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- SECTION EUROPEAN LAW AND PUBLIC POLICIES -

THE ROLE OF COMPETITION ADVOCACY IN STABILIZING THE COMPETITIVE SPACE IN REPUBLIC OF MOLDOVA

Tiuhtii, Constanța

Abstract

The harsh conditions of a developing market where fierce competition persists often resulting in law violations, capitalizes the development of competitive culture. In terms of market particularities where operate mainly small and micro enterprises, considerably enhances the need of competitive culture development.

This paper presents an analysis of the the particularities of competitive behavior in small countries through the specific features of a small domestic market such as limited competitive opportunities. They arise due to factors such as the dominant structures (monopolistic and oligopolistic) approval by state bodies, the existence of price control systems, barriers to entry and others. Thus, the development of a transparent and balanced competitive environment is possible through improving of the competitive culture, that compared to large markets, require additional efforts.

Competition Advocacy is the key of competitive culture in order to reduce the number of infringements of competition law that resulted in sanctions, which would help to increase the competitiveness of businesses. Through its work, Advocacy helps developing a normal competitive environment.

Keywords: *Competition advocacy; Competition norms; Competition criteria; Competition authorities.*

JEL Classification: K2, K4

The role of competition in the contemporary economy

The modern economy focuses on a functioning market economy, which implies competition between market actors to expand and maintain market. In this context, competition is the objective force of coordinating traders' activities and options. It generates entrepreneurship spirit, and market entry of new agents, while eliminating inefficient companies and stimulating the effective ones, thus playing a role of "rehabilitation" of the economy.

Normal competition, held in accordance with the rules adopted in the company, plays an active role in the economy and fulfills important functions, such as stimulating initiative, innovation, creative spirit and emulation between operators. Also favoring the normal price, even reduce them under pressure from competition. These have the effect of consumer satisfaction by offering low prices, high quality and wide possibilities of choice.

Competition Advocacy

Competition and competitive mechanisms are customized depending on the degree of development of market economy, the liberalization of the economy, but also the behavior of economic agents in relation to these rules.

Gaps on understanding the necessity of the existence and enforcement of competition rules which are in society and business cannot always be eliminated by law.

Imposing of rules, and penalizing for not respecting them, wakes often contradictory spirit, and as a result the competitive environment does not record the expected improvements.

Also to detect violations and impose sanctions is a process that requires increased efforts and large expenses, and moreover, the reaction of the economic environment leads

to distancing relations and low communication between legal representatives and market players.

T. Murrisa, Chairman of the US Federal Trade Commission in 2002 for the first time used the term "Advocacy" and defines it as one of the activities of Antitrust Authorities, Aimed at Strengthening the competitive environment through mechanisms that do not involve the use of coercion measures, and the use of active relationships with other government agencies and increased understanding by the general public of the benefits of competition (Murrisa Terry, 2002).

"Competition advocacy – a systematic management activity by the competition authorities, aimed at establishing mutual understanding between the government, society and business, including complex communication, advocacy and educational activities, and informing market participants about their rights and obligations to the society and the market" (Knyazeva Irina, 2013).

The ICN (International Competition Network) Advocacy Working Group (AWG) mentions that Advocacy reinforces the value of competition by educating citizens, businesses and policy-makers. In addition to supporting the efforts of competition agencies in tackling private anti-competitive behavior, advocacy is an important tool in addressing public restrictions to competition. Competition advocacy in this context refers to those activities conducted by the competition agency, that are related to the promotion of a competitive environment by means of non-enforcement mechanisms, mainly through its relationships with other governmental entities and by increasing public awareness in regard to the benefits of competition.

The competition advocacy purpose is to create conditions that will lead to a more competitive market structure, business conduct and economic performance. It must assume the role of a more competitive market structure and behavior of the business without direct intervention by the competition authority (OECD, ch 6).

The competitive environment in the context dimensional

The impact of market dimension on the competitive environment is considerable. This is due to the particularities of the market, specific of dimensional structure.

Limitation of competitive opportunities on a small domestic market occurs due the facilitate of the dominant establishment and disadvantages of fragmentation.

However, the advantages of consolidating businesses and the inclination of authorities to justify such consolidation business, including the existence of monopolistic and oligopolistic structures, tend to inhibit the development of a competition culture.

Moldova is a small developing country. Merging these two features have a considerable impact on competitive behavior in the market.

Developed countries show a more advanced competition education, and developing countries have a lower rating, in this field.

Once territorial RM presents small dimension, the domestic market owned by it is small.

Specific to a small market, RM market has the following conditions:

1. The existence of natural monopoly in public utilities such as electricity, fixed telephone, gas and water line. This is due to relatively high overheads, which does not allow more entities to provide a viable service. Monopoly conditions are also favored by the low level of natural resources, leading to high levels of imports. So are created conditions for dominance or monopolization of import channel, which develop resistance to the creation of parallel import channels.

2. The existence of barriers to entry. RM market is predominantly made up of SMEs. And in markets whose actors are SMEs, the offer presents a wide range of products, which are interchangeable. In a saturated market, and where the products offered are varied, new market entry requires considerable effort. Another natural barrier is the fragmentation. The need to purchase raw materials in bulk, in order to avoid excessive fragmentation of loads also limits the number of entrants. In some cases, artificial barriers are imposed by the government, to make viable certain market segments, where substantial expenditures are required. Segments, such as the provision of taxi services and pharmaceutical networks require licensing. The license in this case constituting an entry barrier effect, although the market would still have place for other actors.

3. On a small market collusion between suppliers tends to be more easily performed. In these markets is more developed social interaction, a small number of market players tend to have a closer relationship and family ties prevail. In such circumstances, parallel behavior is common and concerted practices are difficult to distinguish from independent actions by the authorities.

The competitive culture market aspects

Although competition advocacy is important regardless of market size, it requires more effort into smaller ones, given that family connections and social networks are more likely to lead to collusion than independent competitive action.

