

MANAGEMENT EXPERIMENTS ACCORDING TO THE INSTITUTIONAL PROSPECT OF THE JIU VALLEY MINING AFTER 1989

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ABSTRACT: *The hereby paper approaches certain aspects regarding the present circumstances that regard management experiments in the context of the social, economic, and political changes after 1989. Institutionally, and having as a background such changes, mining activities are continuously transforming and adapting to the requirements of the European Union. Institutional social and economic performance is determined by the assertive potential of the institution as an authority in the field as well as by the competitiveness of the mining units or of subordinated units. Management experience has been both influenced by the restructuring, turning to good account, and endowing with new technologies of the mining units as well as by the process of transition towards a functional market economy.*

KEY WORDS: *restructuring; turning to good account; endowing with new technologies; change management; institutional analysis; institutional adapting.*

JEL CLASSIFICATION: *A14*

1. INTRODUCTION

The starting point of the hereby paper is the process of transition towards a functional market economy from an institutional point of view that involves a series of structural, functional, and legislative adjustments of our under development country which have to be synchronized with those belonging to other countries having a developed economy. Accordingly, after 1989, Romania, as a country under development, has undergone a continuous process of economic, social, and political changes. Considering this perspective, one may state that the Jiu Valley had also witnessed such changes, especially when taking into account the fact that it is a mono-industrial region; the industry of the Jiu Valley as well as the industry of the entire district was strongly influenced by certain specific phenomena that accompanied the

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process of transition. Among these phenomena, let's cite the following ones: the process of restructuring of the mining field accompanied by massive employees leaves, the need of investments in the endowment with new technologies with a view of optimizing productive activity, and the improvement of the use of material, financial, and human resources.

The social and economic effects of re-structuring the mining field are quite important and require well-elaborated social measures in order to create a favorable milieu demanded by the development of the business environment and of an economic competition background capable to provide a positive perspective to a functional market economy.

According to Aurel Iancu, the transition towards a market economy represents a period that includes two main economic processes:

- *The change of economic mechanism* that includes various processes, such as: privatizing, decisional decentralizing, prices liberalizing, foundation of new, adequate economic devices, and change of the part played by the State through turning it into an economic agent;

- The second process regards the *restructuring of economic units* and includes processes regarding the re-modeling, modernizing or endowing economic units with new technologies. (Iancu, 1992)

This period of transition towards market economy represents a series of processes similar to privatizing and/or economic decentralizing; the new mechanism that is going to be founded should provide a highly performing functioning of the national economy.

The sociological analysis of management experience within management activity according to an institutional prospect ranges within the management practice of industrial units. Institutional evolution regards the fact that institutions are founded and develop according to a certain social, economic, and political environment with a view to meeting certain social needs. They are proved to be useful as long as *the need of meeting the targeted needs exists* and as long as the *required resources exist* in order to match those needs. In case major changes come out at the level of the society – such as: shifting from one political regime to another, globalization, economic crisis – they determine a factual crisis and influence, to a certain extent, the coming out or termination of certain institutional units or structures.

The state of crisis represents the condition of malfunctioning and decline, of paralysis, blockage, recession or regress reached by a certain institution, structure, human group or activity belonging to the structure of a society. Deficiency and decreased evolution potential represent features of the state of crisis. All manifestations of crises within socially useful activities begin with a slow or sudden cease of the previous rhythm and the appearance of elements of disorganizing or disorder; then follow the decrease and termination of resources (material, financial, human, management resources) that continue up to the blockage or interruption of the activity, temporarily or definitively. Under certain circumstances, the crisis may determine the termination of an activity organized and maintained by a certain institutional structure or may be over-passed owing to the efforts of re-organizing, re-financing and adapting to the new demands of social practice (Otovescu et al., 2011, p. 90).

The improvement of the activity of economic units under crisis condition can be done according to a medium or long term plan that should notice the adapting capacity to the demands of the economic and social environment within a certain context.

At present, in Romania, management is associated with change while management culture may be one of the privileged sources of settling present and future issues due to the fact that human beings are agents of performing innovation of social actions. The deep restructuring of tendencies, ideals, and mentalities determines the ranging of human resources in the first position of no matter what project of normative reconstruction of organizational structures. Change management represents the strategy of systematic and planned change whose implementation requires the influencing of organizational structure, of organizational culture, and of individual behavior (Buzarnescu, 2008)

2. DIMINISHING MINING ACTIVITIES AS A VIABLE ALTERNATIVE OF THE INSTITUTIONAL RECOVERY OF MINING

In an article bearing the title “Institutional birth rate and mortality in post ‘89 Romania: a sociological prospect”, we have emphasized certain aspects regarding the management experience of restructuring the mining activity of the Jiu Valley (Anghel, in Stefanescu et al., 2012, pp. 89-91)

Economic restructuring, that includes employees restructuring, during the process of transition, has been considered a viable alternative of industrial enterprises; nevertheless, no plan of professional conversion or real alternative of absorbing labor has been elaborated.

