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Relevance of Wage for an Efficient Human Resource Management in a Period of Crisis

Suzana Demyen^a, Ioan Lala-Popa^{a*}

^a*Faculty of Economics and Business Administration, West University of Timișoara, Romania*

Abstract

Human resource management, generally, and also the issue concerning stimulation of this category of resources through wage and other rewards, are a permanent concern for professionals as well as for the representatives of the business area. During the current economic climate, when the overall difficulty is compounded by the economic crisis, the payment issue becomes vital. The present paper deals with this idea from two perspectives: based on economic literature review, but also throughout a case study regarding an enterprise from Resita city.

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1. Introduction

The national economy is a constantly changing system and it is also the subject of challenges of various sizes. The feature of the last quarter of century was change, both at microeconomical and macroeconomical level, depending on environmental influences, either internally or externally. Regarding the organizations, they are in constant change, the main objective being to adapt to new trends, by applying various strategic plans, trying to use in a more efficient manner the available resources, regardless of their nature or type. It becomes a more difficult goal, as the external

* Corresponding author.

E-mail address: suzana_demyen@yahoo.com

environment is in constant transformation, the consumers requirements suffering regular metamorphosis, while the internal organizational environment must adapt to the new economic trends and general management.

Private sector representatives are the enterprises, which differ in structure and size, from one country to another, even from one region to another. The public sector is present everywhere, but as well, the level of development differ from one case to another. The main difference between the activities of the two sectors consists in the presence or absence of profit motive. Balanced and sustainable development must involve the state both as an economic and institutional agent. State can contribute to a modern market economy through economic or financial levers, through proper price policies, through fiscal and credit policy, but also by some measures of indicative planning. According to the theory of market economy, the public sector provides social equity, by the allocation system based on state involvement in the economy, while the private sector provides maximum economic efficiency through competitive market allocation system.

The transition period covered by our country was long, the starting point being marked by the year 1990, when the public sector was dominant in all fields. Today, although private firms have a greater market share, public sector contributes through services managed, among them being the educational services, research - development, infrastructure, justice, public services, the health. Areas listed are just some where the private initiative is lacking or is very low.

In this complex economic environment, human resources becomes increasingly the pillar on which management is based. They are tangible resources, adaptable, able to mutate over time, creating value and at the same time generating productivity, while the results obtained are directly proportional to their level of training.

However, human resources are not at all homogeneous, they differ in time and space, after a series of multiple criteria. Just as every person is unique in its own way and there are no two identical individuals, the "people" - concept extrapolated to that of "labor" and "human resources", differ by age, gender, physical ability or intellectual ability, values, intellectual qualities innate or acquired in time. They are "socio-cultural constructions, consisting of valuing (assessing, selecting, prioritizing) and use (actual use) of real and virtual capabilities of employees by managers, within social relationships (by constraint or negotiation) between managers and employees (actual or potential)" (Elvira Nica, 2012, pg 11).

Human resources are versatile, essential for any organization exercising its role across sectors and fields, representing a complex set of skills, knowledge, characteristics, which are actively contributing to the goals of efficiency, performance, or competitiveness.

2. Salaries as a tool for staff motivation

Human resource management, as well as general management, implies the existence of stages. Motivation is thus a factor in generating performance, whether individual or as a group. Motivation at the same time, becomes a more complex issue, as it becomes quite difficult to assess the exact trigger of motivation, the needs of each individual being different both in nature as in structure and length. Depending on the specific of the organization, the type of activity or objectives proposed, management can call on a vast instruments to stimulate employees, whether talking about generating constructive competition, or developed through the stimulation tackle of salary and bonuses.

Motivation theories differ from one author to another. According to the ideas developed by Frederick Taylor, the ways to increase efficiency in human resources work lies in providing salary rewards and on standardization of work. He introduces the concept of "premium for efficiency", as a reward for those who do more than the daily norm established.

I.S. Adams, on the other hand, assumes that rewards must be calculated in accordance with each individual's contribution to the tasks and thus regarding to the ways for carrying out the activities.

