

EUROPEAN MAP OF LABOUR MARKET TRENDS RELATED TO PAYROLL - PRODUCTIVITY

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Abstract

For Romania, the European Union integration process, although accession took place ten years ago, is still a topical issue, with a strong impact on the labor market, both in terms of professional training, the payroll and workforce performance evaluation.

Workforce management, with direct impact on compensation of employees is an indicator of major importance in the country's economy. This article grant more attention to the workforce in Romania and the EU, in particular through the level of average productivity per employee, and the impact that it has on the wage.

Romania, by approximating the experiences gained from EU countries, tried and try to improve existing human resources in the labor market, winning a number of benefits: continue training dynamics, degree of specialization, rising level of labor productivity, wage in the process of harmonization with European requirements, labor mobility and performance evaluation. A relatively new target on the human resources market aims at creating a balance between organizational objectives and economic environment. It follows the implementation of European strategy with role in sizing social labor market, but also a system targeting the free movement of labor within the European Union, improve well-being and performative workplace and increase protection for employees.

Keywords: labor market, workforce, wage, productivity, HRM

JEL Classification: J21, J24, J31, J53

Introduction

Both before joining the European Union, and after accession, the labor market in Romania has seen profound changes on the workforce, and hence on companies employing labor. Essential to labor market, human resources are a key component in the process of integration into European structures as lifestyle and work style changes rapidly. Underlying these changes are the following factors: demographic aging, high levels of unemployment and low employment of labor, development of markets for labor segmented industries, development of new technologies and European economic integration.

In order to achieve the objectives of the Lisbon Strategy on more numerous jobs and better paid, it is necessary to develop a labor market more flexible and secure. Labor market, through its companies should aim hiring well-trained workforce, corresponding in terms of the chosen professional job, employees to be more productive and more easily adaptable to innovation and competition. However, the European labor market not easily adapts shocks suffered by the economy, which generates serious problems in the short term outsourcing and relocation. And the impact is long-term labor market is developing major discrepancies in income, but also the skill level of the workforce. (Hudson, 2006).

Although it's been over ten years of accession to the EU, this process still produced effects on the Romanian labor market, showed in individual steps to harmonize Romania with EU requirements in terms of market work force at wage levels and productivity per employee.

Visible and invisible wealth of a society generates differences between the major regions of the world, exacerbating permanent intangible capital. (Lopez Ruiz Nevado, Alfaro Navarro, Badea, Grigorescu, Voinea, 2011).

State of the art

Both in Romania and the European Union, the labor market is a constantly evolving market, the employee is the key point of any organization that wishes to be competitive on the market. Current trends of the labor market, of the employers, are psychological security and safety of employees at work. Organizations pay more attention to employees through ongoing training sessions for acquiring skills in as many related areas, sessions with a pivotal role in the psychological safety of the employee at work.

A large number of statistical studies shows inconsistencies between the needs of employers and professionally trained workforce, requirements of companies employing became a topic of general interest, a theme which aims to continuously improve the quality of education to the demands and dynamic economic environment.

Education is one of the most important factors in determining the occupational structure, this having a direct impact on the degree of success in the workplace (Shavit, Muller, Tame, 1998). Employers recruiting analyzes the degree of training of the workforce candidate, then those companies will invest in the training of new employees, to obtain a larger labor productivity per employee. (Ashenfelter, Layard, 1986).

In Romania, by the new Labor Code, the labor market followed flexible relations between organization-workforce (Labour Law no.53/2003). Although the changes aimed at increased ensuring protection of labor rights at the expense of employers, was not taken into consideration and implementation of clear and regulated measures of social protection of labor employed.

Although before the crisis it is considered feasible and poverty reducing disparities between EU countries, the future does not look so good. To achieve steady and sustainable growth, growth which allows economic and social progress, it is necessary to have a strong, solid and competitive to offer significant benefits to the labor market by creating quality new jobs. (Jordan, Grigorescu, Chilian, 2012).

