Focusing on the specificity of the human capital, we could say that this represents the level of specific aptitudes required by the company's activities for successfully fulfilling a certain set of tasks. When the degree of specificity is high, internal organization of human capital is efficient and rational (Williamson, 1975).

The leasing personnel normally works successively for more companies, and the sole element of stability which they have is their connection to the lessor.

The higher the level of specificity of the human capital, the lower will be the degree of using leasing employees.

#### *Power of trade unions*

An element which affects the use of short-term labor contracts is the power manifested by trade unions. On one hand, trade unions are generally refractory to outsourcing human resources because these are more difficult to be organized and have, most of times, different objectives than the permanent personnel. As the percentage of employees which are trade union members increases, it tends to oppose even more resistance to the tendencies of companies of turning to external sources for human capital. And this resistance tends to have even more success, diminishing the temptation of the enterprises to employ capital by means of leasing or fixed-term contracts. On the other hand, outsourcing human resources is a strong instrument for antagonizing the power of trade unions.

When the power of trade unions is fragile, the company will prefer to rely on standard employment contracts. The critical factor which the company considers is the cost involved by terminating an employment contract. And in an environment where there is no trade union power, dismissing an employee, even if he is employed on an undetermined period, no longer seems so problematic.

The professional protection of employees is dependent on governmental regulations and the power of trade unions. As this power increases, the company will acknowledge the difficulty of concluding a standard contract and will turn to human resource leasing and short-term contracts.

*The relation between short-term contracts and employee leasing*

The relation between the two variables: employee leasing and short-term contracts is interesting. On one hand, options can be perceived as direct alternatives, when a company finds itself in situations without a high level of risk, as is e.g. the situation of compensating the absence of employees on maternity leave or medical leave. That is why, when an alternative is chosen, no interest is manifested, normally, towards the other. In no case we expect that there will be inclines of expectations from the alternative which was not chosen. On the other hand, there are two mechanisms.

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