The study among economic agents from Moldova, observed a reaction more or less negative opposite competitive legislation. This shortcoming is due to the information and training in the field. The fear of fines creates a reaction less appropriate for economic development in this area. Also imposing fines are subject to economic destabilizing of the entity. And a lot of violations are made involuntarily, because of the shortcoming of knowledge in terms of competition law, and fewer lawyers trained in that area.

The competition Advocacy is the alternative tool that could help educate competitive behavior and stabilize the competitive environment of the market. At the same time contribute to the development of the legislative framework cooperation relation with the economic actors for the competitive market development.

Developing a competitive culture among economic agents can enhance economic competitiveness both in the domestic and especially foreign markets, where activate big companies that have already exceeded internal current knowledge and application of competition law.

Culture competition is able to support the maintenance of a transparent and predictable business environment, which is a key factor to a functioning market economy.

Competitive culture supports prevalence of competition law, while helping to increase awareness of the beneficial role of competition in the development of normal market mechanisms.

Compared to large countries, a small country social relationship and inter-family relations are of greater importance, therefore, application of methods of competition advocacy would bring better results in terms of implementation of policy competition than legal issues.

Making the citizens aware of the benefits of a fair competitive conduct is relevant in this regard. It is important also presenting information fairly, and understandable to the economic agents. In addition, the competition authorities must be considered to be fair and transparent.

Competition Advocacy

Assistance in competitive is the key factor in competitive culture. The global idea of assistance is to develop the competition culture in society.

An important role in this regard lies with consulting firms. Firstly because competition authority has its limits and constraints resulting from lack of material and human resources, on the other hand its role is to determine violations and punish them. Therefore, to meet the competition challenges in the single market, companies have to use the services of consulting companies on competition, to take care that all business decisions are perfectly legal and compatible with competition law provisions.

In order to avoid violations of competition law in their work, companies must focus on increasing the professional level of lawyers and deepening their employees in the competitive area. Moreover, to ensure a normal competitive environment, the market actors must be able to detect signs of infringement by competitors, which will be possible with increasing their competition culture. These requirements can be ensured through the competition advocacy.

Competition advocacy has several functions:

- ✓ Contribute to the understanding of competition law;
- ✓ Develops and promotes competitive culture;
- ✓ Disseminates information to market players;
- ✓ Through its work reduces the number of infringements and prevents the new ones.

The positive effects of the competition advocacy in the market can be highlighted on three sectors (Figure 1).

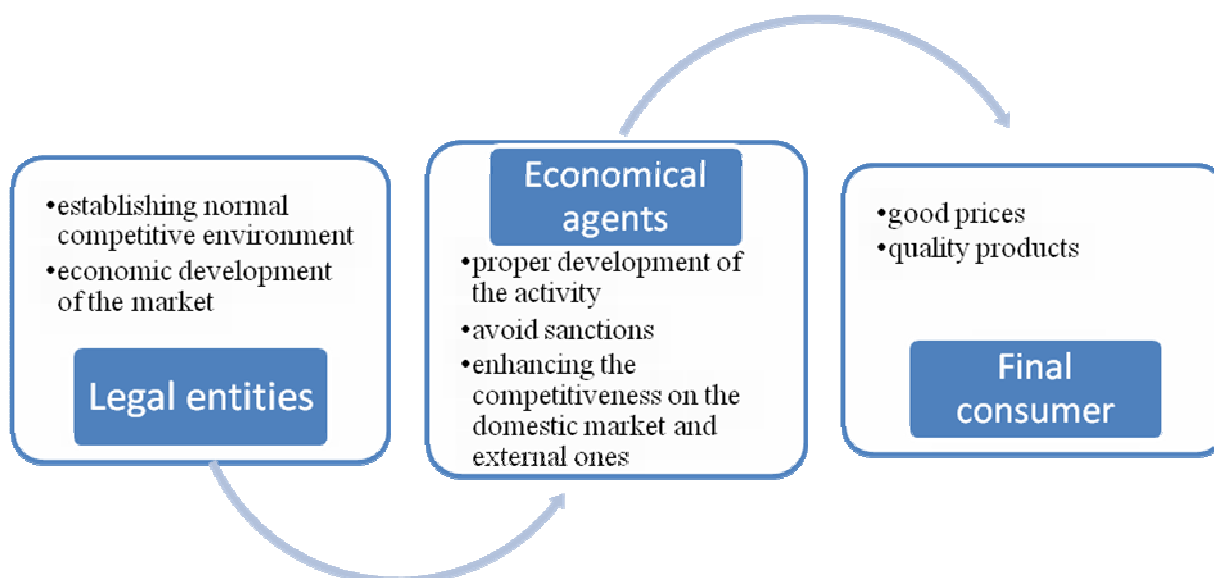


Fig. 1 Positive Effects of competition advocacy

From the other countries experience, competitive culture educates market actors to support the regulations that do not reduce competition.

Competitive culture is one of the directions of activity of the FTC (Federal Trade Commission), which use a range of tools, convince market players that it is beneficial to act in accordance with competition law. This leads to the establishment in the market of loyal competitive behavior, which affects the ultimate consumer benefit by quality and

price. By applying the antitrust laws, the FTC helps to keep the US market open and free. It also offers another perspective of policy decisions to government authorities, taking account of the competitive market. In these aspects, the FTC offers expertise and advocates policies that protect consumers and promote competition. Market players also can receive assistance pertaining to the development and practice of economic activity in relation to competition law.

Among the methods of promoting competition culture, used by ETC are:

Amicus Briefs, which provide information that, can help the court make its decision in a way that protects consumers or promotes competition when a court considers a case whose outcome may affect consumers or competition.

Advocacy filings may offer insight and expertise to decision makers by filing an advocacy letter when government bodies and other organizations consider cases or policy decisions that affect consumers or competition.

Other Applications, Petitions, and Requests, includes petitions from companies, industry groups, consumer organizations, and others asking the FTC to revise rule-makings, initiate investigations, or take other action.

Advisory Opinions helps clarify FTC rules and decisions, often in response to requests from businesses and industry groups.

Also, FTC practices reports that examine antitrust and consumer protection trends. The agency uses this research to inform policy and to evaluate the agency's performance.

