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A better employability through labour market flexibility. The case of Romania

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Abstract

This paper analyses how employees adaptability can be improved through labour market flexibility and the particularity of geographical, employment and functional flexibility in Romania. Tacking into account the role of human factor in social and economic development and its role in knowledge based society, the progress of Romania in the direction assumed by the entire Romanian people to integrate among developed countries can be supported only by developing a modern and flexible labour market and by transforming the educational process in a driving factor for integration and accessibility of all citizens regardless of age, gender, residence, ethnicity.

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1. Introduction

Labour market flexibility implies higher employment and a **better adaptability to the changing economic environment**. To make the most of human capital is necessary to increase employment through job creation, but also to improve the adaptability and employment mobility.

Increased labour market flexibility is usually taken to cover a whole raft of policies including reduced impediments to hiring and especially firing, measures to increase the mobility of labour across both regions and occupations, eliminating restrictions on working time, union bashing, less generous unemployment benefits and lower minimum wages (Solow).

A **flexible and efficient labour market** implies higher employment, and so an economy that is fairer (reducing social exclusion for disadvantaged groups), as well as more competitive and more productive. It also implies an economy that is **better able to adapt to the changing economic environment**, in the context of globalization, technological progress and economic crisis. Labour market flexibility has been **defined** in a number of different ways. Some studies underline two related concepts of labour market flexibility (HM Treasury, 2003):

- The first relates to **how the labour market adjusts to a period of disequilibrium**. This is achieved through a combination of adjustments in wages, the supply of labour and the demand for labour. In this interpretation, flexibility is characterised by **the rapid redeployment of labour between industries, occupations or regions**, ensuring that any disturbance to the labour market is short-lived.

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- The second concept relates to the institutional factors that determine the **structural level of unemployment**. In this interpretation, flexibility is characterised by high employment and low structural unemployment rates. The two concepts are related because the long-term unemployed can often find it harder to re-enter employment than those who have been unemployed for short periods. Since **slow adjustment** tends to raise the level of **long-term unemployment**, it also tends to **raise the level of structural unemployment** and may lead some workers to withdraw from the labour market altogether. Labour market rigidity restricts the capacity of an economy to cope with economic shocks, labour market flexibility being able to temper both the depth and duration of unemployment and the in amount of employment rates considering the current crisis conditions.

2. A better adaptability to the changing economic environment

In the context of a more dynamic and competitive global economic environment, it is very important that the existing jobs to be as close as possible to the characteristics of the supply of labour.

Even there is a not a common definition, there are some different types of classification referring to labour market flexibility. Many refer differently to internal, external, functional, wage flexibility. The next classification is considered to be the most appropriate to the needs of this research (Tangian, 2006; Wilthagen and Tros, 2004):

- **external numerical and functional flexibility** – *Numerical* refers to the employers' ability to adjust the number of employees to current needs; it is the ease of „hiring and firing” which manifests itself in the mobility of workers between employers (external job turnover). *Functional* (externalization flexibility) refers to the employers' ability to order some works from external workers or firms without employment contracts but with commercial contracts in such forms as distance working, teleworking, virtual organizations, that is, self-entrepreneurial activities.

- **internal numerical and functional flexibility** – In this case *numerical flexibility* is the employer's ability to modify the number and distribution of working hours with no change of the number of employees. It appears in shiftworking, seasonal changes in the demand for labour, weekend/holiday working, overtime and variable hours. The *functional flexibility* refers to the employer's ability to move employees from one task or department to another, or to change the content of their work. It is reflected by the mobility of workers within enterprises (internal labour turnover)

- **wage flexibility** (flexible/variable pay) – which enables employers to alter wages in response to changing labour market or competitive conditions. Typically, employers seek for applying individual performance-linked rewarding systems additionally to (or instead of) usual collective agreements independent of individual performance.

Flexibility characterizes successful movements during active labour lives. It is not limited only to greater freedom for employers to hire and fire and does not imply that the fixed-term contracts are obsolete. It refers also to the advancement and moving employees into better jobs - upward mobility - but also retraining them for jobs that meet current requirements. Flexibility refers both to work flexible organization, able to adapt quickly and effectively to new economic needs, as well as to facilitate combining work with private personal responsibilities.

In Romania, transition, prolonged recession, structural adjustment, changing relationships between different sectors (activities) in the economy and economic crisis in recent years generated a continuous process of renewal of professions/jobs, the restructuring of the knowledge system, an growing necessity to increase labour market flexibility in order to adapt faster and efficiently to the new challenges. Certain features of the labour market, like lack of flexibility, persist from the communist period. Others, such focus on science and technology have had lagging lately.

3. Particularity of geographical, employment and functional flexibility

Geographic labour mobility refers to the ability of the labour force to move within and between regions, and across borders. It can be used as an adjustment mechanism on labour market, replacing work where it is needed and meet market demands. It opens up new opportunities for work and sometimes for education and training.

In Romania, a significant part of labour force is tacking these opportunity, a few million of people working abroad, especially in European Union countries. The real number of persons working abroad can be only estimated due to the large number of informal workers.

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