

THE NEED FOR SRATEGY IN THE TRAINING OF EMPLOYEES: A CONDITION FOR IMPROVING THE HUMAN CAPITAL IN ROMANIA, AS EU MEMBER

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Abstract:

As a component of the intellectual capital, the human factor is a competitive resource, full of potential and economic benefits. The use of it should be further promoted, while improving the consistency of definitions and methods across Europe. Knowing the fact that the business environment is based on the human capital, it should also take into account the views of stakeholders and the developments in accounting rules and corporate governance in order to assess, to measure and to report this component of intellectual capital. Of course, for Romania, being a part of the huge mechanism that is EU means a new perspective for the use of human capital and for the understanding of its importance. The main focus of the paper is on Romania's strategy regarding human capital, which should be consistent with EU 2020 Strategy, should be based on the idea that intellectual capital investments and assets are necessary, but not sufficient to make human capital productive, and a change of perspective is necessary.

Keywords: human capital, European Employment Strategy, vocational training, Europe

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1. Introduction

The human capital represents the skills of individuals, their characteristics, which remain the same in any social environment. Basically, the human capital consists of *educational capital* (skills acquired by individuals in the training, school and outside it) and *biological capital* (physical abilities of individuals, most often synthesized as health). Starting from the two recognized components, it is obvious that, in essence, it is meant to be exploited on the labor markets in exchange for economic resources of any kind. Therefore, it was developed as a concept in economics, being regarded principally as “an estimation of a person’s ability to generate income through labor” (Voicu, 2004).

One of the first notable mentions about the human capital belongs to Kiker (1966), who noted six reasons that led, since before 1960, to treating employees as human capital:

1. To demonstrate the power of a nation;
2. To determine the economic effects of education, investing in health and migration;
3. To submit more equitable taxation systems than those that already were;
4. To determine the total cost of the war (in assessing the loss of war, after the two World Wars);
5. To warn the population about the need for preservation of life and health and to emphasize the importance of life for individuals living in the economy;
6. To support the establishment of compensations, decided by the courts in case of death or injury (Voicu, 2004).

If Europe is to compete on the world’s market, the development of sustainable industries, which are adaptable to change, has to be promoted. To do this, Europe needs to promote the idea that, in each member country, human capital should be used and appreciated at full capacity. To this end, education and training must meet labor market demands and of those who wish to develop both their natural and learned capacities. In a rapidly moving market, continuous training should be a priority, being the key to employment and economic success.

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European attitude regarding employment, education and training is reflected in the Communiqué Bruges. Elaborated for the period 2011-2020, it represents the Communiqué of European Ministers for education and training, the social partners and the European Commission, to review the strategic approach and priorities of the Copenhagen process. For the period, governments should pay more and more attention to basic training to better match the supply of skills to demand, considering that, in nowadays, very few measures are being taken to improve continuing education. Companies, and here we consider the case of Romania, have little interest in the social dimension of their activities but, in the long-term future of their human resources, the needs are enormous and a change of attitude will be well received.

2. The impact of EU member status of Romania on the training of human capital

In 2000, the European Council held a special meeting in order to agree on a new strategic goal for the Union. This goal was defined a set of supportive measures, set for the EU to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs. This goal brought in the center of everybody's attention, among other issues, the intellectual capital, as limitless resource for both the member states and the economic environment. This so called 'Lisbon Agenda' is an indication of the kind of intellectual capital the EU wishes to create in order to reach its strategic goal.

2.1. The European Employment Strategy: coordinates and perspectives

Europe is in the middle of a severe economic, financial and political crisis. Unemployment rates are high – in particular amongst young people - in September 2010, a general unemployment rate of 9,6 % for the was calculated for EU 27 Member States and a youth unemployment rate of 20,3 % (Bruges Communiqué, 2010). The crisis has emphasized the need to reform our economies and societies. Europe wants to become smarter, more sustainable and more inclusive. To achieve this we need flexible, high quality education and training systems which respond to the needs of today and tomorrow. That involves an increased attention for the development of human capital.

In Romania, as in other emerging economies within the European Union, continuous vocational training system was organized as a network of national, local and sectoral structures of responsible authorities. In terms of institutional and legal point of view, the tripartite training system in Romania is on par with the rest of Europe. The system, however, does not operate to its full potential due to lack of financial resources. In the new context of the internal labor market, which is in deficit, both employers and unions have every reason to increase the effort to allocate funds. Of course, in context, we recall the possibility to access the Structural Funds, including the European Social Fund (the Sectoral Operational Programme for Human Resources Development 2014-2020).

