

ECONOMIC CRISIS AND LABOUR MARKET IN BRASOV COUNTY

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Abstract This paper aims at the identification of the effects of the economic crisis on the level of the processes managed by the human resources departments in the organizations from Brasov County. An analysis of the main indicators of the labour market in Brasov County was realized (the rate of unemployment, the socio- demographic characteristics of the compensated unemployed) and an exploratory qualitative research. The paper presents the results obtained by conducting three focus groups which took into account a number of 31 HR managers from the organizations in Brasov.

1. THE DYNAMICS OF THE LABOUR MARKET IN THE CONTEXT OF THE ECONOMIC CRISIS

The global economic crisis which began in August 2008 in The United States is considered the greatest financial crisis (monetary, banking) after the Great Depression (1929-1933). The public debates regarding the causes of the crisis spread on a very large spectrum, starting from the macro-economic analysis of the Federal Reserve's (FED) politics, ending with explanations linked with the conspirative actions of the interest groups. What is common to all these explanations is the recognition of the complexity of the phenomenon and its global character.

In Romania the economic crisis is on the mass-media's agenda beginning with October 2008, its effects being felt by the end of 2008 with a greater intensity in the real estate field, in constructions and in automotive industry. The crisis began to produce its effects in a period in which Romania was recording an economic increase, the National Institute of Statistics communicating a record economic increase of 8.8% in the first quarter of 2008, comparative with the same period in 2007.

In what concerns the labour market, after 2004, the main characteristic was that of an accelerated increase of the labour's cost. According to EUROSTAT, in 2008 Romania recorded the greatest increase of the nominal hourly labour cost among the member countries of the EU [2]. In the fourth quarter of 2008 an increase of 21.5% in the costs with labour payment was recorded, comparative with the same period of 2007 (Table 1)

Table 1. Hourly labour cost in the fourth quarter of 2008, comparative with the fourth quarter 2007 (source: EUROSTAT)

Country	%
Romania	21.5
Bulgaria	17.9
Latvia	17.2
Germany	4.4
France	2.3
Malta	0,4
The average of the countries in the „euro” zone	3.8

In 2009, the increase in the labour's cost was much more little for the majority of the EU states. Romania held the second place, after Bulgaria, in what concerns the increase in the labour's cost in the third quarter of 2009, comparative with the third quarter of 2008 (Table 2).

Table 2. Hourly labour cost in the third quarter of 2009, comparative with the third quarter 2008 (source: EUROSTAT)

Country	%
Romania	9.6
Bulgaria	10.4
Latvia	-10.9
Germany	4.8
France	1.1
Malta	0,4
The average of the countries in the „euro” zone	3.2

This raise led to a decrease in the degree of interest towards Romania from the point of view of labour's cost, "cheap labour" not being anymore a competitive advantage comparative with the other East-European countries, at least during 2005- 2008. A. T. Kearney's chart [3] placed Romania on the 24th position in 2006, on the 33rd in 2007 and on the 19th in 2009 (Table 3).

Table 3. A.T. Kearney Global Services Location Index 2009 (The Shifting Geography of Offshoring 2009)

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3,13	2,48	1,30	6,91
2	China	2,59	2,33	1,37	6,29
3	Malaysia	2,76	1,24	1,97	5,98
4	Thailand	3,05	1,30	1,41	5,77
11	Mexico	2,48	1,50	1,45	5,43
12	Brazil	2,18	1,83	1,37	5,39
13	Bulgaria	2,89	0,89	1,62	5,34
14	United States	0,48	2,71	2,15	5,33
18	Estonia	2,06	0,93	2,20	5,19
19	Romania	2,63	0,91	1,58	5,12
32	Czech Republic	1,74	1,14	2,07	4,94
37	Hungary	1,95	1,01	1,92	4,88
38	Poland	1,82	1,22	1,73	4,77
40	Slovakia	2,05	0,94	1,75	4,73

In what concerns Brasov County, in 2008 increases in the average net wage were recorded for all the economic branches (figure 1). According to Brasov County Department for Statistics (DJS), the highest values of the salary wage were recorded in the financial brokerage activities (4285 lei), and the lowest in clothes manufacturing (791lei).

