

MEASURES AND IMPACT OF FLEXISECURITY IN ROMANIA

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In Romania until 1989, employment policy, in line with planned socialist economy, was promoting a labor market controlled by the state, with traditional jobs, a strict timetable of work and employment contracts for an unlimited period. The transition to a market economy involved transforming the labor market and hence the need to modify the classical approach of employment. Dismantling the socialist economy had the effect of massive layoffs and professional obligation to reorient those without jobs. Initially, the state offered financial assistance to those without a job, only later (after 1995) approaching an active policy for employment.

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Flexisecurity may be defined as an integrated measure of simultaneous consolidation of flexibility and security on the labor market.

Flexibility refers to the successful changes ("transitions") during life: from school to work, from a job to another, between unemployment or inactivity and work, and from workplace to retirement.

This is not limited to a greater freedom of companies to hire or fire and do not involve caducity of contracts for an indefinite period. This refers to employees' progress toward better jobs.

Also, flexibility refers to the flexible organization of work, able to respond quickly and efficiently to new requirements and abilities of productivity and to facilitate reconciliation of professional life with responsibilities of privacy.

Security on the labor market is more than keeping the workplace: it concerns the development of abilities or access to skills that enable progress in the professional life and support in finding a new job. It also refers to the appropriate unemployment benefits to shift to socio-professional integration. Finally, it includes professional training opportunities for all workers, especially for the low skilled and older workers.

Thus, businesses and workers can both benefit from the flexibility and security, for example, as a consequence of a the better organization of work, of the upward mobility as a result of improved skills, the investment in training which produces results for companies helping the workers to adapt and accept change.

The definitions of the concept of flexibility of employment are very different. For this reason I use an operational definition explaining the term, taking into account three dimensions: time, space and contract conditions. In general, flexibility is the promotion of employment and acceptance of atypical employment: part-time jobs (reduced work program), jobs with variable work program, work at home, work on their own and so on.

Therefore, in Romania, as in other former communist countries, flexibility did not emerge as an end in itself, but as a result of the transition. At a first look at the labor laws of Romania, we may find a line of flexibility since the early'90. It was but only a phenomenon of a kind of work on the black market, the companies finding out that they can use a type of semi-legal contract to circumvent fees: contracts of cooperation or civil agreements. Individuals were in fact full-time

employees, but legally, they figured as they had worked only 3 hours a day and did not had all the rights of employees with employment contract (insurance and taxes).

Contractual provisions of flexibility and security

In 2003, the Labor Code was amended and thus, established a set of rules for flexible labor relations and instruments to reduce barriers to work, relaxation of restrictions concerning individual contract work on a determined period in order to eliminate the black labor; promotion of new forms of employment through employment contracts, both those with part-time, through temporary employment agent, and those relating to work at home, simplifying the procedures for employee records by entering the general ledger records of employees, streamlining procedures of individual and collective dismissals, as well as guaranteeing employees the rights, in case of these dismissals.

In 2006, there were completed the provisions of the Labor Code (GEO nr.55/2006 published nr.788/18.06.2006 MO) on the flexibility of procedures for collective dismissals, so that the operators be able to resize in an operational way their activity, depending on needs, ensuring, at the same time, protection of workers to be dismissed. Also, in the local agencies for employment (AJOFM) develops pre- dismissal services, for those who will be dismissed as a result of the restructuring operations carried out by employers. These services consist of information activities, placement on job vacancies and professional reorientation. As regards employment orientation towards the carrying out of economic activities, independently, as individuals (self-employed persons) or family associations, there were initiated a series of administrative simplification and effective accompaniment for the effective operational progress of enterprises, which consist in granting consultancy on business idea in the pre-establishment phase for setting up a company.

Another component of flexibility of labor market is supporting the training and obtaining management qualifications, to make from entrepreneurship a career option, this activity is provided with allocations in ESF for the period 2007-2013. It aims to encourage corporate responsibility by providing incentives to employees in order to develop companies and careers, but also the awareness of employers and employees on the need of continuous training. From this point of view, the Public Employment Service (SPO) grants financial allocations with no repayment to employers for the training programs for employees.

Simultaneously with the increase of labor market flexibility it is necessary to improve the protection of employees: through a system of employment **security**, able to provide safety to employees. Currently, at the level of government, it is aimed to resize the base reference for calculating the minimum wage on the economy as a basis for collective working contracts bargaining. Romania transposed in the national law most of the European regulations on labor law and is in the stage of its implementation.

The provision No. 1850 on 2006 on the Guarantee Fund of claims indicates that wage rate for this fund is applied to the total gross monthly salary of employees made by the employees of unit for all types of income that they get at work.

Law no. 467/2006 concerning the framework for consultation of employees applies to enterprises in Romania who have at least 20 employees.

