

Swedish Labour Market Characteristics and Implications on the Organizational Management. Lessons for Romania

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Abstract

The purpose of this paper is to present some aspects of the Swedish labour market, both nationally and at the organizational level. The paper begins with the analysis of some characteristics of the Swedish labour market and then shows the differences in organizational management at the level of the companies in Romania and Sweden. Based on this analysis we can identify some measures to improve employment policies and management techniques at the organizational level in Romania. It is an illusion to believe that a country can successfully copy the formula of another, but learning from other countries' experience is essential in achieving an effective mix of economic policies to improve the economic and social results.

Keywords: *labour market, organizational management, employment, economic policies, social objectives.*

JEL classification: J24

1. Introduction

Currently, the economic performance both at organization level and nationally depend increasingly on the access to new technologies, on their adoption and on new requirements that are necessary for employment in terms of training, skills training appropriate for new requirements. Thus, having a skilled, innovative workforce to participate in continuous training, able to adapt easily to changes, will be the central factor that will generate future growth and success for any organization. But success depends on the measures taken nationally through appropriate policies and strategies, and measures adopted at the organizational level.

Therefore, in the labour market, the EU aims to apply the so called open method of coordination which aims at the mix of employment policies, social inclusion, pensions and health care management.

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2. Swedish labour market characteristics

According to the specialized studies, Sweden registers very good results in terms of general well-being, quality of life, employment of labour resources, being among the top countries after Index Better Life. (OECD, 2011)

A country with 9.3 million inhabitants, with average life expectancy of 81.2 years, with an average salary of 3000 Euros / month, with significant investments in education, research and development of renewable energy, Sweden is one of the countries with outstanding performance reflected in the indicators calculated by the international bodies.

Labour Market policies in Sweden have a tradition in the implementation of agreements between the professional associations and unions as well as in the active labour market policies.

Employment policies are based, particularly on active measures. Passive measures, especially unemployment benefits were introduced relatively late and were not very generous at first. The Swedish state did not intervene too much in labour market regulation until 1970, but after this period there were introduced a lot of laws on labour market. The most important law introduced in that period was job security law. (Thakur, Keen, Horvath, Cerra, 2003)

The first insurance company against unemployment appeared in the late 19th century in Sweden. These assurances were not supported by the state, but for the unemployed persons who had no such assurance, the state provided some income as support. During the Second World War, unemployment became a main topic of concern for the economic policy. A government investigation at that time studied the possibilities of introducing an unemployment insurance system, but recommended work in the public sector as support for the unemployed persons. Trade union funds for unemployment faced severe problems during periods of high unemployment, particularly in 1920-1930. In the 90s, Sweden went through a severe economic crisis, which led to rising unemployment by almost 10%. During this period, the replacement rate was very low, which led to little interest in becoming a member of a fund for unemployment insurance. Since 2007, a new support program has been introduced, which combines job search, placement in various programs and adequate compensation in the form of unemployment benefit. (DeBeer, Schils, 2011)

Currently, Sweden focuses on active employment policies, which can be divided into 2 groups:

- policies targeting demand, stimulating the creation of new jobs and they are applied in both the public and the private sector;
- policies targeting offer, focusing on training in training units or in companies.

Lately a lot of programs have aimed at specific groups such as youth programs, programs for older workers or programs for people with disabilities.

However, the Swedish labour market is based on collective agreements between employers and unions. They cover both salaries and many other aspects such as social security, layoffs, working conditions, working time, holidays.

According to the OECD study – *Better Life Initiative*, (OECD, 2011) Sweden is characterized by an employment rate of 70%; 1610 working hours a year - less than in other OECD countries, results above the OECD average in terms of quality of education and number of graduates, the lowest level of pollution in the atmosphere between the OECD countries and high trust in the public system.

Maintaining jobs and creating new jobs is one of the Swedish employment policy targets, given the benefits of having a job, both individually and nationally. At individual level, benefits obtained are both economic (as income), as well as personal, giving the individual a better integration in society, developing skills and competences throughout their working life. In terms of benefits at the society level, it is known that, the higher the level of employment, the richer and more stable economically, politically and socially the countries concerned are. In terms of indicators on employment Sweden is among the first places in the EU in terms of employment rate, which is 72.7%, long-term unemployment (as a percentage of the workforce that was in unemployment for a period of one year), being 1.42%.

