



LABOR'S FLEXIBILITY - BOOST OF THE PRODUCTIVITY'S GROWTH

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Abstract Starting from the idea that the alternatives of the organizational existing development can be improved, and that the promotion and the pilot implementation of innovative solutions for flexible working arrangements which may be beneficial for enterprises' networks belonging to the rail transport sector, we want to make available, for the economic agents, a set of criteria for assessing the quality of the management act after the implementation of some innovative forms of organization.

Key words:

Flexibility, cost-effectiveness, competitiveness, productivity

JEL Codes:

M21, L26

1. Introduction

The intensification of competition at international level, as result of amplifying the globalization process and progresses registered in managing human resources determines us to recognize the important role of human resource management as being one of the most important factors for success. The influence of certain factors on the international development of a company is well known, e.g.: cultural diversity, international migration of labor force, development of market relations and competition in an international context, etc. This has immediately resulted in intensifying efforts of entities in preparing their own employees and their families, thus highlighting the fact that exploring the international dimensions of the activity of human resources has become, at the level of multinational entities, one of the most important activities of the human resources department.

2. Contents

We consider timely such a concern in terms of pressing needs for reform at the level of the railway labor organization.

In order to highlight the effort of railway segment's enterprises, also in order to answer the needs of the project, - we have determined, - as we may say, the three eloquent criteria established on the basic concepts, namely: the CONCEPT of COMPETITIVENESS, the CONCEPT of PRODUCTIVITY, and the CONCEPT of PROFITABILITY.

The concept of competitiveness

*Competitiveness is defined as "a set of institutions, policies and factors which determine the level of productivity"*¹. The level of productivity, sets, at its turn,

the sustainable level of prosperity which may be earned by an economic agent. In other words, we can define competitiveness as the being the company's ability to withstand the market's competition.

The competitiveness of an enterprise may be achieved through a strategy of offensive development, defined in terms of the knowledge of economic and social environment. In the frame of this strategy, an important role is the quality, - which is, - on one hand, - a strategy to differentiate company's products / services, and, - on the other hand, - some means by which it creates competitive advantages.

The concept of competitiveness involves static and dynamic elements; even if the productivity of a country clearly determines its ability to sustain a high level of income, this is one of the determinants factors to return to investments, the investments being one of the key factors explaining the potential of the economy's growth.

These components are grouped into pillars of competitiveness, such as:

1.1. The infrastructure

An extensive and efficient infrastructure is essential for the efficient functioning of the economy because it is an important factor which determines the location of economic activities and the types of activities or sectors that can develop in an economy. A well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it to the low levels of cost for the markets from other countries and regions. The quality and extent of infrastructure networks have a significant impact on economic growth and affects the inequality between income and poverty in a variety of ways.

In order to measure the size of a competitor infrastructure indicator it is inserted note I_{inf} and calculated using the following formula:

$$I_{inf} = (\text{Profit} \times \text{no. employees}) / \text{patrimony's value}$$

According to this indicator it is established a hierarchy of competitors and are awarded maximum points for the first 10 ranked companies, as follows: 100 points for first place, 90 points for 2nd place, the difference between the successive positions in the ranking is 10 value points.

1.2. Health, education and training

A healthy workforce is vital to a country's competitiveness and productivity. Lack of health leads to significant costs for businesses, such as those caused by the absence of ill workers or low efficiency with which employees work sick. Investments in health services provision are, therefore, critical clear and moral for economic reasons. This pillar takes into account the primary education, too.

Basic education increases the efficiency of each worker. Employees who have received a reduced primary education can only perform simple manual labor and, for them, it is more difficult to be adapted to the production processes and the more advanced techniques. Training is crucial for economies that want to move the value chain beyond simple production processes. This pillar measures the enrollment rates and the quality of education, too, measured by the business community.

To measure the health of the labor of a competitor it is needed to enter *the health indicator* which is noted I_{san} and it is calculated using the following formula:

$$I_{san} = 100 - [\text{no. days of illness per unit} / (\text{No. employees} \times 231)] \times 100$$

According to this indicator it is established a hierarchy of competitors and awarded maximum points for the first 10 ranked as follows: 100 points for first place, 90 points for 2nd place, the difference between the successive positions in the ranking is 10 value points.

The labor market efficiency. "Efficiency and labor market flexibility are critical in order to ensure the distribution of workers in locations with their most efficient use in the economy"² and provide the incentives to offer the best efforts at work. Labour markets must, therefore, have a greater flexibility to shift workers from one economic activity to another, rapidly and at low cost, and allow for wage fluctuations without much social disruption.

In order to measure the efficiency and the flexibility of a competitor it is needed to introduce the traffic

employees indicator noted I_{ta} , the employees flexibility indicator is noted I_{fa} and which is calculated by the following formula:

$$I_{ta} = [(\text{No. of new hirings} + \text{Nr. of layoffs}) / \text{No. of total employees}] \times 100$$

$$I_{fa} = [\text{No. of permutations on positions} / \text{No. of total employees}] \times 100$$

The no. of employees permuted on positions means all movements of personnel between the various positions of the company, promotions, demotions, rotations of employees on positions.

