

# **DISMISSAL THREAT: POSITIVE AND NEGATIVE EFFECTS ON HUMAN RESOURCES DEVELOPMENT**

**Marina Ludanik – Anna Orlova**

---

## **Abstract**

This article discusses the threat of dismissal as a phenomenon of social and labor relations influencing the development of human resources in the labor market. For disclosure definitions and fundamentals of this phenomenon in the system of labor relationships and employment the theoretical basis for detection and identification of dismissal threat and approaches to the analysis of dismissal threat are produced, as well as the author's approach to the development of indicators to assess the threat of dismissal is proposed. Approaches to the development of dismissal threat indicators were built in accordance with the system of decent work indicators and the Decent work concept (ILO). Quantitative and qualitative assessment was carried out by available international statistics of underemployment and overemployment as indicators of the dismissal threat; the place of Russia in the global trends was shown. The authors suggest recommendations for improvement and the necessity for further development of the system of indicators in terms of accounting the dismissal threat spread as well as trends in the development of the statistical database of the Federal Statistics Service in Russia for the implementation of these indicators comparability in accordance with international standards.

**Key words:** decent work indicators, dismissal threat, overemployment, part-time work

**JEL Code:** J220, J680

---

## **Introduction**

This article discusses the threat of dismissal as a phenomenon of the labor market. Both domestic and foreign studies show that the threat of dismissal (DT) in the labor market - an ongoing phenomenon, but it has various forms of demonstrations, depending on the state of the economy as a whole, the labor market, the labor legislation features and others. We can note a possible increase of the productivity of workers, their high motivation and lower costs of dismissal under certain circumstances among the positive effects of the DT [7]. Negative aspects of the DT in the labor market are manifested primarily in the obstacles to achieve the goals of decent work concept of the ILO [9], with significant adverse effects, such as reduce of production due to downtime or underemployment, spread of panic among workers, severe social and psychological consequences (both for workers and for their families) due to delays in the payment of wages or vacations without pay, etc.

In Russia the problem of origin and spread of the DT, especially in period of economic recession, is the subject of intense debate at the government level to develop effective employment policies. A special place is a statistical accounting of DT indicators for a timely response to prevent DT transition into unemployment. In this connection it is interesting to consider the example of an existing phenomenon in Russia.

## 1. Theoretical basis for identifying the dismissal threat

The dismissal threat is a multifaceted phenomenon in the Russian labor market, so it is need to identify this phenomenon based on his premises.

### 1.1. Identification of the dismissal threat

Variety of economic, institutional, social and psychological factors that are formed within the company as well as outside, for example, observed economic crisis or technological progress, introduction of innovation, etc., influence on formation of DT. The items listed above can serve as a basis and be included in the basic definition that identifies DT. It should be noted that the Russian legislation defined DT in RF Government Decree of 14 December 2009 as follows: cases of threat of dismissal are „a downtime; an introduction of part-time work; a vacations without pay; an implementation of measures to release staff” [13]. A narrower definition of DT regards the predominance of power of an employer over a worker in terms of personnel policy, adapting to external crisis conditions [12].

Submitted definitions are narrow and do not adequately consider all reasons for which this effect occurs. Therefore, we propose the following most complete definition of DT, „the threat of dismissal is a situation in labor relations, in which one of the entities of labor relations is under pressure from another subject of the labor market, which is realized by the institutional, economic, social and psychological leverages and consists in the intention to abandon the employment relationship“ [11, page 56-70].

Table 1 shows the main approaches to addressing DT on the basis of the mentioned above definitions.

