

DIFFERENCES BETWEEN EMPLOYEES ACCORDING TO THE SIZE OF THE ENTERPRISE THEY BELONG TO

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Abstract

This article looks into the differences in enterprises at the level of the employees depending on the size of the enterprise.

There has always been much talk on the differences between enterprises, as each has perceived the existence of differences between enterprises according to certain rules that separate enterprises. These criteria are: number of employees, turnover, production volume, machinery. The difficulties generated by maintaining differences for comparative analyses at the global, European and national levels, in order to know the existing experiences in the world and in the country for the purpose of developing their own enterprise development policies, have prompted the focus on a unique model without it being binding for all countries or being certified in any way.

Keywords: turnover, enterprises, differences, production, employees.

Introduction

This article portrays small and medium-sized enterprises both in terms of their size and the economic behaviour shown toward the global and national economy.

Their size is given by the three dimensions that separate enterprises into micro, small, medium and large enterprises.

Table 1. Criteria for the differences of enterprises

| <u>Enterprise category</u> | <u>No.of employees</u> | <u>Total turnover</u> | <u>Total actives</u> |
|----------------------------|------------------------|-----------------------|----------------------|
| Micro-enterprises | <10 | ≤ 2 million Euro | ≤ 2 million Euro |
| Small businesses | <50 | ≤ 10 million Euro | ≤ 43 million Euro |
| Medium enterprises | <250 | ≤ 50 million Euro | ≤ 43 million Euro |

Source: Recommendation 361/2003 / EC

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One of the differences seen in most countries, as a result of empirical research, is the remuneration of employees. Employees in small and medium-sized enterprises receive less remuneration than those in large enterprises as a result of a lower qualification of those in SMEs than large enterprises.

High professional training leads to richer productivity.

For smaller businesses, marginal labour productivity, the only pertinent basis for setting the remuneration, is often superior in large businesses - very large compared to small ones because larger businesses are more capitalized than small ones.

From the point of view of protection, we can say that large enterprises offer more security than SMEs due to the presence of unions whose existence in small enterprises is an exception most of the times. In the first category, however, employees are subjected to impersonal behavioural rules and are lost in a large organization. That's why many are stressed or become somewhat anonymous.

Promotion in large enterprises is not always strictly achieved according to the performance expected from the employee because he cannot be noticed so well in a large enterprise.

The more personal the nature of the employee's relationship with the management is much better achieved in a smaller enterprise than in a large one, which gives the employee the benefit of a good knowledge of his performance and an appropriate promotion. However, all empirical research has revealed that it is not to be exaggerated with this kind of knowledge since many people do not stand and do not accept a combination of their family with their professional life.

Usually, large businesses do not perform a single activity, but more, and can hold shares on markets which are so important that it can influence them. Nevertheless, it has never been possible for such an enterprise to influence all the markets which it operates on. The ability to influence the market confers on that enterprise a monopoly position. A large enterprise in a monopoly situation on a large market in a developed country market risks being contradicted by the authorities that have the responsibility of regulating competition in that country, whereas if a small enterprise manages to control a narrow market segment, that is, to have a monopoly position in a developed country, no one or almost no one will organise against it.

In different countries, there are other kinds of situations: large state-owned businesses such as national or local governments have a state or public monopoly position and can effectively impose abusive prices if law-abiding

authorities do not want to accept the price increase. If such a company is privatized, ownership of that position is taken over by its new owner or owners.

Small enterprises rarely find themselves in such situations because they do not have the potential to participate in large-scale privatizations rather somehow in association or through direct association with the state-owned enterprise holding the monopoly.

Small enterprises have the opportunity to directly assess the qualities of their employees because they see them at work and are in direct contact with them at all times. Large enterprises often have to resort to expertise and assessment specialists, which implies extra costs, as well as indirect and random acquaintance. Because they can better assess them, small businesses pay lower salaries to their employees.

They track real performance with much lower costs.

