



## **F.I.S. Flexicurity integrated services**

# **Desk Analysis in Romania**

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## ***National Framework***

### I.1. Labour Market trends for entrepreneurs, managers and high skilled professionals

#### **1.1. General Characteristics**

Before drawing the general framework of the labour market trends in Romania, we must consider several distinctive issues pertaining strictly to the Romanian economic environment. According to recent studies such as *The White Charter of Romanian SMEs in 2010*, 99.7% of the total number of companies is represented by small and medium sized enterprises where the entrepreneur holds the position of manager in more than 90% of the cases.

Taking into consideration the behaviour in the existent business practices in Romania, the entrepreneur is the same in many aspects with the manager. We can admit that all the entrepreneurs are managers, meaning that they should control their own business, but in theory not all the managers are also entrepreneurs. This happens because the big companies became very structured, with strict rules, necessary to control some entities of such dimension. The SMEs have not these problems, nor the funds necessary to assure it. If a manager is responsible only for an aspect related to a specific function, most of the time the Romanian entrepreneur is responsible for the entire business.

With respect to the management structure, between the Romanian entrepreneurs and managers and those from EU there are important differences. The Romanian entrepreneur wants to know directly each domain of his business. The fact that he/she rents the necessary resources and he/she does not use his/ hers own employees, determines the development of an informal management structure.

#### **1.2. Labour Market Trends**

After the accession of Romania to the EU, in some sectors of the labour market there was a deficit both of workers (in constructions, textile industry etc.) and of high qualified professionals (engineering, health, finances, banks), which indicated a misbalanced labour market. The positive evolution of the unemployment rate before the economic crisis reflected in the long-term unemployment rate and on the preservation of the employment rate. Although the employment rate increased in 2008 and the employment rate among the elder reached 43.1%, this situation cannot be regarded as satisfactory. The speed of employment increase

slowed down to 0.4% in 2007 compared to the previous year, situation which persisted in 2008. This shows that the labour market in Romania has strong structural imbalances which existed even before the crisis emerged: extremely low work productivity, wage raises uncorrelated with the increase of work productivity, modest employment rates compared to other European states, high fiscal pressure on the cost of work, especially regarding the persons with low incomes, insufficient social protection.

At the end of 2009, the global financial and economic crisis actually burst the labour market in Romania. Thus, the number of employees decreased to 4,367.7 thousand persons, and the number of the unemployed reached 709,383 people by the end of December, which means 7.8% unemployment rate. This level is similar to the one in March 2004, according to the *Romanian National Agency for Employment* (NAE). Since then, the number of unemployed decreased constantly, on the background of a favourable economic context, so that the unemployment rate decreased to 5.9% in 2005 and to 5.2% in 2006, according to data published by the National Bank of Romania. The lack of measures in support of the SMEs allowed the effects of the crisis to be felt increasingly strong and the number of the unemployed increased month after month. Thus, in April 2010, the number of unemployed reached 738,187, which means 8.1% unemployment rate (according to data from the National Institute of Statistics, NIS). In terms of professional education and training, Romania still displays a very low rate of enrolment in education and training for the age group 25-64. As it is known, the level of training is very important in the development of the knowledge-based economy and for the long-term sustainable evolution of the labour market. A special role in this direction might be played by the public projects or by the public-private projects that could attract a large part of the population tempted to join the labour market faster.

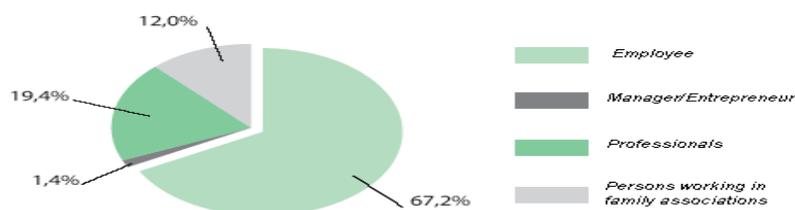
The persistence of labour market deficiencies lies in the *insufficient harmonization of labour force qualification in response to the demand for work*, this aspect being a weak spot of the education system from the Central and East European countries. In the case of Romania, the root of the problem is in the lack of collaboration between the Ministry of Education and the Ministry of Labour to develop education plans correlated with the labour market demands. This causes labour force surplus in some areas and a major deficit of work force in other areas. It is very often that the SMEs feel a discrepancy between their necessities and the labour force qualifications. This aspect has multiple adverse effects: high structural unemployment among the young graduates; increased costs for the companies who have to compete for the low number of graduates having the qualifications they need; low work productivity and professional performance of the newly employed; additional funds invested by the companies

for the proper training of their staff. All these elements represent losses for all the social partners that are involved and it is required a revision towards a higher compatibility between the professional training from the system of education and the demand for labour force. Therefore, a key point in the current and future evolutions of the labour market is the educational level of the population, in general, and of the work force, in particular. The acute misbalances between the labour market and the system of education in Romania are further stressed by the influence of the economic and financial crisis. The current national context, the lower employment rate, the higher unemployment rate because of the shrinking economic activity, because of the lower remittances sent by the Romanians working abroad, affects the welfare of the households and of the companies and Romanian society as a whole.

In 2009-2010, the strong economic contraction was an exposure for the economy and for the financial stability. This vulnerability worsens strongly the financial status of the companies and of the state and causes unemployment to increase. If in 2009, most of the unemployed came from the private companies (578,280 people, 81.5%, according to NIS data) in the first part of 2010, the number of unemployed increased due to the reorganisation of the budgetary system.

Strictly relating to the business environment, with a strong emphasis on entrepreneurs and managers, recent data from the *National Institute of Statistics* indicate that 1.4% (Fig.1) of the total employed population is represented by entrepreneurs/managers.

