

Management priorities to increase labor force flexibility in the Romanian organizations

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Abstract. *The increase of flexibility for using the labor force in Romania's economy represents an economic policy priority at a macro and micro economic level. Romania is characterized by the existence of two labor markets: one in the urban area using the market economy requirements, and another one in the rural area, representing about 30% of the employed population of the country, where the legal provisions of the community acquires are found in a limited extent.*

The internal flexibility of using the labor force is analyzed through a series of indicators specific to the four fields of an organization: workplace and organization of work; work content and professional training; information and communication on the job level; flexible contractual relations of work.

The managerial priorities to increase the labor force flexibility is considering the four fields and may include a variety of activities related to: production management, Multi-qualification of workers, use of information technologies, job rotation, team work, continuous professional training of the employees, updating the job descriptions, expanding the practice of atypical employment contracts – fixed term work contracts, temporary work contracts, contracts for home employment, telework, etc.

Keywords: labor force flexibility, internal flexibility, production management, content of work, information and communication on the job level, atypical work contracts.

JEL Classification: O8.
REL Classification: 12E.

1. Promoting an economy with a high rate of employment – objective of the Europe 2020 strategy; management challenges for the Romanian organizations

After 23 years of political, economic and social transition, and 14 years after the beginning, in the year 2000, of the negotiations for the accession to the European Union - finalized in 2004, Romania succeeded to a considerable extent to meet the requirements of the community acquis on the establishment of the legal framework concerning the labor force – employment, professional training, work safety, competence development and of the professional careers, etc. Analyzing the practical reality on the use of the labor force in our country, compared to the community acquis requirements on the labor market, a number of violations that require appropriate measures at both macro and microeconomic level can be found, legally and managerially, leading to increased efficiency of the use of human resources.

Primarily, specific to our country is the existence of two labor markets, namely one urban and another one in the rural area; for the urban market one can speak of applying the legal requirements specific for the community acquis on labor force while on agriculture the economic regulations specific to the market economy are applied to a limited extent.

This reality becomes sizeable if mind that in 2011, of the total workforce of 9.138 thousands, in the fields of agriculture, forestry and fishery worked about 2.612 thousand people (28.58%) (NIS, 2012). At EU level, share of employment in agriculture is of approximately 5%; this level was reached after a long period of economic restructuring.

Although our country recorded a relatively low long-term unemployment (12 months and above), namely 7.4% in 2011, a relatively smaller percentage compared to the EU average (9.7%), explanation of this situation must also consider the labor migration to other countries, especially in the EU; by some estimates more than 3 million people. Under these circumstances, especially when economic growth already began to highlight certain shortcomings on qualified labor force necessary to the new industries, services, constructions, etc.

The situation of our economy also needs to be approached through the “Europe 2020” Strategy which states as a priority “promoting an economy with a high rate of employment, able to ensure social and territorial cohesion”; also “the increase to 75% of the employment rate of men and women aged between 20 and 60 years, including through a greater involvement of youth, older workers and low-skilled workers and through a better integration of the legal immigrants” (EUCO, 2010). A special role is played by the European Commission's initiative on “The agenda for new competences and jobs” targeting the modernizing of the labor markets, the increase of the autonomy of citizens through the development of their

competences throughout life in order to increase the labor market participation rate and an improvement in the correlation of demand and supply of the human resources, including through the professional manner.

In this context the recommendations of „Business Europe – The European Employers’ Confederation” should also be mentioned in order to improve and re-launch the EU labor market, especially on the “contractual arrangements that aim at increasing the number of jobs”.

2. Flexibility of using the labor force – priority requirement for the management of the Romanian organizations

Internal flexibility of using the labor force is in a direct dependence of the quality of management practiced in each organization – The existing organizational culture, methods and techniques of production and labor organization, the specific of the activities, the existent technology level, the proper use of the legal provisions of the Labor Code concerning the various opportunities for employment contracts, size of the organization, the relationship between managers and unions, respectively the representatives of the employees, etc.

In the EU countries there are regularly performed studies on the working conditions in the Member States, in particular by the European Foundation for the Improvement of Living and Working Conditions (European Foundation for the Improvement of Living and Working Conditions). To characterize the flexibility of using the labor force within each organization they use a number of indicators relating to the following areas:

- 1) workplace and work organization;
- 2) work content and professional training of workers;
- 3) information and communication at the workplace;
- 4) working time arrangements.