Competitive culture is widely used by the European Commission. European Commission promotes competition culture through conferences and other discussion platforms where competitive authorities in different countries share experience.

The main objective is to promote convergence of competition policy instruments and practices across jurisdictions and to facilitate cooperation with competition authorities in other jurisdictions in enforcement activities.

Competition policy in Europe is an essential part of the internal market. Its purpose is to give all European goods and services of better quality at lower prices.

The European Commission cooperates closely with competition authorities of countries. Also, it participates actively in the competition-related activities of a number of multilateral organizations, such as international competition network (icn) and others in order to increase the competition culture.

The most effective method of promoting competition culture is to inform. Dissemination of information play a crucial role in improving the understanding of the necessity of respecting competition law.

Participation in international seminars, allows authorities taking practices of developed countries in this field.

A tool for promoting competition culture practiced by competition authorities of Moldova is organizing seminars and conferences. Increasing the competition culture among academic environment assures the competition culture of future market players.

Another practice to the development of the domestic market competition culture is to organize discussion platforms "Competition cafe" where discussions in an informal way, directly to economic environment allows the dissemination of information on the benefits of a fair competitive conduct on market, and the need for compliance with the law competition. On the other hand, discussion platforms allow authorities to identify competition problems and gaps in the market competitive behavior which facilitate the development of healthy and effective programs to stabilize the competitive environment.

Another tool in order to promote competition culture is self-regulation. Self-regulation is based on an agreement that is practiced in the form of noble manners Code in

relations between retail chains and suppliers of consumer goods. According to this document, networks, and network providers are building common rules of interaction between manufacturers and retail chains. This practice leads market players to adjust competition rules voluntarily, avoiding further sanctions violations.

Developing and implement the code of good manners is another way to promote the culture of competition among economic agents in the country, by involving them actively in the development of self-regulation and compliance with the rules.

The code of good practices and its observance could be used in preparing of the bill and strengthen the role of self-regulation through the instruments of the law.

Conclusions

Competition Advocacy, complementary to legislation creates competitive environment favorable to the development of free and open markets. Competition advocacy educational methods are fair and capture market actors' attention by explaining the effects of anti-competitive behavior, and the need for compliance with competition law. The opportunity to avoid sanctions from anticompetitive behavior arouses the interest of market participants to be actively involved in the collaborative development of self-regulatory principles.

The increase of competition culture develops market capabilities and actors skills to cope in foreign, developed markets that have a superior level of competition culture.

Advocacy activities enable the development of both the economic environment and the legislative framework, the feedback from the economic environment indicates authorities to weaknesses on market, requiring changes or monitoring.

Active communication of legal entities with the economic environment allows early identification of sectors with violations.

Engaging market actors in compliance with the rules and self-regulation enable their competitiveness and market development.

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MAJOR CHALLENGES IN LEGAL TEXTS TRANSLATION

Georgiana Mîndreci¹

Abstract

In a world of swift technological advances in all fields of research, translation studies has to constantly adapt to new methods of text translation. This article focuses mainly on empirical research concerning the translation of legal texts, and not only, by non-experts in the Target Language (TL) – in this case the English language - and by other translation engines, free translation services and other similar translation machines.

The starting point of this article was the analysis, through extensive reading and comparing, of various texts and articles, especially in the legal and economic fields, translated from Romanian (as source language - SL) into English (TL). The triggers for observing the major challenges in this type of translation were the negative results that the non-specialized translations had in the TL. The most important challenges include misunderstanding, misinterpretations, lack or poor of comprehension of the term equivalence, errors and misuse of specific terms or grammatical patters.

The biggest risk of these challenges is that of remaining unnoticed, not analyzed and not corrected or improved. That is why I believe this article can be in its turn a starting point for further research in this type of text translation.

Keywords: *Source language, target language, translation, legal texts, translation challenges.*

JEL Classification: K0

Introduction

The starting point of this article was the analysis, through extensive reading and comparing, of various texts and articles, especially in the legal and economic fields, translated from Romanian (as source language - SL) into English (TL). The triggers for observing the major challenges in this type of translation were the negative results that the non-specialized translations had in the TL. The most important challenges include misunderstanding, misinterpretations, lack or poor of comprehension of the term equivalence, errors and misuse of specific terms or grammatical patters.