Employment situation in the OECD countries is also analyzed through access to employment pointer, calculated on the basis of the sub-indicators employment rate and long-term unemployment rate. According to this indicator, Sweden's place can be seen in the chart below - which ranks 10 out of the 34 countries analyzed. Countries with the best results are Norway, Iceland and Switzerland, and the worst results were registered by Spain, Slovakia and Estonia.

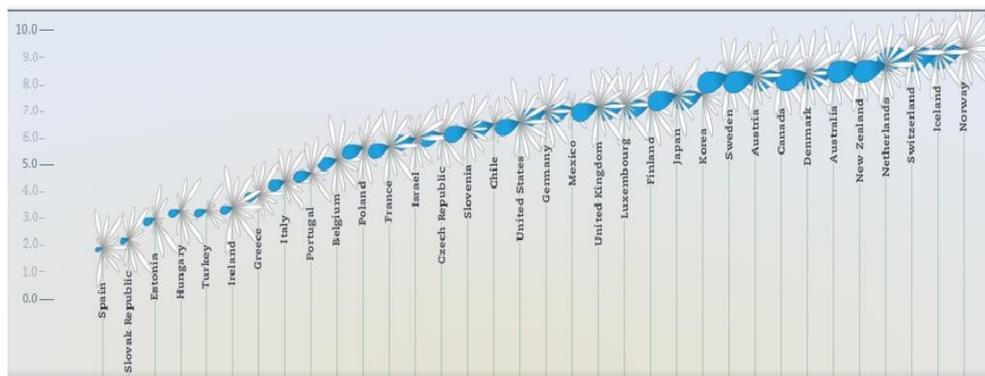


Figure 1. JOBS – Measure of access to work, 2011

Source: OECD-Better Life Initiative 2011– <http://www.oecdbetterlifeindex.org/>

The best results mean a high degree of employment and a long-term unemployment rate as low as possible. The countries best positioned in terms of this indicator are those that have focused especially on active policies and investment in people.

In response to the current crisis, Sweden together with the Nordic countries have pursued by the policies adopted to reduce the effects of the crisis on the labour market: the organization of training sessions, for better skills or retraining, extending the period for granting unemployment benefits, subsidies for youth employment. (Immervol, Peichl, Tatsiramos, 2011)

3. More layoffs as a result of the crisis

As a result of the crisis is remarkable the increase in layoffs in companies that have reduced the volume of activity to keep their position on the market. The chart below shows the evolution of layoffs in 1990-2009. We notice a large number of layoffs in 1992 as a result of the crisis that Sweden went through at that time. It is also recorded the increasing number of people laid off in 2008, 2009 as a result of the current economic and financial crisis. (Statistical Yearbook of Sweden, 2011).

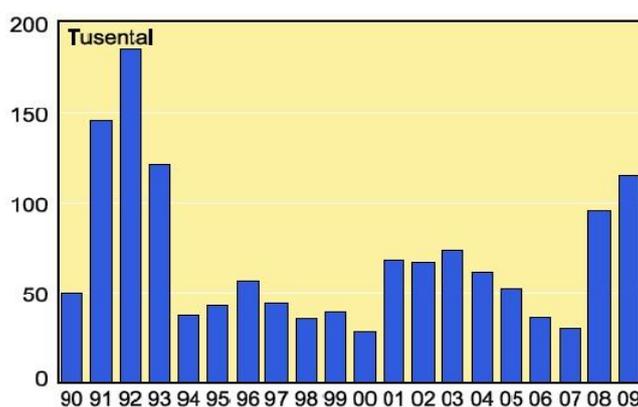


Figure 2. The evolution of layoffs in 1990-2009, in Sweden

Source: Statistical Yearbook of Sweden, 2011

Generally speaking, if we analyze the situation at the company level, the employers' reaction to the crisis depends on the scale of the crisis in their country, and the degree of labour market flexibility, which depends on the institutional rules, such as the method of calculating wages, unionization, unemployment assistance legislation.

