

# A NEW CRISIS OF HUMAN RESOURCES MANAGEMENT IN THE ROMANIAN BANKING SYSTEM

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*Crisis, human resources management, banking system*

The number of banks in Romania (50%) continues to be low compared with the number of banks established in the European Union Member States (150%), consequently the banking system may still continue to develop, while Romania continues to be an interesting market for the main operators in Europa. But the Romanian banking system continues to have as salient feature a high level of bureaucracy compared with the western countries is we refer to the high number of employees operating in indirect activities (approximately 10% of the bank staff in Romania provide services other than actual operations carried out to the benefit of the client).

As far as the banking concentration level is concerned, Romania ranks low having a number of 4900 inhabitants / banking establishment, compared with the average corresponding to the European Union states that amounts to 2297 inhabitants / banking establishment. The savings level also features poor results; it amounts to 17.5 euros / month, compared with Czech Republic – 21 euros / month, Poland – 27 euros, Slovenia – 36 euros.

Human resources management acquired a special international importance as human resources are deemed to be the greatest asset of a company. Human resources are unique from the point of view of their growth and development potential and of their ability of knowing and exceeding their own limits.

Due to the fast market growth and due to the stiff competition, lately we have been experiencing a great demand for banking activity experts. Beginning with the demand and offer game, the migration of skilled manpower from one bank to another is quite high and each employer in the banking system would like to be able to implement a human resources management that would allow them to stabilize the manpower, to obtaining loyalty of the best employees, to reduce new staff training costs.

The problems encountered by the banks as far as human resources management is concerned focus on the following coordinates:

- Development and retention – the financial and banking sector is a dynamic field, displaying an accelerated growth, leading to the modification of skilled staff expectations;
- Motivation – compensation and motivation are essential components of human resources management system and these must be real and competitive;
- Geographical location – as territorially distributed human resources must be managed, the issue of data fragmentation, of centralized management and of management costs occurs;

- Efficient training – the need of training emerges along with the increase and complexity of the market and of products provided; it is necessary that this training be carried out as efficiently as possible, incurring costs as low as possible;
- Cost control – within an environment that is increasingly competition, where profit is increasingly difficult to yield, and the margin of asset interest and liabilities interest is more and more reduced, thus the issue of rendering processes carried out more efficient and of using in an optimal way the manpower emerges;
- Reporting – the majority of ad hoc reporting requests refers to human resources; more often than not human resources departments operating inside banks must meet the requests coming both from the inside and from the outside;
- Legislative amendments – in the human resources field, legislative amendments entail a need for immediate adaptation carried out with minimum costs.

The actual crisis is encountered at the management level, since very few banks undertake human resources planning activities. The recruitment is usually carried out at the very last moment, either when an employee is leaving or when extension may no longer be supported by current employees.

Nowadays the Romanian banking system is confronted with a human resources crisis; each extension within territory entails the drawing of human resources and the banks are compelled to employ staff included in the junior category, who do not have professional experience, consequently banks are exposed to operational risk, as this has lately become reality that is characteristic to the Romanian banking system, under pressure of competition of investors in Romania, the majority of banking groups with foreign capital that controls the Romanian banks and under pressure of competition for increasing the market share.

Joining the European Union may entail a short-term deepening of the staff crisis in the banking system affecting Romania, since a large number of graduates could be interested in job outside Romania, attracted by the possibility of gaining high salaries. The crisis may also be generated by European companies penetrating the Romanian market; wishing to develop, they will recruit experts; moreover, outside banks might open subsidiaries in various cities, employing the staff operating there.

The domestic banking system is witness to a genuine migration process of the staff from one bank to another. The highly trained staff has become a rare asset of banks, which compete in order to employ the best professionals. The main cause of this human resources management is connected to bank expansion. Staff migration from one bank to another and the leave of experts to other activity sector have led to the occurrence of a human resource crisis in the banking sector.

The banking market has become more and more of a paid work field. This is the natural consequence of demand, which exceeds the available experts offer. Unfortunately, a set of competences below the standard level is sold for a price high above the average and this happens more and more often.

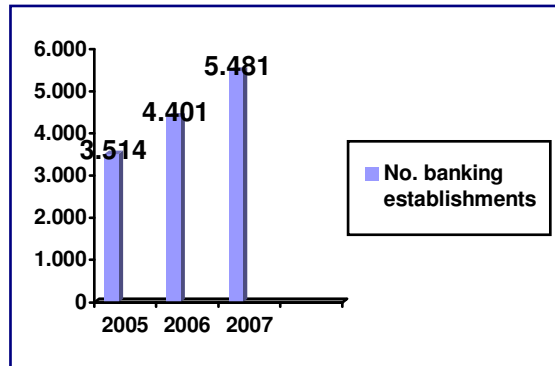
Although the largest salaries received by top management are paid by banks or establishments operating in the financial field, Romania is confronted with a lack of staff in the financial and banking field, lack that has deepened following the adhesion, on account of economic climate and of absence of strategies intended to attract young persons on the labour market. Generally, the lack of experts in the financial and banking field is noticed in the case of middle and top management positions. If for the entry-level administrative, human resources or IT field it is easier to cover vacancies, there are highly specialized and technical positions, such as the operation, sales or department management positions that are difficult to cover if there are no specialized employees. The massive staff fluctuation and the preference of many experts for freelancing (persons working on their account, providing services to companies, without being employed) result in the sharp deepening of lack of staff operating in the field.