The motivation process is conducted directly related to the type of motivation (intrinsic or extrinsic). The first one is developed by the type of work performed, while the second takes place when an external element, not directly connected with their work, generates satisfaction. All these, along with other reasoning mechanisms or instruments, including specialized training, counseling and the opportunity to advance within the organization.

Wage policy, considered as a whole, represents a part of the general policy of the organization, as well as being a tool for stimulating efficiency and increasing individual and organizational performance.

Wage definitions differ from one author to another, from one approach to another, from the view according to which it represents an amount of money received for the rendering of activities under the terms of an employment contract, and to the criteria set out in law, approved by ministerial order, detailing the elements contained in individual salary and lists them as follows: gross salary, bonuses, allowances etc.

Remuneration mechanisms differ from one system to another, from one country to another, from one company to another. In general, wage adjustment activity can be defined as the one that sets the entitlements that belong to employees when signing employment contracts, whether under individually or collectively title. This activity is mainly regulated by National Law on budget, depending on the industry and the field in which the work is accomplished. The main issues to be considered are that any activity of rendering work is required to obtain a reward that consists in a certain wage initially agreed, in accordance with the nature of work, effort and results achieved. The payroll is prepared considering a number of criteria, including the organization and functioning system of the entity where the activity is done.

In economic terms, the wage gains an important role as a tool designed to help assess the level of labor supply. It can be approached from two perspectives: on one hand by a vision of the employee, therefore from the recipients perspective, in the view of which appears as income or reward obtained as a result for the work performed; on the other hand, the salary can be regarded as a cost, in the opinion of the managing company resources. However, the laws are governing the wage system also and impose a minimum level that any organization must comply in its system of remuneration of employees work.

Each of the parties mentioned above has the porpoise to achieve a better result in a report of best effort. But it is necessary to make a distinction between physical and intellectual labor; in the first case, assessment is guided by a smaller set of criteria consisting of general indicators such as labor productivity, efficient use of working time, meeting daily norm, schedules, as appropriate, or even its overcome.

The reward system in a certain organization can include both direct and indirect rewards. In the category of indirect one are included: medical insurances, unemployment benefits, accident insurances, vacations, bonuses obtained at different times, displacement and other facilities. The category of direct rewards includes salaries, incentives, bonuses, commissions.

According to the basic concepts of economy, salary may be of two types: on one hand we talk about nominal wages, resulted in the amount of money received by the employee, on the other hand there is a real salary, by which we mean the actually amount of goods or services that can be purchased with that sum of money.

A series of tax act upon earnings, including wage tax, amounting to 16% and which applies to all categories of income, but other contributions also, such as health insurance, social security, pension.

The most common forms of rewards are the direct labor wage, based on agreement or mixed. The first category assesses performance and remunerates according to the time worked, while agreement based wage does not take into account the time element, focusing on products or activities.

Wages can be made according to job responsibilities, according to expertise, skills and abilities, or according to a pre-determined scale strict. HR performance evaluation can be done either immediately under the American system, either by analyzing the evolution over time, consistent with Asian system. Seniority may be a criterion for determining wages, especially in the public system.

3. Analysis of the wage developments in Romania

Analyzing the cash income during 2005 - 2011, according to official data provided by the National Institute of Statistics, we find that the structure has not changed very much. During 2005, gross wages had a share of 59.4% in total revenues, which decreased to 58.8% in 2011

Table 1: Gross average earnings, the activities of the national economy in 2011, Source: Romanian Statistical Yearbook, 2011

	lei/employee
1 Agriculture, silviculture and fishing	1389
2 Industry	1890
3 Constructions	1529

4	Commerce	1597
5	Transport and logistics	2144
6	Hotels and restaurants	1059
7	Information and communication	3650
8	Insurance and financial intermediation	4445
9	Real estate	1612
10	Professional, scientific and technical activities	2652
11	Administrative service activities	1272
12	Public administration and defense, social insurance in public system	2707
13	Education	1908
14	Health and social assistance	1659
15	Cultural activities	1509
16	Other activities regarding services	1117
	Total	1902

The work performed during the year 2011 was rewarded according to the table above. Here are listed the activities of the national economy and average gross wages for each. Based on these data we conclude that the highest salary is reflected in financial intermediation and insurance, where we find a maximum of 4,445 lei per employee. Information and communication are highlighted with an average gross 3650 lei, while the following places have similar amounts, 2707 lei per employee in the case of public administrations and defence, respectively 2652 lei regarding activities from Professional, scientific and technical field. Other activities vary as wage compensation, the lowest value being found in the case of hotels and restaurants – 1059 lei per employee.