**Employment structure, by professional status in 2009**



SOURCE: NATIONAL INSTITUTE OF STATISTICS, NIS, 2010

*Fig. 1 Employment structure, 2010*

According to the *White Charter of Romanian SMEs in 2010* which represents an important analysis of the business environment, **the average age of the Romanian entrepreneur is 42.78 years**. The highest percentage of Romanian entrepreneurs is that between 45-60 years of

age (Fig.2). The authors of the above mentioned study affirm that the age structure favors the development of SMEs sector, whereas about 60% of entrepreneurs have less than 45 years, thus having to face at least two decades of entrepreneurial activity. In this context, the proportion of young entrepreneurs (**28.29%**) is higher than the European average (24%)<sup>1</sup>.

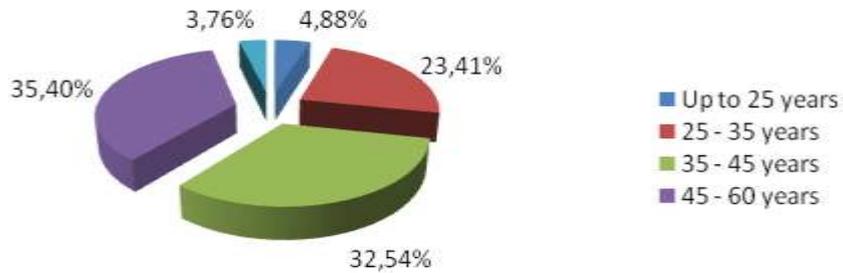


Figure 2 Entrepreneurs' breakdown, by age

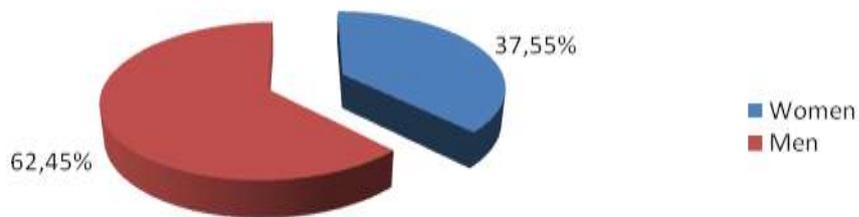


Figure 3 Entrepreneurs' Breakdown, by gender<sup>2</sup>

In Romania, **the number of male entrepreneurs** has the highest percentage, but the number of women entrepreneurs reflects a growing trend. Although women entrepreneurs still represent a minority in entrepreneurship, the number of women who start and lead their own business increased, due to the public policies created and implemented after Romania's accession to EU.

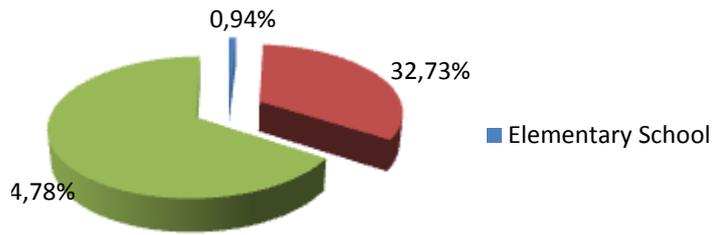
Figure 4 Entrepreneurs' Breakdown, by studies<sup>3</sup>

<sup>1</sup> White Charter of Romanian SMEs, 2010, CNIPMMR

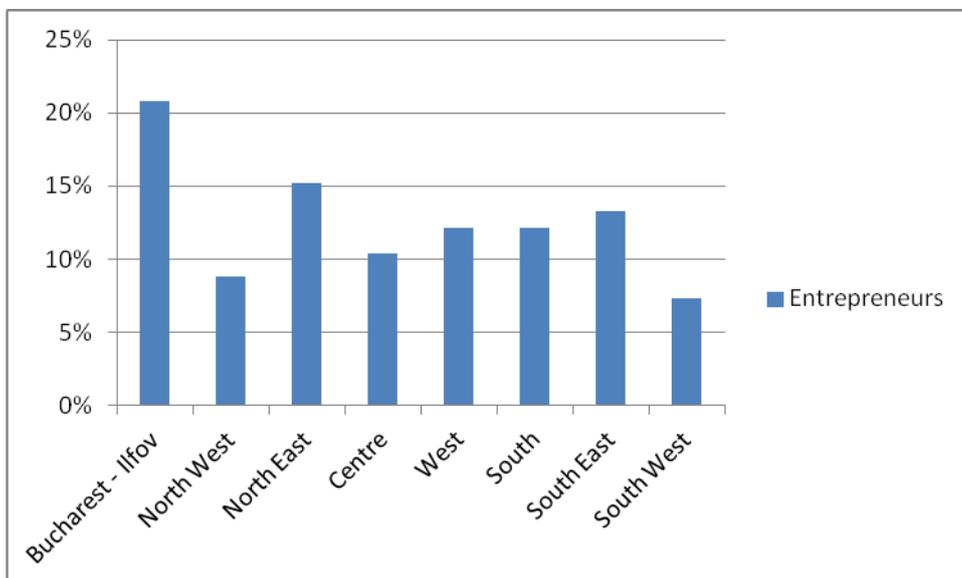
<sup>2</sup> White Charter of Romanian SMEs, 2010, CNIPMMR

<sup>3</sup> Idem

**Most of the Romanian entrepreneurs have a solid background in education,** 64.78% have university studies, whereas only 32.73% have finished high school. The improvement in the level of education of the entrepreneurs/managers creates a favorable basis for more dynamic companies. Other relevant data indicate that 10.20% of the entrepreneurs have followed post-graduate studies, 9.41% have finished a master program and 1.81% of them finished PhD studies.



In terms of **geographical distribution of entrepreneurs / managers in Romania** there are no relevant data or statistics at the national level. However, a survey conducted in 2010 by CEBR – *Centre for Entrepreneurship & Business Research* among aprx.700 entrepreneurs / managers estimates that the largest share is held by the Bucharest-Ilfov region, that concentrates the largest number of businesses (155.648 firms, representing 23.51% of the total number of companies nationwide).