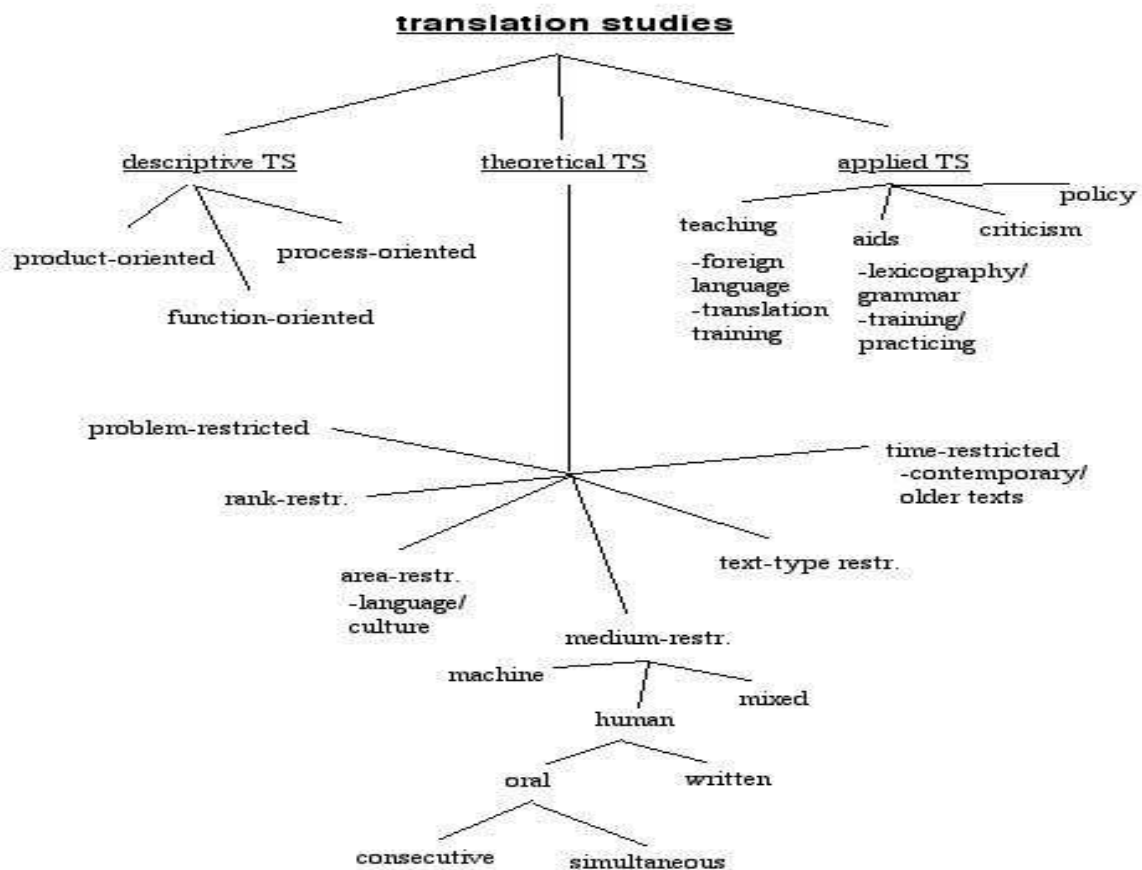
Nevertheless, the approach of translation studies in this article focuses on an outline of the most important theories concerning this new field of study in the 20th century and also on a brief historical approach as outlined by the exponent figures in this field. One of these important figures in the field of translation studies is Susan Bassenett who in “Translation Studies” offers an overview of translation studies and according to her, translation studies represent a relatively new field which has received very little formal recognition (nor respect either) until fairly recently. She mentions in her book “Translation Studies” that “André Lefevere proposed that the name of *Translation Studies* should be adopted for the discipline that concerns itself with ‘the problems raised by the production and description of translations’” (1). Her book offers an overview of translation studies and according to her, translation studies represent a relatively new field which has received very little formal recognition (nor respect either) until fairly recently. S. Bassnet is concerned primarily with developing a postcolonial understanding of translation, freed from notions of dependencies and hierarchy. She also discusses the role of translation in history and varying theories of what is important in a translation, and whether translatability is possible at all. Little attention is paid to adaptation, but the theories of translation discussed are fairly applicable. The concept of translation dates back to Roman and Greek times, but it has emerged as a new defined field of study only in the 20th century

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due to the extensive work of researchers. S. Bassnett reiterates that translation has been regarded as a “secondary activity, as a ‘mechanical’ rather than a ‘creative’ process” (2), and the translator as a “servant” (3).

Theoretical background

When drawing the schema which illustrates the organization of translation studies the question whether applied translation studies should be put under the category of empirical studies came up. Although Holmes focuses more on the descriptive and theoretical translation studies, applied translation studies are also empirical. The main difference between descriptive translations studies (DTS) and theoretical translation studies (ThTS) is that DTS tries to describe the phenomena whereas ThTS formulates principles and tries to formulate a theory how things are being done on a more abstract level. It was suggested to establish a hierarchy from descriptive to theoretical to applied translation studies. But Holmes would have objected to such a suggestion. Since TS is empirical, it cannot be prescriptive.



Source: <http://santana.uni-muenster.de/Seminars/TranslationStudies/Protocols/protokoll0305.html>

The sub-branches of descriptive translation studies refer to:

- product-oriented DTS: this sub-branch looks at translations, or, in other words, it compares texts and describes what happened in the translation. The product is the actual

translation. Thus, any text-centered approach is a product-oriented one. This can involve the description or analysis of a single ST–TT pair or a comparative analysis of several TTs of the same ST (into one or more TLs). These smaller-scale studies can build up into a larger body of translation analysis looking at a specific period, language or text/discourse type. Larger-scale studies can be either diachronic (following development over time) or synchronic (at a single point or period in time) and, as Holmes foresees, “one of the eventual goals of product-oriented DTS might possibly be a general history of translations – however ambitious such a goal might sound at this time” (qtd. in Venuti 177).

- function-oriented DTS: in this sub discipline the focus is on the context, the social and cultural situation of a translation. It is important to point out that it is not to be mixed up with discourse analysis which concentrates on one text only. The decisions concerning genre and language might determine a country’s culture. Because some or most people have no access to a special type of literature (especially a type confined to specialists or native speakers of a language), people might regard their nation to be uncivilized. This area, which Holmes terms “socio-translation studies”–but which would nowadays probably be called cultural studies-oriented translation–was less researched at the time of Holmes’s paper but is more popular in current work on translation studies.

- process-oriented DTS: this discipline asks what happens during the act of translating, in the so-called “black-box.” In Holmes’s framework this is concerned with the psychology of translation, it is concerned with trying to find out what happens in the mind of a translator. Methods to investigate this process are: taking different translators and comparing their texts afterwards or talking with the translators about the process and what they think and feel while translating (“thinking-aloud-protocol”). It is very difficult to analyze this approach empirically. That is why there are only few studies in this field, although it would be interesting to know more about the process of translating.

Before summarizing the sub-branches of theoretical translation studies, it is important to say that there is no general translation theory yet. Any general theory, however comprehensive it might be, would be very complex. In order to have such a theory one day, we have to use partial theories which are all until now restricted. Holmes named six partial theories:

- medium-restricted TTh: one can differentiate between human, machine and mixed translations. This division is needed as humans have a different knowledge from machines. Machine translations, however, also need human assistance; in so far as someone has to program the computer, for example human translations are subdivided into written and oral translations. The latter are more spontaneous and can be done either simultaneously (while hearing) or consecutively (after a short paragraph or a sentence).

- area-restricted TTh: these are restricted either to languages or the cultures involved. Holmes makes an important distinction between language and culture: different cultures might have the same language or the other way round. An example is Spain: people speak Catalan or Spanish but they share the same culture, whereas people from Spain and Mexico do not share the same culture but the same language. As the term “culture” is not clearly defined nowadays, we should be careful to avoid misunderstandings.

