

THE IMPACT OF THE GLOBAL
ECONOMIC AND FINANCIAL CRISIS ON
HUMAN RESOURCES MANAGEMENT IN
THE PUBLIC SECTOR - AT A GLOBAL,
EUROPEAN AND NATIONAL LEVEL

Abstract

Probably the most affected segment of the labor market during the current financial crisis is the human resources in the public sector. In the next few decades, the EU will face a continuing trend of reducing and restructuring of human resources employed in this sector, along with inherent socio-economic changes related to the aging of the population and the massive migration of the European population from relatively underdeveloped states to developed ones. Unfortunately, we're talking about a very broad sector which is also very important for the proper functioning of the economic, financial, social and administrative national governments. Of course, the most serious and direct signals come from the area of health, education and social protection but at least as important and serious are the central administrative, regional and local areas; national security and defense; internal public order and more. The effects of this trend are obvious: significantly reduced working capacity, high risks of obsolescence of employees, inferior performance and productivity along with the increase in working time and loss of know-how. In this context, HRM in European public services should play a more important role, through the effective use of skills and competencies of current and future workforce.

Keywords: financial crisis; economic recession; human resources; public sector; public services; HRM (Human Resources Management)

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IMPACTUL CRIZEI
ECONOMICO-FINANCIARE
GLOBALE ASUPRA
MANAGEMENTULUI
RESURSELOR UMANE DIN
SECTORUL PUBLIC - LA
NIVEL MONDIAL, EUROPEAN
ȘI NAȚIONAL

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Rezumat

Probabil cel mai afectat segment al pieței forței de muncă în actuala perioadă de criză financiară este cel al resurselor umane din sectorul public. În următoarele câteva decenii UE se va confrunta cu o tendință continuă de reducere și restructurare a resurselor umane ocupate în acest sector de activitate, în paralel cu schimbările socio-economice inerente, aferente îmbătrânirii demografice și migrației masive a populației europene din statele relativ subdezvoltate spre cele dezvoltate. Din păcate vorbim despre un sector extrem de larg și mai ales deosebit de important pentru buna funcționare a vieții economice, financiare, sociale și administrative a guvernelor naționale. Desigur cele mai grave și directe semnale vin din zona sănătății, educației și protecției sociale-dar cel puțin la fel de importante și de grave sunt zonele administrației centrale, regionale și locale; securitatea și apărarea națională; ordinea publică internă și multe altele.

Efectele acestei tendințe sunt evidente: capacitate de lucru mult redusă, riscuri mari de uzură morală a angajaților din acest sector, performanță și productivitate inferioară în detrimentul creșterii sensibile a timpului de lucru și pierdere de know-how. În acest context, HRM în serviciile publice europene trebuie să joace un rol mult mai important, prin utilizarea eficientă a abilităților și competențelor forței de muncă actuale și viitoare.

Cuvinte cheie: criza economica, recesiune economica, resurse umane, sector public, MRU(managementul resurselor umane)



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1. INTRODUCTION

The occurrence, development and perpetuation of the current global financial and economic crisis has a main triple interpretation: Realists claim that if economically high developed countries enter a crisis, for various reasons, it will automatically affect emerging economies. Conspirators support the idea that these countries, through their economic and financial policies, induce and invoke a worldwide crisis. Skeptics do not believe in a crisis, but rather just an alarmist consumer behavior; a behavior that ultimately may lead to a real crisis. Perhaps each of the three interpretations have their share of truth and untruth or exaggeration. However, once an extended and long lasting global crisis has appeared, how should HRM react?

2. THE DOMINANT CHARACTERISTICS OF HUMAN RESOURCES MANAGEMENT IN TIMES OF CRISIS

In terms of human resources management, the most famous instrument in times of crises is mass layoffs in various forms, more or less discrete. This super simplistic maneuver dramatically lowers costs but, unfortunately, it also reduces the performance of employees who remain, due to low morale or putting them in new posts with which they are unfamiliar and in which the pressure for success is immense. What is painful, however, is the fact that this dysfunctionality is only the direct, tangible and immediately visible effect, the so called tip of the iceberg above the water surface. Much more serious is the fact the medium and long term effect consists of total government destabilization of the budgets for social protection and pension funds, especially in the well-known and widely accepted context of demographic aging in the civilized areas and in the medium and highly developed economic areas of the world.

