Human capital return on investment in the private sector in Romania improved by more than 12%, according to the PwC Saratoga 2016 study

The human capital return on investment (measured as the number of monetary units generated by an employee for each monetary unit invested by the company in his / her salary) increased by 12.5%, reaching 1.44, according to the PwC Saratoga 2016 study. This evolution is due to an increase in profitability as companies have reduced their overall costs.

“The highest human capital return on investment was registered in the FMCG sector due to a strong growth in internal consumption. We also notice an improvement of the human capital return on investment in the banking sector, proof that the streamlining measures undertook in recent years, as well as the strict costs control, are beginning to pay off”, stated Horațiu Cocheci, Senior Manager, Leader of the Human Resource Consulting Team, PwC Romania.

The study indicates also an increase in the termination rate for labour contracts, up to 18.7% compared to 14.1% in the previous edition, driven by an increase in voluntary terminations (resignations), coupled with a stabilization of involuntary terminations (collective and individual dismissals). These evolutions indicate a stronger dynamics of the labour market and an increase in the competition to attract employees.

“Some sectors have traditionally been faced with a very high termination rate. Such is the case of retail, where employees are likely to change jobs even for small salary differences. We also notice this increase in the terminations rate for all staff categories, except for administrative personnel, while for management this increase was of over 40% compared to previous year (from 6.6% to 9.5%). Whereas for workers the decision to quit the organization is mostly lead by financial reasons, managers generally leave for positions that entail more complex professional challenges. For this reason, companies will need to develop internal programs that will give managers the opportunity for professional and career development (such as job rotation programs or international mobility opportunities)”, stated Nicoleta Dumitru, Manager, Human Resource Consulting Services, PwC Romania.

“In close connection with the termination rate is also the external recruitment rate. This grew by 36% compared to previous year, from 13.5% to 18.4%. In the same time, the cost of recruiting an employee grew from 229 Euro to 262 Euro (an increase of 14%). We face a more intense competition in the market for attracting employees able to drive growth and
capitalize on the existing market opportunities. In order to win this battle for talent, organizations need to use methods and instruments more and more sophisticated in identifying the right candidates (for example by accessing the virtual communities of experts or by utilizing the social media channels) as well as for attracting these professionals (by building an attractive employer brand suited for the characteristics of the targeted candidates), explained Nicoleta Dumitru.

As regards the investment in training and development programs, the Saratoga 2016 study highlights an increase in training hours (from 17 to 20 hours per employee per year), but in the same time a decrease in the associated training costs, from 155 Euro per employee per year (the 2015 value) to 120 Euro. We witness on the one hand the amortisation of the investment in complex “train the trainers” programs undertook in the previous years (the formation of internal trainers able to disseminate content across the organization), but also in e-learning platforms (which entail a large implementation cost, but low maintenance and operation costs afterwards). On the other hand, it is becoming more and more frequent the utilization of innovative development methods (such as “peer learning” in which companies facilitate meetings between employees from various departments for information and professional experience sharing), which do not entail significant investments from the organization”, added Nicoleta Dumitru.

The PwC Saratoga Romania 2015 study presents exhaustive data on human capital markers based on information collected from 66 companies coming five economic sectors (pharmaceuticals, industrial production, retail, banking and FMCG).

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