- rank-restricted TTh: here, texts or discourses are analyzed on the whole but on lower linguistic levels, for example on sentence or word level.

- text-type TTh: they investigate the translations of specific text types such as literary and scientific texts or poetry.

- time-restricted TTh: they concentrate on differences between contemporary and older translations.

- problem-restricted TTh: they deal with specific problems of translating, for example one phenomenon such as metaphors or the translation of names.

The sub-branches of applied translation studies mainly refer to:

- teaching: this discipline concentrates on foreign-language teaching, on translation as a method to test foreign-language acquisition and on translator training.
- translation aids: this area concerns lexicographical and terminological aids, as well as grammars.
- translation policy: we can mention the close relation to the function-oriented approach, in so far as it deals with socio-cultural aspects.
- translation criticism: it is the aim of this branch to compare different translations and make statements about their value.

The term time-restricted is self-explanatory, referring to theories and translations limited according to specific time frames and periods. The history of translation falls into this category. Problem-restricted theories can refer to specific problems such as equivalence – a key issue of the 1960s and 1970s – or to a wider question of whether universals of translated language exist. Despite this categorization, Holmes himself is at pains to point out that several different restrictions can apply at any one time. Holmes seems to be skeptical about the benefit of translation to foreign language teaching. It can be mentioned that translating texts is a good method to learn vocabulary and especially differing structures in the foreign language. People also complained that they did not learn useful strategies how to translate. It seems to be a danger that students, especially younger ones, stick too closely to their native tongue, so that the target text becomes unnatural. In contrast to this problem, free translations are in danger to be criticized by teachers. Generally, the act of translating texts in class has become less and less frequent.

The “applied” branch of Holmes’s framework concerns: the translator training (teaching methods, testing techniques, curriculum, design); the translation aids (such as dictionaries, grammars and information, technology); translation criticism (the evaluation of translations, including the marking of student translations and the reviews of published translations). Another area Holmes mentions is translation policy, where he sees the translation scholar advising on the place of translation in society, including what place, if any, it should occupy in the language teaching and learning curriculum. The crucial role played by Holmes’s paper is the delineation of the potential of translation studies.

S. Bassnett refers to the importance of translation in different cultures and to the fact that it has played a tremendously important role “in the formation of literary systems and the history of ideas” (xii). The important figures who helped develop this notion were the members of the Tel Aviv group – Itamar Evan-Zohar and Gideon Toury – and they pointed out in the 1970s that the “process of absorption of a translated text into a given culture at a given moment in time” can be thoroughly investigated (xii). This emphasizes the idea that translation studies focus on the transfer of texts from one culture into another and that attention is shifted onto the cultural background of the text instead of on the source text. At this point S. Bassnett mentions that “[l]ikewise the translator, who takes a text and transposes it into another culture, needs to consider carefully the ideological implications of that transposition” (xv). In this context translation has also been seen as manipulation, or “one of the processes of literary manipulation,” since the translated texts are actually rewritten in “a very clearly inscribed cultural and historical context” (xvii). André Lefevere has pioneered a lot of work in this field of research that focuses on the “intercultural transfer in its linguistic, historical and socio-political aspects” (xvi). As an important exponent of this school of thought (which focuses on “the transmission of texts across literatures”), André Lefevere coined the term “refraction” in order to replace the old term “influence.” S. Bassnet further explains that

A reflection involves a mirroring, a copy of an original; a refraction involves changes of perception, and this is an image that is useful to describe what happens when a text crosses from one culture to another. Moreover, refraction theory necessarily involves a consideration of literary evolution and thus places translation in a time continuum, rather than being an activity that happens in a vacuum. (Bassnett xvii)

The importance of the translator is fundamental and S. Bassnett says that the translator “must be concerned with the particular use of *spirit* [or any other word] in the sentence itself, in the sentence in its structural relation to other sentences, and in the overall textual and cultural contexts of the sentence” (20-1). S. Bassnett very well outlined the tasks of a translator when dealing with the problem of what to use in English:

- (1) Accept the untranslability of the SL phrase in the TL on the linguistic level.
- (2) Accept the lack of a similar cultural convention in the TL.
- (3) Consider the range of the TL phrases available, having regard to the presentation of class, status, age, sex of the speaker, his relationship to the listeners and the context of their meeting in the SL.
- (4) Consider the significance of the phrase in its particular context – i.e. as a moment of high tension in the dramatic text.
- (5) Replace in the TL the invariant core of the SL phrase in its two referential systems (the particular system of the text and the system of culture out of which the text has sprung). (Bassnett 22)

The image of the translator seeks to impose power relations through textual production and access. Postcolonial translation study encourages an equal relationship between the author and translator, greatly elevating the translator as a respected contributor to a text (4). Translation may be seen as a transaction between texts and cultures. This is between space; carrying the burden of meaning of a culture. A set of studies called “polysystems theory” developed by Itamar Even-Zohar and Gideon Toury shifted to a process/system oriented understanding of texts and culture. Translation is not only a communication, but a continuation of a text through time (6). Sherry Simon claims that language does not merely mirror reality, but shapes it; and translation aids in that shaping. Translation studies must challenge ideas of what happens when a text is moved between languages (10).

Translation studies begins to differ in its interpretations as a product vs. a process. The classic feudal metaphor (of the SL) is consistent with colonialism. “There are two positions, one establishing a hierarchical relationship in which the SL author acts as a feudal overlord exacting fealty from the translator, the other establishing a hierarchical relationship in which the translator is absolved of all responsibility of the SL text are both quite consistent with the growth of colonial imperialism in the nineteenth century” (13). Bassnett discusses J.C. Catford’s 1965 study on untranslatability. He distinguishes translation and transference. Translation consists of substitution of SL meanings for TL meanings, where in transference, SL meanings are implanted into the TL text. This is a distinctly semiotic take on the situation. The categories of translation studies include the history of translation; translation in TL culture; translation and linguistics; translation and poetics. Translation has the burden of *evaluation* carried with it. Value judgments are implicit in the desire to translate. “For if a translator perceives his or her role as partly that of ‘improving’ either the SL text or existing translations, and that is indeed often the reason why we undertake translations, an implicit value judgment underlies this position” (18). Bassnett overviews some theorists, among which Sapir, Lotman, Whorf, Jakobson, Nida, Sausure, etc. and their major contributions to the study of translation. Translatability is deeply connected to human experience.