Labor force flexibility in terms of workplace, an organization of production and labor is conditioned by the Production Management practiced by various factors regarding: methods and techniques for organizing production and labor-production flow, job organization based on manufacturing cells or organization on homogeneous groups, etc.; the qualification level respectively the multi qualification of the workers; the usage of information technology notably on working using the computer or practicing telework; job rotation; practicing team work; the existence and size of the performance objectives set at different levels – workplace, work department, production and design chain link, etc.

In the light of the indicators related to labor content and professional training of the workers, the labor flexibility is dependent on both the level and complexity of activities performed by the workers in the positions they occupy and professional competences of their existing concerns for the ongoing training of employees. An important role in increasing the flexibility belongs to the learning process lifelong requested the inherent changes both in work content and status of the various professions as well as the emergence of new professions that require a high level of competences and qualifications.

The labor force flexibility in an organization is also conditioned by the degree of *information and communication at the workplaces level* on the organizational changes, in particular the organization of work, updating the job descriptions according to the new tasks, activities and responsibilities of those employees, informing the workers about the risks that arise both on the health at the occupied jobs as well as perspective of the existence of these jobs, etc.

The labor force flexibility indicators that take into consideration the *different working time arrangements take particular account of the flexibility of the contractual relations*. In the Romanian organizations, their managers opted on hiring employees predominantly for indefinite period employment contracts, full-time work; other arrangements, respectively the atypical employment contracts that can be used only if the managers are able to prove the existence of limiting situations as are prescribed by law, allow such contracts. Analyzing both the dynamics of individual employment contracts active between 2008-2013 and the structure of this contracts (tables no.1 and 2), we firstly find an absolute reduction in the total number of contracts, de la 6.054.865 in 2008 at 5.677.719 (November 2013), namely with 6.23%; is first explained by the reducing of average number of employees, from 5.046 thousands (in 2008) to 4.349 to (in 2011).

Table 1. *The number of active individual employment contracts*

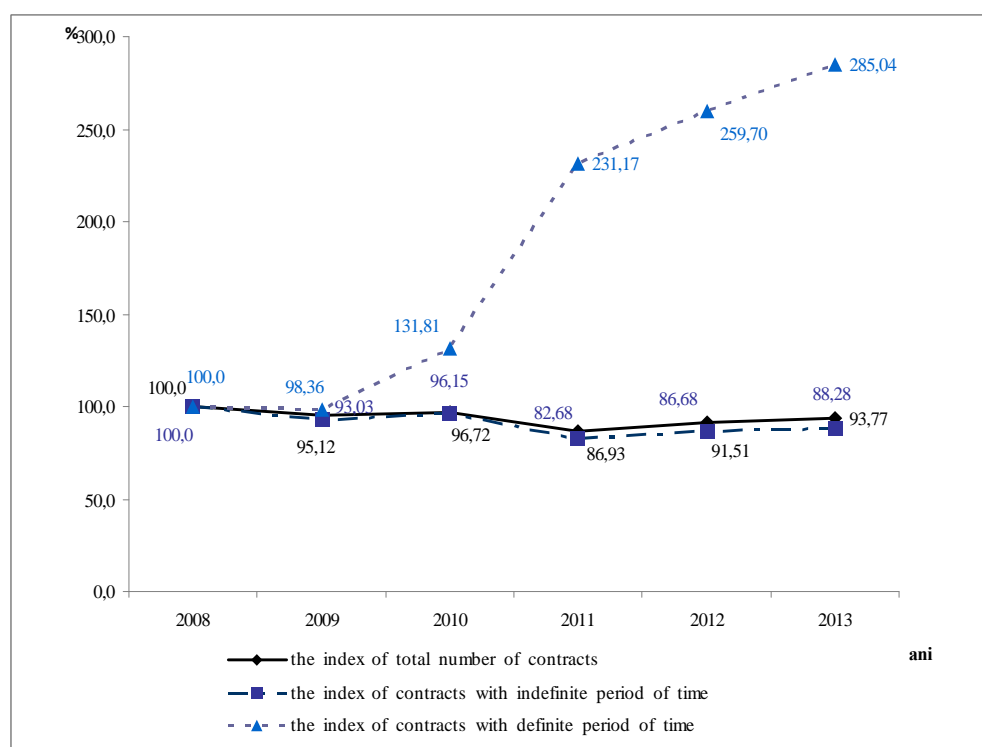
| Number of contracts \ Year | 2008 (31 Dec.) | 2009 (31 Dec.) | 2010 (31 Dec.) | 2011 (31 Dec.) | 2012 (31 Dec.) | 2013 (30 Nov.) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total, of which | 6.054.865 | 5.759.710 | 5.856.621 | 5.263.900 | 5.540.846 | 5.677.719 |
| - indefinite period of time | 5.885.946 | 5.593.549 | 5.633.960 | 4.873.401 | 5.102.151 | 5.196.231 |
| - definite period of time | 168.919 | 166.161 | 222.661 | 390.499 | 438.695 | 481.488 |