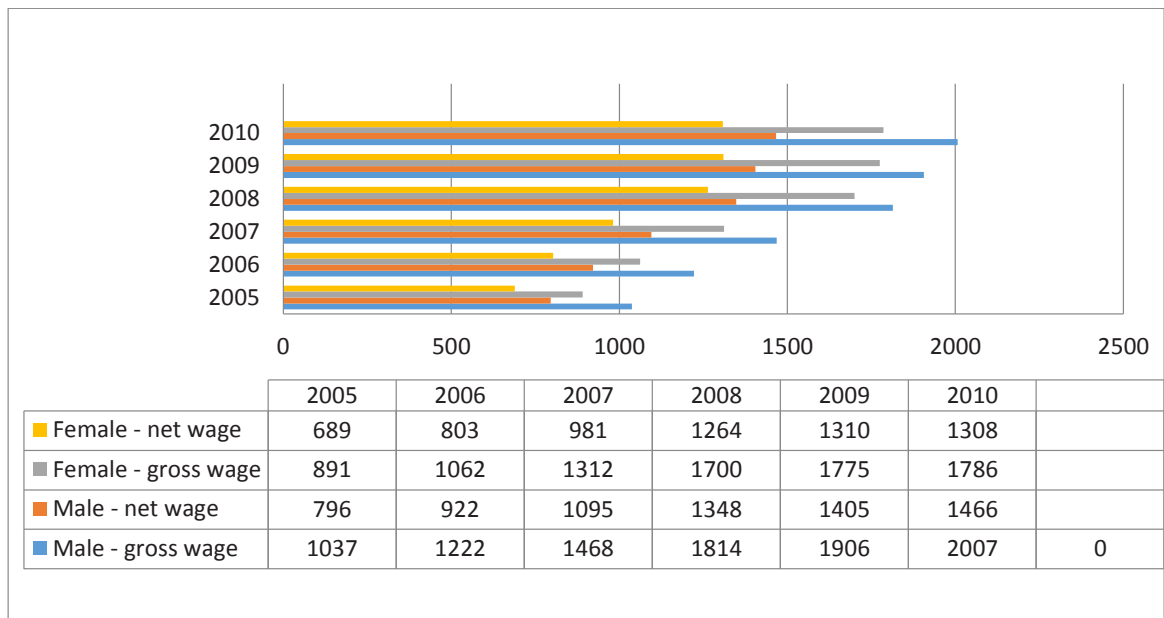


Fig. 1: gross and net values of nominal monthly wages
 Source: National Institute of Statistics, Romanian Statistical Yearbook, 2012

Comparing the data in the chart above, we conclude the following:

- Throughout the period under review, gross and net values of nominal wage grew continuously;

- Throughout the whole period, it is important to note that wages analyzed according to gender criteria are higher in terms of male criterion. Women continue to receive lower wages, although the evolution of society also brought female emancipation and an opening element of thought;
- From 2005 and 2010 the growth is constant; no significant differences can be observed regarding values from one range to another;
- This positive trend has occurred despite the economic crisis that began in 2008 and subjected the economy to various tests.

