

An Analysis Of The Workforce Training And Improvement System In Order To Efficiently Absorb Foreign Direct Investment

~ Ph. D. Anca-Ioana Butunoi (The Romanian Academy, Romania)

E-mail: anca.butunoi@yahoo.com

Abstract: For any country, a productive workforce is an important factor of economic growth, and Foreign Direct Investment increase the influence of this factor by accelerating growth, due to capital flow that is directed by foreign investors towards the host economy. For developing countries to fulfill their target of exceeding their own economic condition, it is necessary to first find solutions to streamline the human resource management. Secondly, if the training of the workforce is made according to functional strategies directed towards attracting Foreign Direct Investment, the chances of economic development grow exponentially. The aim of this paper is to determine the importance of the workforce training and improvement system and to establish the general lines through which this system can be improved in order to attract the attention of investors that can bring in foreign capital.

Keywords: labor management, workforce, foreign direct investment, training, improvement, higher education;

JEL Classification: I25, M54, F21, F23.

Introduction

In order to fulfill the aim of this paper I first thought necessary to approach some theoretical concepts regarding the training and improvement of the workforce with an eye to attracting foreign investors. Thus, I have analyzed the impact that the workforce training and improvement has on improving productivity and economic growth, and at the same time, I reviewed several training and improvement systems that are representative for their efficiency at a world scale. Also, I have analyzed the evolution of the investment motivation, highlighting the criteria that is behind investment decisions in regards to available methods of training a host countries workforce. I aimed to determine the reasons for which the current workforce training and improvement system in Romania should be modified so that it includes measures that will allow the attainment of abilities that are required by foreign investors.

1. The role of the workforce training and improvement for the labor market and the economy

In order to establish the framework of the detailed analysis of the Romanian workforce's training and improvement in order to transform it into an attractive market for foreign investors it is necessary to underline the theoretical and empiric fundamentals that tie the human capital to the performance of the labor force.

Thus, from the end of the 20th century, a transition from an economy based on production towards an economy based on knowledge and information has taken place. Moreover, as the transition from the agrarian

economy to the industrial one which required a new set of knowledge and abilities within the workforce, the same was true for the current transition which changed the nature of jobs and of the elements required to achieve success.

The economic models that insist upon the presence of educated workforce on the labor market start from the premise that education is a vital factor as it has a beneficial effect over the acquirement of knowledge and the formation of the skills necessary in order to fulfill the workplace responsibilities [1]. In his work from 1964, G. Becker shows that the people that are willing to invest time and financial resources in the human capital will not only obtain financial profits, but will also profit from behavioral advantages from their employees [2]. The time that is dedicated to education ensures the acquisition of a set of knowledge that, through the productive nature of education, increases the enterprise's individual human capital. Education can increase the productivity of individuals and thus, their wage demands in a competitive labor market. Training can be accomplished through formal studies on multiple levels or through training programs but also through diverse investments made at the workplace, learning by doing or other qualification activities. The surplus potential that is obtained is reflected in general or specific activities undertaken at the workplace, in growing the work experience and in cognitive and social skills that can be used to make work more efficient.

Economists have tried examining the macroeconomic benefits that a superiorly qualified workforce brings. Economic models rely on two possible hypotheses that connect workforce training and improvement

to economic growth. The first hypothesis is that training and improvement are a factor of production, as is physical capital, and the second hypothesis that a country's human capital can lead to a bigger growth margin, by improving its capacity to develop, invent and apply new technologies. In this context, the resulting technological progress leads to certain economic growth [3].

Other macroeconomic analyses show that not only the quantity of the education and training is important, but also their quality. In a study made in 2000, E. Hanusheck and D. Kimko concluded that scholastic results are reflected in economic growth rates, exceeding the impact the quantity has over it. Their analysis also shows that the training rate of the workforce has a tremendous impact in GDP growth in the long term [4].

The last decades can be characterized by the increase of economic integration and by accelerating technological processes. This progress has contributed to the increase of the demand for better-qualified workforce, especially in advanced economies [3], demand that has been determined by complex technology and by the ways it has changed the nature of the workplace, the knowledge, the skill sets, and the aptitudes required to complete tasks. Thus, in an economy that is centered around knowledge, as a consequence of the fast paced changes of the last few decades, the demand for more qualified personnel has increased. In some cases, new technologies can render human labor obsolete, thus changing the nomenclature of occupations as some professions and jobs become deprecated, while others gain significant importance [5]. In some situations, certain traditional occupations are still in use, but the knowledge and skill set required to

perform that activity have changed as new technologies are integrated. While technological progress creates an increased demand for qualified workforce, this does not mean that all of the jobs will require better qualifications. In accordance to the mix of different fields from an economy, the labor market is and will be covered by a segment of poorly qualified workers that would only need to be trained at the workplace. Such jobs can be identified in the service sector, but also in production, constructions, mining and other extraction industries. However, even for the workplaces that have low requirements when it comes to qualification, a minimal set of knowledge and skills are necessary when using new technologies.