Thus, being an EU member, Romania has assumed the EU 2020 Strategy and, of course, the European Employment Strategy (EES), which seeks to create more and better jobs throughout the EU. The EES was initiated by the Delors White Paper, made operational by the Essen procedure, formalized within the employment chapter of the Amsterdam Treaty and put into practice before the official implementation of the Treaty on the basis of the employment guidelines of the Luxembourg summit. While to some extent it displays continuity with earlier European social policy, in some respects it represents a qualitative break (Goetschy, 1999). In this context, procedures such as the European employment strategy could present advantages both for the member states and for the EU itself by contributing to the construction of supranational coordination (Goetschy, 2001).

The aim of the EES can be seen from three different perspectives. First, this strategy is a way to increase the *legitimacy* of Community-level action by achieving a common

denominator in the labour market systems. Second, the EES seeks to improve the *efficiency* of Social Europe. The competition introduced at Maastricht between two basic rule-making methods (legislative and contractual) was supposed to enhance the efficiency of social regulation. Third, the EES was also intended to serve as a *catalyst* for the efficiency of national employment policies. This was to be achieved in four ways (Goetschy, 1999):

- *by making national policies public, putting them to the test of comparison and submitting them to the examination of a range of EU institutions.* Related to Romania, the mutual control of national employment policies adds to the emerging coordination and Europeanization of national objectives can be seen as a cause and as a consequence of the changes in the national regulations;

- *by establishing external constraints over national policy.* For the case of Romania, the fact that the National Training Plan for 2012 is inspired by the Bruges Communiqué is a proof (National Training Plan, 2012);

- *by the requirement of common statistical tools and benchmarking* (see country reports);

- *by generalizing the method used by the Commission itself in developing the EES procedure*, involving quantified targets, a specified timetable and tough monitoring.

To reach these objectives, the EES encourages measures to meet three headline targets by 2020 (European Commission, 2011):

- 75% of people aged 20-64 in work;
- school drop-out rates below 10%, and at least 40% of 30-34-year-olds completing third level education;

- at least 20 million fewer people in or at risk of poverty and social exclusion.

As a part of its strategy, European Union is continuously monitoring the attitude of the member states towards the employment. Related to new member states, they have some characteristics, such as: the low employment rates, sharp regional disparities, widespread unemployment and particularly long-term unemployment, the development of the informal economy and the gap between employers. All these demand and employee skills: these are the main characteristics of labor markets in the countries in Central and Eastern Europe, including here Romania too (Palpant, 2006).

2.2. The influence of the European strategy on Romania's employment policies

Romania has been establishing own measures and objectives in order to accomplish the objectives imposed by the EU member status. According to National Reform Programme in Romania 2011-2013, in order to achieve an employment rate of 70% in 2020 for the 20-64 age group, our country is focused on priority implementation of removing constraints in the way of employment growth, leading to better functioning of the labor market, facilitating the transition from unemployment or inactivity to employment, strengthening the professional skills of the workforce and increasing the quality of employment of residents in rural areas, young people and women (NRP 2011-2013, pg.61).

If we consider the published data in the National Reform Programme in Romania 2014, according to Eurostat, in 2013 the employment rate for the 20-64 age group was 63,9%, up with 0,1% comparing to previous year, standing at a distance of 6,1% from the national target for 2020 (NRP 2014, pg. 30). Also, as a solution to youth employment, in 2013, a National Plan on Boosting Youth was implemented, 44,395 students were enrolled in personalized programs regarding counseling and career guidance, and approx. 29,860 young people were benefiting from an offer of employment.

Another step is the new Social Dialogue Code, which has been passed by Parliament (Law no. 62/2011, republished in 2012). The main innovation in this code is the removal of the time-honored clause which made negotiation at national level binding. Accordingly,

collective bargaining is no longer compulsory at national level. The only mandatory agreement will be the enterprise agreement and even these will only be compulsory for companies with more than 21 employees. This means that for the majority of Romanian companies, the main instrument of labor relations is the individual contract.

