

Flexicurity of Work Force from Romanian Organizations as Compared with the Requirements of the European Union

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ABSTRACT

Labor flexicurity within the organizations from EU countries represents an important objective for the fulfillment of the provisions of the "Lisbon strategy for more and better jobs". Flexicurity concept involves two components: flexibility of workers, respectively their capacity to adapt to labor market developments and to professional transitions and safety of workers, requiring them to advance in their careers, to develop skills and be supported by social insurance systems during periods of inactivity. This study presents the basic principles to be considered in developing the national flexicurity strategies and the directions should be acted to substantiate these strategies. As well references are made to the study "New skills for new jobs", the initiative of "Youth in movement" and to the "Lifelong Learning" Program. There are presented a series of benchmark indicators for the labor flexicurity.

KEYWORDS: *flexicurity, flexibility, labor security, strategies of flexicurity, policies of flexicurity, indicators on flexicurity.*

JEL CLASSIFICATION: *J21, J28*

INTRODUCTION

Nowadays both EU countries and the rest of the states of the world are facing major changes in their economic-social life, due to the activity of various factors and phenomena, among which can be indicated (European Commission, 2007a):

- globalization and international economic integration;
- emergence and development of new technologies, especially in the field of information and communication;
- accelerated population aging processes in various countries;
- low levels of use of active labor and consequently high unemployment, particularly for long-term affecting primarily young people and women;
- high risks regarding the sustainability of social protection systems;
- development of "segmented" markets regarding labor force in some countries, characterized by the existence both of socially protected workers (European Commission, 2004) and of persons without social protection.

These realities, amplified by the global financial and economic crisis, impose rapid changes in the management of the organizations regarding the restructuring of activities and adjustment of employment through its increased flexibility, while ensuring security levels to meet the needs both of the employers and of the employees. Consequently, it is estimated that to achieve the objectives "*of the Lisbon strategy for more and better jobs*"

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it takes new forms of flexibility and security both for individuals and for various organizations.

Currently, individuals are increasingly requesting employment security in relation to the safety of the workplace, because many employees don't get a job for life. As a result, both states and especially SMEs need to adjust their workforce to the changes of the economic conditions, it also requires hiring staff with skills to better meet their needs, to be more productive and adaptable.

It is estimated that in the EU, citizens accept the need for adjustment and change, 76% of them agree that lifetime jobs for the same employer is no longer actuality, also, 76% believe the ability to change easy a job as an asset to find a job nowadays. 72% believe that to encourage the development of jobs, contracts should be more flexible. 88% of citizens consider permanent training as a requirement to get a job (European Commission, 2006).

Flexicurity should be an integrated strategy in order to simultaneously consolidate both flexibility and security on the labor market. Different strategies for modernizing the labor market must take into account both the needs of workers and employers. A comprehensive approach of the concept of flexicurity involves taking into consideration two components:

- **flexibility of workers**, namely their ability to adapt to developments in the labor market and job transitions, the flexibility must involve also businesses, including the organization of work, to meet the needs of employers and to ensure harmonization of work and family life;
- **safety of workers**, the possibility to raise in their professional careers to, develop skills and be supported by social security systems during periods of inactivity.

Different flexicurity strategies should contribute both to reduce unemployment and poverty in the EU and to the insertion of disadvantaged groups into the labor market - young people, women, older workers, and long term unemployed.

Basic principles to be considered when developing national flexicurity strategies (European Commission, 2007b):

- Flexibility and security of employment contracts, observing the provisions of labor law, collective bargaining and the modern principles of work organization;
- The establishment of lifelong learning strategies in order to permanently adjust workers to labor market requirements, especially for the most vulnerable;
- Increasing the efficiency of active policies in the labor market, to help workers to find a job after a period of inactivity;
- Modernization of social security systems, particularly through financial aid, that encourage employment and facilitate labor market mobility.

Synthetically, labor flexicurity content and the basic principles for the elaboration of flexicurity national strategies can be summarized as follows (figure 1).

Based on these fundamental principles that should be considered in the design of flexicurity strategies, each EU member state, including Romania, must act in the following directions:

- ✓ Strengthen implementation of the Lisbon strategy to improve employment and social cohesion in the EU;
- ✓ Ensuring a balance between the rights and the responsibilities of employers, workers, persons seeking employment and public authorities;
- ✓ Adjustment of flexicurity principles to the concrete situation of each state;
- ✓ Supporting and protecting workers during the transition or inactivity period so that they integrate into the labor market and stipulate, as much as possible, stable employment contracts;
- ✓ Development of organizational internal flexicurity and of external flexicurity from one company to another, to support professional developments;
- ✓ Encouraging equality between men and women and equal opportunities for all;
- ✓ Promoting cooperation between social partners, public authorities and other partners;
- ✓ A fair distribution of budgetary costs and benefits of flexicurity policies, especially between companies, individuals and public budgets, with particular attention to SMEs.