The restructuring of the mining activity was necessary with a view of determining the improvement of certain mines and the termination of others along with a social program that could accompany or emerge before the economic restructuring process with a view of decreasing mining economic cost which represented a real State issue in Romania. According to the calculations of the specialists belonging to the Ministry of Industries and Trade, during the period 1991 – 1998, over 4 billion dollars were lost in the coal and ores extractive industry. Let’s only mention that the National Pit Coal Company in Petrosani registered losses of almost 2 billion dollars out of which more than 1 billion dollars represented subsidies. Accordingly, “economic cost” represents in the mining field the ratio between incomes and expenditures in order to get one ton of brown coal or of net extracted pit coal; the “social cost” afferent to the mining activity regards the human resources spent in order to restructure the industry, including the leave of certain employees; to this, one should also add the secondary negative aspects that implicitly come out of such an operation: unemployment as a major factor of poverty (Boboc, 1999, pp. 3-4).

Beginning with 1990, the profound restructuring of the mining industry materialized according to several coordinates: technological restructuring of production that has had as a result the decrease of underground production and the increase of the share of surface exploitation production; the increase of the share of energetic pit coal supplies and the decrease of the amounts of pit coal prepared in order to get coke; the

increase of the activity of extracting and preparing copper and precious metals ores and the beginning of the activity of modernizing large quarries; the organizational and management restructuring that consisted in *externalizing* certain complementary activities of the mining units and their organizing as distinct companies; the restructuring of the employees belonging to the mining units owing to outsourcing certain activities and organizing as companies; anticipated retirements, decrease of labor time and leaves accompanied by with compensatory payments; decreasing or ceasing productive activity in case of certain mines displaying exhausted geological reserves, extremely hard geological conditions or increased production costs (Stegar, 2007, pp.73-74).

The mining industry of the Jiu Valley has had a strong influence upon the whole economic and social life of the region. At its turn, it has witnessed economic pressure from other economic branches, a reason owing to which mining went through a period of significant quantitative and qualitative changes, both institutional, management, and technological and regarding life quality. Romanian State is the one that has supported mining production owing to budget allocations meant for investments and subsidies due to the difficult exploitation conditions and to the high production costs of both surface quarries and underground exploitations.

At a European level, they estimate that 100,000 jobs directly or indirectly depend on mining; they are mainly located in the Ruhr region - Germany, the North-Western part of Spain, and The Jiu Valley in Romania. According to the internal rules of the European Union, governments are not allowed to give subsidies to inefficient industries due to the fact that such a thing would represent an advantage of such industries as compared with those that do not get any support. Inefficient mines should be closed and their workers should be professionally trained for other fields while State allocations should be gradually decreased until 2018. Mines supply 5.1% of Europe's electricity; in the case of Romania coal share within the amount of electricity production represents about 40%, out of which mostly pit coal.

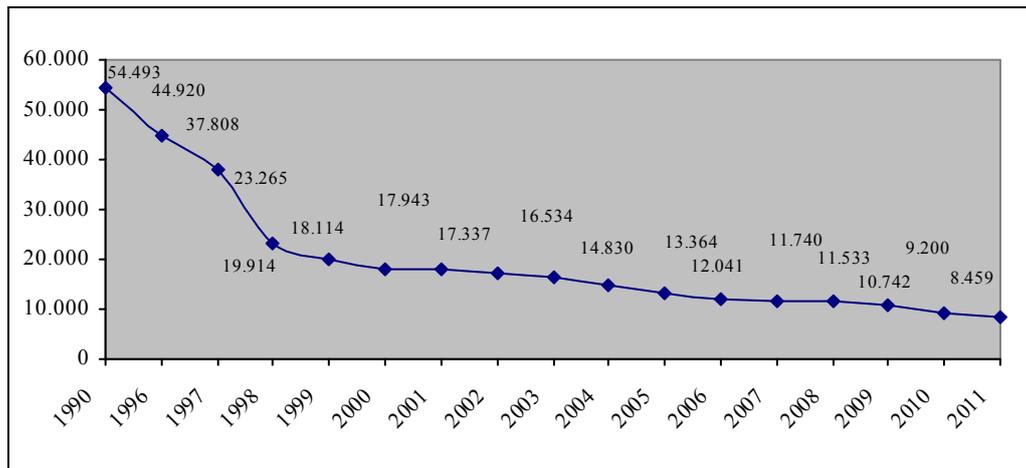
As regards the energetic strategy of the World Bank, the European Parliament is worried to find out that the World Bank goes on investing important sums of money in coal electric plants determining the blockage of under development countries within an energetic context relying on coal during the next decades; at the same time, multilateral financing given to financial intermediaries is poorly monitored. These should have clear objectives of development, financial performance as well as solid social and environment guarantees. The European Union should also urge the World Bank to invest more in regenerating and efficient energy, to support alternative, decentralized, and smaller energetic projects capable to take into account the needs of local communities and the economic reality of various countries.