*Fig. 5 Entrepreneurs' geographical breakdown*

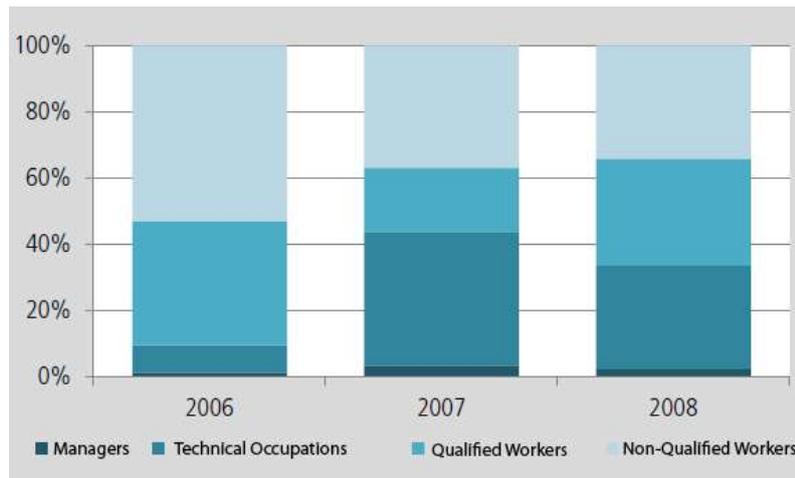


Fig. 6 *Entrepreneurs' qualification before they have established a business*<sup>4</sup>

**Technical skill level of Romanian entrepreneurs** has improved in recent years, the percentage of unskilled workers who have established their own business decreased to one third in 2008, from two thirds in 1995. However, the managerial experiences of the founders / managers of enterprises are still very low: only 2.4% of entrepreneurs who created start-ups in 2008 have had previous experience in managerial positions. This lack of managerial experience must be supplemented by professional training (lifelong learning - LLL) or oriented disciplines including management / entrepreneurial education programs of study in technical and scientific universities, taking into account the National Institute of Statistics data as well as other analysis which show that most of the Romanian entrepreneurs have graduated from university.

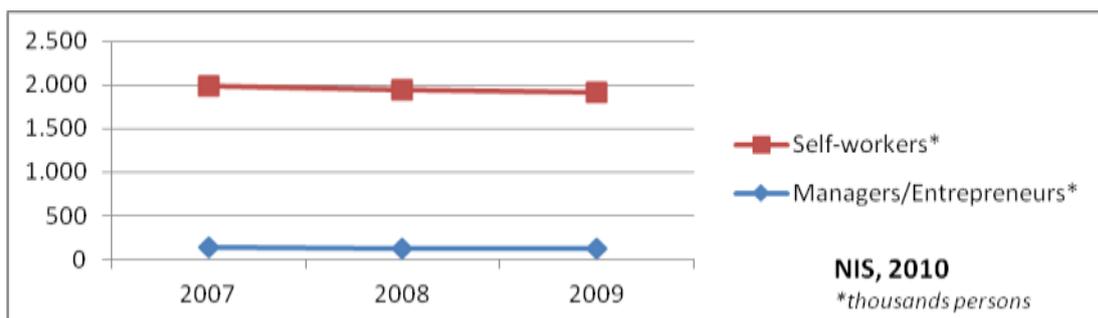


Fig 7, *Labour market trends for self-workers and entrepreneurs who do not hold the position of manager, 2007-2009*

The number of entrepreneurs was constant in the past years, with a slight decrease in 2008. The situation is similar for Romanian self-workers<sup>5</sup>.

<sup>4</sup> Annual report regarding the Romanian SMEs' sector in 2010 – Evolution between difficulties and challenges, FPP – Post Privatization Foundation

## National Training System in Romania

### 2.1. General Overview

Adult education and training through the education system is accomplished through specific programmes initiated and organised by public and private institutions in the spirit of the social partnership and using interactive methods focusing on a multimedia approach: distance education, video conferences, computer assisted training, etc. Adult education and training through the education system ensures completion of the basic education, vocational training, and civic education – including education for active citizenship.

The criteria and methodology for the accreditation of the institutions providing adult education and training, as well as the final examinations, the certificates issued and the certification procedures are established by the *Ministry of Education, Research, Youth and Sports*, *Ministry of Labour, Family and Social Protection* and/or the *Ministry of Culture and Cults* – depending on the type of the programme provided. According to the established rules and procedures, the institutions providing adult education and training can issue educational diplomas and graduation certificates acknowledged on local and/or national level. The same authorities are responsible for establishing the methodological norms for the organisation and the duration of the adult education and training programmes through the education system. Adult education and training through the education system is ensured by trainers, specialised by domain, from inside the country or abroad.

### 2.2. Players

**The Ministry of Education, Research, Youth and Sports** plays an important role in the provision of adult and lifelong education, being involved in setting priorities on curriculum design, imposing quality standards, developing tools for assessment and accreditation of adult education programmes. Its subordinate institutions can offer, on a contractual basis, assistance to the organisers wishing to initiate adult education courses. The department responsible for lifelong education within the *Ministry of Education, Research Youth and Sports* is the *Service*

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<sup>5</sup> Self-workers are a particular category in Romania. They exercise their activity independently and do not have employees. In this category we can enumerate: doctors, architects, accountants, lawyers, with different qualification acting independently and those employed by a firm, but whose job is not a constituent part of that business.

*for Continuing Education, under the General Department for Continuing Education, and Teacher Initial and In-Service Training.*

Other ministries and companies may organise various forms of training or retraining courses for their employees. There are courses organised jointly by **the Ministry of Education, Research, Youth and Sports** and the **Ministry of Labour, Family and Social Protection** in order to ensure social protection and the creation of new job opportunities.

**National Adult Training Board** is a tripartite body, which has a consultative role in the substantiation and promotion of adult training policies and strategies.

National Adult Training Board coordinates and controls at national level:

- ✓ the authorisation of training providers, through its territorial authorisation commissions
- ✓ the development of occupational standards
- ✓ the assessment and certification of competences developed in a formal, non-formal and informal way.

**Research institutes, professional associations, employers' organizations and trade unions** are involved as social actors in the organisation of VET courses for adults. They provide specialised personnel, organisational structures or special facilities and represent the majority regarding LLL and VET. There are **12.005 private companies and NGOs** which provide training courses and are certified by NATB, out of which 21.90% are in Bucharest. Television, radio and newspaper businesses also support and promote this type of training.