Source: Ministry of Labour, Family, Social Protection and Elderly, Labour Inspectorate, January 2014.

Table 2. *The structure of the number of active individual employment contracts*

| Type of contract | Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | (31 Dec.) | (31 Dec.) | (31 Dec.) | (31 Dec.) | (31 Dec.) | (30 Nov.) |
| Total, of which | | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| - indefinite period of time | | 97.21 | 97.11 | 96.19 | 92.58 | 92.08 | 91.51 |
| - definite period of time | | 2.79 | 2.89 | 3.81 | 7.42 | 7.92 | 8.49 |

-%-



Source: Indices calculated based on data in Tables 1 and 2.

Figure 1. *The evolution of the number of active individual employment contracts*

Important conclusions for the managers of the Romanian organizations also result in connection with the structure of the individual employment contracts; primarily we find the decisive share of the open-ended contracts, above 90% during 2008-2013. In practice, even if there has been an increase in the share of fixed-term contracts, from 2.79% in 2008 to 8.49% in November 2013, this situation is very modest in relation to the requirements of efficient use of the labor force, especially compared to the situation recorded in European countries – in 2005, on average for EU organizations, the fixed-term employment contracts account for

13.6% (Cazes and Nesporova, 2007). The low share of fixed-term contracts is explained, to a certain degree, through the restrictions provided by article 81 from the Labor Code (*Official Gazette*, 2011) on the conclusion of such contracts only in cases involving: replacement of an employee in case of suspension of the employment contract; the existence of seasonal activities; the occasional increase of the activity of the organization; other cases provided by law.

The still low share of the fixed-term employment contracts in the Romanian organizations is explained by the position of the trade unions, that within the negotiations on the line of the social dialogue insisted that this type of contract to represent the exception and therefore to ensure a certain stability to the employees beneficiaries of open-end contracts, and also the lack of concern from management units in order to properly identify activities, works, projects, etc., or limited periods, for which fixed-term employment contracts may be concluded. In terms of economic efficiency, an unreasonably large number of open-end contracts compared to the possibility of increasing the number of fixed term contracts, leads to overstaffed employees, reduced productivity, increasing of the employment costs etc. However, a number of business organizations, particularly in construction, agriculture, trade, etc., where the seasonal nature of some activities naturally intervenes and may result in an annual workload expressed by total workmanship man / hours, for which fixed-term contracts are concluded (Lefter et al., 2013).

Another possibility for increasing the flexibility of labor force use in the Romanian organizations is represented by *the temporary employment contract*. In some situations requests from organizations occur for the provision of temporary activities. For these activities, the managers of these organizations may require a company that has status authorized by the Ministry of Labor as temporary employment agent, to provide some temporary staff. End user organization concludes a contract with the temporary employment agent for providing certain employees (lease-contract) and in turn the temporary employment agent will conclude an individual work agreement with its temporary employee. In conclusion, the worker providing work at the user organization will not affect the average number of employees of this organization or at the unit level productivity.

Analyzing the data in Tables 3 and 4 and following the evolution of the number of temporary contracts in Figure 2, shows that in our country during 2008-2013, the situation is rather modest.