Depending on each indicator it is established a hierarchy of competitors and awarded the maximum points for the first 10 ranked as follows: 100 points for first place, 90 points for 2nd place, the difference between the successive positions in the ranking is 10 value points.

1.3. Flexibility

Technological readiness. In today's globalized world, the technology has become an increasingly more important element for companies which want to compete and prosper³. This pillar measures the ability with which an economy adopts existing technologies in order to enhance the productivity of its industry, with a particular emphasis on its ability to fully leverage of information and communication technologies (ICT)⁴ in daily activities and production processes to increase efficiency and competitiveness.

To assess the ongoing training of the labor force of a competitor it is entered *the training indicator* which is noted I_{for} and calculated using the following formula:

$$I_{for} = [\text{No. of persons trained} / \text{Total no. of employees}] \times 100$$

According to this indicator it is established a hierarchy of competitors and awarded maximum points for the first 10 ranked as follows: 100 points for the first place, 90 points for the 2nd place, the difference between the successive positions in the ranking is 10 value points.

CPF (continuous professional formation)

The market's size. The market's size affects the productivity, because large markets allow to firms to exploit economies of scale. In the era of globalization, the international markets have become a substitute for domestic markets, especially for small countries. There is empirical evidences showing that trade openness is positively associated with the growth.

3. Concept of productivity

The labour's productivity is one of the most important synthetic indicators of the economic efficiency of an economic agent, reflecting the effectiveness and fruitfulness of labor expended in the done work's process.

The labour productivity's growth is the most important factor to increase the output's volume, to reduce production's costs and to increase the profitability and competitiveness of the products. The labor's productivity is determined as the ratio between the output's volume and the amount of work expended to acquire it, either by reporting the working time spent on the achieved production volume.

The *productivity level* also determines the rates of profitability obtained by investments⁵ (physical, human and technological) by a trader/economic agent. The rates of profitability are the fundamental factors of the economic growth rates of an enterprise which is economically active.

So, the labor productivity expresses the output volume obtained in a time unit of work or the time spent per unit of labor and labor productivity growth requires the increasing of the output's volume with the same labor costs or the reduction of labor per unit of product.

In order to assess the productivity of a competitor it is introduced the *productivity indicator* which is noted I_{prod} and it is calculated using the following formula:

$$I_{prod} = (Profit + Investments) / Total\ no.\ of\ employees$$

According to this indicator it is established a hierarchy of competitors and are awarded maximum points for the first 10 ranked as follows: 100 points for the first place, 90 points for the 2nd place, the difference between the successive positions in the ranking is 10 value points.

4. The concept of profitability

The profitability is a synthetic form of expression of economic efficiency, which reflects the ability of a firm to make a profit.

Competitors overall score will be calculated using the following formula:

$$P_g = \frac{P(I_{inf}) + P(I_{san}) + 2 \cdot P(I_{ta}) + 2 \cdot P(I_{fa}) + 3 \cdot P(I_{for}) + P(I_{prod}) + P(I_{ren}) + P(I_{run}) + P(I_{viz})}{13}$$

where P_g is the general score, and $P(Indicator)$ is the score obtained for the rank of the named indicator. In case of equality between competitors will be created an ad hoc committee composed of experts as network coordinators who will decide the final ranking.

The evaluation period will be considered January 1, 2013 - 28th February 2014. Cumulative.

In the market's economy, the profit is the main objective of any enterprise. Its growth and hence profitability is an objective necessity, vital to the very existence of the company.

The profitability appears thus as a decisive instrument in the mechanism of market's economy, the production's orientation being relative to the consumer's demands.

To assess the profitability of a competitor it is introduced the *profitability's indicator* which is noted I_{ren} , and the *profitability unitary indicator* which is noted I_{run} and is calculated using the following formula:

$$I_{ren} = (Profit / Sales) * 100$$

$$I_{run} = Profit / Total\ no.\ of\ employees$$

Depending on these indicator sets a hierarchy of competitors and points are awarded for a maximum of the top 10 ranked as follows: 100 points for the first place, 90 points for the 2nd place, the difference between successive positions in the ranking is 10 value points.

To express the profitability of a company, two types of indicators are used:

- *The absolute indicators*⁶: the result of the exercise; the operating result; the net result.
- *the relative indicators* (the rate of profitability) : the economic rate of profitability; the financial profitability's rate; the rate of the profitability on the used resources ; the rate of the income's profitability; the commercial profitability's rate.

It is also considered an *indicator of visibility*, noted I_{viz} , which prepares a ranking based on the degree of visibility of the competitor' freight exchange (transport) plane⁷, the virtual environment (Internet), the advertisement environment. The coordinators experts network quality will study these environments as the information's dissemination and will establish a hierarchy of competitors. It will peak the first top ten competitors such as: the 1st place 100 points, the 2nd place 90 points and so on, instead of 10, with 10 points.

5. Conclusions

One of the most important arguments of the transaction-cost economic theory is the fact that the level of specificity of a detained good affects the decisional limits of a company. The specificity of a patrimony element is defined as being the degree in which it is valuable in a certain transaction. Focusing on the specificity of the human capital, we could say that this represents the level of specific aptitudes required

by the company's activities for successfully fulfilling a certain set of tasks. When the degree of specificity is high, internal organization of human capital is efficient and rational⁸.

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