Table 2: Monthly gross and net average wage, on types of property, Source: National Institute of Statistics, Romanian Statistical Yearbook 2012

Type of enterprise	Male				Female	
	2010	2011	2010	2011	2010	2011
Total gross wage	1845	1902	1906	2007	1775	1786
Total net wage	1361	1391	1405	1466	1310	1308
0 – 49 employee	1135	1226	1183	1272	1075	1170
50 – 249 employee	1747	1844	1792	1924	1686	1742
over 250 employee	2362	2348	2514	2559	2214	2145
Public property						
Total gross wage	2346	2195	2552	2451	2192	2005
Total net wage	1718	1599	1872	1784	1604	1462
0-49	1662	1448	1805	1568	1544	1352
50 – 249	2107	1986	2132	1998	2086	1977
over 250	2458	2318	2723	2650	2269	2078
Private property						
Total gross	1623	1765	1696	1852	1524	1650
Total net	1203	1294	1254	1356	1132	1212
0 – 49	1096	1205	1145	1249	1030	1148
50 – 249	1646	1804	1720	1908	1534	1652
over 250	2269	2380	2360	2490	2136	2236

If we analyze the evolution of average gross nominal monthly earnings, by type of ownership, according to the years 2010 - 2011, we can conclude the following:

- As regards the enterprise size class, we record a general trend of rising wages, both in terms of total wages and also by gender distribution;
- However, the salary will be in all cases higher when talking about men, as well as referring to company size. The large enterprises category offers higher wages compared to SMEs.
- Data related to the type of ownership (public / private) provides us basic information, namely that private companies offer lower salaries than the public sector. But the general trend is also kept here, women gaining much lower rewards than men.
- From a year to another there can be observed a growth, which shows that management, in the attempt to reward the employees, resorted to the strategy of stimulation by raising salaries

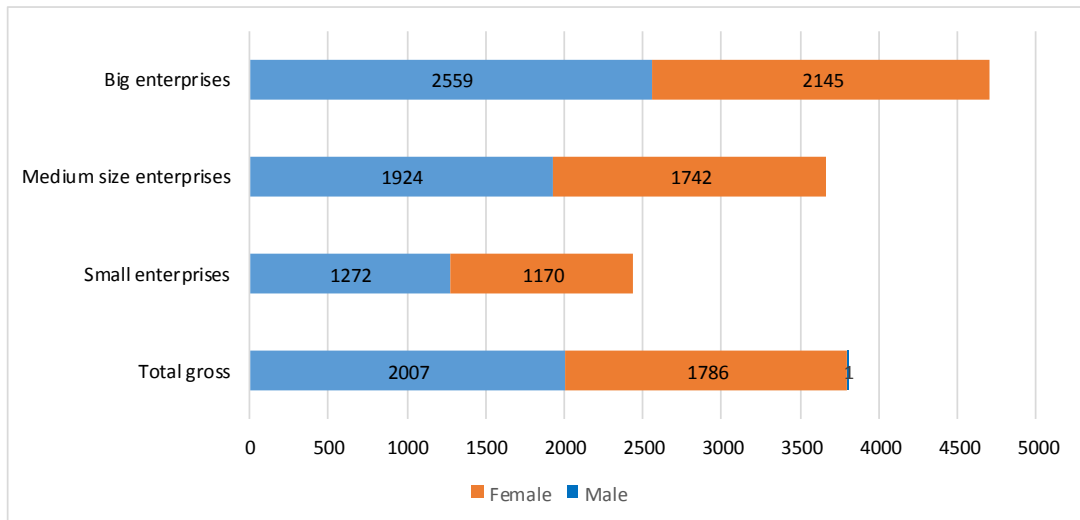


Fig. 2: Average wages in Romanian enterprises, by gender, during 2011
 Source: National Institute of Statistics, Annual Statistical Yearbook, 2012

4. Performance management

Literature defines performance management in terms of achievements in a particular field. Therefore performance is calculated in terms of results at individual, group and organizational level, the desirable level being assessed against a set of specific rules or standards (Elvira Nica, 2006). It is considered an interdependent relationship between performance and human resource management (James McCollum, 2004).

Analysis of human resources becomes a process that takes place in order to determine their position at a time, to identify weaknesses in the overall strategy of this department, to increase performance and fix errors of management. It is an opportunity to identify risks that arise during the development of process management and also to raise the efficiency of human activity in the organization through a more accurate use of available resources.

By analysis of human resources we also refer to an analytical parallel between the existing potential and performance achieved. If we identify a potential higher than the performance, we conclude that the resources of an enterprise are not used to their maximum, and there is "room for improvement". If the performance is, on the contrary, of a higher level, despite a modest initial potential, we conclude that the management is efficient and we meet a maximum use of the available resources.