### **2.3. Funding**

The main bodies responsible for funding continuing education and training for adults are the **Ministry of Education, Research, Youth and Sports** and the **Ministry of Labour and Social Protection**. The funding of courses focused on the development of human resources in a specific area is the responsibility of the ministry or central administration body concerned. The cost of such programmes is included in investment costs.

The involvement of companies in funding lifelong education and training for adults is very low. Most funds come from the state budget, and are dedicated to the retraining of unemployed people. Local authorities contribute to the funding of lifelong education and training courses for adults if institutions under their remit are involved. Generally, the cost of open and distance learning courses is met by participants

#### **2.4. Training system for managers and their employees**

The managerial training occupies an important place in the present national system in the field of education and improvement of human resources. The increasing role of managerial training within the framework of national education system was brought about by the generalized awareness at the world scale that management has become an essential vector, the main “animator” of economic development of any country. This reality is demonstrated by the existence of some material resources in the emerging countries just as a result of the high quality management practice, innovative and adequate to the national cultural, social and political traditions.

The current state of personnel training in the field of management in Romania presents some *relevant aspects*. For instance, **training at the university level is ensured by specialized faculties set up in several state and private universities**, as well as by specializations within the economic sciences faculties existing in other universities.

Improvement of knowledge is carried out at post-university level by short term and long term courses in most of state and private accredited universities. Following the application of 1999 Bologna Declaration provisions, starting with the university year 2005-2006 the post-university training courses in different fields, management inclusively, were turned into Master programs. Close to post-university perfecting programs, at present known as Master programs, organized by universities, the same category of programs is also offered by other institutions having managerial perfecting as vocation, organized as companies (limited liability companies, joint stock companies), as collective organizations (foundations, professional associations; for instance, *the Romanian Management Consultants Association of Romania – AMCOR*), or as public institutions (NATB - *National Adult Training Board*).

The state and private institutions offering services of managerial training are unbalanced as localization over the country’s territory. According to the conclusions of a survey carried out by the International Management Foundation – FIMAN, based on a sample of 65 specialized institutions and entitled “Assessment of training capacity”, public and private institutions with vocation in the field of managerial training are concentrated in the large university and industrial centres (59% of the number of post-university institutions are situated in Bucharest-Ilfov and South regions, 15% in North West region, 14% in North East region and 12% in the West region). More than 50% of these institutions are concentrated in Bucharest, the capital, together with Timișoara, Cluj, Iași and Ploiești, covering over 75% of the managerial training services tender.

The development of training programs has mainly taken place in the framework of above mentioned institutions (about 75% of the programs), but the present increasing trend is to organize such programs by universities and specialized institutions at the beneficiary companies headquarters.

The review of the most relevant aspects presented by the managerial training system existing in Romania leads to the conclusion that the last two decades recorded significant progress in the field of managerial training and perfecting, consisting, especially, in thematic diversifying of programs tender, extending their development forms' range, improving their content's quality. At the same time, it still exists a lack of an articulate institutional system, several elements of formalism, weak connection of some programs to the acute requirements of beneficiary companies' economic activity, and low weight of interactive training methods in the programs' economy.

CNIPMMR's analysis, *The White Charter of Romanian SMEs in 2010* showed that Romanian entrepreneurs are still facing a lack of interest regarding training and lifelong learning in different domains of activity. Last year, only 5.93% declared that they followed a training program. This small percentage is a consequence of the fact that the Romanian SMEs owners use their intuition in business practice at the expense of the continuing professional education.

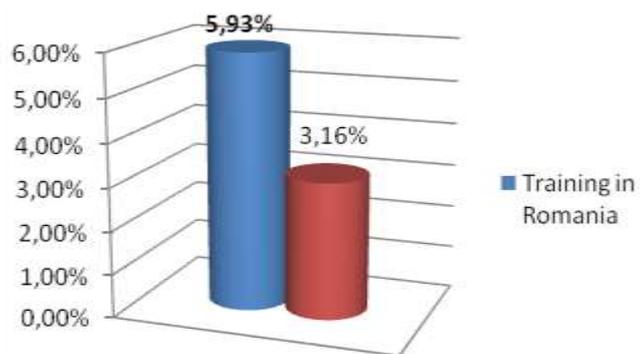


Fig. 8. *Entrepreneurs' breakdown by training*

On the other hand, regarding the training of the personnel, the Romanian entrepreneurs/managers also give moderate attention to this aspect. In 2010, 43.72% of the enterprises did not develop organised training activities of the workforce, in 25.97% of the companies over half of the persons were trained, in 13.77% of the companies 25-50% of the personnel was trained, in 9.42% of the organisations between 0% and 10% of the employees attended training, and in 7.13% of the economic units between 10 to 25% of the human resources attended training<sup>6</sup>. Taking into account that the average percent of employees that benefitted of training is 32% we can conclude that due to their size and also to the high costs of training, Romanian SMEs do not have the funds to train the employees. Figure 9 and figure 10

<sup>6</sup> White Charter of Romanian SMEs, 2010, CNIPMMR

show differentiation of average percent of employees that received training by enterprises' field of activity and by companies' size.



Figure 9

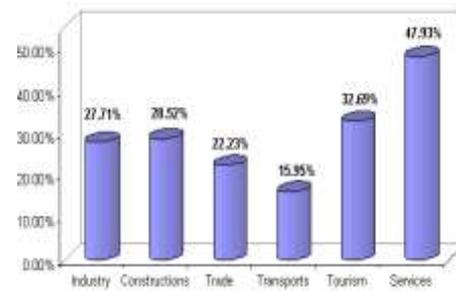


Figure 10

### 3. Governmental policies carried out on work issues in the past years (2007-2010)

#### 3.1 Policies & Legislation

The Romanian labour market is a complex environment where services are carried out, measures undertaken and financial benefits granted to those in need, such as persons engaged in job-searching, in order that this mechanism functions as smoothly as possible. Nevertheless, the past years brought significant changes on work issues like flexicurity, adaptability of workers and lifelong learning. The most important document which comprises the above mentioned aspects is the *Labour Code* which replaces the Law 53/2003. The new *Labour Code* pays particular attention to strengthening flexibility and security on Romania's labour market. In the current political-economic context, any measure that supports economic recovery is welcomed. The new *Labour Code* can be considered so in conditions that it prevents substantial harm to the fundamental rights of the employees, giving them the necessary security. Furthermore, the implementation of changes brings a certain relaxation of employee-employer relationship, without giving an undue advantage to the latter.