**Table 1. Approaches to the analysis of the dismissal threat**

Criteria	Approaches	Description
By scale	Macro-level	Layoffs, downtime, part-time work, vacations without pays, activities to release staff
	Meso-level	Changing an organizational structure of a company associated with dismissals of employees
	Micro-level	Dismissal of particular employee
By groups of factors	Economic	Changes of external environment, the competitiveness of labor market agents, personnel management strategy in terms of personnel policy based on the dismissal threat

	Socio-psychological	The current organizational culture of an organization, leadership style, employee's behavior
	Institutional	Weak degree of employment protection rigidity by the government, weak influence of trade unions on company's human resource policy
By the purpose of personnel policy	Selection of employees	Revealing inconsistency of characteristics of a worker and a workplace, and subsequent dismissal
	Incentives for employees	Increase of worker's productivity due to the dismissal threat
By formation source	From an employer	An employer threatens with dismissal to select employees and to reduce staff costs or to promote employee
	From an employee	An employee threatens with dismissal to improve working conditions or to raise wages

Source: authors' elaboration

This systematization allocates four criteria for identification of the DT.

### **1.2. Consideration of the dismissal threat by the macroeconomic position**

Special role in the analysis of the DT absorbs its consideration at the macroeconomic level, as far as the manifestation of the dismissal threat at the macro level is a large number of involved workers and employers that has some effect on their families. Unfortunately, the DT has acute psychological and social consequences for workers and their families, especially when it comes to the sole breadwinner in the family or to socially vulnerable groups of workers [14, page 4-10]. The most expansion of the dismissal threat occurs during economic downturns. However, it is stands to mention that the DT can receive quite impressive prevalence in periods of economic growth, for example, due to increased globalization, leading to the displacement of production from developed to developing countries, or increasing capital intensity of production in the context of labor displacement because of, for example, promotion of innovative technologies [2, page 25-41; 6, page 339-360; 8, page 1-13]. In our opinion, tracking changes in the statistics of the dismissal threat can help to predict the level of unemployment and to develop effective employment state policy.

At the macro level, a significant role in the prevention and enumeration of the DT support Decent Work Concept (ILO).

### **1.3. Approaches to the development of indicators to assess the dismissal threat within the Decent Work Concept**

Stability and reliability of a workplace as well as indicators of access to employment, i.e. indicators that are directly related to the possible occurrence of the DT in a workplace, take significant place in proposed indicators.

Experts and researchers elaborate system of indicators of decent work since 2002 and this work has not been completed. We consider several systems of decent work indicators and place of the dismissal threat indicators in them. Table 2 presents the different approaches to

the development of systems of decent work indicators attributing to the presence of the DT at a workplace.

**Table 2. Approaches to the development of dismissal threat indicators within Decent Work Concept (ILO)**

Approaches	Dismissal threat indicators
Anker, Chernyshev, Egger, Mehran, Ritter [1, page 147-177]	Underemployment, overemployment, number of employees with less than one year tenure, temporary employment, employment in the informal economy
Bescond D., Chataignier A., Mehran [3, page 179-211]	Overemployment
ILO, 2006, for Asia and the Pacific [4]	Overemployment, number of hours by one employee, the number of temporary workers
ILO, 2012 [5]	Informal employment, overemployment, underemployment, irregular employment, temporary employment
Barmuzina, Valiahmetov, Kolosova [10, page 33-67]	Quasi unemployment, new forms of employment, underemployment, backdated wages, unprofitableness of enterprises, the nature of employment contracts

Source: Compiled on the sources listed in the table

Key dismissal threat indicators within the system of decent work indicators are:

- number of part-time employees, including those that are in forced vacations without pays, and their share in total employment;
- number of employees working more than average hours per week, and their share in total employment;
- number of temporary workers and their share in total employment;
- number of informal workers, and their share in total employment;
- number of workers in non-standard forms of employment, and their share in total employment;
- number of employees with less than one year tenure, and their share in the average staffing number;
- number of workers with backdated wages, and their share in the average staffing number;
- share of unprofitable enterprises as an indicator of insecurity of a workplace and the proportion of employed in unprofitable enterprises workers;
- number and proportion of workers with civil contracts, with verbal agreement, with work-at-home contracts.

Note that some of these decent work indicators are presented in the ILO databases in the context of gender and age groups, partly in the context of industries or professional sections, which is a prerequisite for a complete analysis of the DT.