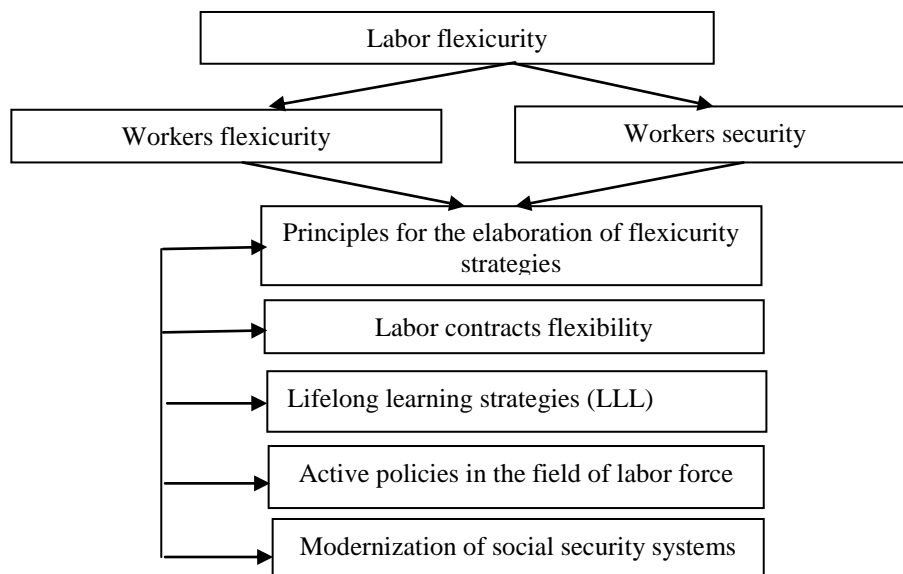


Figure 1. Labor force flexicurity

Source: author after European Commission (2007b)

Based on these principles and requirements for labor flexicurity European strategy in 2020 provides an employment rate of 75% for active people. In this context, there is provided a number of measures related to (European Commission, 2007b):

- A strategy for developing professional skills and reducing segmentation, helping people to acquire skills required for employment;

- A study on *'New skills for new jobs'* with the objective to anticipate and upgrade skills for their suitability to job requirements;
- An initiative *"Youth in Movement"* aiming to help young people acquiring competencies, qualifications and experiences;
- Measures to anticipate, prepare and manage corporate restructuring;
- Measures for public service employment to help people find jobs, to validate the experiences gained, etc.

From the experience of some EU countries, it results that there are situations in which some workers receive a high level of flexibility but a low security level, while other workers have contractual arrangements which discourage or delay transfers especially where there are strict laws on employment protection against dismissals on for economic reasons (European Commission, 2006). There are situations where, when some organizations decide when hiring new employees, they also think at the probability of dismissal costs in the future, especially in the specific situation of SMEs.

It is also considered that companies need to establish **appropriate strategies for lifelong learning and significant investments in human resources, to meet the rapid changes and accelerated processes in the field of innovations**. It is estimated that those who participate in workplace training earn on average 5% more than those who do not (De la Fuente & Ciccone, 2003). Consequently, initial education doubled by basic skills and ongoing investment in skills, increase companies opportunities to meet various economic changes, especially increase the chances of workers to keep their jobs or find a new job. Objectively it is estimated that increasing participation in lifelong learning is associated with a high level of employment and low unemployment (Labor employment in Europe, 2006).

This way, some cases may be exemplified by a number of EU countries. In Austria, participation in lifelong learning reached the EU target and is approx. of 12.9% (in 2005), as a result of long-term unemployment was 1.3%. In Denmark, participation in lifelong learning was 27.4% and the unemployment rate was 3.9% and 7.7% among young people, also registered a high level of labor rotation since approx. a quarter of the employees work for the same employer for more than a year. Netherlands recorded a participation rate in lifelong learning of 15.9% and long-term unemployment was 1.7% and 6.6% among young people.