In the context of scientific and technological progress, the growth in productivity and efficiency, regardless of the field, imposes the need for a trained and improved the workforce [6]. As such, we can talk about the idea of learning throughout a person's entire life span, and regardless of the fact that it can be obtained in a formal or an informal fashion; it is a requirement for many workers. [3].

2. Workforce training and improvement systems

Every country has its own vision on work. At the same time, there are more than one models of thinking when it comes to work and the way it is organized or the way a country trains its citizens in order to work efficiently.

The theory of human resource management defines the concept of professional development as the activity that the individual undertakes in order to obtain theoretical knowledge and practical skills in order to

fulfill their workplace duties in accordance with the requirements of the labor market [6]. In light of the theory of human resource management, countries must establish development strategies and specialized policies that stimulate and ensure favorable conditions for the growth of human capital and its efficient integration in the labor market.

For example, the United States of America is famous for having a free market economy, with a minimal intervention of the state in the economy. In this context, regarding the workforce, non-interventionism is easily noticeable from the fact that there are no implementations towards contract terminations, work relations being characterized by short term occupancy. Considering the fact that the influence of worker unions has been reduced significantly over the last few decades, collective contracts that are characteristic to market driven or less functional economies do not exist in the United States. Thus, this country's market, overall characterized by its flexibility, is associated with a training system that leads to the acquirement of general qualifications, the skill set being suitable for a large number of enterprises, and as the market shifts, the workforce can be hired or fired. As the labor market is not regulated and it has major fluctuations, the workforce has flexible qualifications, suitable even after changing jobs. As unions fail in coordinating and collaborating in order to build training programs that are specific to certain industrial branches, workers pursue the acquirement of general competences, well adapted to the requirements of the sectors of the economy, and employers organize their own training and improvement programs and establish clear procedures in regards to the training taking into account the specifics of a job [7].

The German training system is well known for the specialists that it prepares. The production systems that are characteristic to many German enterprises often require well trained personnel. This necessity has given birth to the German training system that is characterized by the increased focus on profound specialization and practice. Despite the fact new employees earn less in comparison with new employees from other countries, German youth are ensured integration in the labor market. Through this system, Germany is one of the countries with the smallest unemployment rates among young people. In comparison with the previously analyzed countries, that have a generalist training system, Germany possesses a highly qualified workforce due to its dual training system. The high qualifications offers the power to negotiate in the context in which the enterprise's productive activity depend on the specialization and the experience of the qualified workers. Enterprises have organized themselves in such a way that it allows the negotiation of wages between owners and unions, creating a balance between the demands of the employers and the employees. A disadvantage of this dual system is that it is significantly dependent on the state of the economy. In expansion periods enterprises are interested in cheap and flexible labor force, and in the stagnation periods the requirements for apprentices drops, and if this phenomenon persists, the number of people that can't find a place to practice their newly accumulated knowledge will grow, and when the labor force demand returns to normal levels the competition for a job will be fierce. Another disadvantage of the German training system is the fact that the responsibility for the training and

improvement of the workforce rests upon the state and enterprises no longer deem making major investments towards further developing their personnel necessary. This situation causes the diminution of the continuous training effort [7].

At the end of the 20th century the Japanese state has begun ensuring the primary scholastic education in state institutions, and presently the majority of teenagers are trained more than in the 9 year compulsory school period. Initially, the Japanese training system was promoting diligence and perseverance, the attachment towards society and the transfer of essential knowledge, with no interest towards developing personality and creativity. Thus, youngsters were prepared to fulfill the duties for the enterprises that were willing to train them. Specialized training was made within the company and the abilities learned are so specific that changing jobs is quite complicated. Recently, the Japanese school started giving more credit to creativity, as technological progress can't be achieved only through discipline and diligence alone. Also, the state has taken measures in order to adapt the educational system to the realities of an aging society, as schools and universities develop the creativity and the individuality of youngsters but also provide courses meant for older people [7].

3.The role of the training and improvement system in the evolution of the investment motivation

Beyond the macroeconomic stimuli that FDI provide, they also influence a growth of productivity and generally, an improvement of the quality of the human resources of the host country. In this context, it's very

important to determine the main qualities and capabilities that a workforce must possess in order to complete its tasks in accordance with the standards of FDI companies.