Although institutional dialogue in Romania is developed, it requires a strengthening of relations of trust between the social partners, which would lead to negotiations on a decentralized labor market. Employers, social partners, agencies of brokering the labor market and public administrations responsible for employment should cooperate to facilitate the transfer, the employee transition from one job to another, but also to minimize the risks of unemployment. In this case, an addition would be simplifying, shortening and

reducing costs in the process of preservation. Thus, once these benefits change would strengthen the relations of trust between social partners.

Human motivation reflected in wage levels is a decisive factor in the selection of jobs, being influenced by a number of external factors such as education that allows access to the technologies, the human potential of a country can be a key element in the positive trend of economic development. (Grigorescu, 2011).

Romania, tried, through a series of changes to the Labor Code updated with Law no. 53/2003 (2015) to harmonize with European labor market, offering a range of benefits engaged workforce. Some of the new features appeared on the labor market are: resizing the trial and increase the notice period, removing bans on hiring and firing staff, an amendment to the employment contract for a definite period, reducing the workweek and modification of the conditions for granting unpaid leave, and the introduction of annual evaluation criteria by performance indicators.

The main objective of this work is to identify systematic differences between the Romanian labor market versus EU28 and follow the steps to harmonize payroll process with European Union requirements.

Research methodology

The level of culture of any European state is directly related to the development of the labor market. Organizations, key pawns in the labor market can support the workforce engaged with a series of personnel policies, rules to focus on developing and flexible employees. The new labor market trends, the level of remuneration on the European labor market is perfectly integrated in the new research directions of human resources and labor flexibility. Employee culture and level of specialization are directly proportional relationship to the wage level within the organization. (de Montmollin, 1995).

Equally important is the flexibility of the employer in relation to the employee, because a rigid management system may not be feasible in the long term. This problem lies both in the labor market in Romania and the states member of the European Union.

Because labor market outcomes are not always as expected, Journal of Organizational Psychology (Zlate, 2001) speaks of three projects in the role of labor reform, aiming flexibility and efficiency of labor: the model focused on customer oriented services, the model based on organizational development or consulting and strategic human resource management model. If the first model focuses on how the human resources department fulfills its tasks, putting the master plan employees and management of the organization as clients, the second model emphasizes making the personnel department, as internal consultant of the organization. The trill of model management, strategic human resource management model analyze the human resources department in the organization of power and its role in organizational policies. Department staff members must be the point of connection between the organization and human resource policies.

Statistical analysis of this article uses statistics from Eurostat and the National Institute of Statistics. Sociodemographic variables used are rated type: sex, level of study, level of training and wage levels, referring to the twenty-eight member states of the EU.

Workforce – evolutionary trends

Although it is a relatively new concept, psychological safety of the employee within the organization began to be a primary concern of leaders of foreign companies, mostly (at national companies' share is only 12% compared to 73% in the EU28). Through

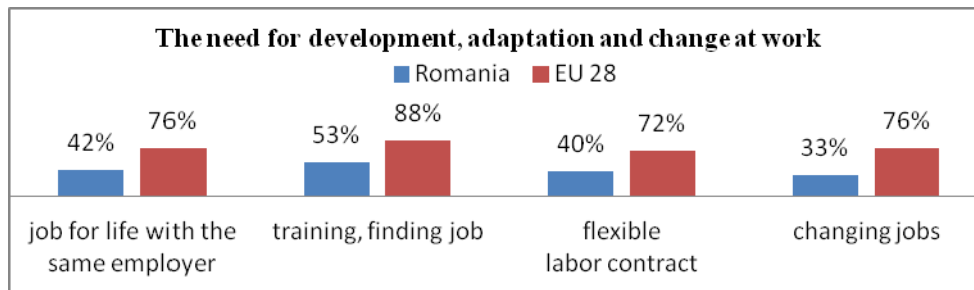
psychological safety wants creation of employees willing to experiment and innovate, to learn new skills in related areas of activity, to be able to express directly their views, to communicate by feedback. An example of this is the statement of Ascendis General Director, who sees such direct relationship between productivity and safety psychological "learn bosses to create this environment, to have the concern that people feel safe because safety generates productivity." (Gosu, 2016).