Either way, the most susceptible to change and crises are human resources. They consume the most, produce the most, are very easily demotivated in difficult situations or they adapts easily. The economic crisis of recent years has forced the HR specialists to change their remuneration strategy in order to succesfully motivate people in the company and attract new talent with relatively small budgets (Baubion, 2013). Currently, the main challenges for human resources specialists are: increasing employee performance with the same costs, discovering talent within the organization, lack of strategies and decreased employee satisfaction. These objectives can be achieved by providing opportunities for career development, a total remuneration package, a competitive salary, performance bonuses, flexible working hours and other benefits. Presently, the idea of having a stable career in a company and a total remuneration package, motivates most employees. Companies should invest in studies which evaluate

employees' motivation in order to learn about their true needs and desires, depending on age, personality and professional development: health care, holidays abroad, service car etc.

With the recession and slowdown manifestation of social development, there have been a number of major and irreversible social and economic changes in the European economy (Boin, 2012). The influences of these changes have manifested in all areas of activity, in a greater or lesser extent. Obviously, the major influence has been and still is the reduction of costs, which involve financial, human and material resources, necessary to conduct current activities.

3. CHARACTERISTICS OF HUMAN RESOURCES MANAGEMENT IN THE PUBLIC SECTOR DURING THE CRISIS

Economic crisis period impacts greatly countries, governments, societies and organizations. Human resource management and human resource management functions are also affected by the economic crisis period (Ștefănescu and Dărăbăneanu, 2011). In the public sector, the reduction of these costs, especially those with human resource, requires addressing this issue in the future from the perspective of developing this resource, which should take into account the same effects (results), but with less effort (costs). The main challenge is to reduce the specific efforts of human resources (training, continuous education, motivation and development) to a substantial degree but to avoid the reduction of the quality of human resources and the results of their work socially, politically and especially economically.

Starting with 2008, along with the global financial crisis, human resources in all fields were affected. The most significant impact of the crisis was on the public sector, where a large numbers of people were laid off and a part of the extra bonuses were stopped (Kanellopoulos, 2012). Therefore, significant adjustments were made for expenditures of any kind. In this context, human resources have been affected according to Figure 1.

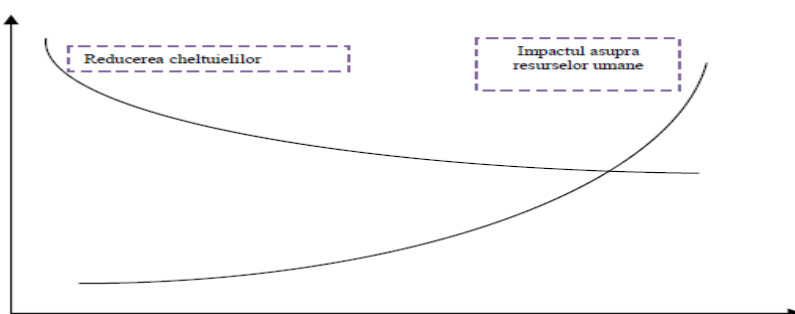


FIGURE 1. THE IMPACT OF SPENDING CUTS ON HUMAN RESOURCES

Source: Kanellopoulos, 2012

As can be seen from Figure 1, as the level of public sector spending was reduced, the (negative) impact on human resources was also amplified exponentially. This can be explained primarily by expenditure components which have been reduced:

- Direct Reduction - Reduction of salaries and bonuses granted to personnel, based on the results obtained in the work. Reducing these benefits affects human resources directly and indirectly. The direct influence is the reduction in its power to meet the needs of a certain desired level. Indirect influence is represented by the fact that the individual's hope and optimism are diluted, as he obviously observes that, both currently and in the near future, his expectations become infeasible. If hitherto, he had hope that he could do more things more and be better, from then on his expectations are reduced and he hopes to, at least, maintain a certain social level.
- Indirect reduction - reducing other types of expenditure in the public sector, which affects the quality of activities. Reduction of costs, for example consumables, requires more attention on the use and exploitation of these resources in institutional practice. This entails attention from human resources on these details and obviously decreased attention on the main functional act. Therefore, the chance of having a high level of quality employment decreases along with job satisfaction; human resources are required to manage details that can be unpleasant for those specialties. Here we give the example of the significant increase of the documents that need to be filled by public sector human resource activities, documents which take the form of reports of different types, which entail reducing actual working business hours.

