

INVESTING IN JOB TRAINING IN ROMANIA

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Abstract: *This paper is about the importance that training has in Romanian SMEs and the way it can influence their productivity level in the future. The labor market in Romanian economic crisis manifested through a strong reduction in employment and increase in unemployment. Economic recovery followed the 2008-2012 crisis has put companies in Romania difficulty facing an acute shortage of qualified labor force. A measure available to entrepreneurs to mitigate the lack of qualified work force as a result of the effects of labor migration and aging population exacerbated is the qualification at work followed by the training staff. In a modern economy, investment in human capital is crucial to face with technological advances and requirements of a growing productivity. The training has a particular importance to the continuous training of staff. However companies in Romania do not focus on the leverage required for economic development. Training has a direct influence on labor productivity and the quality of production. This was considered to be an essential part of every job and SMEs are using the training in different ways and with varying degrees of success. Traditionally training focuses on technical knowledge, skills and abilities to work performed. Training increases the value of the employee both for the company that supports employee costs and other companies. When making the decision to invest or not in training staff, entrepreneurs also face a psychological factor decisive: the company invests in training risking losing their investment in favor of its competitors if the employee decides changing his job in a short time after finishing the training. Rather they take another way, by recruiting work force which is already formed by another company. But here we return to the first problem, namely the lack of qualified staff and need to adapt to current labor market conditions.*

Key words: training, labor force, SMES, education, productivity

JEL classification: J24, L25

Introduction

In the developed and developing countries small and medium enterprises generates the largest number of jobs, contributing greatly to the formation of national income and stimulate economic growth. For this reason, governments have created various strategies and human resources policies to support SMEs and to improve productivity and economic development.

The labor market in Romanian economic crisis manifested through a strong reduction in employment and increase in unemployment. Productive sectors that have been hardest hit by the crisis are those that had a broader development period, like construction, automotive and furniture but related sectors have suffered

consumption too.

In 2009 the economic crisis in Romania has affected men more than women, male unemployment rising from 4.5% in December 2008 to 8.3% in December 2009, while for women went from 4.4% to 7.1%. This was influenced by the fact that they have been most affected by the crisis productive sectors (construction and mechanical metal), where mostly men were employed. From an analysis of the distribution of the unemployed by age group show that was most affected by the crisis the most productive population, the persons between 30 and 49 years, who constitute 52% of the total population. In this context, the idea of going abroad for employment has become increasingly attractive for more and more Romanian. Jobs offered by the internal market have proved insufficient to meet the demand, also salaries were much lower than in previous years, thus countries where salaries have remained satisfactory and sufficient amount to maintain a standard of living was a decent solution. (Stanculescu et al, 2011).

According to a research done in 2011, based on a representative sample of households, more than 26% of total households had at least one person left to work abroad and 4.5% of households had at least one person turned because of the crisis, between September 2009 and August 2010. (Stanculescu et al, 2011).

Economic recovery followed the 2008-2012 crisis has put companies in Romania difficulty facing an acute shortage of qualified labor force, maintained by the situation described above. A measure available to entrepreneurs to mitigate the lack of qualified work force as a result of the effects of labor migration and aging population exacerbated (according to the National Council of Older People) is the qualification at work followed by the training staff. If for qualification to work, the government is involved directly providing support employer who enters into a contract of apprenticeship in the workplace and can receive monthly upon request from the unemployment insurance budget, during the course of the apprenticeship contract for that disciple an amount equal to 60% of the reference social indicator of unemployment insurance and stimulation of employment in force (the amount due is deducted by the employer from the contribution which it is obliged by law to remit the monthly account unemployment insurance Fund), the decision is left only for training at the unit level, the incentive coming from results.

1. Definition and typology

In a modern economy, investment in human capital is crucial to face with technological advances and requirements of a growing productivity. The training is of particular importance to the continuous training of staff. However companies in Romania do not focus on the leverage required for economic development.

The average percentage allocated to the training in Romania, the turnover of the company is 1.13%, quite unfavorable situation that reveals that entrepreneurs / managers Romanian invest relatively little in training human resources, given that staff training is a necessity, a requirement of sustainable development activities (Carta albă a IMM-urilor, 2015).

The terms training, education, development and learning may often be used interchangeably, but they can have very different, if overlapping, meanings in

different contexts. In terms of human resource development, it is often necessary to define and delineate these in a bid to clarify the associated activities and desired outcomes within an organization. Employee training, in particular, is associated with on-the-job skills acquired for a particular role, while education is seen as relating to a more formal academic background. However, in increasingly complex organizations, it may be argued that aspects of each are necessary to ensure full employee potential.