Employers must inform and consult the representatives of employees, according to the laws in force, regarding:

- recent developments and likely development of activities and economic situations of the enterprise;
- situation, structure and probable development of employment within the enterprise, as well as concerning possible measures of anticipation, especially when there is a threat to jobs;
- decisions that may lead to important changes in work organization, contractual relationships or employment relationships, including those covered by the Romanian legislation on specific

information and consultation in the case of collective redundancies and protection of employees in the case of the company's transfer.

Law 319/2006 concerning the security and protection of employees. It states its responsibilities; the employer must take necessary measures to:

- insure the security and health protection of employees;
- prevent professional risks;
- inform and train the workers;
- insure the organizational framework and the necessary means for security and health within work.

Law no. 344 / 2006, Government Decision no. 104 / 2007); deploy employees in the transnational provision of services in Romania.

Law no. 67/2006 on the protection of employees' rights in case of the company's transfer, of the unit or some of its parts. The transfer of the company, of the unit or its parts, shall not constitute grounds for individual or collective dismissal of employees by the transferor or the transferee. If the transfer involves a substantial change in working conditions to the detriment of the employee, the employer is responsible for termination of individual labor contract. The transferee is required to respect the collective labor contract applicable to the date of transfer, until its expiration or termination.

Law no. 217/2005 regarding the establishment, organization and functioning of European Works Councils.

In terms of the flexibilisation conditions in addition to the contractual ones listed above are also found a number of measures relating to strategies for lifelong learning listed in the current legislation and their impact on the labor market.

The Education Law nr.84/1995, which establishes the beginning of the permanent system of education in Romania, the initiative came from civil society and met the interests of ministries of education, labor and youth. The bill resulted from the analysis of initiators did not enjoy the interest of legislators. As with educational reform, the main obstacle to the introduction of the new system was due to mentalities, on one hand, of those trained over many decades on the uniqueness of education, namely, "you qualify once in life and you have the security of employment until retirement, on the other hand, the feeling that a good theoretical training, "Olympic" type, allows the approach of any occupational segment.

Ordinance 129/2000 on the training of adults, and the normative act that officially introduced the continuous vocational training in Romania, ran through a long and hard way until it was put into practice in 2004, after the adoption of Law 375/2002 and the rules of application in 2003. The main **barriers** to participation in training courses are considered to be: cost (18.7%), program (14%), lack of supply (9.3%) period (8.7%) and programs (7, 3%).

In 2005, only 1.6% of adults in Romania, aged 25 and 64 years old, participated in continuous training programs, while the average EU-25 is around the percentage of 10.8%. The continual training problems that may be mentioned are: the system provides a lifetime opportunity for any active individual, provide opportunities for sustainable development of all societies and economies, and the sensibility factor is the market with its needs and competition. For these reasons, and many others, the FPC role should be rethought as a system by itself, but also in interaction with the initial training. **If the doors of initial education are trying to be open for the continual training, it should be also reversed as to recognize the initial vocational training skills and credits obtained in the continuous training so that changing careers should not be a nightmare for those looking for a job.**

Number of people falling through the implementation of the Employment of the NAE was in June 2007, 282,951 persons, 4.5% more than the same period last year (i.e. 270,769 persons).

In the light of the fact that part of policies to stimulate employment is addressed mainly too young people, it is remarked a quite low level among persons aged 25-34 years who were employed in the period June 2006-June 2007.

In the structure by age group, 35-45 years group has, nationally, the biggest share in the achievement of the program (27.7%), followed by the 25-35 years group (26.6%).

In order to stimulate active measures to prevent unemployment and to strengthen job growth through diversification and professional skills to employed persons, the Romanian state gives to employers, who organizes training programs for their own employees, out of the budget for unemployment insurance, an amount representing 50% of the cost with services organized for training a number of less than 20% of staff.

In order to have a sustainable labor market, disadvantaged people should first be backed with sufficient resources and be provided with social services and employment, personalized for improving their social skills and ensuring increased employability. The welfare of citizens involves ensuring a sustainable financial balance and this can be done by developing a social protection system of high quality. Thus, social benefits should be varied taking into account the real needs of individuals / groups / communities, while trying to avoid dependence on system through the development of "active" sides of social protection: employment, social services.

In 2007, only 12,901 of the adults in Romania, aged 25 to 64 years participated in **continual vocational training** (CVT), up from 2006, when they were 3508, and down from 2005 - 15,189 people. Among 2002 - 2005, Romania registered an increase of only 0.3 percentage points compared with the number of adults who participate in programs of CVT. In the same period, there were the first regulations to define the system, authorizing providers of vocational training and certification of their skills acquired in the formal and non-formal system.