Literature (Ovidiu Nicolescu, 2004) mentions a total of 14 possible trends in operationalization of human resource function.

Discarding autocratic management, where the role of subordinates was reduced to ignorance, with power concentrated in the hands of managers, the participatory management approach, promotes the idea of involving the entire section in decision making. At the same time, organizational culture is one of the most contentious issues, being an important point on the development agenda of the organization, focusing on creativity, motivation, competitiveness. Simultaneously, management becomes a motivational one, in order to take into account the needs and interests of human resources and formative one at the same time, in order to provide them with a level of training, education, appropriate for facing new challenges. Access to human resources training programs generates the development of this sector and its alignment to international standards of management.

It also noted a tendency to promote elite, to reward them for good results or to boost competition and also the competitiveness of the organization. It also has to apply the strategies to keep the best employees and to stop them to

leave the firm, also to promote and reward them accordingly. It aims to professionalize human resources management, essential condition for the proper development of the whole management of the organization.

The pragmatic character, the internationalization of human resource management, as well as outsourcing of the activities, taken together with idea of decentralizing of solving solutions regarding issues relating to the management department, all complete the trends mentioned earlier.

One can even say that in the context of a more pronounced intensive globalization, the internationalization of human resource management becomes impossible to ignore, as the one that almost unconditional offers access to the necessary know-how, concepts, trends, practices and methods, and at their disposal in a convenient time. Calling international consultants, skilled trainers and competitive ones at the same time is also possible and sometimes even necessary.

Compliance with these trends is needed for a high level of competitiveness and efficiency within the organization.

For any enterprise, the employee motivation problem is turning into a constant concern, especially for the elite. Human resources are becoming common point that connects businesses, the factor determining their success or failure. The increase of employee performance problem is beginning to worry more and more managers and ensuring working conditions, whether physical or financial, is a vital tool for their loyalty at the same time.

The needs of each employee vary by individual characteristics and according to Maslow's hierarchy pyramid. Payroll management, as well as the management of rewards generally becomes vital for the smooth running of activities and thus for achieving organizational objectives of an entity. However, to ensure long-term incentives is conditioned by achieving performance and positive results in the business activity.

Thus, improving the efficiency of an organization depends on management and reward systems, as well as on the criteria for granting them the benefits, whether financial or non-financial. Reward - based management assumes first of all a correlation between business objectives and individual needs of employees, and establishing a direct link between the quality of work, remuneration or reward offered.

In most organizations, there are a number of issues to be observed in regard to the principle of granting rewards, namely:

- Salaries are negotiated or granted in respect of performance achieved;
- The incentives to take into account: the quality of work, regulations, laws, external factors;
- Ensuring a minimum level of wages etc.

As a case study for this paper we illustrate the principles for granting rewards at an enterprise from the city of Resita, that wants to maintain its privacy and will therefore be mentioned further under the name Enterprise.

It was established in 2003, with the first 3 employees, but their number changed over time up to 10 employees. Staff variation is illustrated in the chart below:

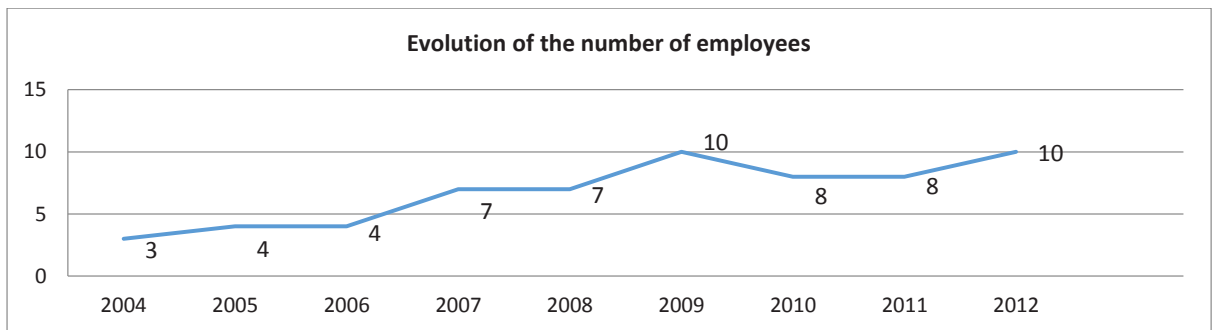


Fig. 3: Number of employees in the period 2003 – 2012,
Source: National Institute of Statistics, Annual Statistical Yearbook, 2012