Training has been defined in various ways, including the following: 'A planned process to modify attitude, knowledge or skill behavior through a learning experience to achieve effective performance in any activity or range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy current and future manpower needs of the organization' (Manpower Services Commission (MSC), U.K., 1981: 62); 'Training endeavors to impart knowledge, skills and attitudes necessary to perform job-related tasks. It aims to improve job performance in a direct way' (Truelove, 1992: 273) 'Training is characterized as an instructor-led, content-based intervention leading to desired changes in behavior' (Sloman, 2005:2)

Opinions differ as to whether a 'changes of attitude' should be included in the definition of training. Wills (1994:10) argues against such a definition, both because attitudes are notoriously difficult to quantify, and because training alone, he argues, is insufficient to bring about major long-term changes in attitude. Instead, he defines training as 'the transfer of defined and measurable knowledge or skills'. Hare, Similarly, McLeod and King (1996: 25) state that training is 'any activity or course, either formal or informal (e.g. on-the-job) which has helped you to acquire the knowledge and skills to do your job. (Masadeh, 2012)

Ideally, training is best supplemented with practical, hands-on experience (Hughey and Mussnug, 1997). As Overman (1994: 62) observes, 'what people hear they forget, what they see they remember, what they do, they understand.' Likewise, Hughey and Mussnug (1997: 53) note that 'most employees simply do not learn very well when they are 'talked to'. They need to be more actively involved in the learning experience.'

Learning activities may be defined through a classification which provides operationalization and guidelines in particular for non-formal education and training - named classification of learning activities (CLA) - as follows:

- formal education and training is defined as 'education that is institutionalized, intentional and planned through public organizations and recognized private bodies and — in their totality — constitute the formal education system of a country;

- non-formal education and training is defined as any organized and sustained learning activities outside the formal education system. The CLA further distinguishes the following broad categories of non-formal education: non-formal programs; courses (which are further distinguished into classroom instruction, private lessons and combined theoretical-practical courses including workshops); guided-on-the-job training. Non-formal education therefore takes place both within and outside educational institutions and may cater for people of all ages. It covers educational programs and training to impart literacy, life skills, work skills, and

general culture.

- informal learning is less organized and less structured. It may include learning events that occur in the family, in the workplace, and in the daily life of every person, for example, coaching/informal tuition, guided visits, self-learning, learning groups or practice. Note that informal learning and formal education and training is not covered by this article (Cedefop, 2015).

Another typology consists of four training types: (i) in-classroom training programs; (ii) workplace training; (iii) the interaction of the previous two types, i.e., programs that provide training in classroom 'and' in the workplace; and (iv) even more inclusive programs that provide in-classroom and workplace training plus supplementary services such as counseling and mentoring, monitoring, job search and placement assistance, and soft and life skills training. (Jean, F. et al 2009).

Within the OECD area, a particular distinction can be made between Anglo-Saxon and Continental European countries. A rigorous analysis of evaluated programs shows that the transition towards comprehensive training does in fact pay off by increasing the likelihood of program success. The meta-analysis indicates that programs that combine different training approaches have a higher probability of positive labor market impacts on employment and/or earnings outcomes of trainees. In particular, the interaction of classroom and workplace training increases the likelihood of positive labor market impacts by 30 percentage points, as compared to in-classroom training alone. When this interaction is combined with other services, the probability of a positive impact increases by 53 percentage points, with respect to classroom training only. In addition to general findings, the meta-analysis highlights an important deficit in impact evaluation and cost-benefit analyses. This is particularly relevant since the absence of rigorous evaluations may lead to an overestimation of program impacts and misguide policy decisions.

While the former relied heavily on comprehensive training approaches over the years, the latter have a well established base of classroom vocational training and a rather recent move towards broader services. As a result, despite marked differences in their social protection assistance approaching, there is an increasing convergence towards comprehensive active labor market programs across OECD countries. (Jean, F. et al, 2009)

2. Training results in SMEs

Training has a direct influence on labor productivity and the quality of production. This was considered to be an essential part of every job and SMEs is using the training in different ways and with varying degrees of success. Traditionally training focuses on technical knowledge, skills and abilities to work performed.

Table 1 reports interesting correlations across firm profiles and training incidence. We divide the sample into training and non-training firms and summarize the main variables of interest. The evidence supports the common view that training firms tend to be larger, more open and older than non-training firms. They also operate in more capital intense sectors, have higher labor productivity and pay higher wages. Furthermore, they have a more skilled workforce and invest more in technology than non-training firms (Rita, A., Reyes, A., 2015).