After Romania's accession to the EU, certain operational programs were created in order to smooth the disparities between our country and the rest of the EU's members. The Framework Document *Sectoral Operational Programme Human Resources Development* (Priority Axis 3, Key Area of Intervention 3.2 - "Training and support for enterprises and employees to promote *adaptability*") promotes activities regarding the labour market such as innovative actions to raise work's productivity, harmonization of professional and family life, including more flexible work schedules as well as introducing and promoting flexicurity.

Regarding the continuing education, in 2011 the Romanian government adopted the *Education Law* (Law 1/2010) which for the first time harmonizes the concept of lifelong learning in a more simple and efficient manner.

#### ***4 Measures adopted on the national level for the improvement of the welfare-to-work***

Regarding social policies, particularly employment policies, Romania focuses its efforts on the three priorities under the Lisbon Agenda: attracting and retaining more people in employment, improving the adaptability and increasing investment in human capital, assuring convergence with the provisions contained in the goals of Sustainable Development Strategy - the demographic and migration, social exclusion and associated elements, such as public health and sensitive aspects of poverty. Thus, in order to align with EU employment strategy and to implement the commitments assumed regarding inclusion social, the Government have been developed a number of documents such as the *National Strategy for Employment 2004 – 2010*, *National Action Plan for Employment 2006* and the *Strategic Plan of Social Inclusion*, the *National Development Plan and National Strategic Reference Framework 2007-2013*, *Sectoral Operational Programme "Human Resources Development" 2007-2013 (SOP HRD)* to develop human resources sector. The main objective of the all the documents mentioned above is keeping a low level of unemployment with continuing industrial restructuring. In order to achieve this objective, the Government has proposed to increase the quality of employment and job security work by reducing taxes on labour, while creating opportunities training and lifelong learning. It also introduced measures favourable to the business environment in order to increase productivity and flexibility on labour market. Simultaneously with the increase in labour market flexibility is necessary to improve the level of protection of employees, including individual responsibility on in their efforts to find a job. From this point of view an important role it is given to the Public Employment Service (PES) that will redirect the active measures of unemployed people who are reluctant to get involved in programs or find it difficult to hold a job by increasing attractiveness of jobs.

#### **Welfare-to-work measures in Romania**

The welfare-to-work system in Romania was never a priority for the public institutions. Nevertheless, in the past years and due to the severe consequences of the financial crisis, the government has adopted some actions with a positive impact on SMEs, entrepreneurs, managers and employees. We will also have to add that Romania has not yet adopted the same organization of welfare-to-work such in other countries in Western Europe. The actions nowadays are at the beginning and it is expected that in the following years, the system will be developed and will also include social partners.

The measures referrers to:

- **Measures to save jobs and stimulate the absorption of unemployed population<sup>7</sup>**

**1. Subsidies to employers who employ unemployed people aged over 45 or unemployed parents who are sole providers of single-parent families.**

Effects: Entrepreneurs are exempt for a period of one year to pay social contributions for unemployment for those persons employed for an indefinite period. Subsidy paid to employers: 500 lei / monthly / person employed, up to 12 months. Employers are required to maintain the unemployed persons for at least 2 years.

**Number of employers who benefitted: 8543 to 31 May 2011 (14,650 estimated for 2011)**

**2. Subsidies to employers who employ unemployed who have three years until retirement**

Employers benefit of a monthly grant of 500 lei for up to three years.

**3. Companies employing disabled persons benefit of 500 lei per month, for 12 months.**

Employers are required to maintain the persons for at least 2 years.

The budget allocated for the three measures above are **37,2 mil. lei in 2011**

**4. Subsidies to entrepreneurs who employ graduates.**

Employers are exempt for a period of one year to pay social contributions for unemployment for those persons working for an indefinite period.

The subsidy is granted for 12 months (18 months for the disabled graduated), during which the monthly benefit amount varies according to level of education: 500 lei for primary and secondary level of education; 600 lei for the training and post-secondary school; 750 lei for the university.

The employer must maintain the employee for two years after completion of the grant.

Allocated budget in 2011: **93.75 million lei**

**2540 employers** who benefitted until 31 May 2011 (10,290 estimated for 2011)

**5. Encouraging youth apprenticeship and employment during the holidays**

250 lei/monthly for employers and the value of apprentices training services, not to exceed 100 lei per month

250 lei/monthly per student employed during holidays, for maximum 60 working days per year

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<sup>7</sup> Romanian Government, [www.guv.ro](http://www.guv.ro)

Budget in 2011: **457.000 lei.**

## **6. Program for young managers**

The government gives non-refundable grants up to 10.000 Euros, but not exceeding 50% of the value of the business plan. The grants can be given to both the young man who gets credit, as well as young man who is co-financing from its own business plan..

The new employer is exempt from social security contributions for up to four employees, but must employ at least two people.

**The grants were given to 446 young entrepreneurs in 2011.**

## **7. Legislation which favours welfare-to-work**

It was adopted a new Labour Code which aims at:

- ✓ flexibility of employment;
- ✓ dynamic adjustment of employment to the labour market;
- ✓ harmonization with EU directives provisions;
- ✓ reducing undeclared work by strengthening penalties for;
- ✓ introduction of performance criteria in contracts and labour relations;

From the entry into force of the new Labour Code, the number of registered work contracts rose by 648,435 (65.87% permanent contracts).