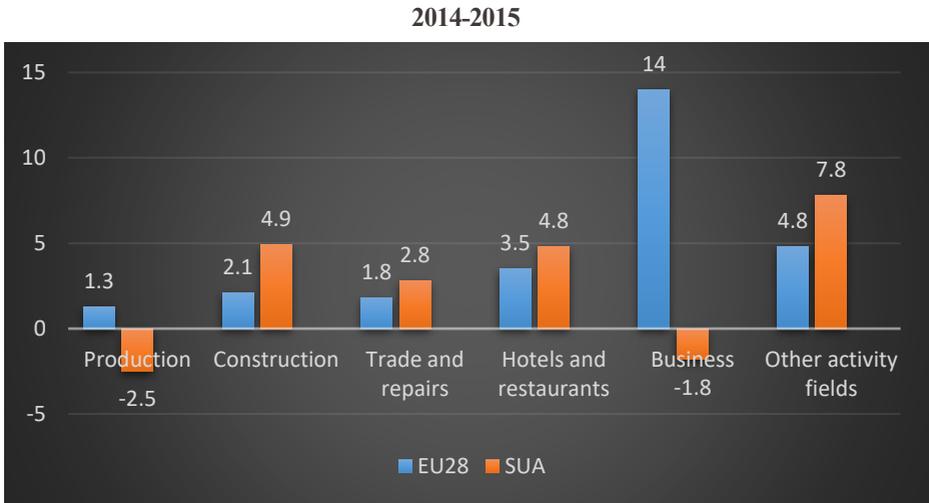
It is known that small enterprises recruit their workforce, usually from local markets that are also small. On these markets there is a balance salary for each trade, and this salary is only accepted at the limit when they cannot access a bigger one. Since, in general, the demand of a small enterprise does not mean too much even on a local market, it can hire the number of people needed by paying the required salary without disturbing the balance as its demand being low, the bidders will put their claims on the level of the balance salary or very close to it. A large enterprise overthrows this balance because it has a high demand for work, and as a result it has to accept a higher salary in order to employ the desired number of employees and their qualification. If the enterprise looking for workforce has a too big demand in relation to the targeted market, it must incite the arrival of bidders for work from outside the area to settle in the respective region. An enterprise only triggers such a reaction only if it assumes directly or indirectly the material and psychological costs sustained by the employees. This reasoning, however, is based on the demand for work.

As small and medium-sized enterprises pay lower wages than large enterprises, their employment is less stable, while in large production units employment is obviously more stable. There are two important phenomena in this respect: jobs have lower stability in small businesses and the workforce leaves more rapidly after hiring in search of a higher salary and a more stable job. Employment instability also has other explanations, such as:

- a) Strategic behaviour of employees looking for better working conditions and a better location of the enterprise,
- b) The enterprise's strategic behaviour to make labour a dependent factor of its production, permanently at its disposal and very flexible,

- c) Hiding the dismissal of employees through their leave in search for another job,
- d) It's harder for someone who leaves from a large enterprise to find work, assimilates the new conditions with difficulty, and has to change many enterprises to get closer to the conditions he has had if he wishes them,
- e) The average age of employees increases with the size of the company,
- f) Young people change work more often than the elderly because the latter assume family responsibilities and if they can still reduce their geographical mobility by favouring stability in the enterprise,
- g) For many employees there is a specific behaviour starting their activity with an employment in small enterprises, because the big ones put down diploma conditions and professional experience,
- h) Those who have not obtained a higher education diploma rarely get into a large enterprise if they have not gone through a small one or more. Moving through a small business is not a guarantee that he can reach a large enterprise,
- i) In a large enterprise one does not necessarily make a fortune, but one can build a career. For wealth, it is better to own an enterprise, if possible, from the beginning or to take over an existing one,
- j) Small businesses have poor absenteeism, and obviously bigger ones have higher. Absenteeism differs by the type of work and by gender. Workers are missing more than employees in the administration department. Workers are more exposed to certain illnesses than office workers. Especially in small enterprises, because there are fewer, office workers are not missing from work. Another reason is that they also have to do the work they do when they resume their work.

Figure 1. The share of employment growth in the EU28 and the US in the period

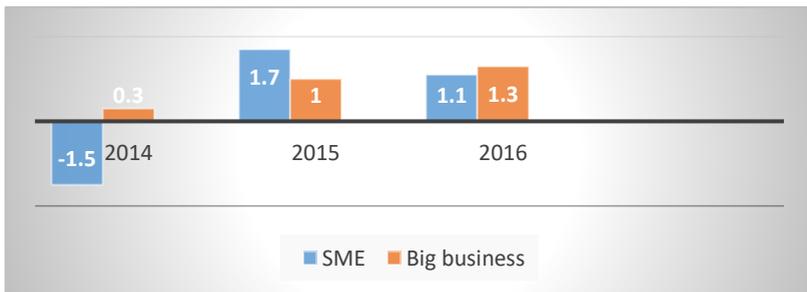


Source: Eurostat

According to the presented graphic, the USA had a bigger growth than EU28 with the exception of the two sectors, “trade and repairs” and “business” respectively.

Overall, in EU28 the growth of the employment at the sector level was more uniform compared to the USA, where the the threshold for cross-sectional employment from one sector to another is significantly increased, with differences between 2-6 percentage points.