Adjustments to the crisis involve not only changes in demand for labour, but labour reallocation across sectors. There are also changes of labour supply at individual level.

At company level, there are two main channels to adapt to labour demand shocks: working time (quantitative adjustment) or wages (adjusting by price) with the following effects:

- the quantitative adjustment by adjusting the working time - refers to the fact that firms adjust their number of hours faster than the number of workers

for reasons of cost and need to keep the employees, especially those well trained. Reducing working hours is usually non-subsidized, but has the advantage of maintaining employment and avoiding private and social costs that would have been caused by the rising of unemployment.

➤ adjustment by price (real wage) - reducing wages and other benefits of employees can reduce the costs even if they have a negative social impact, at the same time negative effects occur on labour productivity. In the developing countries the reduction of wage is not an effective adjustment mechanism due to low labour costs and the impact on the income of workers who may get near or below the poverty line. (Prahalad, Hamel, 1990)

The changes of real wages also depend on the institutional rules, as well as on the changes in prices. Before the crisis, inflation was increasing both in the developing countries and in the developed ones and with the crisis, prices have tended to decrease in the industrialized countries, while in the developing countries they have remained at relatively high levels.

Amid these adjustment mechanisms at companies' levels, government policies can play an important role in implementing and achieving some objectives. For example, in order to reduce the layoffs at companies levels, government policies can support companies through subsidies so that they adapt to lower volume of economic activities, or may apply a policy of division of labour (work sharing), a measure widely used in the industrialized countries during the current crisis.

4. Differences between organizational management in Romania and Sweden

If we analyze the situation of Sweden and the problems Romania is facing at the organizational level, we will see large differences between the two countries. Sweden is one of the leaders in innovation, with results above the EU 27 average.

Table 1. Innovation Indicators for the Romanian and Swedish Organizations (% of EU 27)

Innovation Indicators (EU 27 - 100%) - Year 2010	Romania	Sweden
Business R&D Expenditures	15,2%	203%
SMEs introducing product or process innovations	52,75%	118%
SMEs introducing marketing or organisational innovations	66%	93,96%
Employment in knowledge-Intensive Activities	47,2%	119%

Source: Authors' calculations based on the data provided by the European Innovation Scoreboard 2010

The indicators in the table above outline the major differences between the organizations in Romania and Sweden. These indicators of innovation at companies' levels are calculated as a percentage of EU 27 indicators. (EIS, 2010).

Thus, regarding expenditure on research and development in business, Romania achieves only 15% of the same expenditures achieved at the EU 27 level, while Sweden exceeds the EU by 100%. In Romania, small and medium enterprises that have introduced organizational and marketing innovations still represent an important share.

It is also an increase in employment in intensive knowledge areas in Romania, but in Sweden the share of employment in these areas exceed by 19% the EU average. These indicators show the positioning of Romania under the EU 27 average, which means additional action efforts from Romania to meet the EU level.

According to an investigation of the workforce in Sweden based on questionnaire, at the organizations level there is major concern for the investment in people through their involvement in training programs. Around 23% of the respondents benefited from training of at least 5 days. In 2010 the number of people who received training on fields is presented in the table below.

Table 2: The number of people who participated in training in 2010, by activity

Field of activity	The number of people who participated in training in 2010
Agriculture	25.000
Manufacture	186.000
Construction	121.000
Trade, Transportation, Communications	426.000
Financial field	320.000
Education and research	271.000
Health	368.000
Hotels and restaurants	86.000
Public administration and defence	168.000

Source: Statistical Yearbook of Sweden, 2011

It is noted the high number of people who participated in training in 2010 according to the data of the Statistical Yearbook of Sweden (2011), especially in trade, health, finance and education. People are a vital resource of all organizations providing survival, development and competitive success for them. Thus, investment in human resources is the most important investment of organizations and society, whose results become more evident over time, as ideas, skills, and knowledge in general can be used and reused indefinitely, they are estimated along their use, thus helping to propel the process of economic growth. On the other hand, participation in lifelong learning, contributes to greater stability in employment and adaptation to new demands of the labour market that are constantly changing imposed by technological change and by growing competition.