### ***Best practices***

Romania has promoted, in recent years, a series of reforms aimed at enhancing the flexibility of the labour market and increasing participation and sustainable job creation. This includes the revision of the Labour Code, as mentioned before, more emphasis on active labour market policies and improvements in the business environment to reduce transactions costs for companies, including by simplifying company registration. The effects have been beneficial and have resulted in increased employment and lower unemployment. This said, one should not omit the safety valve which is represented by the massive migration of workers abroad, contributing to maintaining unemployment relatively low.

### **1. Best practices regarding vocational training for employees**

Recent studies show the fact that the changes of the Romanian economy in the context of the transition period, of the integration to the EU, changes such as refurbishment or reorganization of certain areas of economic activity determined substantial modifications in the demand of

work force – especially regarding the level of qualification of employees and their competencies. The importance of certain groups of activities has grown: interaction and communication (for example, activities of coordination, organization, management, administration, monitoring etc.); intellectual activity (for example, activities of innovation, identification and problem solving etc.); physical activities (for example, the control and monitoring of the functioning of certain technical equipments etc.). The main competencies associated to the changes of the occupational structure needed on the labour market are specific or trans-sectoral and relate to: working with the computer, problem solving, resource management, communication, learning foreign languages. The new types of competencies are especially requested to the employees with a high level of specialization (specialists with intellectual and scientific professions, technicians, foremen etc.).

According to the *Short and medium term strategy regarding the continuing vocational training 2005-2010*, the providers of vocational training are, in general, small institutions, unspecialized, which adapt quickly their offer to the immediate needs of the market. In general, these offer programs for level 2 qualifications, programs of initiation in computer use or in learning foreign languages. According to data provided by NIS (the National Institute of Statistics in Romania), only approximately 50% of the enterprises which provide vocational training for the employees use external providers of training (institutions which are specialised in this type of activities). Out of these external providers, the most requested are the private institutions specialised in training, followed by specialised public institutions and employers organizations.

The training offer tends to concentrate on programs which provide **full qualifications** or on **programs for the development of general competencies**. There is a list of eight such general competencies: communication in the official language, communication in foreign languages, basic competencies in mathematics, science, technology, IT, the competence of learning, social and civic competencies, entrepreneurial competencies, the competence of cultural expression. The programs of continuing training which aim the development of these transversal competencies are present in a significant proportion in the present offer of training. On the one hand, they are necessary for the substantiation and sustaining of a good speciality preparation and represent premises for the labour market mobility. On the other hand, the procedure of authorization of such programs is easy, as NATB (the *National Adult Training Board*) acknowledged the competencies through legislative regulations and established that there is no need for occupational standards in programs authorization.

Besides the training courses there are also other types of training. Among these, the most common ones are: **on the job training, participation to fairs, seminars, conferences etc.** The most efficient form of correlation between the content of training and the needs of the labour market is reached when the training takes place **on the demand of the economic agents**, and the practice is made in real work conditions or when the training providers cooperate with the economic agents from certain sectors of activity. According to NIS data (the National Institute for Statistics in Romania) from 2005 (the most recent data available), the training offer of the employers contained courses of vocational training, as well as other types of training. 81,7% of the enterprises which declared that they organize vocational training for their employees usually choose other types of training than courses.

● **FIATEST** is a group of companies established in 1990 and it includes the first private Romanian companies in consultancy, training, audit and applied informatics for quality management and intensive language learning.

➤ **FiaTest - TQM**

Established in 1990, it has been strictly focused on research, design, consultancy and training for quality management. Fia Test - TQM has been based on the professional and university experience in quality management, reliability and technical diagnosis of its founders.

➤ **FiaTest Educational Center**

It was established in 1994, as the first Romanian private school for language learning. In a short time it has become a leader on the foreign language learning market, mainly providing courses tailored for companies. Over 10 000 individual trainees and 200 Romanian and multinational companies have attended language courses organized by *FiaTest Educational Center*.

*FiaTest Educational Center* is authorized by the *Ministry of Education and Research* (no.1178/29.06.94) and has extended its services to other fields, such as:

- ✓ labour placement abroad (certificate of accreditation no.105/2001 issued by the Ministry of Labour and Social Solidarity)
- ✓ distance education
- ✓ HR management

The courses provided by *FiaTest* are structured according to the requirements of the *European Model of Business Excellence*, which represents the most efficient instrument to evaluate the performances of a company. It is the only company in Romania which is full member and certified consultant of the *European Foundation for Quality Management* – the administrator of the *European Quality Prize* and the creator of the *European Model of Business Excellence*.

*FiaTest* is **the first provider of courses in the field of quality management certified by the National Adult Training Board**. Apart from the lectures in classes, an important role in the courses is played by other activities such as: group activities, case studies, IT applications, self-evaluation, benchmarking. All the courses end with applied projects in order to adapt the theoretical notions to the reality within the organizations. A part of *FiaTest*'s very up-to-date courses are being organised in collaboration with prestigious partners in the European Union: URS Corporation (Holland), TUV IT (Germany), Gemini Europa (Italy).

The courses can be organized at the *FiaTest* headquarters in Bucharest or for special groups organized especially for a company, in the latter case the advantage being the flexibility of the course curricula and of the schedule.

The vocational training of the employees inside enterprises can still be characterized as ad-hoc, in the sense that **it does not exist the institutional habit of the majority of the employers to organize different types of training for their employees, even if the number is growing**. The continuing training is still made on the job, in a non-formal environment, for which there are not clearly defined norms of recognition at the system level. The percent of enterprises which appeal to the training courses provided by specialised institutions is growing. This growth is partly due to the implementation of training programs with European financing, such as the ones initiated through the Phare program or other structural programs.