In accordance with cases of the DT specified by Russian legislation, the Federal State Statistics Service of Russia provides data only of the number of employees: part-time workers, downtime, and vacations without salaries, and schedules for workers' release. In addition, statistics of the staff number scheduled to release and some estimates of employment in the informal sector are presented in the regional context. However, these indicators are usually not considered in the context of gender or age groups, so they are not comparable with international statistics collected by the ILO.

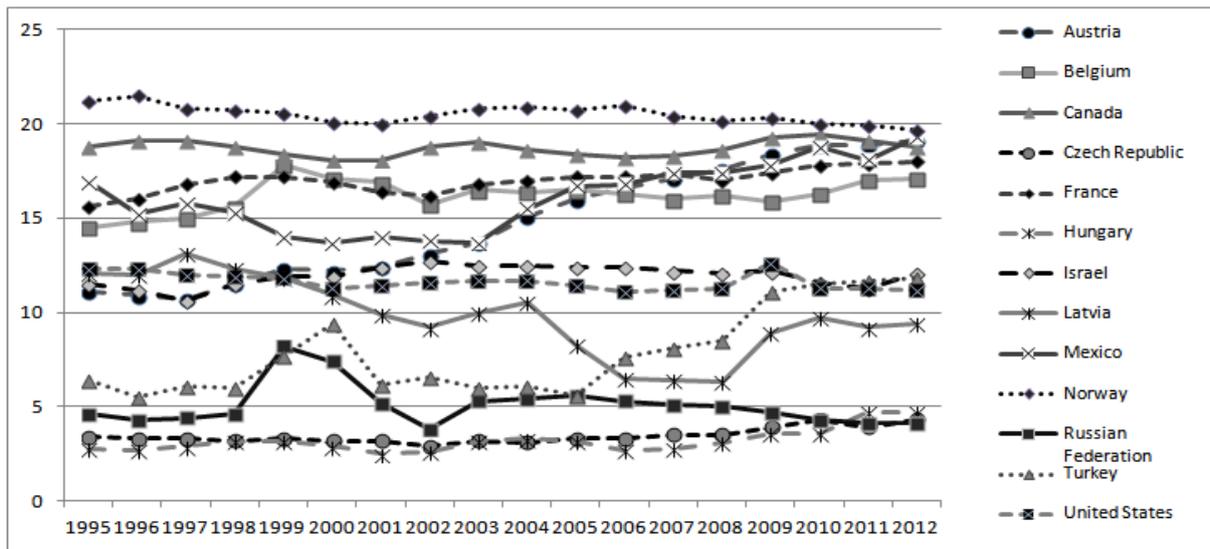
## **2 Quantitative assessment of the dismissal threat**

This part of the article considers analysis of such indicators of the DT as underemployment and overemployment. Despite the fact that increase or decrease in work hours from accepted norms can lead to higher utility for certain workers, as a whole, underemployment and overemployment relate to the problems in society and lead to serious social problems, deterioration of workers' health.

### **2.1. Quantitative assessment of underemployment as an indicator of the dismissal threat**

Underemployment is defined as number of employees who work time is less than work time generally accepted in the country, so more accurate definitions of underemployment differ across countries. The proportion of part-time employees in total employment is highest in Norway and lowest in Russia and the Czech Republic among countries under consideration of our study (Figure 1). At the same time throughout the reporting period this share in Russia was higher than in the Czech Republic but after 2010 they equaled. It should be noted that the share of part-time workers rose from 1995 to 2012 in most of the countries, it decreased only in Latvia, Norway, Russia and the United States. During economic crisis 2007-2009 this characteristic increased in all countries except Russia and Belgium that serves as proof that the part-time employment as an indicator of the DT increases during economic downturns.

**Figure 1. The proportion of part-time employees in total employment (%)**



Source: ILO, database LABORSTA, part-time workers. URL: <http://laborsta.ilo.org/> (accessed at: 16.03.2014r.)

