

WORK ETHICS IN ROMANIAN COMPANIES (I) - EMPIRICAL EVIDENCES

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In many countries (e.g. Japan, China) it has been proved that a key-driven factor in increasing their economical development consists on employees' attitude toward work. Based on the assumption, the main objective of this article is to compound a descriptive image on drivers and barriers on work ethic in Romania, which illustrate the most frequent ethical issues in firm-employee relation. In this respect, the sense which I attributed to the term "work ethics" refers to specific attributes of relationship between two parts: employee and firm and in the second paper I will use this term based on Weber's definition as a belief in the moral value of the work. The empirical evidences presented here are the results of a research based on an online survey which I applied to managers and/or persons in leading position in Romanian small and medium enterprises. Using this methodological instrument, I collect responses from 828 companies from 41 different Romanian counties land. The resultants indicates that the main source of the unethical practices is based upon a double phenomenon: employees fail to comply with their labor contract duties and management administration restricts employees' rights to work (applying discriminatory practices) and rights to a fair wage.

Keywords: work ethics, business ethics, Romanian companies

JEL: J30, J41, J50,

Introduction

Various studies (Heintz 2005:25) confirms that the economic progress of a country lies in the willingness of people to work harder and more efficiently, and the financial value of a company increases if the human capital is based on a motivated and loyal workforce (Young 2008:185). From an economic approach, the importance of work ethic resides in increasing the employee's productivity and achieving an optimal position in terms of costs and benefits. Well done work is reflected by a corresponding financial reward, leading to the Pareto optimal state, in which no party can improve its present condition without worsening the other. So, the two parties - employer and employee - are in a win-win position. The company is more likely to be concentrated on the economic benefits; meanwhile the workforce looks forward to a balance between social and financial aspects.

But the descriptive aspects confirm us that there are many problems related to workforce. Not all want to be responsible for their work; there is not a fair balance between effort and reward. The first extreme is when the wage is situated below the level that should provide the means of existence – e.g. Nike Company has been criticized many times for very low wages paid to labor in Indonesia, or Wal-Mart Company was involved in many cases of pushing labor costs down. The second extreme is illustrated by the situation in which the salaries of managers in the American financial sector are thousand times higher as the wages of other representative workers in comparison (Stiglitz 2010:446, Chang, 2011:157-173). In order to find out some attribute specific to work ethic, I have applied an on-line questionnaire, based on 25 questions, which illustrate company's relation to its stakeholders.

Methodology of the research project

Research design was based on the following considerations. In order to achieve a representative sample, I use the quota method based on two criterions: employees' number and region. The data for the study were collected from a base of firms called Lista Firme which contains information

about over 700 000 companies in Romania. The selected information was: company name, mail address, manger's name and number of employees. This procedure resulted in a total sampling frame of 300 companies from each 41 Romanian counties. Firms were group in four categories, based on the number of employers, according to the national previsions of Law nr.346/2004:

- *Category I - Microenterprise under 9 employers*, (In this study 52,2% of responses came from micro-firm owner/mangers that have less than 9 employees; that means 444 of participants was from the first category);
- *Category II - Small Enterprise 10-49 employers* (33,6% firms, that means 286 participants);
- *Category III - Medium Enterprises 50-249 employers* (11,5%, 98 participants with 80 completed responses);
- *Category IV - Great companies with over 250 employers employers* (2,6%, 22 participants)

Each member of the sample received an on-line questionnaire, particularized with the name of the manager, from which it was expected an answer. In case of unavailability of the manager, it was asked for another member in leading position to fill in. Also the last part of the survey permitted the participant to note his/her name and his/her position. It was used an international leading provider of web-based survey solutions, in order to elaborate and to sent the questionnaire based upon 25 questions. Taking in concern the number of send e-mail and the number of invalid mail address, the response rate was 10,32%, This can be considered high for the customary levels in an on-line survey. This research was finalized in January 2012 and only two specific items from this research will be used in this article.

General ethical issues in firm-employee relation

The perception of work has evolved over time and there are many factors which can stimulate our attitudes towards work. In the ancient world, in almost all civilizations, (excepting the Jewish one) work did not receive a positive value assessment. From Protestant Reform, the perception upon work has been serious changed, being considered a divine call a sacrifice that demonstrated moral worthiness. Over time this divine mandate turned into a social norm and with the information age, work was perceived as good and rewarding in itself.