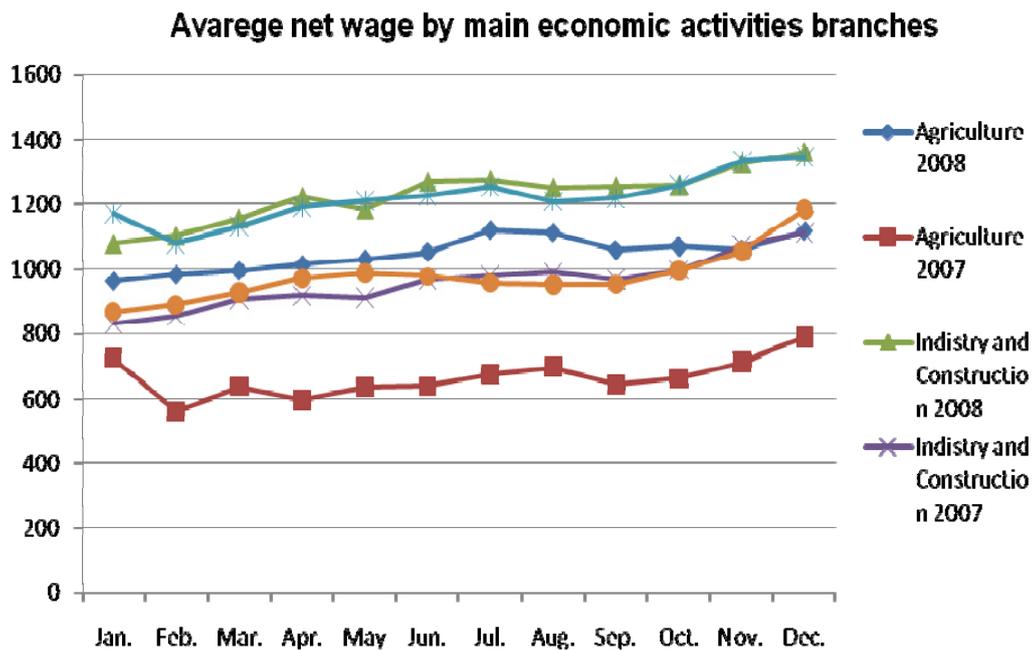


Fig. 1. Average net wage by main economic activity branches (source: DJS Brasov)

This increase comes in 2008 together with a preserved high level of discontentment of the Romanian in regard to the wages, according to The Barometer of the Motivation and Expectations of the Employees, an on-line survey realized by the IPSOS Research (figure 2). If in 2007 a percentage of 70% of respondents were dissatisfied regarding their wage, the percentage of those dissatisfied, raises in 2008 to 73%.

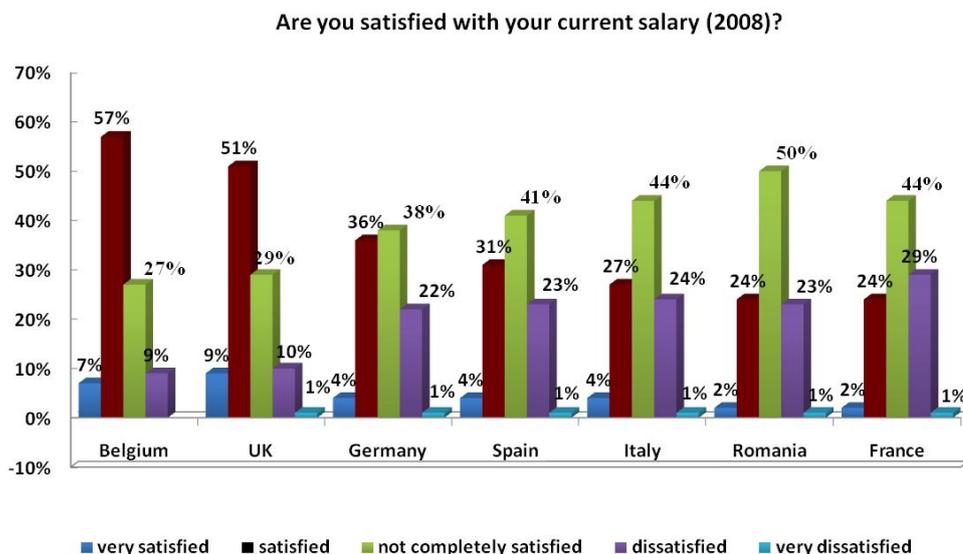


Fig. 2. The degree of contentment regarding the current salary (source: IPSOS Research, 2008)

The same survey shows that the Romanian employees are “happy and fulfilled at their work place”, and 33% of the respondents claim that they are proud for their work. Furthermore, 62% of the subjects consider that their motivation is constant, and 23% that this is decreasing. The most intense dissatisfactions are related to the recognition of the

labour commitment (49%) and labour conditions (42%).