A new professional development program is "microlearning" that means online training sessions within 10 minutes for 20 days in which employee apply theoretical concepts learned in class. The notion of microlearning is described by Andreas Kambach - managing director of training and personal development at the company Triple A, Germany - a training program that teaches employees learn through practice. "No matter whether learning refers to the process of building and organizing knowledge to change behavior, attitudes, values, mental skills, the cognitive structures, reactions emotional patterns of action or dimensions of society in all cases we are able to consider micro, meso and macro aspects of different views on more or less persisting changes and sustainable changes in performance". (Hug, 2005).

Comparative analysis report wages – productivity

The relationship wages – productivity is essential on labor market. This has a direct impact on the workforce level of qualification, EU states being forced to constantly progress to an economy based on knowledge and success, which propagate the benefits of development in society. In this process of change should be pursued, the development of disadvantaged people, in order to be able to overcome their condition and determine increasing mobility.

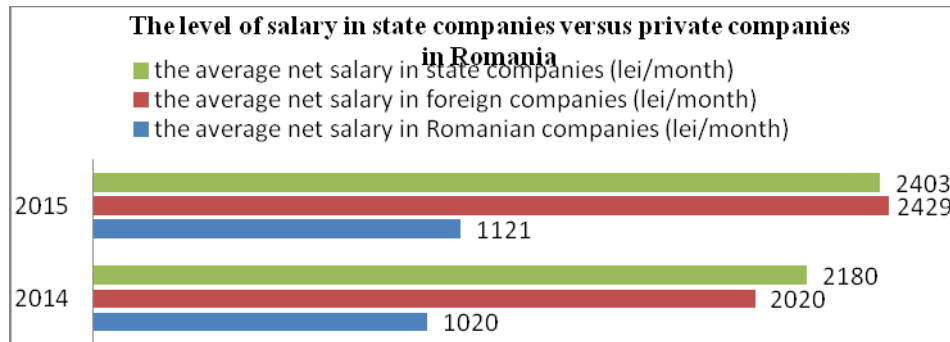
EU citizens against Romania accept a much higher percentage the need for development, adaptation and change in the workplace. 53% of Romanians versus 88% of EU citizens believe that training increases your chances of finding a job, 42% of Romanians versus 76% of Europeans agree that there are no jobs for life with the same employer, 33% of Romanians versus 76% of Europeans agree with easy change of jobs and 72% of Europeans compared to almost 40% of Romanians believe that employment contracts should become more flexible to encourage the creation of new jobs.



Source: authors' conception based on data from www.insse.ro/cms and www.ec.europa.eu/eurostat

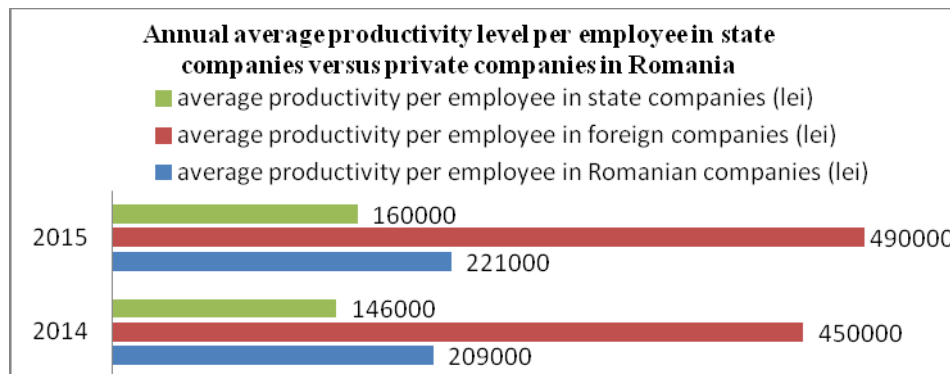
In Romania a major wage-productivity gap it signals in private companies towards state companies. If EU relationship between pay and competitiveness is similar in private companies and public companies, in Romania salaries are double the state to private companies, while productivity in the private sector is 25% higher than the state.