The managers of the banking establishments complain about the fact that they have to hire unskilled persons, which affects the efficiency of the services. This staff related crisis prevents the development of the medium and small-sized banks during the next period. The banking establishments in Romania have the fewest employees compared with the other countries in the European Union, if in our country there are approximately 100 employees in a bank, in Poland the average of the employees in a banking establishment is over 200 persons. From the point of view of the active efficiency of the employee, unfortunately we find ourselves in the same situation. We have a quarter of what Slovenia has, a third of what Hungary has, approximately 70% of Poland's, 1/3 of Slovakia's and a quarter of the Czech Republic's. In the future the training system of every bank will differentiate; the banks will focus on the

standardization of the sales processes, trying to open small establishments to sell standard products and where the operational risk will be reduced.

At present, there are 41 banks operating in Romania, the field market being divided into over 5 400 establishments. According to the statistics, in this field there are over 65 000 persons working, in the last year having been recorded an increase of approximately 10% of the number of employees. A significant increase was recorded at the salary level, the average of the salaries in the banking system being 1000 €. The reason of this salary boost is related directly to the lack of specialists.

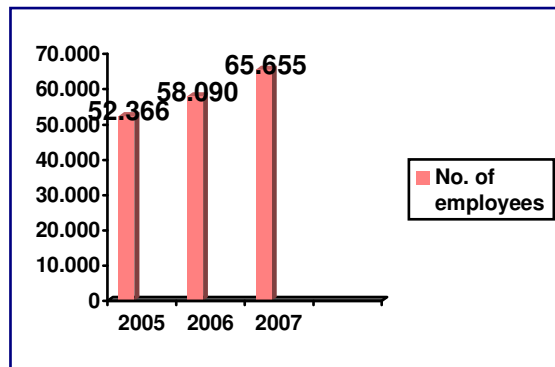
The Romanian banks have continued in 2007 the accelerated process of extension of the subsidiary networks. The number of the banking establishments in Romania was at the end of December 2007, of 5 481, with 1080 more than at the end of the previous year.



*The evolution of the banking establishments in Romania*

In 2006 the rate of development of the banks was almost to 1000 new agencies and subsidiaries. According to the data supplied by the specialists from BankingNews, from the most important retail banks in Romania, the rate of extension will remain at the same level in 2008 as well. Thus, the objectives established by the banks indicate the emergence of over 900 establishments in the course of this year.

As far as the situation of the employees from the banking system are concerned here too it was registered an increase, thus from a number of 52 366 employees registered at the end of 2005, by the end of 2007 it came to a number of 65 655 bank clerks.



*The number of employees from the Romanian banking system*

In the competition for the best clerks between the banks, only the one who offers the best salary packaging wins. The consequences of the workers deficit, as well as of the treble of the salaries in this field are directly visible in the profit of the bank in Romania, which in the last year has decreased with 0.33%.

However, for a worker who does not earn very much from the beginning in a banking establishment, the starting salary for the entry-level jobs is under 300 €. This is why the young persons have changed their options, giving up the idea of finding a job in a bank, some of them preferring to work in the insurance field, where the salary is much bigger and where they can gain experience faster.

The banks need specialists both in retail banking and in the corporate area. Companies focus both on universities and on other fields, because the universities cannot cope anymore. The banks count on the

ability of the young persons to quickly adapt and take on the responsibility to train them for the specialties they need. The solution for the intercession of the staff deficit could be the achievement of efficient training programmes.

Due to the fast market growth and due to the stiff competition, lately we have been experiencing a great demand for banking activity experts. Beginning with the demand and offer game, the migration of skilled manpower from one bank to another is quite high and each employer in the banking system would like to be able to implement a human resources management that would allow them to stabilize the manpower, to obtaining loyalty of the best employees, to reduce new staff training costs. All these are possible today, by means of the Oracle Management solution of the Human Resources and Oracle iLearning solution.

For Oracle, the banking sector was and will be a strategic direction, both globally and on the Romanian market, taking into consideration that 17 of the first 20 banks in the world, according to some statistics of Banker Magazine, work with Oracle technology, and all of the first ten banks in Romania also use Oracle technology.

The solution of human resources and Oracle remuneration manages the employees of BCR (Romanian Commercial Bank), BNR (National Bank of Romania), LIBRA BANK, RAIFFEISEN, etc. Oracle Management of The Human Resources answers to all the challenges and covers the whole variety of processes related to the management of human resources: multidimensional centralized management, management of salaries, management of qualifications and competences, management of the process of evaluation, recruitment and hiring process, the complete analysis of manpower, in addition it is offered a complete and personalized solution of mixed training which allows the provision of courses to the internal employee (the employees of the bank), as well as to the external employee (to the clients, for example, the training for the use of the internet banking solution).

At present, Oracle covers with top solutions the whole range of operation of a bank. For example, the solution of calculation and analysis of the bank's profitability, which is number one in the world, calculates the profitability on any dimension requested by the management: client, bank products, cost center, sales person. The solution is extremely valuable to the top management of the banks in the context of the more and more difficult attainment of profit against the background of a stiff competition on the market.

The strategic function of the IT element in banks becomes more important as we take part in the globalization and standardization process in the international banking system. The creed of the Oracle specialists is that of granting the banking establishments a competitive advantage.

The foreign agents of the banks claim that Romania is not the only one who is going through such a crisis, which will last at least two or three more years. As it can be seen, this year too, the banks are going to invest important resources in the extension of the networks, under the circumstances in which the number of banks in Romania is reduced, and the domestic banking market is developing. Thus, due to the expansion in the retail banking, next year the banks are expected to hire at least 10 000 persons, reaching a total of 80 000 employees in the system.

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