In what concerns Brasov County, the research “The Human Resource in Brasov Area on 30.06.2007- A Sociological Evaluation”, indicates the same increase of the expectations related to the wages noticing that the people in Brasov tend to double these expectations every two years [1].

As a conclusion, in the first part of 2008 the competition for the human resource on the national and local market was high and in continuous increase, the issue of constancy and trust of the employees being more and more on the agenda of the management.

After October 2008 the labour market recorded the effects of the economic crisis, the most suggestive indicators being the unemployment rate and the evolution of the employees’ wages. Figure 4 shows the evolution of the unemployment rate, recording a continuous and accelerated increase in 2009. The highest unemployment rate in Brasov County, between 1990- 2010, was recorded in 2002 as a result of the lay-offs based on compensatory payments in SC Roman SA and SC Tractorul SA [5].

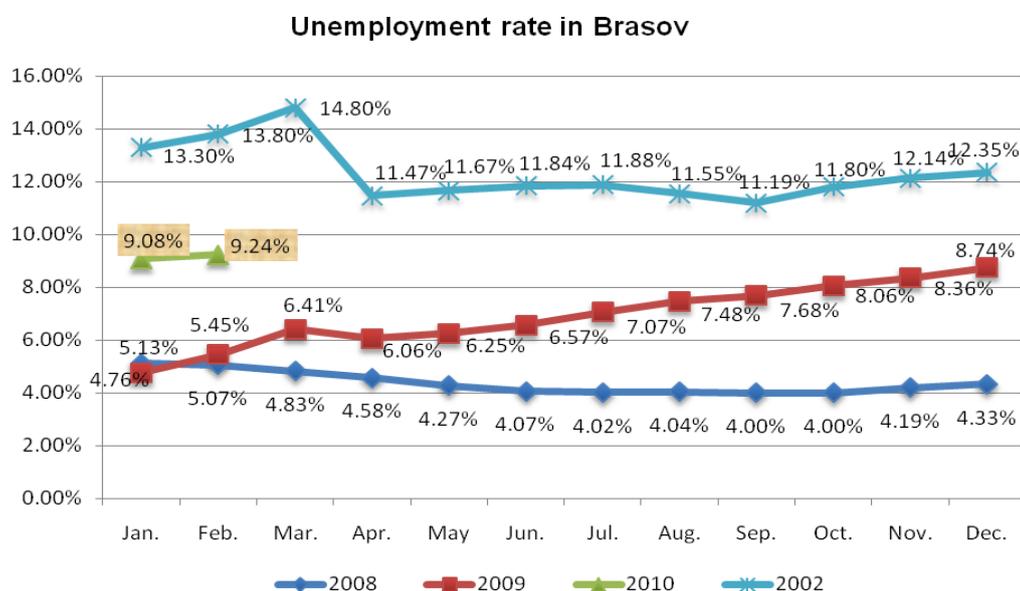


Fig. 4. Unemployment rate in Brasov (source: AJOFM Brasov)

The socio-demographic profile of the unemployed in February 2010 is presented in comparison with the same period of 2008. A small decrease in women’s unemployment is observed: 43.61% from the total of unemployed in February 2010 are women while during the same period of the former year women were represented by a percentage of 44%. Furthermore the number of unemployed in the urban area increases with 11% (Table 4), the highest increase being registered in the municipality of Fagaras (Figure 5).

Table 4. Unemployed distribution by area (source: AJOFM Brasov)

Area	Unemployed (%)	
	29 Feb. 2008	28 Feb. 2010
urban	51,16	62,34
rural	48,84	37,66
Total	100	100

Geographic distribution of registered unemployed (%)