3. THE CONDITION OF THE EMPLOYEES OF THE JIU VALLEY MINING DURING THE PERIOD 1990-2011

In his attempt at setting forth a social policy structured owing to the means of economic policy, Catalin Zamfir emphasizes two sub - periods: *the first one* belongs to the years 1990-1996 when budget efforts were made in order to protect jobs, while the

second one represents the years 1997-2000 when the policy of supporting jobs preservation was abandoned.

The elimination from the field of salaried labor of important social and professional groups employed in economic branches that were to be restructured through a drastic decreasing mainly in the mining field represents the second sub-period which starts in 1997 and is still in force. Accordingly, one may notice (Figure 1.) the decreasing trend of the number of employees in the Jiu Valley mining field.



Source: C.N.H., Department of Human Resources (average number of employees)

Figure 1. Evolution of the number of employees in the Jiu Valley mining field during the period 1990-2011 (thousand persons)

Figure 1. shows a negative trend of the evolution of the number of employees in the Jiu Valley mining field during the period 1990-2011 determined to a large extent by the leave decisions taken in this field and, to a smaller extent, by retirements owing to age limit. In fact the above figure displays the decreasing trend of mining activities that allows the out - coming of the so-called “phenomenon of institutional mortality” in the mining field.

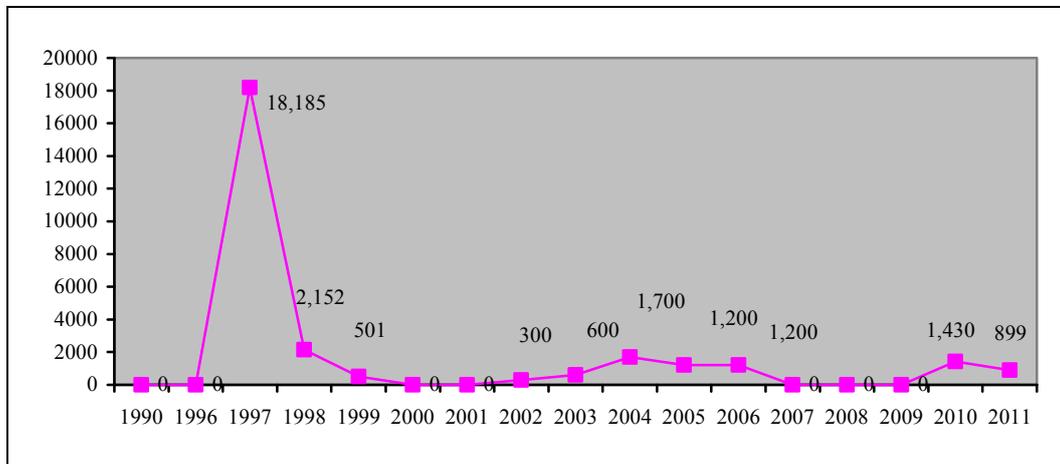
The reason a new economic re-organization of the mining activity was required was the fact that mining was considered an inefficient activity that used to register losses of billion dollars in the case of the National Pit Coal Company (C.N.H.) in Petrosani (former Autonomous Pit Coal Administration). The company is an economic organism that coordinates the Jiu Valley’s mining activity. As a result of the economic crisis, the results of a research made in 2009 at the request of the World Bank, shows that Romania exhibits the highest rate (17.6%) of the companies closed between 2008 and 2009. Another effect of the economic crisis is the increase of the number of companies that are debtors to the State budget. Among the 10 most important debtors to the State budget let’s cite the National Pit Coal Company with 1, 467 billion Lei (Otovescu et al., 2011, pp. 130-132).

One of the most important components of the process of transition in Romania is the reform of the mining field. Besides the favorable effects of the reform upon the

increase of the degree of efficiency of mining units and the diminution of the losses of national economy, the process of reform also has negative effects upon the miners and their families, upon the communities whose existence is structured, to a certain extent, by mining activities, upon the individuals that work in other fields depending or not on the mining industry, and upon local infrastructures. Among the negative effects, let's cite the following ones: increase of unemployment rate and lack of professional insertion (re-insertion) alternatives; decline of living standards; deterioration of local infrastructures and public services.