In these circumstances, human resources are forced to make additional efforts, for example to work harder just to show that they are more necessary or useful to the system than their peers. Because of this, the level of competition is quantitatively exaggerated and individuals try to demonstrate their usefulness by making the extra effort which can be measured in overtime. However, this is not advantageous to the system because focusing on workload, working hours and amounts in general actually entails lesser quality and associated elements. In time, we will reach a quality deficiency which will generate additional higher costs with a negative impact on system performance.

4. THE PARADOX OF CRISIS OF VALUABLE AND TALENTED PERSONNEL IN A WORLD STIFLED BY THE SEVERE SHORTAGE OF JOBS

Economies continue to recover from the global recession and financial crisis that has stifled growth worldwide and brought forth a new problem - a specific problem for the Age of Human Resources. Worldwide demand for labor as a whole, even with acute demographic aging, is not focused on

personnel problems due to the mobility by the exodus of young people and adults from economically weak and often overcrowded countries. But what tends to become a major issue is the lack of specialists that affects the worldwide labor market. In this era of Human Resources, the vital engine for economic growth is human capital, those "assets" which enter and leave daily from the company office (Smit, 2012).

Given that companies find it increasingly difficult to hire talented people needed for business in order to get ahead, the differentiating factor between success and failure will be the ability to attract the best specialists. We are now in a full crisis of talent. Over a third of employers said they can not find needed talent within their organizations, according to ManpowerGroup Talent Shortage Survey 2012, according to Figure 2.

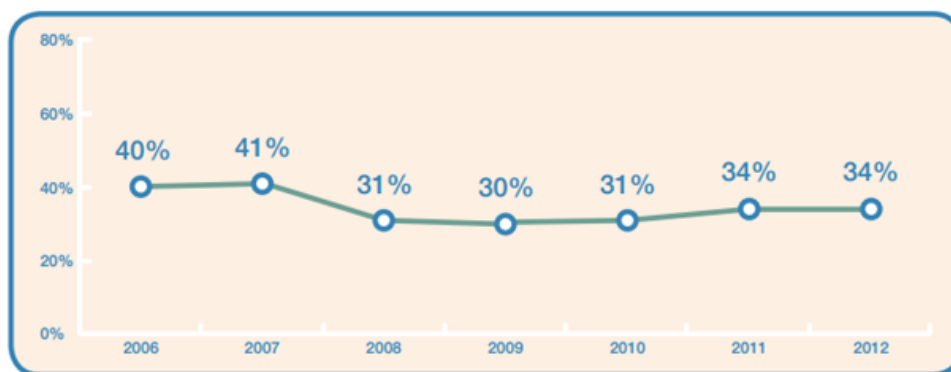


FIGURE 2. THE PERCENTAGE OF EMPLOYERS WHO HAVE DIFFICULTY FILLING OPEN POSITIONS, AT GLOBAL LEVEL

Source: MANPOWERGROUP, 2012

The problem is acute and it occurs worldwide. India and Brazil are two of the fastest growing global economies and 48% and 71% of employers in these countries have trouble finding the right candidates.

In the US and Australia, two strong and mature economies, 49% and 50% of employers fail to identify talented staff they need in order to stimulate the progress of the companies they represent. In Europe, where labor has a high level of education and unemployment, finding talent is relatively easy, though, even here, some employers find it hard to find the people they need. In Germany, 42% of employers said they had difficulty in finding competent candidates.

The peak of the talent crisis manifests itself, somewhat interestingly, in Japan - a country with a high population density and a high level of economic development, rated as the third largest economy in the world, where the deficit reaches a huge percentage, namely 81%. In contrast, Ireland stands with a tiny percentage of only 2%.

The graph of global talent shortage - Figure 3 - expressed by the percentage of employers who have difficulty filling key positions, highlights a reality which is almost incredible: in a period which created a real psychosis in the difficulty of obtaining a job, the ratio employer / employee seems very unbalanced in favor of the employer.



FIGURE 3. THE PERCENTAGE OF EMPLOYERS WHO HAVE DIFFICULTY FILLING OPEN POSITIONS

Source: MANPOWERGROUP, 2012

In the Human Resources Age, the power of human potential is the engine that propels companies ahead and offers a competitive advantage in the global market. Lack of talent is an old problem, yet one that many employers are very familiar with. Quite ironically, at the same time, there is a new problem: Resignation seems to have taken hold of all employers in the world and it threatens to derail business plans in the coming years.