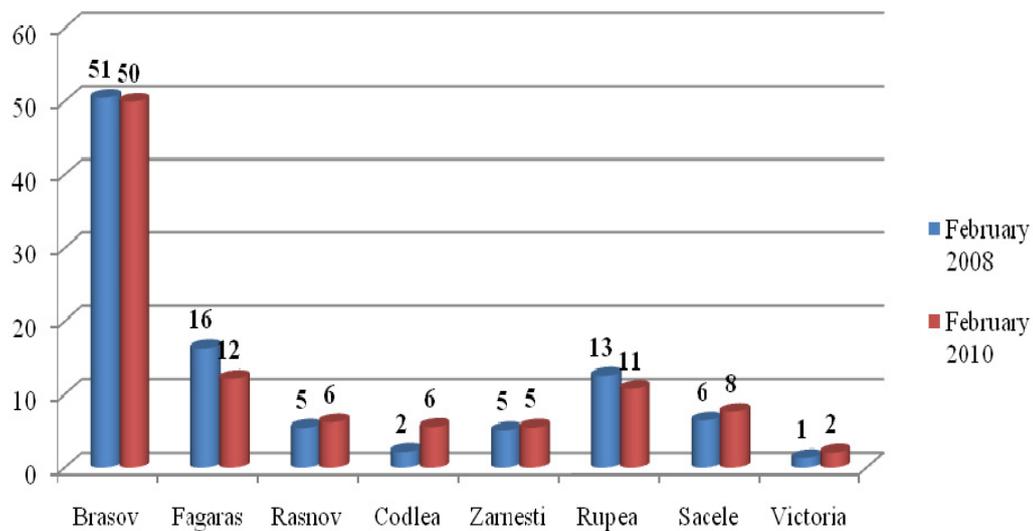


Fig. 5. Territorial distribution of registered unemployed in Brasov (source: AJOFM Brasov)

In what concerns the age of the unemployed, no significant changes are registered on age segments, the greatest rate being kept on the level of 40- 49 group of age (Table 5).

Table 5. Registered unemployed, receiving unemployment indemnities, by age (source: AJOFM Brasov)

Age group	Unemployed (%)	
	29 Feb. 2008	28 Feb. 2010
under 25 years	5.65	5.65
25 - 29 years	2.62	2.62
30 - 39 years	16.48	16.48
40 - 49 years	39.12	39.12
50 - 55 years	25.60	25.60
over 55 years	10.54	10.54
Total	100	100

The greatest balance by the educational level is held by the unemployed without average studies. In February 2010 compared with February 2009 an increase in the number of unemployed with average and high educational studies is registered (Figure 6).

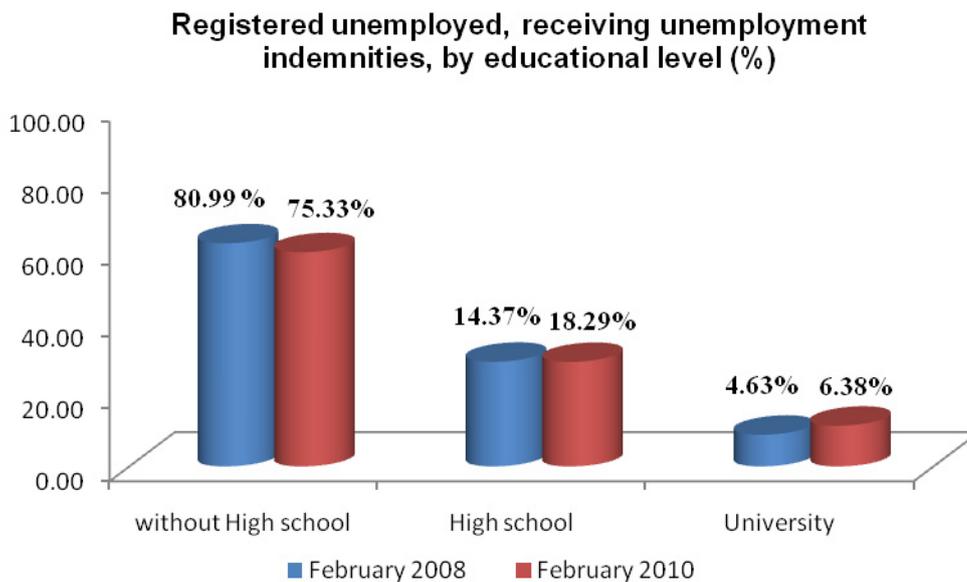


Fig. 6. Educational level of unemployed in Brasov (source: AJOFM Brasov)

In December 2009 after the net average salary by the total economy, Brasov County was on the 15th place in the Counties Chart. According to the dates registered by DJS, in 2009 in Brasov County the average wage was of 1226 lei, while the national average was on 1381 lei.

