LIFELONG LEARNING IN ROMANIAN SMES WITH SPECIAL FOCUS ON THE SMALL SIZE ENTERPRISES

Daniela Paşnicu

National Scientific Research Institute for Labor and Social Protection / Spiru Haret University (ROMANIA)

Abstract

Improving lifelong learning is an important objective on Romanian and European political agenda as a result of multiple social and economic implications, given the positive influence, among other factors, on career development and employment, individual productivity and competitiveness growth of the company.

The research objective is to evaluate lifelong learning in SMEs with a special focus on small enterprises (10-49 employees). A first aspect analysed was the dynamic of SMEs and employees by size class according to the number of employees and concentration of small enterprises in a comparative perspective with SMEs by activity of national economy, in the range of 2008-2015, making use of data from National Institute for Statistics (NIS). Other issue analysed is lifelong training through indicators like: percentage of employees who received paid time for training or on job training, intensity of training, financial support and the share of employees who received training in small businesses in a comparative perspective with business from other size classes. Analysis is based on data gathered through investigations, based on a questionnaire, carried out by Eurofound (3rd European Company Survey - ECS 2013) and by the National Council of Small and Medium Sized Private Enterprises in Romania (White Paper on SMEs in Romania). The paper ends with conclusions on lifelong learning in small businesses through connection with employment and economic performance.

Keywords: Lifelong learning, SMEs, Small Enterprises, Employees.

1 INTRODUCTION

To be innovative and performing, to survive, to intervene promptly and efficiently and to develop, an enterprise needs a strong and loyal workforce. This performance can only be achieved if the workforce is prosperous, developing in a high-quality working environment with safe and healthy working conditions [1]. A very important dimension of the quality of employment is lifelong learning in which the employer's interest meets with that of the employee. On the one hand, the employer is interested in the implementation of lifelong learning programs as they lead to the increase of employees' productivity and innovations, factors that condition the economic performance of the enterprise and on the other hand for the employee, the possibility of benefiting from lifelong learning is an asset that it contributes to career development, successive promotion and hence income growth. In a knowledge society, it is important that through cooperation between the involved parties, respectively the employee, firm and society, to obtain a "quality" workforce, respectively a human capital with a high level of knowledge adapted to the requirements of the ever-changing labor market.

Small and medium-sized enterprises (SMEs) are considered at European level the backbone of the economy, a key factor for economic growth, innovation, employment and social inclusion. Supporters of the economic development model that has in the centre the small and medium-sized enterprise use three main arguments in support of their ideas [2]: SME's ability to stimulate competition and develop entrepreneurship; the productive flexibility of SMEs that offer the ability to produce diverse, innovative goods and to adapt more quickly to market requirements than to large enterprises; the significant contribution of SMEs to increasing employment due to the reduced costs associated with job creation.

The crucial importance of SMEs in economic development is recognized at EU level through the adoption of the Small Business Act (SBA) in 2008 (a revised form was launched in 2011). It outlines a global framework for EU policy concerning SMEs with the purpose of improving entrepreneurship in Europe in order to simplify the regulatory environment and policies for SMEs and remove remaining obstacles to their development. The main priorities concern the promotion of entrepreneurship, better regulation, access to finance and access to markets and internationalization. One of the seven flagship initiatives proposed to stimulate progress in the priority themes of the Europe 2020 Strategy,
Smart, Sustainable and Inclusive Growth, is "an industrial policy" geared to the globalization era. Among the actions to be undertaken at national level is also the improvement of the business environment, especially for innovative SMEs, by developing a joint analysis on how to maintain a solid industrial and knowledge base.

In view of the low density and low added value of SMEs in Romania, the national programmatic documents mention as priorities the support of the extensive and intensive growth of the SME sector, focusing on the increase of the number of active SMEs at local level and external markets of interest and increasing the density of SMEs, especially in areas where it is below the European average, in order to diminish current regional disparities. Promoting vocational education and entrepreneurial culture are also key elements in achieving the major goals of improving local entrepreneurship. Among the actions with reference to continuous training we mention that: it must be captivating, continuous and coherent; adapted to the requirements of the labor market; relevant for the professional development needs of the beneficiaries, under the conditions of establishment of a rigorous quality assurance system; introducing incentives for participating adults and for businesses that fund. Improving lifelong learning in SMEs based on the Information and Communication Technology (ICT), knowledge management and innovative approaches such as microblogging tools are effective tools to successfully meet the challenges of the labor market and knowledge.[3]

In the context of flexicurity, instant flexible lifelong learning programs that promote innovation and creativity are essential in keeping people in employment, helping them to adapt to new challenges and increased competitiveness [4]. In this context, it is important to continuously assess continuing professional training at the firm level through indicators that illustrate: the degree to which employees are trained, the level of training, the adequacy of training with the job requirements, the themes of training, the means of achieving training and the possibilities for development of the career that opens.