According to European Employment Observatory, these measures constitute a firm step forward towards the decentralization of the negotiation process and thus to making both the market more flexible as well as ensuring that salary negotiations do not lead to excesses that remove the link between employee compensation and productivity (EEO, July 2011).

It is possible that these new flexible rules on negotiation, together with the increasing importance of the role of enterprise and ultimately individual negotiation, as well as the fact that the public sector has been decoupled from the private sector, might in the future spur job generation.

3. The laws and their influence on the continuous vocational training of the human capital

In order to sustain the vocational training, as a part of the national programme, important laws such as the Labor Code or the Fiscal Code clearly regulate or provide certain facilities for continuous training.

According to the Labor Code, art. 189, vocational training may be provided to employees in any of the following forms:

- a) attendance of training courses organized by employers or by suppliers of vocational training services;
- b) vocational on-the-job training for new-entrants to a position or work place;
- c) probationary and post-graduate training in Romania and abroad;
- d) on-the-job vocational training;
- e) coaching;
- f) other forms of training agreed upon between employer and employee.

To organize courses for vocational training, financing is needed, especially in enterprises, because, according to the Labor Code, art. 190, employers are also supposed to create the appropriate conditions for all their employees to take part in vocational training programmes, as follows: at least once every 2 years, if they employ 21 or more employees; at least once every 3 years, if they employ 21 or less employees.

Because the related training expenses are borne by employers, the financing can be (CEDEFOP - European Centre for the Development of Vocational Training, 2010, pg. 87):

A. *direct*: employers own funds (Commercial societies, national companies, autonomous national administrations, may cover staff training costs, Institutions financed from extrabudgetary sources finance training from this income, Institutions financed from the national budget finance training according to their own budget), the budget of unemployment insurances, sponsorships, donations, external sources, and fees from trainees.

B. *indirect*, which includes:

- for employers - deduction of expenses encountered for staff training;
- for training providers - exemption from VAT payment: (according to the Fiscal Code, art. 141, letter f) “educational activities under the Education Law no. 84/1995, as amended and supplemented, adult training and services and deliveries of goods closely related to those activities performed by public institutions or other authorized entities;” are exempt from VAT payment);
- for employees - training leaves.

In accordance with the Europe 2020 flagship An Agenda for New Skills and Jobs, the government undertakes the necessary steps for the implementation, at national level, of the

flexicurity concept and of measures leading to the increase of chances of integrating persons of disadvantaged groups, women and young people into the labor market.

Moreover, the National Framework of Qualifications was completed, the Classification of Occupations in Romania is permanently revised and the development of partnerships between the education system and the labor market is supported, especially by involving social partners in the planning of education and training offers. The measures of facilitating young people's entry in the labor market (guidance, counseling, apprenticeship, company set-up) also contributes to the implementation of the Youth on the move flagship initiative (VET in Europe - Country report, 2012).

Overall, the legislative framework (laws, government ordinances, government decisions, and orders of different ministers) regarding the continuing vocational training (CVT), consists of:

- The Law no 1/2011 on national Education - contains express provisions on the quality of training. This law aims to modernize the Romanian education, for its adapting to the current requirements of the knowledge society;

- Romanian Labor code (Law no 40/2011 adopted for amending and completing the Law no 53/2003) regulates the training within enterprises and stipulates the obligation of the companies to train the personnel every two years (every three years for SME); Also the labor code regulates vocational training objectives, the types of vocational training, mandatory vocational training programs, obligations of vocational training beneficiaries, types of vocational training contracts, the on-the-job apprenticeship contract;

- A special law regulating apprenticeship;

- Government Ordinance no 129/2000 of adult vocational training, modified through the Law no 375/2002, and the government ordinance no 76/2004 which stipulates: the criteria and procedure of quality assurance of continuous vocational training programmes; the competences based training, assessment and certification; the assessment and recognition of the competences acquired with in nonformal and informal learning contexts;

- Law no 76/2002, modified through Law no 107/2004 and Law no 580/2004, of unemployment insurance system and stimulation of employment, stipulates the passive and active measure against unemployment; The modification and completion to the *Law no 76/2002 on unemployment insurance system and the employment stimulation* addresses the development of the new employment stimulation measures, and the adaptation of their implementation to the current needs of the labor market. The law stipulates the introduction of the following elements: providing free services to assess the skills acquired in the informal and non-formal system; grading the financial support to the unpaid unemployed persons during the participation at the continuous vocational training (CVT) programmes; more flexible conditions for subsidizing the CVT programmes have been organized by the employers; the access of the unpaid unemployed persons to the mobility bonuses; the reduction of the conditionality for the companies that hire unemployed persons and persons belonging to the vulnerable groups;

- Amending and completing the Law no. 279/2005 on apprenticeship at work will reduce the administrative burden by repealing the procedure of authorization of the employer and certification of the apprenticeship master, as well as facilitating the implementation of measures to stimulate the apprenticeship at the work.