● **National Foundation of Young Managers - FNTM** was established in 1997 by a group of MBA alumni with close support from first-rank Romanian organizations: National School of Political Studies and Public Administration, Center for Management and Technology Transfer (CEMATT), and Romanian Association of Management Consultants (AMCOR). FNTM has been conducting over 200 training sessions and events since its foundation. Over 5.000 participants (managers, civil servants and professionals) attended these sessions and topics, such as:

- ✓ Management and marketing for SME
- ✓ Project Evaluation
- ✓ Structural funds accession
- ✓ Corporate Identity
- ✓ Job placement actions aimed at unemployed people
- ✓ Training of Trainers
- ✓ Financial and Business Management
- ✓ Local economic development

- ✓ BOT and public - private partnerships
- ✓ Finance for local government and corporate business
- ✓ Public procurement
- ✓ Community development
- ✓ Integrated waste management

FNTM organized international conferences, study tours and twining programs for Romanian businesspeople, local public authorities, civil servants and elected officials in the United States of America, Netherlands, France, United Kingdom, Spain, Italy, Germany and Argentina.

## **2. Best practices regarding the training of managers**

In Romania, the training of managers is ensured mostly, through the following categories of organizations:

- ✓ Universities – through the profile faculties, involved in initial and vocational training through post-graduate courses for improvement and specialisation
- ✓ Training centres affiliated to ministries or big organizations (the School of Finance, the National Institute of Administration etc.)
- ✓ Post-academic schools of business, local or from foreign educational organizations
- ✓ Private training firms, which are involved in the development of some short term programs centred on specific problems

**The main provider of managerial education in Romania is the superior economic education system**, involved, during the last years, in extensive programs of national scientific research and training, designed for the modernization of management.

**In the field of the science of management, there has been made significant progress, due mostly to the economic academic environment and is represented by:**

- ✓ Release of speciality papers elaborated by Romanian teachers and researchers
- ✓ The development of the economic superior learning system and especially of some management faculties or specializations for the improvement and specialization of managers
- ✓ Editing of numerous management papers translated in Romanian which belong to American, French, English or German authors, which allowed the dissemination of the latest news regarding the science of management

- ✓ The development of the vocational training in the field of management, through the release and consolidation of adequate post-graduate programs (including master's degree and doctorates)
- ✓ The growth of the managerial scientific research, through national programs financed by the Romanian government or through collaboration with the business environment
- ✓ The design of a unified theory in the field of management, through the contribution of the School of Management inside the Bucharest Academy of Economic Studies
- ✓ The apparition and development of national organisms in the field of management, the most important being the Romanian Academic Society of Management
- ✓ Numerous national management magazines which exist in international data bases, which publish articles and studies of Romanian and foreign authors
- ✓ Benchmarking – through the assurance of good practices transfer from the western organizations and economies towards Romania
- ✓ The facilitation, through programs mostly financed by the European Union, of the international mobility of management researchers, teachers and students
- ✓ The organization, in Romania and abroad, of numerous international scientific congresses in the field of management

**In conclusion, the progress of the managerial theory is an important support for the managers in general and leads to:**

- ✓ The creation of a set of methodologies, general and specific, for the design and maintenance of the management systems
- ✓ The creation of managerial instruments which are recommended to the Romanian organizations: management through profit centres, management through objectives, management through projects, diagnosis, dashboard etc.
- ✓ Conceptual clarifications in the field of management, with the purpose to facilitate the pragmatic steps in the domain
- ✓ A range of principles, concepts, instruments which are specific to the knowledge based economy, organization and management
- ✓ Diversification of the managerial training offer through the inclusion of case studies, simulations, standards and other methodological elements which are necessary to the managers and are manifested in various cultural and organizational contexts

- ✓ Definition of managerial and economic performances, as well as of the competencies which are necessary for the managers and/or specialists to whom the performances are demanded

The paper *Romanian management and economic crisis outgoing health state of Romanian management in 2009 and development solutions based on 1,809 specialists answers* (main authors Ovidiu Nicolescu, Ion Verboncu, Marius Profiroiu) contains a **survey which had the following results concerning the academic managerial education system:**

- ✓ 40% of the Romanian managers and specialists consider that the Romanian managerial educational system is the same or even better than the ones in the European Union
- ✓ The state economic academic educational system is considered the most competitive, comparative to other categories of educational academic studies
- ✓ The managerial training offered by the state educational system is considered to be more competitive than the private educational system

### **3. Best practices regarding European projects for managerial training and entrepreneurship**

**The European Social Fund** finances, through **the Sectoral Operational Programme for Human Resources Development 2007-2013 SOP HRD**), a series of **objectives** related to the *initial and continuous education and training, including higher education and research, facilitating the young people and long term unemployed insertion on the labour market, developing a modern, flexible, inclusive labour market, facilitating access to education and to the labour market for the vulnerable groups* etc.

7 fields of activity are financed through SOP HRD, also known as “Priority Axes”. Each of these priority axes is split in several sub-domains, also known as “Key Areas of Intervention”. The SOP HRD Strategy comprises 6 priority axes and one priority axis for technical assistance out of which one is dedicated to entrepreneurship and managerial training: **Priority Axis 3: Increasing adaptability of workers and enterprises**

At the end of November 2010, there had been signed 1.804 project contracts, with a total value of **12.965.197.222 RON** (approximately 3.1 billion euros).

The projects are implemented by socio-economic actors, such as education institutions, training providers, SMEs, chambers of commerce and industry, social partners, NGOs, public institutions, local authorities s.o.

● **Employers associations** are one example of institutions that implement human resources development projects. **The National Council of SMEs in Romania (CNIPMMR)** has a wide experience in implementing projects that promote entrepreneurship, increase the competitiveness and adaptability of the Romanian SMEs, human resources development (social competences of SMEs managers, creative problem solving, linguistic audit, managerial abilities etc.).

We mention below two projects which are currently being implemented by CNIPMMR and which aim at the managerial training of the Romanian professionals:

*1. ANTREMAN - "Establishing the School for Entrepreneurial and Managerial Studies – an innovative approach to promoting entrepreneurship in Romania" (October 2010 - September 2013)* is a project which implemented by CNIPMMR through SOP HRD, *Priority Axis 3: Increasing adaptability of workers and enterprises, Key area of intervention 3.1.: Promoting the entrepreneurial culture.*

The **general objective** is to promote entrepreneurial culture and to develop the ability of individuals to initiate and lead successful business by creating the School for Entrepreneurial and Managerial Studies, in the context of the financial-economic crisis and intensified competition, as a result of reduced demand and the integration of Romania into the European Union.