According to the National Statistics Institute and the National Office of Trade in state companies the average net wage was 2400 lei in 2015 compared to 1604 lei in private. Although it was noted an increase in salaries compared to 2014 owned Romanian companies registered in 2015 a wage of 1121 lei, representing only 47% of the average wage earned by employees in the public. The highest wage increases compared with 2014 were recorded in the private sector, foreign companies reporting an increase of 20% from companies with capital majority Romanian which had an increase of 8% and compared to state companies where growth has it was 10%. An argument in this regard could be professional development programs and the need to adapt and change in the labor market.



Source: authors' conception based on data from www.insse.ro/cms

Although the level of wage increase planned by companies for 2016 was 3.9%, Romania recorded in the private an average wage increase of 3.7%, much lower than in 2008, when there were wage increases of 13.5%.



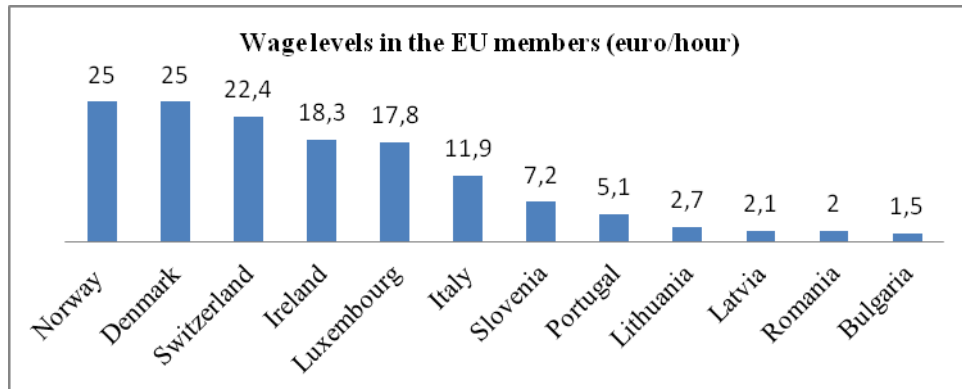
Source: authors' conception based on data from www.insse.ro/cms

In terms of productivity, private companies, with an average productivity per employee of 220000 lei are almost 38% more productive compared to state companies, where average productivity per employee in 2015 was 160000 lei. Private companies are over three times more productive compared to the state companies – private companies with foreign capital recorded an average productivity per employee of 490000 lei. Although, to analysis of the previous year 2014, productivity growth was 10% both in the state and the private, state

companies remain the least productive branch of the economy. It should be mentioned that private companies with Romanian majority capital are twice less productive compared to foreign companies.

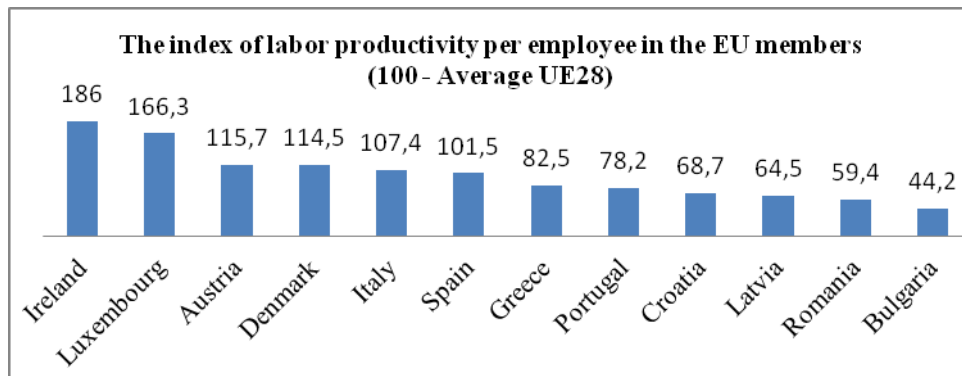
Although the whole economy, productivity per employee increased by 10% compared to 2014, recording a value of 300000 lei, the paradox of state firms remains, given that productivity ratio between private companies and state firms is 3-1, salaries are similar.