Company profitability will be illustrated according to the information below:

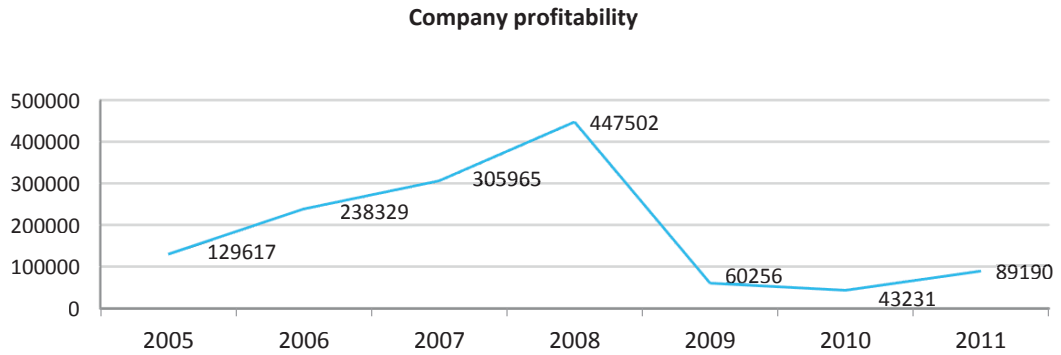


Fig. 4: Company profitability during 2005-2011
 Source: National Institute of Statistics, Annual Statistical Yearbook, 2012

In this case, we will consider the reward system, which includes both direct components: salary and also indirect, category that can include the holiday bonus, or bonuses based on sales structure. The size of the salary was designed according to the job, position, bonuses are offered depending on performance in achieving sales target. In the latter case, we speak of an incentive group and the other individual, depending on personal achievements.

Salary rewards are rounded by salary insurance premiums, contributions to unemployment assurance, health and pensions. Their levels comply with the limits imposed by law, as well as the length of holidays. The payment of wages is ensured before all other obligations, rewards are seen as a means to improve individual and team performance, leading to increased productivity.

The means used for performance evaluation include:

- Assessment based on individual behaviour observation scales;
- Job evaluation;
- Evaluation by results of the work done.

The evaluation is conducted by a manager, because it is a small company, and we can not speak about a specialized human resources department. The company has developed over time a modern management, where performance is evaluated according to criteria fully in line with the company vision and default principles.

For the possibility of writing this paper, we applied at the enterprise level, by the agreement of the manager, the focus group method, the main objective being to determine the elements underlying the generation of performance among employees and the identification of motivation tools that generate a stronger impact upon them. There were also taken into account the views upon the individual needs, expectations of employees, level of education.

According to the criteria of age, gender, or seniority of the analyzed company, graphic structure presents as follows:

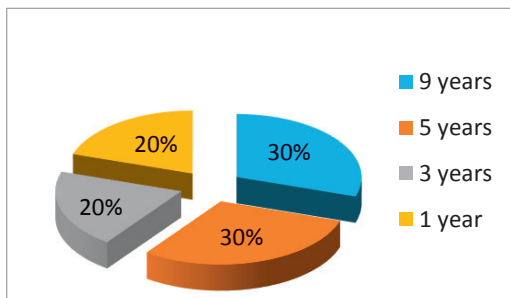


Fig. 5 - Percentage according to the period spent in the enterprise

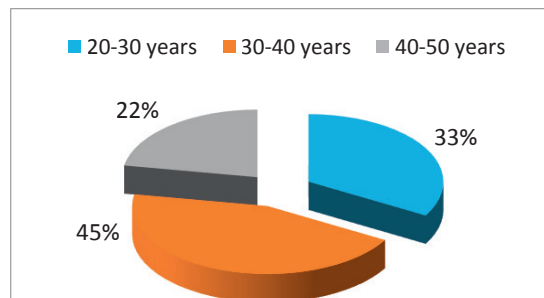


Fig. 6- Structure of the staff based on the age criteria

Source: National institute of Statistics, Annual Statistical Yearbook, 2012

Thus we found that three of the company's employees have an average seniority in the company of 9 years, and they are the founders of it; other three have spent a period longer than 5 years in the company, two of its employees are part of the Enterprise team for three years, and two others being recruited more recently, being only 1 year old as seniors here.