Top Companies will count on HR directors, because they will identify and recruit the talent needed to sustain the company's development, even in cases where the competition on that certain talent will increase. In the information age, marked by the evolution of IT, employers who effectively adopt the latest technologies and integrate them into the current work will evolve well before of their competition. Employers who hold top positions in sectors in which they operate are aware that in the era of Human Resources, employees' intelligence and their level of cooperation within groups will help their companies in the face of competition. HR directors must give up this resignation and realize that - although the main stakeholders will not be affected this year by the scarcity of talent - they will certainly be affected in the next year or two. Romania's integration in the European Union (EU) imposes new

requirements of human capital, creating new challenges for the sector. At this time the Romanian economy requires a competitive workforce with new skills and qualifications (Stanef, 2014).

Developing a dedicated workforce strategy that is adapted to future employment needs and then implementing it will be the key element of HR managers with which they will overcome the crisis and shortage of talent in order to lead organizations to success. In Figure 4 are shown the main implemented strategies which address the scarcity of talent.

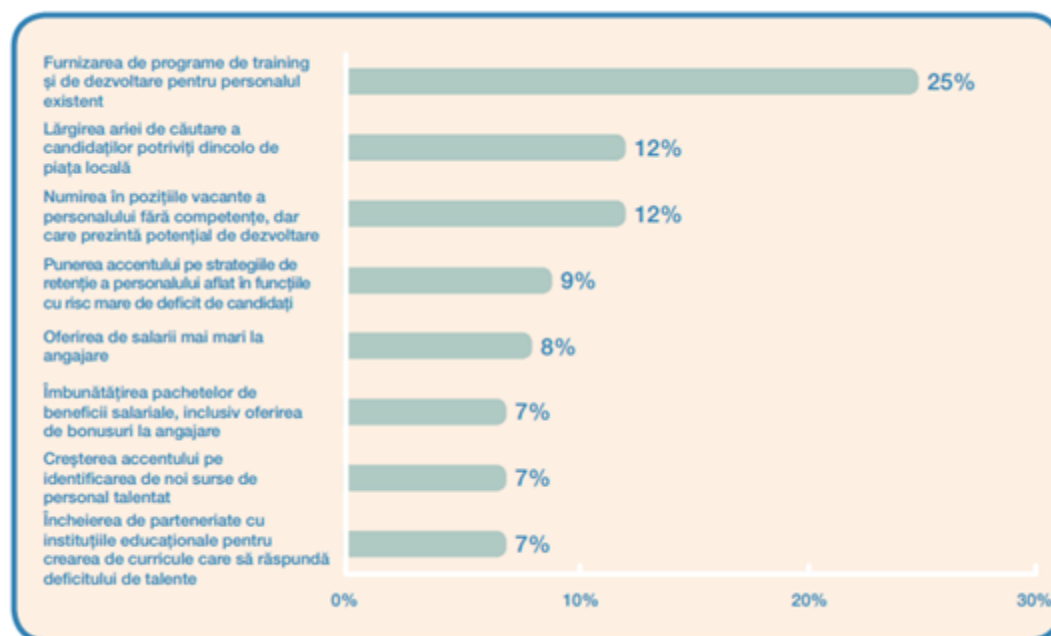


FIGURE 4. STRATEGIES IMPLEMENTED TO ADDRESS THE SCARCITY OF TALENT, AT GLOBAL LEVEL

Source: MANPOWERGROUP, 2012

5. THE ART OF HUMAN RESOURCES OF MANAGEMENT-PROBABLY THE STRONGEST FACTOR RESPONSIBLE FOR THE GROWTH AND PRODUCTIVITY OF COMPANIES IN THE NEAR FUTURE

Increasing mobility of talented employees globally, especially among developing countries, creating a talent crisis, mobilizing all the departments of human resources focus its resources to tackle it shows the latest study by Adecco Institute of UK. Lack of talent affect global companies and undertake practical HR departments to create a new series of development opportunities and bonuses to motivate and retain the most talented employees, the study by Adecco Institute in the UK, among the 5,000 human resources specialists. Success in talent management and its absence in a company will become an important factor and differentiator in the global market while jobs.