On the European map of the labor market, a key element of motivational system it is paid, an essential component in the search of a job. Thus, in the EU28, the average gross wage is 11,9euro/hour.



Source: authors' conception based on data from www.ec.europa.eu/eurostat

Top of the leaderboard at the wage level is occupied by the Nordic Countries, Norway and Denmark, with an average gross wage of 25euro/hour. Bottom of the table is occupied by Romania and Bulgaria with an average gross wage of less than 10% of average gross wage first ranked. Romania occupies the penultimate position with a gross average wage is 2euro/hour, last ranked, with an average gross wage of 1,5euro/hour being Bulgaria.



Source: authors' conception based on data from www.ec.europa.eu/eurostat

In the EU, Romania has noted in the past decade with the largest increase in labor productivity, registering an evolution of 174% in 2015 compared to 2010, with an index of

59.4 labor productivity from 100- media EU28. However, Romania deals again the penultimate position, the last EU country being Bulgaria with 44.2 (EU average - 100).

European Union top spot is occupied by Ireland, with an index of labor productivity per employee 186, followed by Luxembourg with 166.3 of the EU average 100.

In Romania, although labor productivity per employee increased, in terms of wage has not progressed to the same degree. Currently, a Romanian employee earn an average five times less than the EU-28, with a net wage of 450 euro/month. But are much larger discrepancies between the top spot, which earns approximatively ten times better than last finishers.

Conclusions

The transition period generated by the accession and integration of Romania into the European Union took a major impact on the Romanian labor market, and also on the wage-productivity ratio, report that in recent years had a small evolution. Noteworthy is that employers begin to analyze increasingly more productivity indicators on the labor market. Scarcity of manpower trained, professional development, demographic decline and fewer employees are "forced" active manpower to record labor productivity higher because private companies or state were forced to produce more, or even the same as before, with fewer employees. Although we are far from the acceptance of change at EU28 level, we believe that mobility of employees between companies would lead to a noticeable increase benefits, both in the workforce and at company level. Thus, employees would be motivated to wage level to take risks transfer from one job to another, and the chances of finding new jobs would register real growth.

In whole, globalization brings pluses on the labor market, the beneficial growth, development and employment, as long as employers and employees respond quickly imposed changes. The low level of labor productivity in Romania could be justified by the low level of training activities, and the limited experience in the use of more efficient tools. We think that with the development of digitalization, the labor market will benefit by increasing employee productivity.

Sustainable economic growth and sustained labor productivity growth is a viable solution for Romania's development by increasing wages and thus living standards. The measure reducing social insurance contributions is an example of this, state tax authorities can develop a moderate level of taxation, which would generate net wage growth. Effort should be made in the field of training by investing in qualification and retraining of the workforce, but also support programs to develop their own business.

Wage levels in Romania is directly related to the country's economic performance. The vast majority of countries with high wage and labor productivity have a competitive economy with well-qualified workforce, but also labor demand increasing. For sustainable development in the labor market in Romania must be a competitive business environment, a fiscal policy stable and relaxed, result oriented, which long term will generate competitiveness in the labor market, implicitly wage increases and development professional. Although Romania and some Member States of the European Union leaves the socio-economic realities quite different, our country is trying, through a series of policies and regulations of the Labor Code to approach the EU28, at least on the mobility of the workforce, recognizing that the wage level and productivity are still very far from European Community average.

In conclusion, any change that generates an additional labor market and support the economic recovery it is beneficial in the current politico-economic context. The changes

that aim to be implemented on the Romanian labor market must focus on job security and employer-employee relations relaxation. But attention to the implementation, because a high degree of freedom at the employer be synonymous with economic recovery, but may be a step in the development of abuses against employees.

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