The motivation depends on three important factors that indicate the choice of a certain market, and also the way through which the foreign capital enters a new market: factors that are specific to the economy in which the investment is made, a company's internal factors and strategic factors. The first important determinate factor for transnational companies (TNC) is that of the host economy. In addition to the fact that this factor determines the decision to invest or not, it also establishes the size of the investment, the conditions and the degree of openness of the company towards expanding in more locations within the host economy.

Among the factors that are specific to a host economy are the following:

- the host country's economic policies;
- the dedicated measures that are taken in order to attract FDI;
- the social-economic evolution of the host countries.

Trans-national companies are, according to specialists, the most developed source of corporate research and development activities, taking into consideration their advanced technologies and the potential to generate positive results in the fields in which they work in [8]. In this context, a qualified and trained labor market is a certain advantage when a TNC must choose an economy in which to invest.

Generally, investments in education and in the training and improvement of the human capital are essential in the creation of a favorable environment for attracting FDI. The presence of a minimal level of education

conditions how attractive a country is for FDI and maximizes the effects that the FDI have in the host country. [8].

The general qualities that an employer pays attention to regarding the workforce are divided in 4 categories and depend mostly on previous development and training:

- technical – they amount to the specific know-how of methods and techniques that are required in order to fulfill the responsibilities of different occupations;
- personality specific – they refer to the ability to communicate, to work in a team, discipline, etc;
- conceptual – such as the capacity to innovate, to be creative, critical thinking, adaptability, realism, etc;
- other qualities - among these are self-confidence, flexibility, organized spirit [6].

And in regards to the types of investment, the attitude and the expectations towards the human resource differ, according to the interests that the investors have in the host economy:

- resource seeking investors – interested in utilizing a country's advantages – in regards to human resources they're either looking for cheap workforce or specialized workforce;
- market seeking investors – they invest in fields such as consumer goods or industrial products – in regards to the labor force they're interested in specialized personnel for managerial positions and cheap, non qualified personnel for execution jobs;
- efficiency seeking investors – they make investments to consolidate the activity of a company, that are aimed towards an increase in efficiency, this type of investment is based upon long or indeterminate term

plans. In regards to the labor market, the investors seek workforce productivity as well as cost and quality efficiency [9];

- strategic asset seeking investors – long term plans – they look for a qualified and specialized labor force [10].

It is worth mentioning that even though the criteria used to make decisions from foreign investors are the same, the interest that they have towards the qualifications of the labor force is according to the type of investment that they plan and their general interests. Thus, a country that desires to attract FDI through competitive advantage, which is provided by the labor force, will be required to choose certain types of investments, and at the same time, they will need to invest in the training and development of the work force in accordance to investor criteria, or to find ways to balance the education system with the demands of the labor market.

4.The current labor force training and improvement system in Romania

According to the Global Competitiveness Report with regards to the education and professional training in Romania a major discrepancy is noticeable between their quantity and quality, with a deficit for the latter. If in regards to the quantity of the education, Romania scores a 5.6 out of 7, in regards to the quality of the education, the Global Competitiveness Index from 2016 shows that Romania is not as competitive, situating itself below the average of the 140 countries that were the object of this analysis, with a score of 2,8 out of 7, ranked on the 121st place [11].

In order to change this position and to comply with European regulations and to meet the conditions of the Europe 2020

Strategy, Romania has written and adopted in 2015, the National Reform Program, document that defines the nation-wide vision over the way the educational and formative system will develop within the next years.

In order to improve the efficiency of the educational and professional development of its citizens, the Romanian state has established a set of targets through this program. In regards to education, Romania has two major targets to be met by 2020, the decrease of the rate of early abandonment of school and the increase of the rate of people between 30 and 34 that have graduated a tertiary form of education. The target in regards to the reduction of school abandonment is 11,3% while the average between 2010-2014 is at 17,7%. In addition, the second target stands at 26,7%, while in 2014 it was recorded at 23,8% [12].

Besides the two priorities mentioned above, Romania also aims to implement a series of new measures regarding education, that refer to early education, gymnasium, high school, professional and technical education by increasing the rate of usage of digital instruments, with an emphasis on learning at the workplace by doing.

In regards to university education, the proposed measures are meant to solve issues that have a social nature, as they aim to facilitate access to this type of education to deprived individuals. In addition, it is desired that higher education is adapted to the requirements of the labor market by counseling universities and allowing them access to some informational platforms used for monitoring the labor market [12].