Even though a small increase of the annual average wage in 2009 is registered compared with 2008, through reporting to the evolution of the intake prices, a decrease of the real wage was registered. Compared with December 2009, the average net nominal earnings per month decreased by 6%, and the intake prices increased in the same period with 4.47%, therefore the real salary decreased by 10.25%.

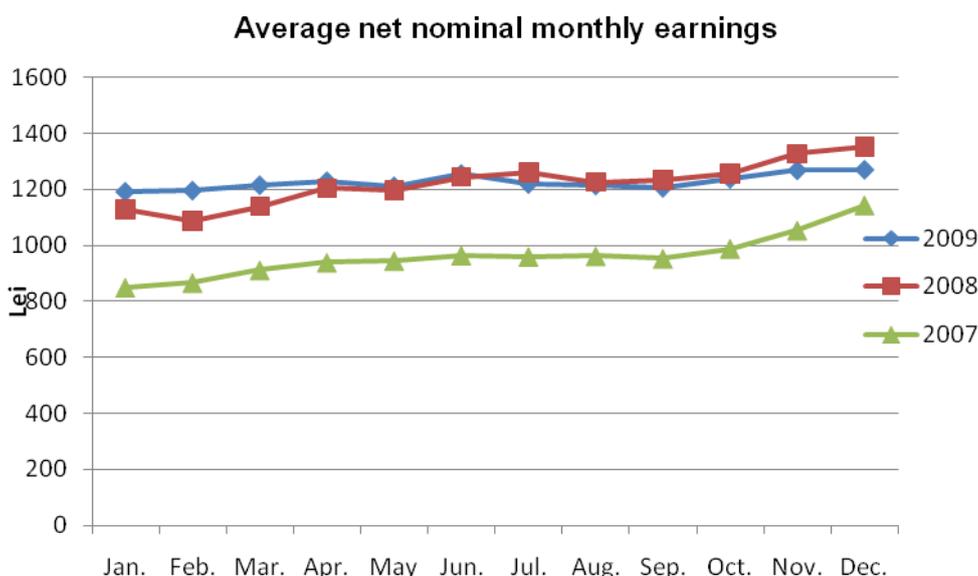


Fig. 7. Average net nominal monthly earnings in Brasov (source: DJS Brasov)

2. THE EFFECTS OF THE ECONOMIC CRISIS FROM THE PERSPECTIVE OF THE HR MANAGERS

Taking into account the characteristics of the labour market in Brasov County in September 2009 a qualitative research of exploratory type was performed. One of the objectives of the research was the identification of the effects of the economic crisis at the level of the processes managed by the department of human resources (HR). Three focus groups were conducted, with a total of 31 human resource managers in Brasov County.

The results of the study indicate that the effects of the economic crisis are felt at the level of current practice from the HR department. The changes generated by the economic crisis manifested in the accelerated increase in wage expectations and in fluctuation rate between 2007- 2008. The human resources managers assess that the effects of the crisis are negative for the organizations, but in the same time mark out the positive aspects related to the current activity of the manager and/ or of the specialist from the HR department. Among these, the recruitment and fluctuation of the labour force are the processes that register the most visible changes. The increase in the labour's force offer and the decrease of the demand dragged after an abatement of the wages' expectations:

I also see positive aspects: first, that I have from what to choose and second, the fluctuation is not that high anymore.

Yes, super qualified people arrive and are willing to arrive...

The greatest gain is that, in these moments a labour market is created, another labour market. So, first of all as my colleagues said, the claims are, I know, those which... draw near normality.

My opinion is that we have ups... We have ups and downs. At this point, because we've got into an absurd situation. So, it was absurd... to give raises in the rhythm they were raised here in the last two or three years... without proportionally increase people's productivity!

The increase of the offer on the labour market is differently felt, function of industry, the domain of the organization's activity and the category of jobs. Thus, the specialists, the category the respondents appreciated that registered the highest deficit between 2007-2008 is still far under the level of demand. This phenomenon is explained by the HR managers through another process generated by the economic crisis: the loyalty programs and keeping of the valuable employees for the company.

The specialists are all difficult to find. They are not fired, they do not leave. They are those who take care of their job, they are those you can count on.

I can't say a hundred specialists are knocking at my door, that I can't keep up with so many specialists and I don't know whom to choose. Not everybody comes... they think that the last to come is the first to leave and nobody knows what happens with the new firm. I'd better stay here.