Table 1 - Descriptive statistics, by training intensity

Variables	Training firms	Non-training firms
Number of firms	19260	29320
Micro	0,15	0,39
Small	0,33	0,40
Medium	0,28	0,14
Large	0,13	0,04
Age firm	18,62	15,06
Share of skilled workers	0,68	0,73
Managerial tertiary education	0,82	0,64
Technology Adoption	0,65	0,45
Investment R&D	0,38	0,18
Value added per employee	2,14	1,48

Source: Rita, A., Reyes, A., 2015

Even if there are plenty of studies that demonstrate the positive impact of the training, SMEs seem reluctant to make investments which involve debt because they feel personally committed to the risk (Gallo et al., 2004). Further, it is difficult to spare members during work hours and costs can be prohibitive (Macdonald et al., 2007) more for the firms with less than 5 employees.

Training increases the value of the employee both for the company that supports employee costs and other companies. When making the decision to invest or not in training staff, entrepreneurs also face a psychological factor decisive: the company invests in training risking losing their investment in favor of its competitors if the employee decides changing his job in a short time after finishing the training. Rather they take another way, by recruiting work force which is already formed by another company. But here we return to the first problem, namely the lack of qualified staff and need to adapt to current labor market conditions.

3. Decision to invest in training

For an entrepreneur to take the decision to invest in staff training, he must see the results of long-term. Companies may face problems of liquidity for investment in training if they fail to lend to gain further advantages in terms of labor productivity. SMEs are at a disadvantage when accessing resources and capabilities because of their financial limitations and attitudes towards perceived risk.(Fernández and Nieto, 2005; Ward, 1998).

The average percentage of employees who received training in Romania, in 2014 to 2013, according to the company's performance was 26% for companies that have much better results, 28.3% for those who had best results, 12.6% for those with identical results, 12.23% for those with worst and 9.36% for the much worse results, as presented in the figure below.

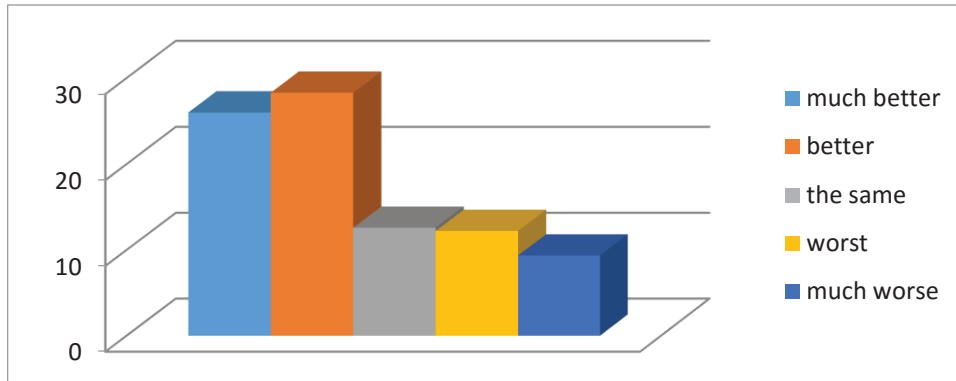


Figure1: The average percentage of employees who received training in Romania, in 2014 to 2013, according to the company's performance
 Source: Carta albă a IMM-urilor 2015

The training budget is a significant matter for SMEs. How much they spend on training will depend on their operational characteristics and size. A key aspect to successful training is financial support. (Daly, 2002; Echols, 2005)
 Thus, in Romania, in 2014, microenterprises were allocating 0.99% of their annual turnover for staff training, small enterprises 2.04% and medium enterprises 2.23%, as presented in Fig. 2

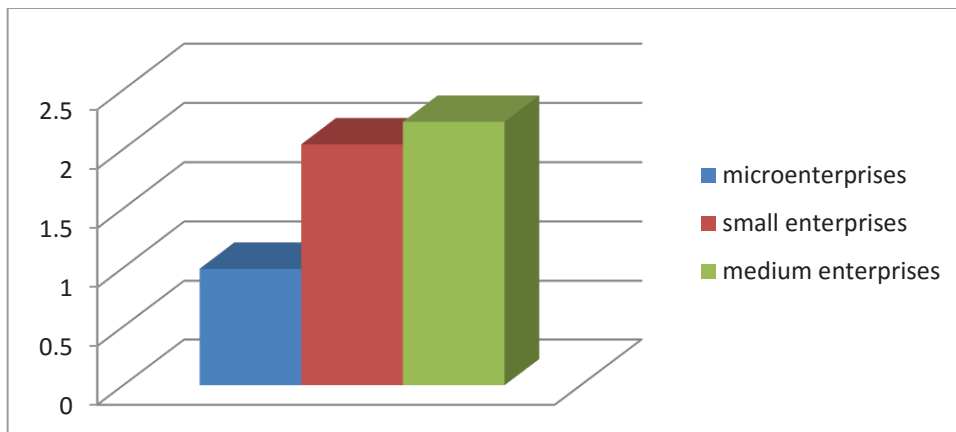


Figure2: Differentiation average percentage of turnover spent for employees training, depending on the size firms
 Source: Carta albă a IMM-urilor

Depending on the industry SMEs in trade offers employee training rate of 1.34%, the industry 1.27%, while companies in services, tourism, construction and transport, less than 1%.