The greatest problem when translating a text from a period remote in time is not only that the poet and his contemporaries are dead, but *the significance of the poem in its context* is dead too. Sometimes, as with the pastoral, for example, the genre is dead and no amount of fidelity to the original form, shape or tone will help the rebirth of a new line of communication, to use Maria Corti's terms, *unless the TL system is taken into account equally*. With the classics, this first means overcoming the problem of translating along a vertical axis, where the SL text is seen as being of a higher status than the TL text. (Bassnett 85-86)

Translation may be used as a device to scaffold new moral/value/cultural systems onto an existing source text. This may be especially interesting when a source text is known and the product is viewed in this context. Such translations may be fairly subversive or revelatory about the nature of such texts (110). In translating prose, Bassnett emphasizes an importance on looking at prose as being part of a larger system of text, whereas naive translators may attempt to plod along linearly. To combat this, Bassnett urges us to think of portions of prose as units. This sounds very reminiscent of unit operations. These originate from Hillaire Belloc, who describes units as means of blocking out translations (117). One of the closing discussions concerns dramatic translations, which are especially interesting due to their cultural, physical, and spectacular nature. Bassnett suggests that it is assumable that there exists a structure of performability that is physical and independent of language (123).

J. Munday very well sketched the most important developments in the field of translation studies since the 1970s. Once again Holmes's map had a huge impact on these developments. Contrastive analysis has fallen by the wayside. The linguistic-oriented "science" of translation has continued strongly in Germany, but the concept of equivalence associated with it has declined. Germany has seen the rise of theories centered around text types and text purpose; while the influence of Halliday concerning discourse analysis and systemic functional grammar, which views language as a communicative act in a socio-cultural context, has been prominent over the past decades, especially in Australia and the UK, and has been applied to translation in a series of works by scholars such as Bell (1991), Baker (1992) and Hatim and Mason (1990, 1997) (Munday 13).

The late 1970s and the 1980s also saw the rise of a descriptive approach that had its origins in comparative literature and Russian Formalism. A pioneering centre has been Tel Aviv, where Itamar Even-Zohar and Gideon Toury have pursued the idea of the literary polysystem in which, amongst other things, different literatures and genres, including translated and non-translated works, compete for dominance. The polysystemists have worked with a Belgium-based group including José Lambert and the late André Lefevere, and with the UK-based scholars Susan Bassnett and Theo Hermans. In this context a very important volume was the collection of essays edited by Hermans, The Manipulation of Literature: Studies in Literary Translation (1985), which gave rise to the name of the "Manipulation School," also briefly discussed by S. Bassnett. This dynamic, culturally oriented approach constituted the basis for much of the following decade, and linguistics looked very serious.

The 1990s saw the integration of new schools and concepts, with Canadian-based translation and gender research led by Sherry Simon, the Brazilian cannibalist school promoted by Else Vieira, postcolonial translation theory, with the prominent figures of the Bengali scholars Tejaswini Niranjana and Gayatri Spivak and, in the USA, the cultural-studies-oriented analysis of Lawrence Venuti, who champions the cause of the translator (Munday 14). Important developments were also discussed by Douglas Robinson in his book, What is Translation? Centrifugal Theories, Critical Interventions (1997), focusing on

new approaches of problems raised by translations (starting from Lawrence Venuti's research), such as "foreignizing translation" and "abusive fidelity." Although dating back as far as Roman times, D. Robinson refers to "foreignizing translation" as "one in which translators refuse to conform to the dominant poetics by developing affiliations with strategies employed within marginalized literary movements" (Douglas xiv). He "adopts such 'foreignizing' strategies as maintaining foreign word order and translating idioms in a word-for-word fashion rather than searching for the English equivalent" (xvi), a fact which he eventually proved as working very well. "Abusive fidelity," as described by Venuti, refers to "importing new literary devices and techniques" (xiv), but opposed to the conservative and traditional translation (which can thus be considered "weak"), "abusive fidelity" translation is "innovative and strong" (xv).

For years, the practice of translation was considered to be derivative and secondary, an attitude that inevitably devalued any academic study of the activity. Now, after much neglect and repression, translation studies have become a well established field of study. Translation and translation studies often continue to take place within the context of modern language departments, and the practice of translation is still often denied parity with other academic research. It was precisely this split between theory and practice that Holmes, himself both a literary translator and a researcher, sought to overcome.

The task of translating any text is a very difficult one. The translation process involves multidisciplinary fields and extensive knowledge both in the terms of source language and target language, as well as in the particular field to which the translated text belongs. In the case of translating legal texts the problems and difficulties are more obvious since without in-depth study of this field there may occur errors at multiple levels: text equivalence, grammar errors – especially in computer-assisted translations(CAT), poor understanding of the differences in the legal systems of different countries or states (which can lead to major difficulties in finding not only similar terms but also similar concepts), the lack of correctly understanding and rendering such key concepts can lead to bad translations or mistranslations which can greatly affect the reception of a ST by the TT readers. Avoiding such cases should be one of the main aims of CAT users and translators who wish to have a reliable translation.

Conclusions

The field of translation studies nowadays involves the multi- or interdisciplinary approach of translation studies, mainly based on the cultural background and context, the intercultural transfer, linguistic, social and political aspects involved in the translation process, activity, acquisition and reception of a translated text.

In a world of swift technological advances in all fields of research, translation studies has to constantly adapt to new methods of text translation.

