

# THE DEFICIENCIES OF THE INFORMATION OFFERED BY THE PRESENT FINANCIAL SITUATIONS REGARDING THE HUMAN RESOURCES

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## **Abstract:**

*In the attempt to harmonise the Romanian accountancy system with the International Accountancy Standards was noticed that some reglementations are easily assimilated, but some are not yet to be applied – like the ones from IAS 19 or IAS 26. So we have from theoretical point of view some issues – which solving those will bring to tremendous advantages for the practical aspects of these problems.*

**Key words:** deficiencies, information, financial situations, human resources.

Referring especially to the period after WWII, in the Western Europe it is noticed a constant pressure coming from the employees (actually their unions) regarding the accounting information.

Also, referring to the information made available by accountancy The International Accounting Standards Committee, it recognise employees as one of the seven categories of users, underlining their concern towards the company's lucrative ness, but also towards its stability, together ways and levels of remunerations, pension advantages, bonuses, periodic stimulations etc.

Most of this information is available in the social balance sheet. In the study of the different existing models of social balance sheets from various countries we have to start with **France**, the first country to adopt, starting with 1978, as a mandatory demand for all the companies with more than 300 employees to conceive the social balance sheet<sup>246</sup>, on annual basis, disregarding the company's form or domain of activity, with the following exceptions:

- The public services and administrations – the state is not interested to subdue its own services to additional obligations;

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<sup>246</sup> R. Danziger, Bilant Social, *Encyclopedie de gestion*, vol. 1, cited work, pages 246-247.

- all small and middle size companies – exactly the ones that seldom use other instruments of social management – therefore especially those that could put the information revealed by the social balance sheet to the best use. That’s why the unions asked for the lowering of the 300 employees’ threshold to a 50 employees’ threshold, exactly the minimum number of employees needed to develop an independent union.

Although, we can notice that the present form of the social balance sheet not stimulate enough the unions (because of its effective utility) to really does the further development of the legal frame as a top priority goal.

Most of time the top managers consider the company committee (ain not approves the social balance sheet and is the main beneficiary) as an extension of the union, and the social balance sheet analysis is regarded as a possible source for demands – this, in turn, makes the managers reticently and sceptically.

Actually the social balance sheet is regarded more like an administrative formality. Some measures for a sudden change can be taken: different models for social balance sheet, adjusted to the different realities, or putting the social information in a larger frame, showing in the same time the global situation, the financial capital’s performances together those of the human resources<sup>247</sup>.

The management and the employees’ representatives, in agreement, can make adjustments and modifications of the indicators, in order to a better reflect in one the specific realities. New indicators can be, therefore, conceived, but is forbidden not to compute the ones mandatory by law. The content and the computing method are mandatory, the companies can make slight adjustments – like changing the age intervals. This makes difficult con compression social balance sheets from company to company – a thing that it is not at all encouraged.

Almost 80% from the information needed for the social balance sheets are taken from fiscal and social statements made by the companies even from before 1978.

The law does not make mandatory any control procedure or certification of the social balance sheet by some independent expert. There is only one sanction that regarding the conceiving of the social balance sheet entirely.

Thus its publication is mandatory and restricted, being transmitted to:

1. the company’s management;
2. unions;
3. shareholders;
4. labour inspectors;
5. all the employees, on request.

As long as its public aspect is not fully enforced issues appear

especially when comparisons are made, on sector or economy-wide levels.

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<sup>247</sup> Idem 1.

The balance sheet remains in the first place a starting point in the management-union talks. In the second place it serves to make the information more transparent, and, not lastly, it helps to plan and develop the social area of any company.

We can also add that even if the emphasis was put on the social side, that has to be correlated with the financial side – the financial accountancy, and, in perspective, on another level, we have to correlate it to the anticipated management. We can enumerate some directions for possible improvements:

- to consider the annual evolution of the company, its profile, the evolutions in the economic branches, the development of subsidiaries, competitor merges etc.
- the full description and evolution of the work-environment, strongly connected with the growth rate of the company;
- to acknowledge better the social environment inside and outside the company;
- the correlation of the social environment with the management;
- using other indicators – like raw figures, especially in production;
- using unified indicators, allowing inter-branches comparisons;
- describing the work-station through the required qualifications, accordingly to the company's specific;
- using forecast situations regarding the technological progress in order to foresee the needed additional skills, the professional career etc.

The incomplete social balance sheets, inaccurate or not made on time are not plainly liabilities, but, of course, the personnel's representatives and other recipients will notice the partial or inaccurate aspect of the document, that will be a true sanction for the manager's reputations.

In **Denmark** the modifications brought to the financial balance sheet in March 1999, with the obligatory character of the publication of the data regarding the human resources increases the emphasis on the measurement of such indicators.

Because we are live in a society of information and knowledge, human and other immaterial assets are become increasingly important. The human resources are regarded as an important part in the total assets of a company, and don't forget about the companies that have interests in the human resources market. Being a developing economic sector, its methods, forms of presentations, evaluations also develop in a continuous manner.

*In Romania*, as we speak, there is no pressure front the employees/unions against the companies on issues like production, profitability or publication of social information. The unions in Romania are pulled back by the union experience before 1989, therefore being some distance away from the true notion of "union". The only pursued interests are getting some advantages for the employees (most times starting negotiations from completely unrealistic positions), and, sometimes even more important, getting political/financial advantages for the union's leaders.

The employers are not regarded as a partner, but as enemies, and the profitability and the overall financial situation of the company is of no interest whatsoever – not even the middle and long term economic provisions. As in many other areas the unions are hampered by the leader's unprofessionalism and corruption. In such conditions is no wonder that the legal frame for the social balance sheet is missing. Another phenomenon that affects the unions is their leader's migration, on the union-politics or union-business routes, many so called "leaders" regarding the union as nothing more than a way to achieve personal welfare.