The new role of human resource management is the result of the convergence of three trends: globalization, demographic change and crisis talent, "says Donna Murphy, Managing Director of the Adecco. In developed countries, globalization has increased the demand for skilled labor force strong, while the demand for unskilled workers has declined drastically at the same time. This was particularly noticeable in the countries of Western Europe, where the number of older workers has increased. In the next 10 years, the average age of most employees in Europe will be the first time more than 40 years, the study said. Also, the number of employees in the United States with an age above 55 years will increase by 47% over the next eight years highlights study. However, while demand for talented employees has increased considerably decreased demand. Such companies have increasingly faced more competition in attracting and retaining the best candidates.

While in the past, business success was assured that competitiveness between clients in the future it will depend on the successes achieved in the competition for the most qualified employees. This shortage of talented candidates will position HR management as one of the strongest factors responsible for the growth and productivity of the company. Sow, to meet these challenges, HR departments will have to replace strategies that take effect in the short term strategies to bring long-term results, "added Murphy. According to the study, media sustainability strategies implemented by specialists in human resources is one year and one month. In addition, most organizations are unprepared for the exodus of knowledge and expertise resulting from maturing workforce and retirement subsequent to its exit, especially if the Baby Boom generation.

More than a third of HR managers surveyed said they are currently experiencing problems due to lack of necessary skills in recruiting future employees, while a fifth said they already have problems in recruitment for IT positions due to lack of qualifications of candidates for positions open for competition. "Multinationals will begin to look increasingly international labor market to satisfy the appetite of having the most talented employees. New technologies have managed to dismantle existing boundaries and geographical distances years ago. Talents can be located and attracted regardless of location", said Wolfgang Clement, Chairman of the Adecco Institute and former economy minister in Germany. These changes will alter the challenges in managing people and talent, "he added. Competitive skills will mean finding suitable strategies to retain, motivate, prepare and attach to the company to which they belong (Vintiša, 2010). Talent management will become a differentiating factor among companies, the study highlights the Adecco Institute.

6. THE SHORTAGE OF APPROPRIATELY QUALIFIED PERSONNEL IN ROMANIA

Construction companies and hotels-restaurants that had vacancies for more than three months. For these sectors are growing, there is a high demand for skilled labor force, which can not satisfy the

market entirely. Sectors of electricity, gas, water and manufacturing also face a lack of qualified personnel. Workforce crisis is due, in fact, unattractive working conditions (starting rates exceed those staff input in these companies). And no shortage of personal services sector. Small firms in the service sector is struggling to withstand the market. They provide jobs less attractive, so that records high employee turnover. Lack of appropriately qualified personnel is invoked by representatives of 83% of companies face the problem of vacancies. Just over 7% dint representatives of the companies admitted that they found appropriate person job requirements, but they refused employment. These companies come exclusively from the manufacturing and "other" category (mainly the services sector), where remuneration packages are less attractive.

One of the biggest challenges of the labor market is on coverage among companies need managers who now come to Romania or do business in the local market. Finding the most appropriate mix of managerial and technical skills (which, in certain industries, are required at the top level management) is one of the most difficult tasks. In Romania there are talented managers, but not enough to cover market requirements. At the moment, the Czech Republic, Poland and Hungary are preferred by investors, so many investment opportunities still avoid us. It is possible that EU accession bring us at least 30% more investment per year, which translates in terms of human resources, in many more jobs that will be covered by valuable people. As the battle is fierce to attract the best people in the market, the remuneration packages add zeros to the candidates. From this perspective, it is estimated salary increases for managers and specialists, increases the more spectacular as is the niche or specialized. Wage increases may reach up to 30%, depending on the freedom that it will allow companies and in setting wage scales.

7. CONCLUSIONS

If the overall problem of shortage of qualified personnel and talent-value becomes every year more and more deep, it is expected that the public sector especially in emerging economies, it should reach unimaginable dimensions. Over time in this area, probably qualified personnel or acceptable average value could reach large deficit. This is because in addition to the progressive aging, migration extends to geopolitical areas with strong economic development. All this while the value, usefulness and effectiveness of education and vocational education and they mostly public-sector components are much real quality time on a regressive trend. Obviously, all this adds the last drop: remunerative packages staff fragile and low socio-economic area in which, in times of crisis, apply the most drastic reductions in quantitative and qualitative measures on human resources.

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