But there are situations where from these investments primarily benefit highly skilled people, although most pressing needs arise for low-skilled workers, temporary contract workers, older workers, etc. (OECD, 2005a). In some cases a number of companies may even be discouraged from investing in the professional development of their employees because trained staff may be employed by other units. Also, an important role regarding **workers' safety** is played both by the social security system, which provides unemployment benefits, and active labor market policies, both providing income security and support during job changes. In this regard it is considered that there are needed adequate systems of unemployment benefits to compensate negative income consequences during transfer of jobs, but also which don't adversely affect the concerns of unemployed people to seek jobs; therefore it should be set an effective support in finding a job and work incentives, guaranteeing a balance between rights and obligations (OECD, 2005b).

For E.U. countries organizations flexicurity strategies are required to allow a balance between income insurance function through the system of unemployment benefits, and appropriate measures of activation to facilitate the transition to a job and to enhance career development. In practice, the unemployed are better protected by appropriate unemployment benefits than by strict protection against dismissals (OECD, 2006a).

1. FLEXICURITY LABOR POLICIES IN EU COUNTRIES

A number of E.U. states have achieved socio-economic and employment applying different flexicurity policies. To characterize such policies, OCPE considers various items as follows (OECD, 2006b):

- Moderate legislation employment protection;
- High level of participation in lifelong learning;
- Expenses for policies in the labor market;
- The system of unemployment benefits which puts in balance the rights and obligations of the unemployed;
- Broad coverage of social security systems;
- Wide range of trade union involvement.

Based on these aspects, ensuring appropriate flexicurity involves both sustainable macroeconomic policies and microeconomic effective policies. At company level there has been a need for increased investment in employability to allow workers to continuously update skills and to be well prepared so as to face future changes in production methods, work organization, and so on; this approach goes beyond a specific job and a specific employer as it is necessary to create systems which guarantee safe transitions from one job to another in case of company restructuring and staff firing.

The European Communities Commission takes into account a number of **baseline indicators related to flexicurity** on corresponding fields, such:

1. Flexible contractual arrangements regarding, respectively:
 - the strictness of social security for employees for an indefinite period and for those on definite period;
 - diversity of contractual provisions and working conditions and their justification;
2. Global strategies for lifelong learning:
 - percentage of the adult population aged between 25 and 64 years involved in education and professional training;
 - level of education for the age groups from 45 to 54 years and from 25 to 34 years old (proportion of population having completed at least upper secondary education);
3. Effective active policies of labor market:
 - expenditure on active policies of labor market, calculated as a percentage of GDP, respectively for each unemployed.
 - number of participants in active labor market area;
 - percentage of unemployed young people and adults who have not received any offer of employment or who have not received any measure within the last 6 or 12 months;
4. Modern social security systems:
 - net replacement rates in the first year and after 5 years;
5. Results recorded on labor market:

- total employment rate, female employment rate and older workers employment rate;
- rate of youth unemployment (15 – 24 years old);
- long term rate of unemployment;
- labor productivity growth;
- work quality;
- poverty rates.

Starting from these benchmarks on the labour flexicurity, established in the European Union, Romania should take a series of economic policy measures, both at macro and especially microeconomic level, by taking into account the situation on the labour market. Thus, according to the statistics (INS, 2012), in 2011 the total number of recorded unemployed persons was of 461 thousand, of whom 204 thousand women, corresponding to an unemployment rate – total, of 5.2, respectively 4.9 for women. Continuing the analysis of the unemployment rate by age group, gender and area, in 2011 important issues to be considered when making various economic policy measures can be highlighted.

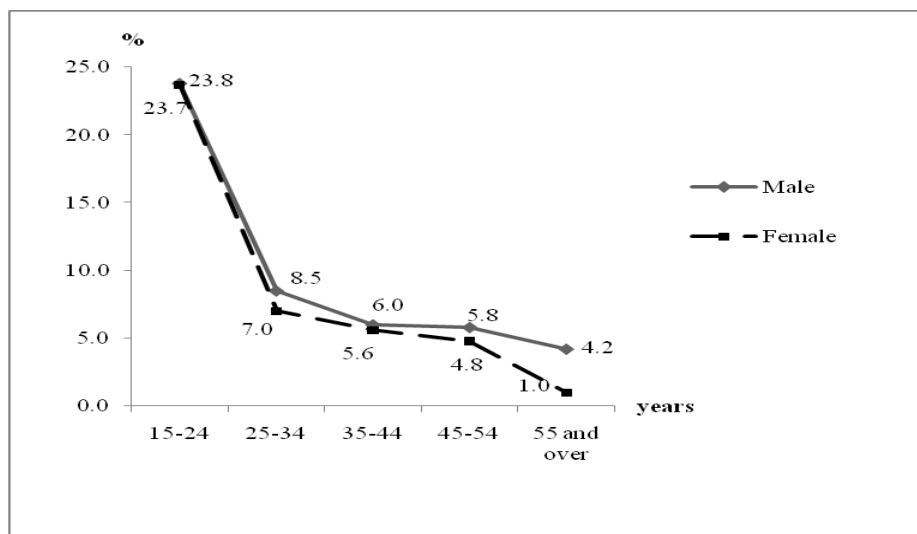


Figure 2. Unemployment rate, on age group and gender in 2011

Source: INS (2012)