2 METHODOLOGY

The paper aims to analyse the continuous training in SMEs with special regard to small companies according to the number of employees (10-49 employees). In the first part, an overview of SMEs with a special look at small enterprises is made, with the following aspects: structure by size classes according to the number of employees; Structure by economic activity and the share of employees in SMEs and by activities of the national economy in dynamics, the time horizon 2008-2015, based on the data provided by the National Institute of Statistics (Tempo online), Eurostat and the study of SMEs in Romania [5].

In the second part of the paper, an analysis of continuous learning in small firms is carried out in terms of employment quality indicators underpinning the Eurofound survey [6], using data collected from managers. The investigated statistical unit was a firm with 10 and / or more employees in all economic sectors except those in the NACE Rev. 2 categories A (agriculture, forestry and fishing), T (activities of the household) and U (activities of extraterritorial organisation and bodies). The survey was conducted in all 28 EU member states, in firms with exclusive market activities. The indicators analysed were: the percentage of employees who have received paid study leave in the last 12 months; the percentage of employees who received training at the workplace. The analysis was completed with the results of the other survey conducted in Romania [7], for 2016, regarding: the intensity of the training; financial support; the share of employees who have received training. The analysis is based on data gathered through the survey, based on a questionnaire, of a number of 1,096 companies - micro, small and medium - of all branches of activity, age groups and areas of development, a representative sample of the situation of SMEs in Romania. Depending on the availability of data, indicators for small enterprises were compared with the situation in the other EU Member States or in relation to firms in other size classes, namely medium (50-249 employees) and large (over 250 employees).

3 RESULTS

3.1 Overview of small enterprises in Romania compared to enterprises in other size classes according to the number of employees

The economic crisis has negatively influenced the number of SMEs and employees in Romania, the return being slower than in Europe. In 2008-2015, the number of SMEs increased in Europe by almost 2% and the number of employees decreased by 1%; In Romania the number of SMEs has decreased by 10% and the number of employees decreased by 7.5% in SMEs; The average number of
employees in 2015 is 4.12 in Europe and 5.69 in Romania. Small businesses recorded the smallest decrease between 2008 and 2015, in Romania, both as entities (0.3%) and as employees (3.2%) (Data for Europe were extracted from the Keysfin 2015 study).

3.1.1 Structure of SMEs by size classes according with the number of employees

In Romania there were 513,850 active enterprises in 2015, of which 99.6% represented SMEs. The majority share of SMEs is made up of micro-enterprises (89%) followed by small enterprises (9.4%). In 2011, the share of small enterprises reached a peak amid the drop in the number of micro-enterprises as a result of the economic crisis, these being at a minimum in the analyzed range. SMEs decreased by 18.5% in 2011 compared to 2008, with micro-enterprises (20.4%) being the most affected, followed by medium-sized enterprises (13.5%) and small enterprises (0.9%). The dynamics of the SME structure by size classes is shown in Graph 1.

![Graph 1: The structure of SMEs by size classes according to the number of employees in Romania, 2008-2015. Source: Processing author by data from INS, TEMPO online](image)

3.1.2 Structure of small enterprises by economic activity

Most SMEs and small active businesses are in the wholesale and retail trade (34.7% and 27.6% respectively). Four other top SME ranges are professional, scientific and technical activities (11.2%); construction (9.4%); manufacturing (9.3%) and transport and storage (7.8%), and for small enterprises are manufacturing (20.1%), construction (12.7%), transport and storage (6.8%) and hotels and restaurants (6.8%). The ranks of the top 5 positions account for 72.4% of all active SMEs and 74% of all small businesses. It is noted that an important share for small enterprises is held by the processing industry (20.1%) with about 11% more than for SMEs. The last five positions in the case of small enterprises include the fields of activity: production of electricity and heat, gas, hot water and air conditioning; extractive industry; education; financial and insurance activities and cultural and recreational performances, accounting for 2.3% of the total. In the case of SMEs, the same five areas are in the last five positions, with the difference that the place of financial intermediation is taken by water distribution, sanitation, waste management - amounting to 2.9% of the total.