An effect of restructuring Romanian metallurgical industry is the partial abandoning of the use of the Jiu Valley coal in favor of imports. Pit coal demand dropped from 10.9 million tons in 1989 to 5.7 million tons in 1997; in 2009 it represented 2.5 – 2.6 million tons. Coal production was meant for the two important beneficiaries: Paroseni power-station and Mintia power-station. In 2007, due to the restructuring of extractive industry, to the decrease of the number of employees, and to the total or partial termination of the mining units belonging to the Jiu Valley basin, extracted production represented 2.63 million tons; accordingly, it was 75.8% smaller than in 1989 and 63.2% than in 1996.

Mining nevertheless went on being one of the fields that were most subsidized in Romania; consequently, over 50% of the total amount of State subsidies were directed towards the Autonomous Administrations in the mining industry. Such subsidies should have been directed towards technological modernizing; yet, they mainly targeted the periodical increase of salaries and of the other incomes of the miners or of their leaders.

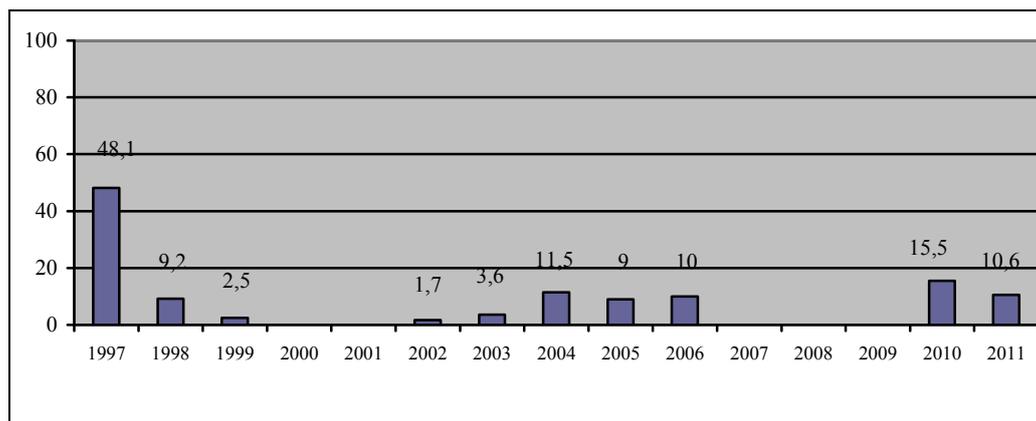


Source: C.N.H., Department of Human Resources (average number of employees)

Figure 2. Display of the decrease of the number of employees during the period 1990-2011 (number of persons)

Under such circumstances, the restructuring of the mining field has become a national demand that determined resorting to the solution of leaves according to two Orders (significant from a quantitative point of view, as Figure no. 2 shows): Order

9/1997 addressed to the employees to be fired by autonomous administrations and State companies, irrespective of their type of activity, and Order 22/1997 which displayed a special treatment of the miners that left their jobs “on demand”. According to the stipulations of the last order, the miners leaving their jobs were given “compensatory payments” that represented between 12 and 20 net average salaries specific to their branch (Dobre-Baron, 2009, pp. 232-237).



Source: C.N.H., Department of Human Resources (average number of employees)

Figure 3. Decrease of the number of employees owing to dismissals (%)

We have emphasized the two orders due to the fact that during that period the most important decrease of the number of employees in the Jiu Valley’s mining field was registered; it represented almost half of the number of employees (Figure no. 3), although the leave program of the labor in the mining field stipulated that only 15% of the employees were to leave the field as a result of implementing Order 22/1997. Let’s notice that the restructuring programs of the mining activity through dismissals went on during the following years and represented smaller percents which, nevertheless, were numerically significant.

4. CONCLUSIONS

The results of the researches undergone upon economic and social costs show that the Jiu Valley will always be a reference area for political, economic, and social experiments, due to a wrong social policy having a negative impact on Romania’s image world-wide; the Jiu Valley will always represent a trust test for all political powers to come (Boboc, 1999, p. 36).

Social actors and social knowledge represent key elements that enable the understanding of the content and of the patterns of institutionalizing processes; they might explain social institutions, not only in terms of their need of coming out, but also in terms of their concrete structural forms (Pop, 2003, pp 61-62).

Irrespective of the level of the analysis of social environment, social knowledge – its type, manner of foundation, evolutionary characteristics – is essential in

outlining the major tendencies of social policies and strategies that are going to be adopted. The drawing out of priority issues and of the manner of their social processing, according to a certain context, determines the display of the types of social policies as well as of the processes of their institutionalizing.

Mining restructuring may represent a viable solution from an economic perspective within the process of institutional recovery of adapting, improving, and making flexible the new structures; it may also support the development of other fields of activity in order to create concrete alternatives of labor absorption. And, according to a research of the National Federation of Mines and Energy on Romania's mining activities, past experience clearly shows that there were difficulties in reintegrating fired employees in the labor field.

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