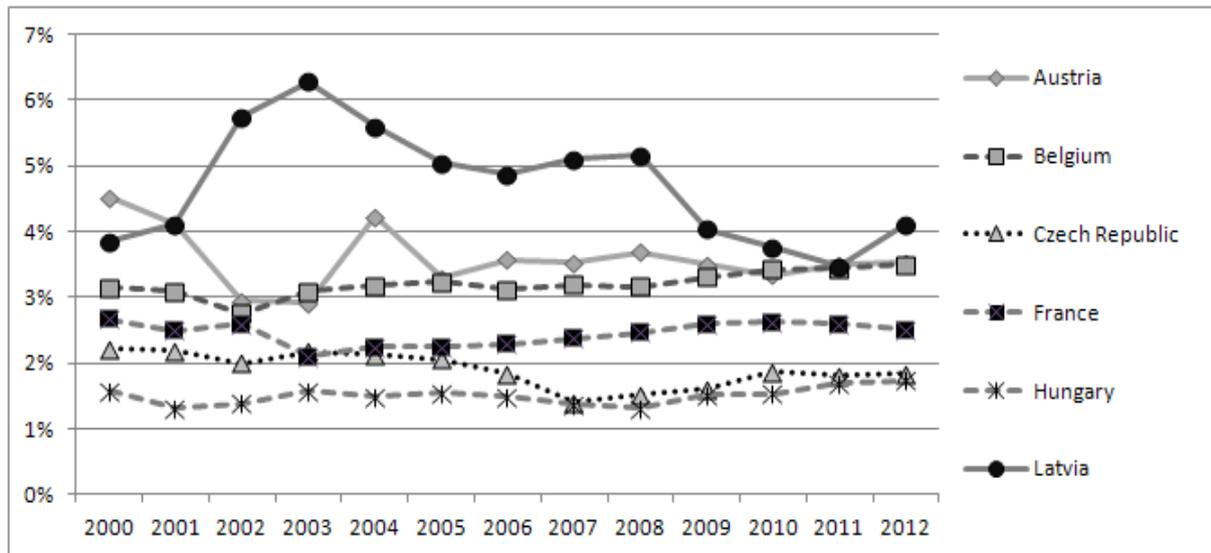
Another important indicator is involvement of women in part-time employment, since for many of them part-time employment can be a benefit when they combine job and housekeeping. Among the countries the lowest participation of women in part-time employment is observed in Mexico<sup>1</sup>. Legal protection of women underdeveloped in Mexico and the country has lower level of development compared with the rest of the countries under our consideration. Thus, in Mexico women have to work full time to maintain the level of household's wealth. Besides, the presence of labor-intensive production involves greater participation of women and demand for female labor in developing countries. Among developed countries under consideration the largest proportion of part-time women-workers was observed in 2012 in Belgium, in second place is Germany, the third place is Australia.

## 2.2. Quantitative assessment of overemployment as an indicator of the dismissal threat

Figure 2 presents the percentage of workers with second jobs in employment in the economy of these countries. This indicator is the highest in Latvia and the lowest in Hungary. This indicator increased, including due to a possible reduction in wages from the main job and the need for additional income, in all countries under consideration during the recession except in Latvia.

<sup>1</sup> ILO, database LABORSTA, part-time. URL: <http://laborsta.ilo.org/>

**Figure 2. The share of workers with second jobs in total employment (%)**



Source: EU, database, eurostat. URL: <http://epp.eurostat.ec.europa.eu> (accessed at - 16.03. 2014r.)

The proportion of women among workers with a second job is the highest in France (65.4%), the lowest - in Hungary (40.12%) in 2012. In the Czech Republic the indicator is 40.4% in 2012<sup>2</sup>. Based on the foregoing, we conclude that the labor market in the developed countries is quite flexible, that is, women can choose between underemployment and overemployment; in these two categories of workers their share is high. It should be mentioned that overemployment has negative impact on maintaining family values, traditions and fertility.