***In the situation that another the Romanian companies will be forced to make a social balance sheet***, parts of the data required can be taken from the financial accountancy, from:

1. Account 641 "Expenses with personnel wages"
2. The added value
3. 112 account "Bonus from profits"
4. 645 account "Expanses with insurances and social protection"
5. Note 8 from the financial balance sheet. Information about the employees, administration staff, top and middle management personnel;
6. Basic documents like pay sheets, attendance book, medical certificates, notes coming from low-level managers etc.
7. Were we can find them, the information offered by the internal management accountancy should be priceless.

***To those above we can also add:***

1. Information regarding professional trainings:
  - Number of hours/attendant;
  - Number of attendants form total number of employees;
  - Overall cost of the trainings – and eventual legal subsidies (like the ones given by the 76/2002 Law regarding the unemployment insurances and the incentives to occupy the workforce)
  - Number of types of trainings made (initiation, specializations, qualification etc)
  - Correlations between professional training expenses and eventual direct effects on work efficiency and productivity;
2. Information about the health on the workstations:
  - Work accidents
  - Medical leaves;
  - Professional disease leaves;
  - Health checks, made on the company's demand;
3. Security on the workstation:
  - Work accidents;

- Days on hospital;
  - Trainings in accident prevention;
4. Benefits:
- Premiums
  - Stimulants;
  - Study bonuses;
  - Study leaves;
  - Other premiums.

*We think that* it should be taken as examples the French and Danish types of social balance sheets – those countries already have a sizeable experience in this domain. Once again, we must underline some of its functions:

1. *Information supplier.* In this role the social balance sheet acts in the areas where it is available. Therefore, there is an internal and an external availability. The social balance sheet is aimed for three categories of beneficiaries:
  - *Personnel representatives* – one periodic, annual document replaces scattered, randomly available data;
  - *Employees* – the social balance sheet takes the place of a fragmented, with “uncharted territories” information;
  - *External beneficiaries*, especially shareholders.

On the macroeconomic level, however, the most important beneficiary should be the state itself, with his specialized structures: The Ministry of Economics and his subordinate agencies responsible for the management and destination of the funds required to the different adjustments that could be taken on the workforce market. A vision, a single and solid project in the workforce market policies (here including aspects like wages, ways to encourage employments, ways to encourage professional trainings etc.) are absolutely required in the contemporary environment.

2. *Management tool.* Although it was not envisioned with this role, it helps to identify and solve various social issues – therefore the social balance sheet is one important tool in the social management of a company. The social balance sheet offers an accurate diagnosis of the strong and weak points in the social subsystem of a company. The weak points discovered should be tackled in a coordinate manner, in a global strategy regarding the social management. The social management system has a succession of instruments, tools that so can be used in a focused manner. Overall indicators offered by the social balance sheet can be split in order to achieve structural indicators or dynamic indicators. Analysing those new indicators could lead to new solutions. Thus, if 40% of the personnel attended trainings regarding safety on the workstation, and the accident rate decrease from 3% to 2%, we can safely conclude that there is a strong relation between the measures taken at the end result.

The accountancy only offers a quantitative dimension of the cost of a social dysfunction – like the absence of one worker from his workstation. Absences, but also shortcuts in the proper technological process increase the production cost – such issues can be traced to a bad management of the human resources. The social balance sheet identifies with the aid of some indicators these shortcomings. The absences, for example, we have additional costs and losses – with supplementary payments, underused of the nominal production capacity, absences management etc.

**There is always the issue of the so-called “hidden costs” in the area of social politics. These costs have to be included in the costs/gains analysis in the investments. For example, if we eliminate night -shifts in a company this will lead to a 7000 monetary unit’s investment and gains of 2300 monetary units. But those are only raw figures, considering only the economies made by eliminating the additional wages for the night-shifts and the reduction of the maintenance personnel. For a proper analysis other “hidden advantages” should be taken into consideration – like increased productivity, less absentees etc.**

3. *Prognosis and anticipation instrument.* If the social balance sheet is made pertaining, in an unitary manner, and with a proper public character (complete and mandatory) it can be analysed in dynamic. So trends, structural evolutions, even functions can be identified in order to better understand of phenomena that govern this area of interest.
4. *Tool for scientific research.* The wide availability of large number of social balance sheets in a national economy could lead to important advancements in theoretical researches for a number of disciplines, like accountancy, human resources management, financial analysis, marketing etc.

For now, however, there are some impediments that at least delay the implementing of such reglementations in order to make the social balance sheet a mandatory document. First of all the unions/employees show no interest for it. As we already stated, the unions are not interested in a trade-union fight based on scientific, logical arguments, and where the unions don’t exist, the employees have such a weak position that cannot put any pressure on the employers in order to make such documents. This is a perceivable phenomenon even where the state is the employer. If one party is clearly not interested, the other one is not far away. Not even the employers don’t realize the advantages (some direct, but most of all indirect) that a social balance sheet could bring to a company.

Where the beneficiaries are lacking the vision the state should imply and adopt the necessary measures – even if unpopular and in a coercive manner. The dissensions and the political climate in our country, the weak support of the Government in the Parliament make such measures impossible, at least in the near future.

In the attempt to harmonise the Romanian accountancy system with the International Accountancy Standards was noticed that some reglementations are easily assimilated, but some are not yet to be applied – like the ones from IAS 19 or IAS 26. So we have from theoretical point of view some issues – which solving those will bring to tremendous advantages for the practical aspects of these problems.