Within the informational age, the approach to work has become more detailed because of its complexity. Even if the employee-employer conflict remained over time, each party's perception has changed. While human capital can be bought, its potential is only capitalized on the care, value and respect which are offered (Young 2008:185). Various management theories seek to emphasize the role and place of the human being related to his work, in order to motivate worker to perform better. The traditional model is based only on monetary incentives while the scientific management takes into account other non-economic factors, such as: appreciation, responsibility, advancement, training, etc.. (Herzberg, Mausner Snyderman 1959). Work ethic today stresses the importance of skills, discipline, challenge, autonomy, quality of work produced. Worker expects that the application of a positive work ethic to be fairly reflected in rewards.

There are many factors with shapes the contemporary attitude throughout work. Many studies have been dedicated on finding positive correlations between some key-factors and labor. Without getting into particularization, we listed below some of the most relevant ones:

- cultural gaps, (Landes 2000:10) argues that "culture makes almost the difference" as a relevant example is the Jalopies patriotism at work;
- most of the literature in social psychology views considers the parents as a primary source of work attitudes, parental work attitudes have a positive effect (Gradstein 2009:268-288) and it might be a weak correlation between to parents income (Antonji, Dunn 2000:221-58),

- educational influence, more educated individuals may work more (Antonji, Dunn 2000:221-58),
- companies' drivers and barriers: financial and non-financial stimulus, a fair balance between contribution and reward, "the fair wage-effort – workers have a sense of fairness and reduce their efforts if the actual wage falls short of the fair wage", (Akerlof, Yellen 1990:255-83), "status payment and earning compression" (Stark, Hyll 2011:349-75).

Ethical issues in the firm-employee relation are various. We consider that their source is essentially based on the infringement of employees' rights or when the workforce failed to accomplish its obligations. The following table offers an outlook upon the basic rights and duties of employees and points the major ethical issues involved.

Table 1 **Rights and duties of the employees and some ethical issues**

Employee rights	Issues involved
Right to freedom from discrimination	<ul style="list-style-type: none"> • Equal opportunities • Affirmative action • Reverse discrimination • Sexual and Racial Harassment
Right to privacy	<ul style="list-style-type: none"> • Health and drug testing • Work – life balance • Presenteeism • Electronic privacy and data protection
Right to process	<ul style="list-style-type: none"> • Promotion • Firing • Disciplinary proceedings
Right to participation and association	<ul style="list-style-type: none"> • Organization of workers in work councils • Participation in the company's decisions
Right to healthy and safe working conditions	<ul style="list-style-type: none"> • Working conditions • Occupational health and safety
Right to a fair wages	<ul style="list-style-type: none"> • Pay • Industrial action • New forms of work
Right to freedom of conscience and speech	<ul style="list-style-type: none"> • Whistle-blowing
Right to work	<ul style="list-style-type: none"> • Fair treatment in the interview • Non-discriminatory rules for recruitment
Employee duties	Issues involved
Duty to comply with labor contact	<ul style="list-style-type: none"> • Acceptable level of performance • Work quality • Loyalty to the firm
Duty to comply with the law	<ul style="list-style-type: none"> • Bribery
Duty to respect the employer's property	<ul style="list-style-type: none"> • Working time • Unauthorized use of company resources for private purposes • Fraud, Theft, embezzlement