Now, in Romania, the acquirement of professional skills and developing them during the entire lifetime of an individual can be accomplished through formal, non-formal

and informal learning, according to the Romanian Education and professional development Strategy for 2014-2020.

Formal learning is made through two complementary systems: the initial professional development system through which the individual obtains the qualification in order to get a job and the continuous professional development system through which the individual develops the acquired qualifications taking in consideration the labor market's demands and his personal wishes.

The initial professional training is made through professional and technical education that is coordinated by the National Center for Developing Professional and Technical Education. As a result of the activity of this institution, starting from 2012 professional educational projects have been organized, with a duration of 2 years, after finishing the 9th grade, within each school year allocating 60%, respectively 75% of the time towards practical training. These trainings take place in the school's workshops and those of economic agents. Starting with 2014, 3-year professional education programs are organized after the end of the 8th grade, the focus being towards practical training again.

The decision regarding the planning of these programs is made at the county level in accordance with the specifics of the local labor market and taking into consideration the logistical means at the disposal of educational units from the county. According to the statistics provided by the National Center for Developing Professional and Technical Education, the network of educational units that were organizing the school programs for professional and technical education in 2010 only amounted to 1259 schools throughout Romania's counties [13].

Concluding, we can state that the pre-university education system does not prepare enough young people for the labor market, with the exception of the technical and professional training programs. Preparing youngsters for the labor market is flawed, the accumulation of knowledge and practical abilities being precarious, and the professional and technical training programs introduced since 2012 have not demonstrated their efficiency in regards to occupying jobs on the market [14].

The higher education system has developed in an alert fashion but without any functional connection between the educational programs and the demands of the labor market, the knowledge and skills obtained by the students not meeting the European quality criteria, as universities provide outdated theoretical notions with no real application in professional activities [14].

In regards to lifelong learning, the institution that maintains control of the supply of skills in Romania is the National Authority of Qualifications (Autoritatea Națională pentru Calificări), a public institution that is under the authority of the Ministry of Education. It is tasked with developing the national framework of identifying the skills on demand on the labor market and the development, recognition and the management of the National Qualifications Registry [15].

The National Authority for Occupying the Labor Force (Agenția Națională pentru Ocuparea Forței de Muncă -ANOFM) has, on a national scale, the purpose of organizing and implementing professional and technical training programs, and as a consequence of these attributions it trains annually over 30.000 in the 8 regional training centers it has under its supervision. The work legislation

states that employers that have more than 20 employees must elaborate and implement an annual training plan for developing their employees in collaboration with a trade union organization that they are affiliated to. The legislation also states the employer must support the costs of these training sessions and must pay the employees for the period in which these activities take place.

The introduction of a new educational system in Romania, after the regime change that took place in 1989, has been a long process that was finalized, from a legislative point of view, in 2000. The main obstacle in the way of reform has been the traditional mentalities that regarded the educational process as a unique act and rejected the idea of lifelong learning [16]. Thus, the fast socio-economic changes, lead to a need of reform, in regards to the essence and not the outside form of the formation and development process, as a hybrid system does not provide the qualities that are necessary for the Romanian labor force to provide Romania with a competitive advantage.

5.Strategic considerations regarding the improvement of the training and the labor force in order to attract foreign investments in Romania

Following the information accumulated during this analysis, we can strongly argue that in order to attract foreign entrepreneurs it is necessary that Romania create a business environment that is characterized by openness towards competitiveness and innovation in fields that have potential competitive advantages. At the same time, from this research we can see that work flexibility is seen as an important factor for attracting

investments. As such, the labor market must be diversified, well trained, innovative and mobile. Another very important aspect that results from this analysis is the fact that Romanian public authorities must implement mechanisms that bind the public and private sector in such a way that it correlates the labor market's requirements with the education, training and improvement of its citizens.

In order to improve the training and development system in Romania, with a view towards efficiently absorbing foreign capital, the formulation and implementation of a strategy that includes a new vision over the training and development system is necessary. Considering the fact that the Romanian educational system is hybrid, trying to implement tools utilized in systems such as the American and German systems, we find that the most effective solution to improve the current training and improvement system is to transform it into a dual system, focused on quality and efficiency, in order to intensify foreign capital and thus, economic growth.

Education's productive nature, through the knowledge and skill set of each employee, increases the human capital reserve of an enterprise. Thus, in every country, a well-founded strategy must be present, that correlates the labor market's requirements with the qualification programs on offer, that focuses on the country's advantages, and stimulates specialization on regional levels in the fields that have competitive advantages.