Some of the strategies that translators can use when dealing with legal texts can be borrowing original terms, naturalizing some specific terms into the TL, use of language calques or use of descriptive translation, which refers to explanations and/or explanatory circumlocutions or footnotes. Yet, such techniques are only available to human translators and the exclusive use of computer-assisted translations leads to huge mistakes and misunderstandings that can go unnoticed.

The analysis of various texts and articles, especially in the legal and economic fields, translated from Romanian (as source language - SL) into English (TL) triggered the observation that the major challenges in this type of translation were the negative results that the non-specialized translations had in the TL. The most important challenges included misunderstanding, misinterpretations, lack or poor of comprehension of the term equivalence, errors and misuse of specific terms or grammatical patterns.

The biggest risk of these challenges is that of remaining unnoticed, not analyzed and not corrected or improved. That is why I believe this article can be in its turn a starting point for further research in this type of text translation.

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THE ACQUIS IN THE FIELD OF MIGRATION

Gheorghe, Pinteală¹

Abstract

The International Organisation for Migration (IOM) considers migration to be a movement of a person or a group of persons across a border inside a state. Migration is a form of people mobility and includes any kind of population displacement regardless of duration, purpose or form. This category includes: refugees migration, economic migration and migration of people who move for other purposes and under the influence of other factors like family reunion.

International migration has an impact over the EU and its member states. Globalization and different international events have contributed to the increase of migration fluxes, especially during the past years. Therefore, the European states are developing their multi-ethnic character and cultural diversity. The EU proposes a global European policy meant to face the challenges of migration. The European policy is built upon European traditions regarding asylum and migration, taking into consideration human rights and humanity aspects, as well as benefits for the EU, migrants and their origin countries. Integrating migrants into the European society means anequilibrium between their rights and their native culture. This brings about benefits for both the migrants' origin country and the society they live and work in.

Key words: migration, European space, acquis communautaire, effects of migration

JEL Classification: J61, K37

1. Introduction

Every person has the right to movement, and this right has been acknowledged since 1948 when the Universal Declaration of Human Rights was adopted. Article 13 stipulates that “Everyone has the right to freedom of movement and residence within the borders of each state. Everyone has the right to leave any country, including his own, and to return to his country.”

The freedom of movement of the workers of the member states of the European Union was one of the first rights recognized within the community area (EEC Treaty – Rome Treaty, 1957, Regulations no. 1612/1968 regarding the freedom of movement of workers and the Directive no. 360/1968 regarding the right to residence of workers and their family members).

Within the Treaty for the establishment of the European Economic Community (EEC), the common market has at its core the “four liberties”:

- of persons;
- of services;
- of goods;
- of capital assets.

Currently, any citizen of the EU has the right to freedom of movement and residence in any member state. We cannot say the same for the citizens of the non-EU countries.

The acquis on migration is regulated by the Resolution of the Council of the European Union regarding the limitation on the admission of citizens from non-EU countries in the EU member states for employment or independent professional activities, as well as by the directives defining the illegal entry and its connecting offences, including sanctioning of the transporter. Also, the acquis regarding migration includes the obligations stipulated by the international conventions.

Given the different circumstances of migration (humanitarian reasons, economic reasons, etc.), the European Commission recommends the following:

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- Developing a national strategy for the control of migration in each member state.
- Promoting information services in the non-EU countries in view of promoting cooperation between consular services and local authorities.
- Increasing border control and sanctioning illegal migration, illegal transportation of migrants and human trafficking.
- Elaborating coherent and transparent policies to attract labour force from the non-EU countries that should be part of a European strategy. The needs of replacing the labour force in some European countries must be accompanied by simple transparent procedures of issuing work permits, but also fighting the black market labour and improving the conditions of migrant women.
- The relation with the migrants' origin countries must be developed towards the promotion of reintegration of returned persons.
- Promoting migrants' integration policies in the destination societies.

Procedures for the admission of persons in view of employment or carrying out independent activities must take into consideration some mandatory requirements.

Migrants who wish to carry out independent activities need:

- to provide documents regarding the nature, extent and duration of activity to be carried out;
- to provide documents regarding the number of employees needed for carrying out the activity;
- to describe the space the activity will take place in and to prove that this space is suitable for the activity;
- to prove that they have sufficient funds to begin and maintain the respective activity.

The permit for the migrants who wish to carry out independent activities (entrepreneurs) must be issued according to the law for foreigners in the respective country and must be included in written form, e.g. in the migrant's passport.

Exempted from these regulations are:

- persons having freedom of movement and the members of their families;
- migrants from outside the EU who have been accepted for family reunion;
- migrants from outside the EU who have been accepted according to bilateral agreements between the countries;
- migrants from outside the EU who have been accepted to follow studies.

The EU member states can exempt from such provisions those migrants who prove that they can invest appreciable amounts that are a real gain for the country's economy.

The admission criteria for the migrants who want to find a paid job are as follows:

- the job is offered by the employer to a person from a non-EU state considering the special requirements of that job;
- a vacant job is offered by the employer to a migrant from a non-EU state providing there is low demand for that job in the community and the employer's activity can be terminated if the vacant job is not filled up.

The convenience marriage of a person from a EU member state with a person from a non-EU state.

Possible indicators of this type of marriage are:

- partners do not live together;
- one of the partners does not respect the responsibilities of that ensue from the marriage;
- partners have never met before marriage;
- partners do not know important details about each other before marriage;
- partners do not speak a common language;
- money was paid for the marriage to take place;
- one of the partners' past proves other convenience marriages or residence problems.

Unaccompanied minors – each member state must give special attention to unaccompanied minors from non-EU states. Authorities must rapidly establish the identity of the minor and its statute as a person unaccompanied by parents or relatives. Minors have the right to asylum in the destination country. Returning minors is done only when the authorities of the member state are sure about the return in good conditions of the minor and the necessary conditions for care in his origin country. These liabilities must be proven by the parents or other adult relatives or by the competent authorities in the origin country.

The restrictive policy of some EU member states towards migrants takes into consideration:

- supporting internal labour force;
- diminution of illegal migration, especially from Eastern Europe and Africa
- the pressure exerted by NGOs and unions in the EU regarding the access of migrants to available jobs;
- the financial crisis;
- destabilising labour force markets.