Table 3. *The number of active temporary employment contracts*

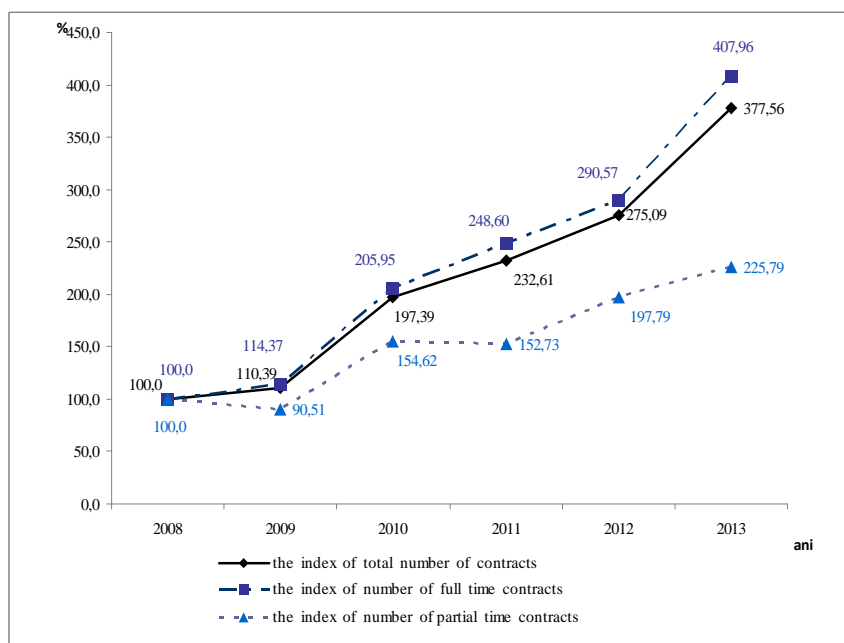
| Year | 2008 (31 Dec.) | 2009 (31 Dec.) | 2010 (31 Dec.) | 2011 (31 Dec.) | 2012 (31 Dec.) | 2013 (30 Nov.) |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of contracts | | | | | | |
| Total, of which | 7.899 | 8.720 | 15.592 | 18.374 | 21.730 | 29.824 |
| - full time | 6.581 | 7.527 | 13.554 | 16.361 | 19.123 | 26.848 |
| - partial time | 1.318 | 1.193 | 2.038 | 2.013 | 2.607 | 2.976 |

Source: Ministry of Labour, Family, Social Protection and Elderly, Labour Inspectorate, January 2014.

Table 4. *The structure of the number of active temporary employment contracts*

| Year | 2008 (31 Dec.) | 2009 (31 Dec.) | 2010 (31 Dec.) | 2011 (31 Dec.) | 2012 (31 Dec.) | 2013 (30 Nov.) |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Type of contract | | | | | | |
| Total, of which | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| - full time | 83.31 | 86.31 | 86.92 | 89.04 | 88.00 | 90.02 |
| - partial time | 16.69 | 13.69 | 13.08 | 10.96 | 12.00 | 9.98 |

—%—



Source: Indices calculated based on data in Tables 3 and 4.

Figure 2. *The evolution of the number of active temporary employment contracts*

Although there is a significant dynamic of both the total number of active temporary contracts, namely 377.56% in 2013 as against 2008, as well as the number of full-time contracts (407.96%) respectively part-time (225.79%), still, this type of employment contracts holds a very small share, compared to the situation in the EU; in 2013, the 29.824 the active temporary labor contract in our country represented 0.52% as against 567.7719, the total number of individual labor contracts. When comparing with the fact that the EU countries between 2 and 10% of the working population benefiting from temporary contracts, results that there is a significant gap in our country on the effectiveness of the increase of labor force flexibility using this type of contract.