The crisis is seen as an opportunity in what concerns the efficiency of the assignation and utilization of the human resources. Likewise, the separation from the employees with low performances is considered easier in the current context.

In what concerns the rewarding of the employees, the organizations from Brasov chose to freeze the salaries, their decreasing and/ or the diminishing of the salary costs by eliminating the benefices. The number of overtime hours decreased or was fully eliminated:

If before the crisis there were overtime hours and they waved me that they couldn't stay because with us it was a matter of democracy: I can't force him if he/she doesn't want to, that's the law, isn't it? It is written in the contract. Only if the employee agrees. Everybody was like rabbits, pop through the gate way! Now they are waiting for overtime hours. They put themselves down on the list.

Some of the HR managers accuse the reactive management, excessive prudence and taking decisions in what concerns the human resource by exclusive comparison to the market/ competition, without an analysis of the intern background and the necessity to apply some reorganization actions and the decrease in wages.

The most powerful threatening regarding the whole activity of the HR department is given by the change in attitude of the top management facing the employees, towards the exercising of some managerial practices of an authoritarian type which don't give value to the human resource:

Everything changed! Negatively... in the way in which last year, from what I can sense, the employees took over control and somehow the employer didn't have the power to come to the fore... He didn't say anything. And now it's over... we cut 10%. Finally, I think that the managers' frustrations come forward and we cut everything... I don't care how motivated you are.

Do you know which the threatening would be? It would be to lose everything that we've gained. It wasn't right that we reached a point in which it was stupid, as you couldn't find people. And no, it wasn't normal, it isn't, but it wouldn't be normal to reach that point in which... people to be that desperate that they would accept anything either.

In what concerns the changes in the organizational climate, the keywords are "uncertainty", "discontent" and "fears".

Yes, everybody is upset, nervous... because the salaries are frozen. This is a very hard factor to pass.

It's a stress... It is stress. Tomorrow's uncertainty is stressing them, although they don't know the real situation. One of the main factors is disappearing: the certainty of the working place.

The HR managers appreciate that the changes in the labour market determined a more prudent behaviour of the employees regarding the occupational mobility, a decrease of the financial expectations and the acceptance of the decisions related to the benefits' diminishing.

3. CONCLUSIONS

The study led at the level of the HR managers from the organizations in Brasov County has an exploratory character. A prudent search of the results is imposed and a development of new researches in order to increase the degree of trust within the obtained data and the extension of the results of the research.

In what concerns the position of the respondents and the development of a certain type of discourse, a successive placing of both representatives of the management's interests and of the representatives of the employees' interests was noticed. Although the idea that the objectives of the two sides should converge is accepted, from the managers' discourse their perception as being antagonistic results. This dualism and apparent role ambiguity are assumed by the managers for the human resource and are not perceived as being uncomfortable. On the contrary, they are associated with the perceptions of the role, without creating inadvertences or ambiguities: "The man from the human resources is the blotter, that passing between the two sides... the interface... in general. In front of the manager I try to support the employees and help them... And in front of the employees I support the manager."

The economic crisis generates changes at the level of the managerial practices towards the increase of the distance between employer- employee and the revival of the authoritative styles of management. On that background, changes in the level of the organizational climate are registered and of the employees' behaviour and implicitly at the level of the current practices of motivation. Fear and discontent are the key words which define the atmosphere within the organizations during the crisis. The prudence, the decrease in financial expectations and the acceptance of the "sacrifices" define the employees' behaviour in this period. The issue of motivation is defined in terms of assurance of primary needs and especially of the certainty of the working place. The loyalty programs and keeping of the staff is a priority only related to the "specialists" – a category of staff considered numerically under dimensioned, related to the demand of the organizations.

The qualitative research led with the HR managers from the organizations in Brasov County emphasizes a series of tendencies regarding the method of work on the background of the global economic crisis. Saving, rational spread of resources, the increase in the distance between employer and employee are dominant processes in the managerial practice at the local level.

Taking into account these aspects the hypothesis according to which the economic crisis leads towards the revitalization of the principles of the scientific management may be asserted. In order to test this hypothesis further research is needed. It is though obvious that the organizational change in the context of the economic crisis generates changes at the level of all processes within the organizations, from those of assuring the human resource to those of keeping and development.

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