In the competition for success the Romanian organizations face many challenges. Some are given by the national context, by history and brief experience in business, by the stage of development of the country.

Others are given by the context of globalization, by open borders and by breaking down the barriers, by the competition of companies and foreign products, by new technologies and ways to produce and sell. And others are given by the ability of organizations to manage efficiently their activities and their resources. Internationally, now and in future top performance remain accessible to companies providing products and services with high investment of intelligence and high added value. (Swart, Kinnie, 2008)

The success of the Romanian companies in the European Union will depend on their ability to achieve an efficient management of activities, employees, resources and information and the degree of development of intangible resources.

In terms of managing intangible assets in relation to relevant achievements worldwide, the Romanian organizations register gaps of 1-2 generations of ideas and solutions due to insufficient use of their human potential and investment of sub-sizing investments in intellectual-intensive industries.

Organizations in Romania are characterized by the following aspects:

- in the entrepreneurial action plan, investments in intangible assets and in intellectual-intensive activities are reduced because they have been considered risky and expensive;

- economic restructuring actions have complicated relations between labour supply and demand, due to staff layoffs and the retraining needs have experienced financial and capacity limitations of the institutions of professional reconversion in the labour market;

- although in the internal business environment knowledge-based economy development is seen as a priority, it seems to be expected rather from macroeconomic and government policies than as a result of promoting in the organizations of intellectual-intensive asset;

- employees and companies do not have the appropriate level of skills required in the field because of insufficient information and structural rigidities, which harms the competitiveness of smaller businesses;

- entrepreneurship is underdeveloped in Romania because of high taxation and legislative instability. According to an EU report on development of entrepreneurship, more than half of Romanians aged 15-64 years (68%) believe that they cannot become self employed in the next 5 years due to lack of funding to open a business;

- organizations in Romania are characterized by the insufficient participation in vocational training especially for small firms, in the category of large enterprises, with over 250 employees, the share of companies that have organized professional training courses is 66%, while at the level of firms with less than 10 employees the share is only 17%. The insufficient participation in professional training for employees will result in time a shortage of skills and / or qualified personnel, especially in the fast growing sectors.

5. Conclusions

The preparation of the Romanian organizations to face the European competition involves the use of intangible resources in the sense of the important role that must be played by the professional and managerial skills, by the better information on the market, by the adaption to technological change and innovation, by the alignment to quality standards according to the EU rules. (Glodeanu I., 2009)

In the modern sense, human resources acquire a new dimension, becoming a great economic potential which must be understood, motivated and trained in achieving organizational objectives. The efficacy of the use of other resources of the organization depends on the effectiveness of using the human resources. (IIDP, 2009)

Thus we have witnessed gradually the transition from the economy based predominantly on physical assets and natural resources to the economy based mainly on intangible assets and intellectual capital in particular. (Dobrescu, 2010)

The volume of information and knowledge that the human resources "absorb" and use is far superior to the one existing decades ago. The growth of the importance of the human capital is evident in the labour market, both at the level of demand and supply, and at the level of organizational management. (Manolescu, 2003)

Quantitatively, especially in developed countries, it is found the coverage of the entire population in educational processes and in continuing learning processes throughout life. In many countries has become compulsory not only primary education, but also the secondary one. Also there is an increase in the percentage of people who are graduates and post graduates and those involved in lifelong learning.

Therefore the human resources absorb more information and develop their acquired information processing capabilities.

Qualitatively, besides increasing the duration of training of people it is also found an improvement in educational methods.

It is placed more emphasis on acquiring knowledge with applied value, on the formation of useful skills in the social activities, on the development of personality and creativity of individuals. Thus it is reduced the theoretical and methodological size and enhanced the methodological applicative dimension to all levels of education.

We live in times of crisis, times of challenge, times of innovation and, more recently, times of major events (political regimes shocks, destructive earthquakes a.s.o.). All these require a huge dose of flexibility, power, speed and positive attitude(Năstase M, 2011)

In conclusion, catching up the gaps between Romania and the developed countries can only be achieved by adopting a policy mix at both organizational level as well as nationally, which focuses on investing in people and human capital development through education, research and innovation.

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