Figure 2. The performance of employment in SMEs in the period 2014-2016

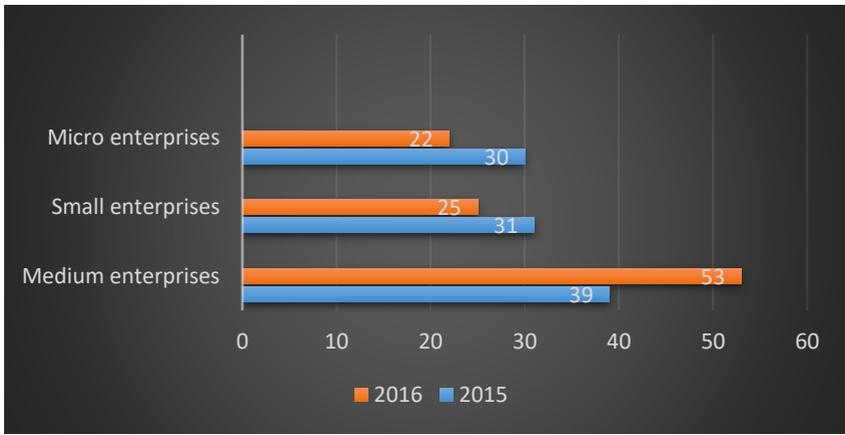


Source: Eurostat

In 2016, small and medium enterprises have occupied over 85 million persons from the EU28 sector, approximatively 65% of the nonfinancial sector.

If in 2015 the employment in small and medium enterprises had a decrease of 1.5%, in the next year there was a growth of 1.7%.

Figure 3. The share of employment in SMEs, on the size of the enterprise, in the period 2015-2016

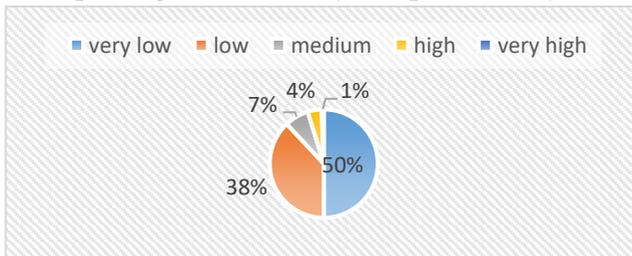


Source: Eurostat

The share of employment growth in micro-enterprises increased by 14 percentage points over the period 2015-2016 in the micro-enterprise sector.

At EU28 level, the number of jobs in SMEs was provided by micro-enterprises in the year 2016.

Figure 4. The share of the grouping of the employment in the EU28 at sectorial level depending on the intensity of exports in the year 2015

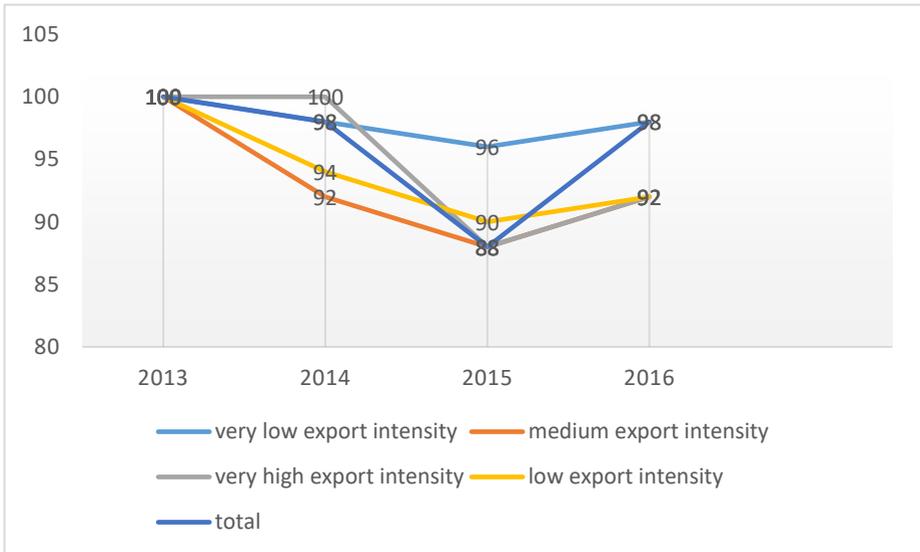


Source: Eurostat

The information considered for chart 4 was regarding the value of exports of goods and services and the number of exporters per size class in EU28.

The sector's export intensity is calculated as the ratio between the sector's exports and the total sales of the final demand. High-intensity export sectors include "production of motor vehicles, trailers and semi-trailers", "pharmaceuticals".

Figure 5. The level of the value-added for SMEs and employment, depending on export intensity, at EU28 level, in the period 2013-2016



Source: Eurostat, National Statistical Offices, DIW econ

The year 2015 recorded the lowest values in terms of export intensity. However, in the next year - 2016, the situation has changed favorably, with a steady increase in value added.

Conclusions

The analysis I have developed on the size and the differences between enterprises has allowed me to outline the enterprises world and capture the differences between them. Explaining these differences, we have outlined the intermingling of interactions between employees and employers, which have their foundation in wages.

The graphics captured the comparison regarding the employment in the EU28 and the US, the performance of employment in SMEs, and also the share

of employment relative to the size of enterprises. These allow us to understand the importance of small and medium-sized enterprises in economic life.

This difficulty is, directly, one of the most important problems of the conflicts between employees and managers, which is felt in the quality of goods and services, offered on the market by enterprises.

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- DIW Econ – the economic consulting company of DIW Berlin, with a clear focus on the business needs of clients, whose work is based on the combination of sound economic theory with advanced economic tools and real data.