**The anticipated results of the project are:**

- ✓ The School for Entrepreneurial and Managerial Studies
- ✓ Research report on supply existing at national level concerning education and entrepreneurial training
- ✓ Training/course materials with a strong innovative character, developed by academics from Romania and the United Kingdom and representatives of business environment
- ✓ The highly pragmatic learning curriculum
- ✓ Information and awareness campaign on the benefits conferred in starting own businesses
- ✓ Video advertising to promote entrepreneurship
- ✓ 150 persons attending the courses within the School for Entrepreneurial and Managerial Studies, thus acquiring entrepreneurial skills

- ✓ 150 business plans developed by the students of the School for Entrepreneurial and Managerial Studies
- ✓ Counselling and mentoring program for graduates of the School for Entrepreneurial and Managerial Studies to establish their own businesses
- ✓ At least 120 new-established enterprises

**2. NETIMM - Designing SMEs networks – innovative method to increase the competitiveness and adaptability of the Romanian SMEs** (November 2008 - October 2011) is one of the projects which are currently being implemented by CNIPMMR, through SOP HRD, *Priority Axis 3: Increasing adaptability of workers and enterprises, Key area of intervention 3.1.: Promoting the entrepreneurial culture*. The NETIMM intends to create 9 SMEs networks, in 3 fields of activity and 3 development regions, and 3 thematic networks – “Hiring, training and maintaining personnel” – in the same development regions. Each network will contain for the beginning 15-20 firms.

The **general objective** of the project is to promote and develop the entrepreneurial culture, as well as to increase the competitiveness and adaptability of SMEs in the context of Romania’s integration in the European Union and the transition to a knowledge based economy through the creation of SMEs networks, both regional and thematic. The project addresses to SMEs’ entrepreneurs and managers from the North Eastern, North Western and Bucharest-Ilfov regions, operating in the field of constructions, tourism and consultancy.

The project aims at implementing the concept of “**learning in networks**” through monthly meetings with all the members of the networks, where the networks’ coordinators will facilitate an exchange of experiences between participants and will develop common and individual plans and strategies for each firm from the network. Finally, there will be identified the strengths and the weaknesses of the 12 networks created and it will be initiated an optimizing process based on this analysis.

Another example of socio-economic actors which are dealing with managerial training in Romania is the National Foundation of Young Managers – FNTM. **FNTM** is currently implementing a project called “**Rural-Manager**” which can be considered as a best practice in the domain of managerial training. The general objective of the project is to develop knowledge, abilities and behaviour as well as the modern entrepreneurial and managerial behaviour for entrepreneurs and future

entrepreneurs, especially young people, from the rural environment, which could generate local development and employment opportunities by developing their own businesses,. The project addresses to entrepreneurs, young entrepreneurs or future entrepreneurs who can generate economic prosperity in the future by developing their own businesses.

### **Weaknesses and elements of improvement**

The main problems of the initial and vocational training in Romania are:

- ✓ The predominantly theoretical character of the courses
- ✓ The insufficient connexion between the theoretical information and the constructive and functional particularities of the economy and of the organizations, of the business environment in Romania
- ✓ Insufficient case studies, applications, simulations of real situations found in the Romanian management
- ✓ Relatively high fees which are demanded by the providers of managerial training, considering the level of development in Romania
- ✓ The rather formal participation of the specialists and managers, their main objective being the obtaining of a document which could allow them to keep their job or to accede in a management function
- ✓ Starting with the academic year 2008-2009, in the context of the economic crisis, the demand of managerial training has diminished, because of the low financial involvement of the firms and of the central and local administration authorities
- ✓ Also, the curricula of the initial and vocational training are centred mainly on certain fields of study, such as project management and do not respond to the real needs of the labour market.

### **Distinctive and innovative elements**

Employment in Romania remains one of the tensest areas of transition. The main trend manifested in the last 18 years in terms of volume of employment continues to decrease. The process is generated by demographic developments - with a lesser influence, yet the drastic reduction of birth rate and natural growth is beginning to manifest in this decade - and, in particular, by the low absorption capacity of the economy.

Demographic trends, particularly regarding the aging population and the reduced employment rates have led to significant changes in the economic dependency ratio, observed in the **big number of the population depending of social contributions**.

The evolutions on the labor market, the decline in employment, have produced a series of structural movements. Currently, the structure of the employed population by sectors of the economy is anachronistic, risky, reflecting simultaneously: industrialization process and reorganization of employment; modest capacity of the services sector to absorb and retain an important part of the population available in the industry (although this sector seems to have generally an upward trend in absolute terms, employment); the risk of speculative activities.

These trends exert a strong influence on the qualifications system, the possibility of identifying future training needs, the relationship between labor demand and training offer.

**Distinctive elements regarding the labor market**, in general, and the labor market for managers, in particular, refers primarily to the fact that training is not considered needed, **the funds allocated for staff training by the companies are insufficient and employees are often those who finance their education**. Unfortunately, when employees decide to take up a training course, their participation is rather formal, their main objective being the obtaining of a document which could allow them to keep their job or to accede in a management function.

On the other hand, in terms of education, while pre-university and vocational education is free, university education is supported in a small measure by the state budget. Most students in public universities pay annual fees. A distinctive element in the case of the **initial and vocational training in the economic and technical universities in Romania** is the predominantly theoretical character of the courses, the insufficient connexion between the theoretical information and the constructive and functional particularities of the economy and of the organizations, insufficient case studies, applications, simulations of real situations found in the Romanian management. Also, the curricula of the initial and vocational training are centred mainly on certain fields of study, such as project management and do not respond to the real needs of the labour market.

Other distinctive elements regarding training refers to the fact that almost a quarter of the SMEs allot to training 1-5 days per employee, in 7,20% of the companies are allotted 6-10 days for personnel training and 7,04% of the enterprises performed personnel training programmes of over 10 days. Moreover, the average percent of turnover allotted to training is **3,61%** per company and records higher values among medium sized enterprises (10,59%) and organisations in industry (5,65%).

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