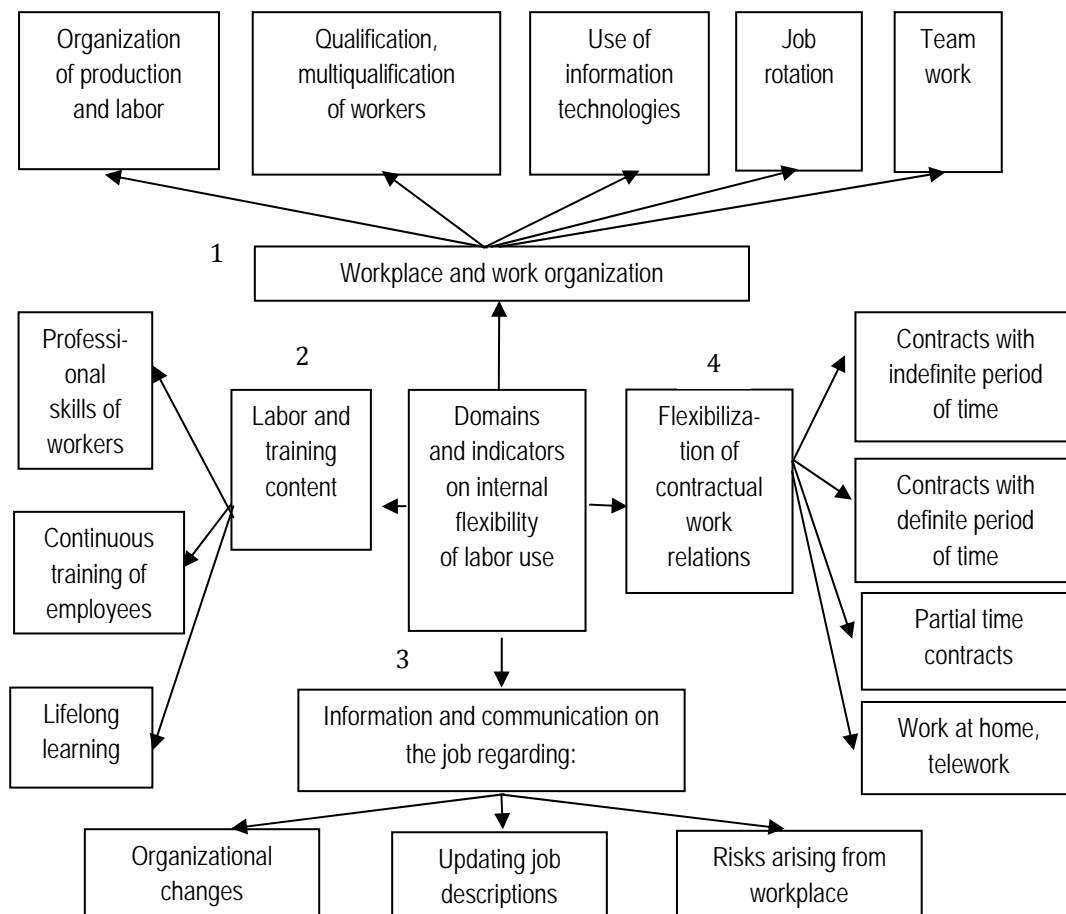


Figure 3. Domains and indicators on the internal flexibility of labor use

Within the different managerial opportunities to increase the flexibility of using the labor force in Romanian organizations also enrolls other atypical work contracts such as: contract for home employment and telework; the “on call” work contract; the “job-sharing” contract, etc. (European Institute of Romania, 2010). Such contracts, although with certain managerial advantages, with obvious consequences on the plan of the competitiveness of organizations, are very little known and used in practice in our country; therefore at the level of Labor Inspection from the Ministry of Labor, Family Social Protection and Elderly Persons are not reported and tracked separately.

In summary, the management of an organization may act to increase the flexibility of labor use in various ways that are specific to the four areas, as shown in Figure 3.

3. Conclusions

The relatively short period from Romania's integration in the EU is characterized by great efforts for restructuring the legal framework in our country in the field of labor force, so as to ensure compliance with the community acquis in this field. The adoption of Law no. 40/2011 for amending and completing Law no. 53/2003 – The Labor code enabled the managers of the organizations Romanian to benefit from the legal framework to increase the flexibility of the use of labor force and on this basis to be able to improve the effectiveness at the microeconomic level with direct influence of the macroeconomic front. But by analyzing the four indicators characterizing the internal flexibility of the work force in an organization, shows that there are still many opportunities to increase the effectiveness of using the human resources; This situation calls for the need of increased concerns from the managers of various organizations, and especially increase of the professional competence of the personnel in the human resources department. However, it requires further improvement of the legal framework from our country on labor force so as to provide the extended use of atypical work contracts and especially avoid the situation of considering as exception the fixed-term employment contracts.

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