To improve the training and improvement process in order to transform it into a productive factor and competitive advantage for the Romanian economy it is necessary to adapt the way the training and improvement system is organized and operates and to transform it into a highly efficient training instrument of the citizen for the local labor market.

In this context, I will make a SCRS (Strategy – Current State – Requirements – Solution) analysis in order to suggest a first step towards ensuring the role of a production factor for the training and improvement system through professional and technical learning.

Table 1 A grid that presents a strategy of ensuring the factor of production of the labor market through the professional training and improvement

Strategy	Training and improvement
The current state	• the pre-university education system does not prepare young people for the realities of the labor market, with the exception of the professional and technical learning programs • poor accumulation of knowledge and skills • the technical and professional educational programs are organized according to schools' logistical resources • the technical and professional learning programs are not demonstrating their efficiency on the labor market

<i>The proposed system's requirements</i>	• the creation of legislative, logistical and informational instruments in order to reorganize this system in a single representative institution • this institution will study the requirements of each region in great detail and will offer programs in accordance with the necessities of the labor market
<i>The solution</i>	• the separation of the technical and professional educational system from school units, subordinated to local public administration

Source: the author's conception

Through the separation of the technical and professional learning system from the school units that are subordinated to the local public administration and the creation of an institution that is dedicated to this type of education improvements to the quality of the yearly organized programs can be made. In addition, the technical and professional education can be transformed into a continuous source of qualified labor force, up to date with the latest needs of foreign and local investors.

It is generally accepted that in the development of human capital, public education plays the most important part, foreign companies providing a significantly lower contribution. The positive effects of the training from FDI are meant to supplement and not replace the growth in skill level and qualifications for

the human capital. However, the presence of FDI can have a good effect on state authorities that can be given early indications as to the demands of skills. In this context, the major challenge for the representatives of the Romanian education system is that of satisfying the demand on time, being aware that education not only favors potential investors, but is also a factor of development, of general usefulness [17]. Therefore, it is necessary to fix some of the issue of the university system in Romania because it fails to cover the efficient qualification of young graduates. With this in mind, through the SCRS analysis I will formulate a first strategic step towards increasing the strictness regarding the quality of the higher education programs.

Table 2 – A grid highlighting the strategy of ensuring that university education is a development factor

<i>Strategy</i>	<i>University education – can ensure the improvement on Romania's human capital to develop itself, to innovate and to apply new technologies</i>
<i>The Current State</i>	• there is no correlation between the labor market's tendencies and the knowledge that is accumulated during university studies • the knowledge and skills that are acquired by students do not meet the quality criteria and standard that exist on a global or European scale • universities do not measure and update to quality of their courses, the elements that are taught have no application

<i>The requirements of the desired system</i>	• <i>universities should reach for higher standards, that are compatible with the needs of the labor market</i> • <i>the certification of the quality of the courses</i> • <i>the elimination of university programs that are not in accordance with the changes of the labor market</i>
<i>The solution</i>	• <i>the creation of legal regulations that would determine universities to follow the tendencies of the labor market, and to use the platforms that are made available by the Romanian authorities in order to have an updated insight over the requirements; early adaptations of the educational programs.</i>

Source: the author's conception

The creation of a legislative framework in order to increase the strictness with which universities fulfill the compatibility criteria of the educational programs with the market's requirements would be the first step through which, the private sector, the consumer of labor force and the educational system, the supplier of workforce would begin to work together in order to continuously train and improve the labor force.

Conclusions

The information gathered throughout this paper signal the fact that a country's labor force is a very important resource for its economic growth, and the way it manages its training and improvement process gives each system its specific attributes, each foreign company being interested in training systems that are similar to those from which it comes or they are looking for a certain skill set of the labor force, in line with the company's activities.

The fact that the workforce's flexibility is seen as an important factor in attracting FDI must determine the training and improvement system to diversify the types of

programs it has on offer, so that it leads to a labor force that is well trained, innovative, mobile, in line with the requirements of the private sector, and the public sector as well.

In order to improve the training and improvement system of the labor force in Romania in order to attract FDI, I thought necessary to formulate and implement a new vision, either by streamlining the current system or by completely changing the system by implementing instruments used in systems such as those in the USA, Germany, Great Britain or Japan.

Due to the fact that the Romanian educational system is a hybrid system, the most feasible solution is that of streamlining the current system by fully turning it into a dual system (by increasing the strictness of the way technical and professional education is organized and by improving university education), focused on quality and efficiency. Only a change in vision can satisfy the expectations regarding the reformation and improvement of the educational system and the expectation regarding transforming the market into a competitive environment.

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