In the case of small enterprises, the largest increases in 2010-2014 were recorded in the sectors of activity: production and supply of energy (75.8%), health and social work (50.4%), cultural and Recreation (39.1%), transport and storage (33.9%) and agriculture, forestry and fishing (33.6%); Decreases were registered in education and manufacturing and the smallest increases in trade and construction. Among SMEs, the highest increases were recorded in electricity generation and supply (75.8%) and reductions in mining, trade, construction and manufacturing.

3.1.3 Dynamics of SME employees with special regard to small enterprises

SMEs have an important role to play in increasing employment, becoming a source of more and more important jobs. However, the very large number of SMEs leads to a high degree of heterogeneity among them, and not all of them have the same dynamism in job creation [8]. From the data presented, it can be noticed that small enterprises play an important role in the creation of jobs in Romania, with 992,913 employees in 2015, which represents one third of the total number of
employees in SMEs and 145,621 fewer than in the case of enterprises Large (250 people or more). The change in the number of employees during the period 2008-2015, compared to 2008, is negative over the entire interval. The impact of the crisis on the labor market peaked in 2010, with a decrease in the number of employees as compared to 2008 in all size classes: the highest negative values were recorded for medium-sized enterprises (-18.5%) and large (-17.9%). The change in the number of employees as compared to the previous year reached a maximum in 2011, in the analysed range and in the other categories of companies, depending on the size, except for micro-enterprises. In the case of small enterprises, the variation of employees compared to the previous year reached positive values in 2011, 2012 and 2015. The maximum was reached in 2011 when the number of employees increased significantly compared to 2010, by 7.6%, while the minimum in 2009 when the number of employees dropped by (7.9%). The curve of enterprises in other size classes respects the aliasing of the previously described curve, except for the micro (0-9 employees), where a minimum is observed in 2010 and a maximum in 2013.

Graph 2 Relevant indicators for small businesses (10-49 employees)
Source: Processing author after data from INS, TEMPO online.

The results of the survey [7] illustrate that the small and medium-sized enterprises sector in Romania continues to contribute to the creation of new jobs in the economy, registering an upward trend in 2015 as compared to 2014, both in terms of employment and the average number of employees in SMEs. Thus, on average 1.87 persons were employed on the firm and 1.28 persons left the organization, resulting in an average increase of 0.59 persons per SME. Most of the companies (92.39%) employed less than 5 persons, 4.13% of the enterprises employed between 5 and 10
persons, 2.02% of the economic agents registered 11-20 new employees, and 1.47% of the entities increased staff by more than 20 people.

In 2015, 992,913 employees worked in the industry, construction, commerce and other services sectors. The top five activities with the highest share in the total number of employees working in small enterprises are: 1) Wholesale (29.5%); 2) manufacturing (21.9%); 3) construction (12.9%); 4) real estate transactions, rentals and services provided mainly to enterprises (professional, scientific and technical activities, administrative services and support services) 10.9%; Transport and storage (7.1%). The top five activities with the lowest share in the total number of employees working in small enterprises are: production and supply of electric and thermal energy, gas, hot water and air (0,3); Education (0,6); Extractive industry (0,6); Water distribution, sanitation, waste management, decontamination activities (1.5%); Health and social care (1.9%). During the analysed period there were decreases of the employees in the fields of activity: manufacturing, trade, construction and extractive industry.

3.2 Lifelong learning in enterprises

The results of the data processing from the micro-data for ECS 2013, Eurofound Survey, in which the investigated statistical unit was a company with 10 and / or more employees, show that in Romania, 46.8% of the small firms did not receive paid leave for training, 26.4% received under 20% of employees, in 12.5% companies received between 40% and 50% of employees, in 5.1% received between 40% and 59% of employees, in 3.2% received between 60% and 79% of employees, 0.9% received between 80% and 99% of employees and 5.1% all employees. Romania holds the tenth position among the countries with the highest percentage of companies in which no employee has received paid study leave. The top five places are Croatia (70.9%), Rep. Czech Republic (67.9%), Greece (66.4%), Turkey (66.2%) and Lithuania (65.8%) and the last five places are Austria (9.9%), Bulgaria (10.4%), Finland (11.6%), Sweden (13.9%) and Estonia (16.4%). Depending on the size of the firm, small firms have the highest percentage of firms in Romania where no employees have received paid leave for training followed by large firms (34.6%) and medium sized (30.2).