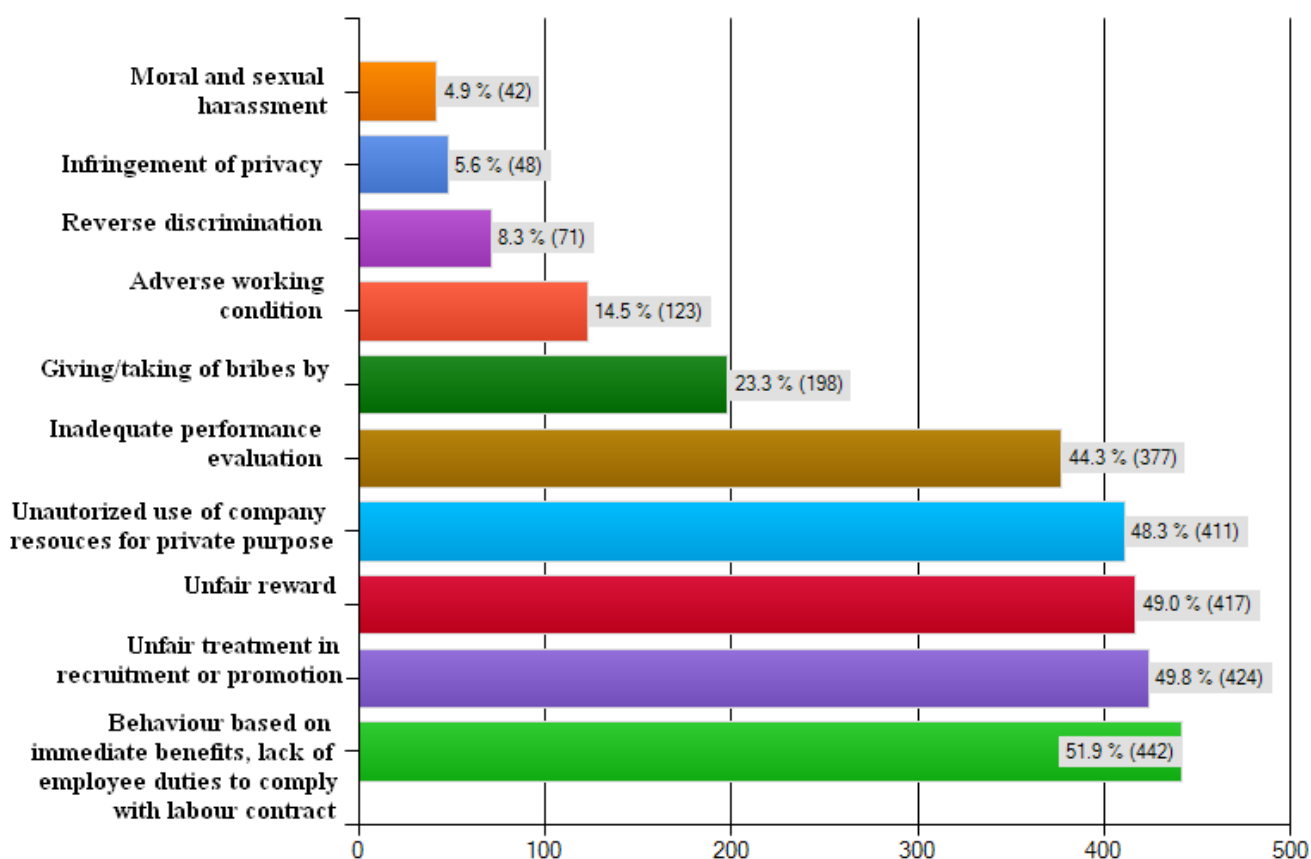
Source: Crane, Andrew; Matten Dirk, *Business ethics. Managing corporate citizenship and sustainability in the age of globalization*, Oxford University Press, 2007:270

These ethical issues might know some regional distinctiveness. Crane A. (2007:264) sustains that the European corporations are confronted with issues such as the protection of workers' human rights in their factory in China or Cambodia while at home, a variety of different ethical questions are arisen from the use of new technologies, such us the internet or the introduction of a new work environments such as call centers. This example leads us to the conclusion that ethical issues related to employees varies depending on cultural climate, development level governmental legislation and company's attitudes toward workforce.