- Other regulations concerning the training at sector level.

In the same spirit, of increasing the chances of integrating persons of disadvantaged groups, women and young people into the labor market, according to National Agency for Employment (NAE), the courses organized for continuous vocational training for 2009-2014 periods are as follows:

Table 1. The number of courses organized for continuous vocational training in Romania by National Agency for Employment

Year	Number of courses	Number of courses organized for beneficiaries of free training services and courses		Number of courses related to the financing programmes		Number of courses according to the training form				Organizing institution		
		Number of courses for unemployed persons	Number of courses organized for other categories of beneficiaries of free training services	Number of courses financed from Social Security Budget	Number of courses financed from other sources	Initiation	Re-qualification	Improvement	Specialization	Authorized training suppliers	Own training centers NAE	Regional Training Centers for Adults - CRFPA
0	1	2	3	4	5	6	7	8	9	10	11	12
2014	2002	1953	49	1912	90	292	1546	72	92	457	636	909
2013	2093	2041	52	1872	221	412	1465	111	105	557	667	859
2012	2072	2010	62	1647	425	397	1468	97	110	728	622	722
2011	2229	2148	81	N/A	N/A	464	1570	96	99	825	662	742
2010	2397	2173	224	2094	79	493	1750	105	49	720	851	826
2009	2215	1980	235	N/A	N/A	N/A	N/A	N/A	N/A	709	842	664

Source: National Training Plan for 2009-2014, National Agency for Employment www.anofm.ro

As we can notice, there was a decreasing in the number of courses, for the period 2010-2014, but this was a consequence of the proportional decreasing of the courses financed from different sources, other than the Social Security Budget (table 1). According to Romania's Country Report for Vocational Education and Training (CEDEFOP, 2011), the groups benefiting from vocational training are:

1. Unemployed receiving or not the unemployment benefit;
2. Persons that could not find employment after graduating an education institution or after military service;
3. Individuals under refugee status or under another international protection form, according to the law;
4. Persons that could not find employment after detention or repatriation;
5. Persons in detention;
6. Individuals back to work after child raising leave;
7. Persons back to work after military service;
8. Persons back to work or to recuperation of work capacity after invalidity retirement;
9. Persons running work activities in rural environment.

During the period 2011 – 2014, the National Agency for Employment (ANOFM) is implementing *call center PES* project funded under the ESF through SOP HRD. The stated aim of the project is to increasing the quality and efficiency of services offered by the implementation of “call centers”. The project aims at developing opportunities for vocational guidance/training/development and socio-professional integration on the labor market of jobseekers by developing an innovative system for providing the information.

4. Conclusions

Human capital can be seen as the power of a nation, an economic power who can lead to economic growth, to a better position on the world's map and, in the case presented in the paper, on the Europe's map.

Understanding national VET systems, their characteristics, developments and priorities is a key element in different levels of the VET coordination and development process. It may also bring additional ideas and examples of good practice. In the case of Romania, the vocational training supply is still very fragmented since it is designed rather for persons than for companies, being guided by punctual labor market requirements. The system is mostly focused on the supply of certificates and less on the development of competencies required for employment. The long duration of CVET programs makes them inadequate for persons employed. Another important factor operating like an obstacle in the current CVET system is the fact that the current legislation does not allow the certification of partial qualifications, although the demand for training in the labor market is often focused on narrow qualifications.

The new measures in Romania, described above, may have some effect in the short term, although this is uncertain in the Romania's emerging economy, which is permanently affected by evolution in the market. Of course, *there is a permanent need for connectivity between job-creation and economic growth, and for adaptation of economic needs to employees' training.* With employers having more freedom of negotiation and with the labor force better able to use its capacities, unconstrained by the rigidities of the earlier version of the Labor Code, it will become less costly to create jobs and far easier for individuals to assume more than one job and thus increase wealth generation.

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