## Conclusion

In conclusion we present our proposals to improve the system of dismissal threat indicators. In our opinion decent work indicators should be improved by accounting for all components of the dismissal threat. In this connection we propose to include following series of indicators characterizing this effect. First of all, the indicator of downtime which is characterized by a greater extent for industries as well as for single-industry cities should be considered, so long as the available databases presents statistics of strikes and lockouts, not separately a downtime, which are used as a tool of personnel policy during economic recessions. Secondly, the number of employees with backdates wages as well as the total amount of such indebtedness should be included as it can serve as a direct source of the dismissal threat in the workplace. And thirdly, the number of employees scheduled for release next month should be included in a system of decent work indicators, since it is the first sign

<sup>2</sup> EU, database eurostat. URL:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_lfs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database)

of a possible increase of unemployment and leads to heavy social and psychological consequences for these workers and their families.

It is also necessary to revise and include mentioned above indicators, expanding and clarifying the system of decent work indicators, in databases of Russian Federal Statistics Service for their comparability in accordance with international standards.

## References

Anker., Chernyshev., Egger., Mehran., & Ritter. (2003). Measuring decent work with statistical indicators. *International Labour Review*, 142.

Bassanini A., Garnero A. (2013). Dismissal protection and worker flows in OECD countries: Evidence from cross-country/cross-industry data. *Labour Economics*, 21, page 25-41

Bescond., Chataignier., & Mehran. (2003). Seven indicators to measure decent work: An international Comparison. *International Labour Review*, 142

*Decent Work Indicators for Asia and the Pacific* (2006) / A Guidebook for Policy-makers and Researchers, Retrieved from: [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_099163.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_099163.pdf)

*Decent Work Indicators. Concepts and definition* (2012) // ILO manual, Retrieved from: [http://www.trabajodecente.org.co/wp-content/uploads/pdf/libros/decent\\_work\\_indicators.pdf](http://www.trabajodecente.org.co/wp-content/uploads/pdf/libros/decent_work_indicators.pdf)

Frijters P., Geishecker I. (2012). International Outsourcing and Job Loss Fears: An Econometric Analysis of Individual Perceptions. *Scandinavian Journal of Economics*, 112 (2).

Kwon I. (2004). Threat of Dismissal: Incentive or Sorting? *Journal of Labor Economics*, University of Chicago Press, vol. 23(4)

Lindsey B. (2004). Job losses and Trade. *Trade Briefing Paper*, 19.

*Report of the Director-General: Decent work* (1999) // ILO. International Labor Conference, 87th Session, Geneva, Retrieved from <http://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm> ILO. *Decent jobs for all in a global economy* // Third WTO Ministerial Meeting, Retrieved from <http://www.ilo.org/public/english/bureau/dgo/speeches/somavia/1999/seattle.htm>

Barmuzina G.R., Valiahmetov R.M., Kolosova R.P. (2012) Implementation of the decent work principles in Russia: regional aspect (for the Republic of Bashkortostan), *Ufa, «Guillem»*.

Ludanik M.V., Orlova A.N. (2013). The problem of dismissal threat in the Russian labor market. *Bulletin of Moscow University*, 6 „Economics”, 1, page 56-70

Ludanik M.V., Roshchin S.Y. (1998) Personnel policy based on threat of dismissal: possibilities and limitations. *Arguments of the international scientific conference "Technologies of power and control in the modern government"*

*Resolution On granting in 2010 and 2011, subsidies from the federal budget of the Russian Federation on the implementation of additional measures aimed at reducing tension in the labor market of the Russian Federation* (2009). Collected Legislation of the Russian Federation, 51, article 6316.

Hansen G.B. (2009) A guide to worker displacement: Some tools for reducing the impact on workers, communities and enterprises. ILO, URL: [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@ifp\\_skills/documents/publication/wcms\\_103594.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/publication/wcms_103594.pdf)

### **Contact**

Marina Ludanik

Lomonosov Moscow State University, Faculty of Economics

MSU, Leninskie Gory, GSP-1, 3rd new educational case, Economic faculty, Moscow, 119991, Russia

[mv.ludanik@gmail.com](mailto:mv.ludanik@gmail.com)

Anna Orlova

Lomonosov Moscow State University, Faculty of Economics

MSU, Leninskie Gory, GSP-1, 3rd new educational case, Economic faculty, Moscow, 119991, Russia

[anna.n.orlova@mail.ru](mailto:anna.n.orlova@mail.ru)