Some empirical evidences and conclusion upon work ethics in Romania SMEs

In this research, I am focused on identifying the specific ethical issues related to workforce, in Romania. Starting form Crane's classification based on employee rights and duties, I applied a Delphi investigation, to a few specialists, using the option of opened answers, in order to evidence the most common problems. Form their answers, I have chosen the first nine important once. Applying the online survey, 850 managers or persons in leading position across the country have responded by choosing three answers that illustrate the most common ethical issues in relation to employees. The absolute and relative results of their answers are illustrated in the next figure:

Figure nr.1 The most common ethical issues in Romanian firm-employee relation



Source: Data obtained by the author in the research project: Business ethics and competitiveness in Romania, financed in the doctoral program „Cercetători români competitivi prin programe doctorale moderne și eficiente, Programul operațional Sectorial Dezvolarea Resurselor Umane 2007 – 2013,”

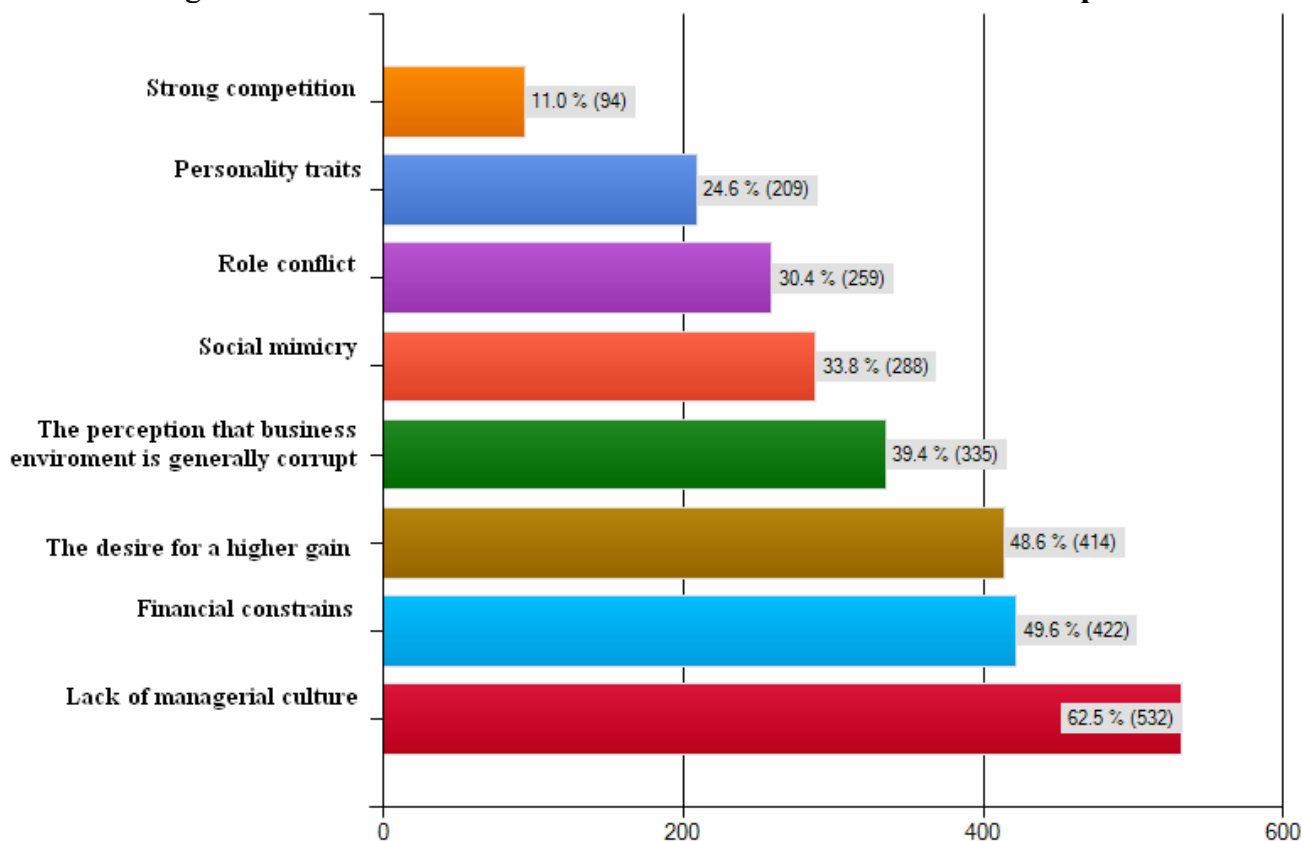
The obtain results are listed below according to the hierarchical relevance and in the parenthesis is mention to which type of employees\’s right or duty makes the answer references and if the ethical issue is based on financial or social aspects:

- moral and sexual harassment - 4,9% (employees’ right to freedom discrimination, social aspects);
- infringement of privacy – 5,6% (employees’ right to privacy, social aspects);
- reverse discrimination – 8,3% (employees’ right to freedom discrimination, social aspects);
- adverse working condition - 14,5% (employees’ right to healthy and safe working conditions, social aspects);
- giving/taking bribers by the employees – 23,3 % (employees’ duty to comply with the law, financial aspects);
- inadequate evaluation of performance – 44,3% (employees’ right to process; financial aspects);
- unauthorized use of company resources for private use - 48,3% (employees’ duty to respect the employer’s property, financial aspects);
- unfair reward – 49% (employees’ right to fair wage, financial aspects);
- unfair treatment in recruitment and/or promoting process 49,8% (employees’ right to work, social and financial aspects);
- employee’s behavior based on immediate benefits – 51,9% (employees’ duty to comply with labor contract, financial aspects);

Interpreting the data above, we see that the most three common unethical practices are based on financial sources, four out of five achieving a rate of over 40%. Between the first three, there is not a clear line of demarcation. The first one, the behavior focused on immediate benefits (51.9%), is an ethical issue which is based on the employee duties. It means that the employees’ have low level of acceptable performance, work quality and they are not very loyal to the firm. The nest two responses are concentrated on the employee rights: right to work (discriminatory rules – 49,8%) and right to fair wage (inadequate remuneration: unpaid overtime, moonlighting and unfair performance evaluation – 49%). It is important to mention that Romanian managers are aware that the most common ethical issues related to the workforce rise from their prevarication of employee rights. At the other pole is sexual harassment (4.6%), violation of employee's private space (4.9%) and discrimination against certain social categories (8.2%).

Financial constraints have the most important impact, being one of the main causes of unethical behavior, along with the desire to have a higher gain. This assertion is supported by other results from my research. A hierarchical ordering of the main causes of the unethical practices in the conception of 850 managers from Romanian companies is presented in the figure below:

Figure nr. 2 **Main causes of unethical behavior in Romanian companies**



Source: Data obtained by the author in the research project: Business ethics and competitiveness in Romania, financed in the doctoral program „Cercetători români competitivi prin programe doctorale moderne și eficiente, Programul operațional Sectorial Dezvoltarea Resurselor Umane 2007 – 2013,”

It is important to emphasize that on the first position is placed the lack of a managerial culture. There is a clear evidence that the managers from my country, are awarded that the main reason causing various unethical practices, is precisely how are managed and controlled the activities that take place within their company. The implication upon work ethic is an inadequate organization and an incorrect management of labor. On the following two positions are located two items of financial nature: financial constraints (49.6%) and the desire to have a higher gain (48.6%). As I have argued above, most of the unethical practices in my country have a financial background. The perception that business is generally corrupt also has a relatively high impact (39.4%) favoring the emergence of various unethical practices. Discussing with some managers, during my mini-Dephi investigation, I observed a tendency of some to compare to other companies. Analyzing issues related to accurate financial records, the reason often cited was that "everyone is acting in the same way."

Concluding, the most frequent ethical issues regarding the relation between firm and employee are based on a financial background. The managers from the Romanian companies are awarded that the main ethical problems rise from the way they govern their companies and second placed are employees' specific attributes. This hierarchical ranking of the most important ethical issues in relation firm-employee, can help us to identify with are the main problems but the very important next step is how to resolve them. So it is not enough to know that the Romanian companies fail to evaluate in a proper manner the employee performance.

It is also necessary for the management to be able to create and invest in those organizational structures with conduct to/permit a fair evaluation of the employee and also for the government to provide a framework and treatment conditions in this direction, throughout regulations. In respect with this problem on 1th May 2011, it has been introduced some modification to the

Labor Code. It has been introduced an obligatory condition that each company has to make evidence on the way it evaluate the performance of each employee based on the specific attribute of the job description. Unfortunate, in many small companies this was only a formal process because for many it was the first time when they have to face such a condition and the governmental regulation did not stipulate clear criterion in this direction. In my opinion, this legislative process must be sustained by a moral commitment in order to be obtained the expected results.

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