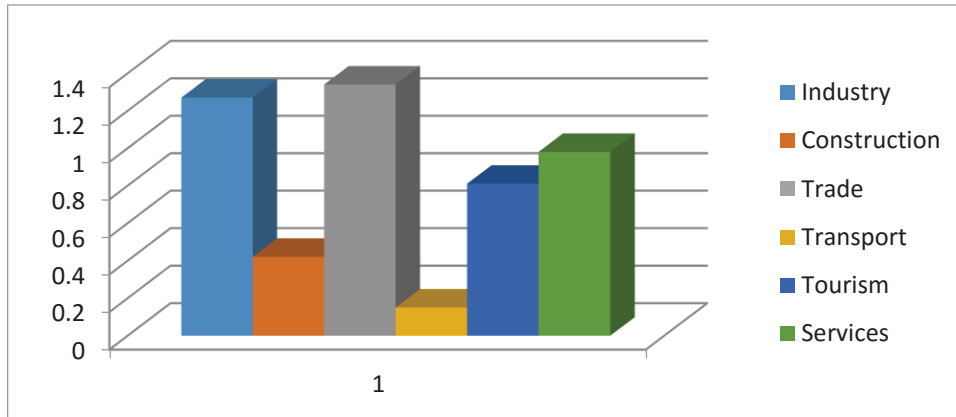


Figure3: Differentiation average percentage of turnover spent training employees, depending on the activity of companies.

Source: Carta albă a IMM-urilor, 2015

The lowest rate of participation in training is record among employees with low levels of education and low level of professional qualification, working in companies with less than 10 employees and having over 40 years. Training participation rate is also lower in rural areas than urban areas and lower at females than males.

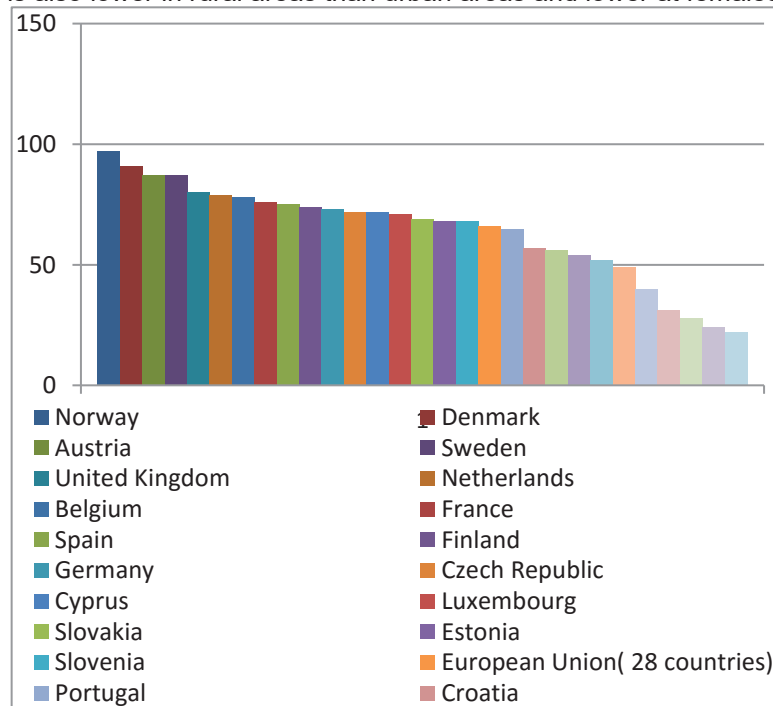


Figure 4: Training enterprises as % of all enterprises

Source: Eurostat, AES-2010 microdata, own calculation

Looking at Figure 4 it can be noted that in 2010 Romania was second lowest in the European Union taking into account the percentage of companies offering training to the employees from all companies.

Conclusions

As shown in body of this paper situation was not improved so far and there can be several reasons. Romanian entrepreneurs ideas must change because investment in human capital is certainly a profitable one for both the employer company and the labor market and overall for the entire economy.

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