60% of staff consists of men and 40% women. As age structure, distribution is as follows: 3 people aged between 20 and 30 years, 5 persons aged between 30 to 40, and 2 people in the range 40 to 50 years.

In the focus group, the unanimous answer was that the main motivating factor is job security, along with wages and the criteria of organizational climate. Wage is basically confidential but reaches the average level in Romanian economy, adding bonuses and rewards for accomplishments. Age is a criterion that raises the wage and is considered an additional aspect in determining the final salary structure.

In connection with the satisfaction regarding the salary, employees answered according to the structure below:

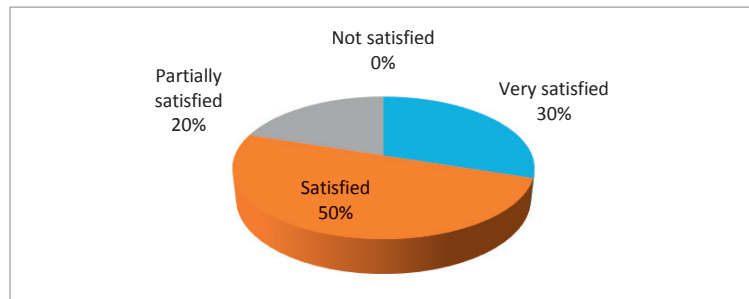


Fig. 7 – Level of satisfaction regarding wage

Source: National Institute of Statistics, Annual Statistical Yearbook, 2012

We find therefore a fairly high level of satisfaction regarding salaries in the enterprise, "very satisfied" being the answer of 30% of employees, "satisfied" is punctuated by 50% and "partially satisfied" being set to 20%. No employee considered the criteria "dissatisfied" as being a portrait of the company payroll system.

The personnel policy assumes recruiting young people, activity that is performed at regular intervals, while low variation of employees demonstrate their loyalty and their satisfaction considering the organization as a whole.

Salary is not very high, but compared to other organizations, we can say that it can be included into a higher level. The fact that the "satisfied" answer is dominating, makes us think about the existence of equity in the distribution of rewards. We found this to remain constant even during the crisis, according to the schedule above referring to the profits, even if the company has not been considered pardoned, recording significantly lower turnover from 2008 to the present.

Change of human resource in the company is quite low, and we can appreciate a higher level of development and training, a more efficient system for assessing performance, highest recognition of talent, and also a fair reward system, in accordance with legislation and employment contracts alike.

5. Conclusions

The principle of confidentiality also applies to the organization under review. Therefore we operate only using sets of interpretations regarding human resources system as a whole. However, whatever wage policy applied, observing the effects it generates, even partially, we conclude the main form of reduced labour variation within the enterprise.

The strength remains good human resource management functions, which includes, among others, and the motivation, whatever its nature, be it motivation of group or individual, whether referring to the rewards or that we confine ourselves to the intellectual part.

Employee reward system can be a way to promote the good ones and at the same time to punish those who are incompetent, being assured their individual recognition and appreciation from management professional success.

Reward systems must be constructed according to a number of issues, taking into account the specific of organization, the organizational culture, number of employees, their positions, resorting to both reward for a group and the individual system, however, without allowing latter to be isolated or removed from the first category. Teamwork is increasingly encouraged in business, leading to joint efforts, made to achieve certain objectives, but we must also take into account the individual effort, some employees distinguishing by a more complex previous training or by special abilities.

Employee satisfaction will always be a subjective evaluation criterion because the needs, preferences and satisfaction levels differ from one individual to another, being very difficult if not impossible to generate an uniform satisfaction.

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