From the situations presented in figure 2 an alarming situation comes out on the unemployment rate for young people in the 15-24 age range, both for males (23.8%) and for females (23.7%); consequently, the various programs for labour qualification and re-qualification should address as a priority this segment of active population. In addition, as it is shown in fig. no. 2, the unemployment rate for this age group is very high for the urban residents (32.4%) compared to the rural residents (16.7%).

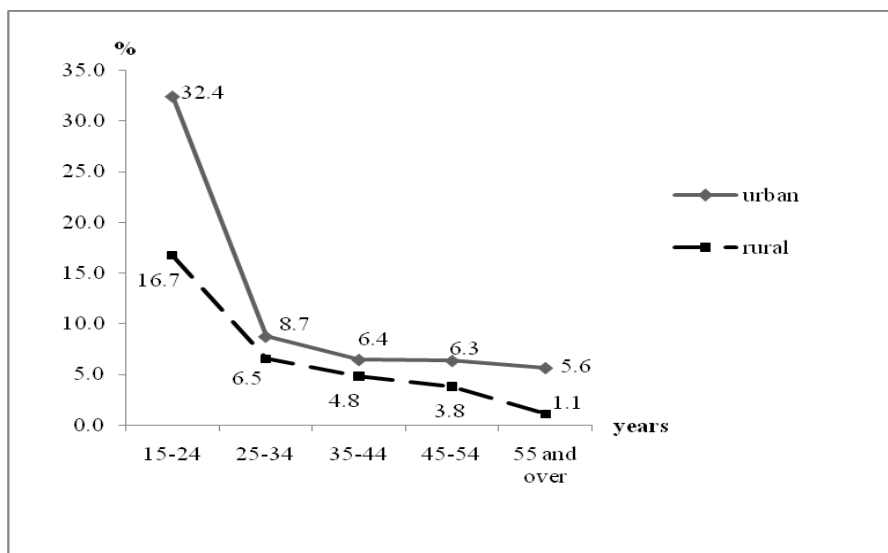


Figure 3. Unemployment rate, on age group and area in 2011

Source: INS (2012)

Important conclusions on the measures to be taken in the labour field in our country, in relation to the requirements of European Union integration, also appear in the analysis of activity rates, employment and unemployment, depending on the level of education, on gender and areas (Table 1).

Table 1. The activity, employment and unemployment rates, depending on the level of education, on gender and areas, in 2011

(percentages)

Item	Level of education			
	Total	Superior	Average	Low
1) Activity rate				
Total	63,3	86,6	67,8	44,3
On gender				
- male	70,7	88,1	75,3	52,0
- female	56,0	85,2	59,5	37,0
On area				
-urban	63,9	87,4	65,9	28,1
Rural	62,6	80,4	71,2	52,2
2) Employment rate				
Total	58,5	82,1	62,3	40,5
On gender				
- male	65,0	84,0	69,2	46,3
- female	52,0	80,4	54,6	35,7
On area				
- urban	58,2	83,1	59,8	22,7
- rural	58,8	74,7	66,8	49,2

Item	Level of education			
	Total	Superior	Average	Low
3) Unemployment rate				
Total	7,4	5,1	8,1	7,3
On gender				
- male	7,9	4,7	8,1	9,7
- female	6,8	5,6	8,1	4,7
On area				
- urban	8,8	4,9	9,3	18,8
- rural	5,5	7,0	6,1	4,7

Source: INS (2012)

From an economic perspective, the three indicators have the following content:

- the activity rate reflects the percentage ratio between the active population and the total population aged 15 – 64;
- the employment rate is calculated as a percentage ratio between the employed population and the total population aged 15 – 64;
- the unemployment rate represents the percentage ratio between the number of unemployed persons and the active population.