![Graph 3: In the past 12 months % of employees received paid time-off to undertake training off or on your premises?](source)

In Romania, in 53% of the small firms did not receive training in the workplace; in 18.3% received only 20% of the employees; in 12.3% received between 20% and 39% of the employees; in 1.8% between 40% and 59% of the employees; in 3.2% between 60% and 79% of the employees; in 3.2% between 80% and 99% of the employees and in 8.2% all employees. From the sample of analysed countries it can be noticed that Romania is the second country, after Denmark (64.5%) with the highest percentage of firms that did not give any training at the workplace and with the lowest percentage of companies which give workplace training for all employees (8.2%), and this is also the case after Denmark. Countries with the smallest percentage of small firms that have not provided training to employees at work are Finland (4.6%), Sweden (8.1%) and Ireland (9.9%) and the top with the highest
percentage of firms which give training at job to all employees is Finland (48.3%). In all countries in the sample the percentage of companies in which no employee has received training decreases proportionally with the increase in the size of the firm. In Romania, it reaches 36.4% for medium-sized companies and 33.1% for large firms.

The CNIPMMR survey [7] showed that the average share of employees who received training in 2015 was 15.37% at the level of the sample, pointing out that Romanian SMEs pay relatively little attention to training staff. Depending on the size of the firm, the highest level is registered in small enterprises (18.36%), followed by medium (18.33%) and micro-enterprises (14.72%). Depending on the field of activity of the enterprises, the largest share is among the companies active in tourism (28.33%) and services (17.5%), and the lowest share in transports (6.09%). The share of employees who have received training varies in proportion to the performance of the firm in 2015 as compared to 2014, as follows: (53.68%) of the employees who have been trained are in "more better" and "better" And only 11.3% of employees in "much weaker" and "weaker" firms.

The results of the same survey show that the average percentage allocated to the training of the turnover is of 1.96% per firm. This suggests that Romanian managers are investing little in the training of human resources, that they are not yet aware that staff training is a necessity in the knowledge society and an important condition in achieving the performance indicators of a firm. The average percentage of turnover for the training of staff is higher among small firms (2.91%), followed by almost the middle companies (1.9%) and micro-enterprises (1.83%). Depending on the field of activity of the company, the transport sector (2.79%) and the least in the construction sector (0.99%) invest more. Companies with better performances invested the most (2.96%), in 2015 compared to 2014, the percentage decreasing with the decrease of the company's performance.

The analysis of SMEs according to the average number of working days per employee for training in the last year shows that: 66.54% of the organizations were not involved in the preparation of human resources, respectively two thirds of the SMEs; 20.82% dedicated staff to 1 to 5 days of training; 8.52% of companies have allocated an average of 6-10 days and 2.11% of enterprises have allocated over 10 days of training per employee. According to the size of the SME, the percentage of employers not investing in training decreases with the growth of the size of the firm (72.21% - micro-enterprises, 46.51% - small enterprises and 28.7% - medium-sized enterprises) Companies allocate training 1-5, 6-10 and over 10 days per employee increase proportionally to the size of the organization.

4 CONCLUSIONS

The analysis showed that: SMEs in Romania were severely affected by the economic crisis, with the effects being felt at maximum intensity in 2010 for their employees and in 2011 for the survival of the firm; Depending on the size of the number of employees, small firms proved to be the most stable in the face of the challenges of the economic crisis; SMEs in Romania have a low preoccupation for employee training; the share of employees who received training varies in proportion to the company's
performance, and the percentage of companies in which no employee has received training varies in proportion to the size of the firm, while also explaining the higher percentage of firms not involved in the training of employees in the case of survey which takes in consideration micro-business [7]. The lifelong learning contribution to the development, competitiveness and sustainability of companies is recognized both at national and international level and is supported by a range of policies and instruments. Given the companies’ heterogeneity, tools to stimulate training in SMEs should take into account the size of the firm, the field of activity or other issues that indirectly influence the concern of SMEs for employee training such as start-up, innovation, finance and internationalization of firms.

Small businesses need tailor-made tools, in terms of duration, means of transmission, curricula, funding of lifelong learning programs that will provide them with a continuous and coherent character that meets their characteristics and needs. One solution would be to promote learning organizations that support both the development of skills and the prevention of obsolescence skills in order to maximize the skills of the workers. The use of information and communication technologies (ICT) has great advantages concerning flexibility and autonomy in lifelong learning in terms of acquiring new skills to use them. As a result, support and counselling programs are needed to progressively adapt the company to new technologies based on employee characteristics, such as age, professional training. Developing in Romania lifelong learning strategies on the model developed in Sweden and Finland could lead to the promotion of innovative and competitive firms and to a higher level of employment.

ACKNOWLEDGEMENTS

This work was done through NUCLEU Programme, developed with the support of ANCSI, project no. PN 16-440106.

REFERENCES