In 2005, it was elaborated a strategy, horizon 2010, which proposed to increase the percentage of adults who were participating in continual training programs to 7.5%. Since 2002 till 2005, Romania didn't make significant progress on the participation of adults in continual training. Along with Bulgaria, Romania is still on the last places in Europe as regards the share of adults aged 25 - 64 years, participating in education and training. Expenditure for continual vocational training is being reduced. This is recorded in the funds allocated for training the unemployed as well as in the enterprise funds allocated for training their own employees.

The Law on professional training of adults (nr.375/2002), which approved Government Decision 129/2000, sets targets for lifelong learning, for specific vocational training:

- ensuring access to continual training, including this right into the collective bargaining agreements,
- encouraging employers to invest in human resources,
- recognition of skills acquired in the formal and non-formal system. The law focuses more on quality of supply, the accreditation of suppliers, conferring the quality of "authorized provider", the organization of final evaluation of programs and award of "certificates of national recognition".

Public expenditure on education as percentage of GDP oscillated around 3-3,5 percent during 2000-2005, increasing in 2006 compared to the previous year by about 1 pp, respectively to 4.52%. Through these proportions Romania managed in 2006 to be significantly closer to the average of EU countries in terms of public expenditure on education as% of GDP. It still remains a gap in terms of absolute value of the education budget of the EU Member States, generated by GDP reported to the number of inhabitants. If the EU 27 public expenditure on education accounted for about 5.1% of GDP, the values varied between countries 8.47% in Denmark and 3.93 in Luxembourg, Romania allocating the lowest percentage of GDP, 3.29% at the same time and 2004. The efforts to increase public expenditure on education in GDP in 2008-2013 aimed allocating a minimum of 6% (National Pact for Education, 2008).

Results recorded in the labor market

Rates of activity and employment for the working age (15 - 64 years) had a tendency to increase in 2002, reaching in 2006 the level of 63.7% and 63.0% in 2007 for the rate of activity. In 2007, employment rate recorded the same value compared to year 2006, namely 58.8%, but in an upward trend from 2002 -58%. However, there are areas such as construction, real estate, rental and service activities performed by businesses, health and welfare, public administration and defense, trade, hotels and restaurants, financial intermediation, where the employed population increased, sectors considered as having potential to develop in the following period. The total population will decrease the effect of reducing the population over 65 years, and the active population of 15-64 years will increase the rate of activity reaching about 67.6% in 2010.

In 2007, **the rate of long-term unemployment on the ILO** was 3.2%, of which 3.6% for men and women 2.7%. The difference between urban and rural areas in terms of rate of long-term unemployment rises ILO in 2007 to 1.5 percentage points against the urban environment (3.9% in urban and 2.4% in rural areas).

Unemployment rate for very long-term has a downward trend reaching in 2007 a value of 1.5% (1.9% in urban and 1.1% in rural areas). Of the total number of households, 68.8% represents the households in which employed people live, in urban areas the share is higher than in rural areas (70.9% vs. 66%). In the households which are made up of employed people, most households have 2 persons employed (47.1% nationally and 51.1% in urban areas). In the households whose head of household is female, 49.1% have no person employed. The main challenges on the short and medium term of the labor market are: the effects of economic restructuring, low participation of young people and vulnerable groups in the labor market, the rate of significant employment in the agriculture sector and the quality of human resources.

As regards **the rate of long-term unemployment among young people** it had a oscillating evolution from 13.1% in 2005 to 14.2% in 2006 and decreased to 13.3% in 2007.

Regarding the **labor productivity relative to employed population**, this indicator had an upward trend from 23,477.4 in 2005 to 32,609.5 in 2007. According to data provided by the National Institute of Statistics, in 2007 approximately 18.5% of Romanian citizens are poor (18.3% among men and 18.8% among women). During 2004 - 2007 is noticed a stabilization of the relative poverty rate in the range of around 18% - 19%. From the point of view of **residence environment**, rural areas still confront with a higher incidence of poverty and severe poverty, poverty rates in rural areas had in 2006 the value of 29.6% versus 9.6% in urban . It can be found in the comparative analysis of 2007 with 2006 that the poverty rate in rural areas increased from 29.6% to 29.9% in 2007. Therefore approximately 70% of people at risk of poverty live in rural areas.

Labor market flexibility in general contributes to the increase in the motivation of employees at work, which is reflected in increasing labor productivity by putting the foundations of economic development on average and long-term. In order to achieve this strategic goal, so that by 2030 Romania will regain these currently existing gaps in comparison with old member countries of the European Union, it is necessary that government strategy, regardless of orientation, should propose as objective, a budget policy intended to ensure a continuous flexibility of the labor market, while ensuring security to the company's employees, regardless of where they would conduct their business.

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