By analysing the 2011 data from table no. 1, we can establish a series of labour market realities in our country, as follows:

- the low activity rate per total population, namely 63.3% and consequently more than 1/3 of the total population aged 15 – 64, fails to be classified in different activities; a more alarming situation is recorded for the female population, where such rate is of only 56%;
- the low activity rate by taking into account the level of education, particularly for the population with an average education (67.8%) and especially for those low skilled (44.3%), attracts attention especially for the female population, with poor training, where the activity rate is only of 37%;
- the poor employment rate per total population, of 58.5% and particularly for the female population where it was of only 52%;
- low levels of employment for low skilled people (40.5%) and especially for the female population in this category (35.7%);
- the alarmingly low employment rate of urban population with a low education level (22.7%); this situation can be explained by the disappearance of vocational schools offering employment opportunities for young people in this category;
- the high unemployment rates especially for the urban population with a low education level, namely 18.8% and for the male population with a low level of education (9.7%).

Analysing the unemployed persons' situation recorded in 2011, based on the data in table 2, it also comes out a number of important issues for taking measures to improve the labour flexicurity in our country in relation to the requirements of European Union integration.

Table 2. Situation of unemployed persons recorded at the end of 2011

	Total unemployed persons	Of whom: women
		(persons)
Total	461.013	203.677
1) Recipients of unemployment benefits:	182.538	89.604
Level of education:		
- primary, secondary, vocational	83.576	33.101
- high-school and postgraduate	71.017	38.622
- university	27.945	17.881
2) Unemployed persons not receiving benefits:	278.475	114.073
Level of education		
- primary, secondary, vocational	237.689	93.817
- high-school and postgraduate	30.011	13.964
- university	10.775	6.292

Source: INS (2012)

A first observation arising from the analysis of table no. 2 data, is related to the very high number of unemployed persons not receiving benefits, namely 278,475 (compared to the total of 461 013) representing 60.40%.

In the number of unemployed persons not receiving benefits, the largest share is held by the unemployed persons with a primary, secondary and vocational level of education (237 689 compared to 278 475 persons, representing 85.35%).

At the same time it is also recorded a large number of unemployed persons with university education, namely 38,720 persons of whom 10,775 unemployed persons not receiving benefits (27.82% from the total of 38,720 persons); compared to the total number of unemployed persons of 461,013, the unemployed persons with university education represent 8.39%. We believe it is a high percentage for the unemployed persons in this category, fact which has many explanations, starting with the disparity between the university education and the practical requirements and continuing with the lack of flexibility in adapting to the new requirements and the lack of interest for some people to follow different training courses.

For that purpose, it is significant the 2011 situation for persons included in training courses, as reflected in table 3.

It is found out that from the total of 54,751 persons included in different forms of training the largest share is occupied by people who had the status of unemployed (96.41% compared to the total persons included in training courses). From the total number of 50,906 persons who completed the organized courses, only 6,713 were employed (namely 13.18%); this reduced share is also explained by the disparity occurring in some cases between the content of the courses and the actual requirements of employers.

Table 3. Persons included in training courses in 2011

(persons)

	Persons included in the training	Of whom involved in activities	
		Total	%
Total, din care:	54.751		
- unemployed persons	52.788		
Have completed the training in organized courses;	50.906	6.713	13,18
Of whom:			
- unemployed persons who attended courses financed from the social security unemployment budget	33.713	5.008	14,85
- unemployed persons who attended courses organised from other funds	10.210	141	1,38
- at the request of individuals interested	506		
- at the request of economic operators	93		

Source: INS (2012)

At the same time, the situation on the low number of individuals interested who have personally requested to attend training courses (506 persons) is also alarming, and more obvious is the situation of persons who attended such courses following the requests of different economic operators (only 93 persons). In relation to this last point, the situation is very negative since many organizations have reduced or even cancelled the expenditures on their employees' professional development, despite the fact they have express liabilities provided for in the Labour Code. In this respect there is a legal obligation for employers, legal entities, with more than 20 employees to develop and implement annual training programs which become appendixes to the Collective Labour Agreement concluded at unit level (Labour Code with amendments brought by Law no. 40/2011).

On a more general level, the current situation on the labour market in our country, both in relation to the number of unemployed persons and especially the lack of flexibility in hiring different people it is also a consequence of the low level of the public education expenditures share in the national gross income; in 2011 this share was of 2.9%, while in other countries was, according to the Romanian Statistical Yearbook for 2012 (page 703): 5.5% Austria, 6.3% Belgium, 4.7% Bulgaria, 4.8% Czech Republic, 8.1% Cyprus, 8.6% Denmark, 5.8% France, 4,5% Germany, 5.4% Hungary, etc.

CONCLUSIONS

By analyzing different policies, methods, techniques and European experiences on labor force flexicurity at the level of companies it results that nowadays, more than ever before, managers face external environment disturbances and pressures, requiring organizations to be more responsive to the market needs, more flexible in how they operate, focusing primarily on their core competencies, more attentive when entering partnerships, efficient, etc.

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