2. Effects of migration in the European Union

Migration can be considered (Dobrescu, P., Bărgăoanu, Alina, 2001) „a faithful indicator of the well-being of the social organism and the result of cumulated phenomena, of which the most important is the continuous impoverishment of population”. Because of the unemployment rate increase some states have adopted a policy on the limitation of immigration, even though initially they would encourage it. We shall give only one example: Switzerland. Following the population census on the 8th of February 2009, the Swiss have adopted an agreement that facilitate Romanians and Bulgarians access to the labour market. They are issued work permits, limited as number until 2016, according to transitory measures. Still, the increased unemployment rate has determined Swiss authorities to examine the possibility to introduce some temporary restrictions for the community citizens on the labour market.

In order to avoid such reactions from other EU member state towards Romania, authorities promote an active policy of integration, without restrictions on the labour market, being able to give the Romanian migrant a credible image.

Within the context of Romania’s European integration and the possibilities offered on the labour markets in the EU member states, we highlight the preoccupation of Romanian authorities to find a safer and legal framework for emigration opportunities. Romanian legislation has been completed with a series of programmes, regulations and internal norms form specialty institutions that aim at the impact of migration on Romanian society.

Thus, we highlight the activity of the National Agency for Employment for the elaboration of useful preparatory, prevention and instruction materials for those who emigrate. These materials entitled *What I need to know to legally work in...*(respective country) contain pertinent data regarding the access and employment on the labour market, the regulation of work relations with the foreign employer, social security of Romanian workers, the recognition and equivalence of diplomas, etc.

We point out that those regulations are in accordance with the local specific of each country, so that the Romanian citizen can find a favourable framework for his evolution in the destination country.

Another aspect is the benefits migration has upon developing countries and destination countries. In the first case, it reduces poverty, unemployment, regulated unbalances existing on the labour market leading to salary increase and investment in human resources. The surplus in labour force does not only determine the increase and

rejuvenation of the labour market offer, but also the increase of consumption, thus of the general offer. As a result the GDP increases and the standard of living improves. The money sent by the migrants to their families back home contributes to the increase in their standard of living. Also, the money flux of immigrants decreases the pressure on the current account deficit and the balance of external payments. Saving emigrants incomes in the banking system also has a positive effect on economic development. A top on remittances issued by the World Bank places Romania 10th in the world, and 2nd in the EU. In the second case, migration is a challenge for the developed countries that want to attract migrants with high work qualifications in order to cover their economic needs.

It is currently very difficult to evaluate the foreign workers' contribution to the development of the destination countries' economies. Studies having as theme the evaluation of economic impact of immigrants do not treat them as a homogenous mass since a great percentage of the foreign workers is made of highly qualified specialists. They represent a viable alternative meant to cover the scarcity of highly qualified personnel in certain economic fields.

For the employers, the migrants' presence represents a great opportunity as it gives them the possibility to choose the adequate persons for these jobs, from the point of view of „qualifications and aptitudes”. Another advantage for the destination country economy is using the knowledge the emigrants acquired in their origin country. By setting up companies, jobs are created for co-nationals as well as for the citizens of the destination country.

In Andrei Banc's opinion, the presence of immigrants is beneficial for other reasons. In a study entitled *Migration of brains and arms*, he shows that despite a quite high unemployment rate Europeans „do not want to carry out unqualified or low qualified and consequently underpaid jobs.” The need to import, besides highly qualified specialists, millions of workers „of low or medium qualification” is critical and is due to the decrease and ageing of the population. The cited author arguments his ideas by appealing to prognosis studies that indicate the manifestation of these negative tendencies in the next decades. Under such conditions, there will be no one to fill up the vacant jobs or worse no one to pay taxes for the pensions.

A UN statistics shows that in order to keep the three active persons for a pensioner ratio and occupy vacant jobs, the European Union will have to annually „import”, for the period 2015 and 2040, roughly 6,1 million people. About 40% of Europe's population will be formed of immigrants and „their first generation descendants” in 2050. But this is not all there is to it, this modern migration will change the identity of the population. In 2050 Europe will have fewer inhabitants than today. That is why it has to choose: either to close its borders or „to accept the immigration of thousands of millions of people from Asia and north Africa”. Andrei Banc rhetorically asks his readers if they believe that in 50 years „millions of Romanians will be black or yellow, Muslim or Hindu, and our cities will have hundreds of Mosques”. He is the one to give the answer: „Everything repeats in history”. „Barbaric invasions” are waiting at Europe's gates, without weapons like two thousand years ago, without the desire to plunder or kill, but only with a wish for a better life”.

3. Conclusions

European democracies that wanted to keep illegal migration under control were forced to resort to international cooperation forms in order to stop this phenomenon because the measures taken by national governments did not have the expected success. International cooperation is sometimes faulty when providing refugees with decent living conditions. Although migration, especially „brains migration”, has positive effects on the

destination countries economy, it becomes a constant theme of election and press campaigns.

In the context of the present crisis, the reduction and stop of migration would only increase the economic deficit of countries dealing with labour market unbalance. The migration adversaries easily forget that in some countries half of the economic development is due to the foreign work force. Finally, the migration of highly qualified personnel represents a social risk factor both for the origin countries and for the destination countries.

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CONSIDERATIONS ON THE FREE MOVEMENT OF WORKERS WITHIN THE EUROPEAN AREA

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Abstract:

As part of the free movement of individuals, the principle of free movement of workers is enshrined in Article 45 (previously Article 39 EC) of the Treaty on the Functioning of the European Union and its significance and content have been further developed through secondary legislation and the jurisprudence of the European Union Court of Justice. The principle provides to any national of a Member State of the European Union the right of access to employment and the right to conduct such an activity on the territory of another Member State, subject to limitations justified on grounds of public policy, public security and public health.

The outcome pursued by the theoretical and practical approach of this issue consists in analyzing the principle from a triple perspective, namely from the point of view of regulations evolution, of highlighting the role of jurisprudence of the European Union Court of Justice in the process of normative framing and completion and of the level of its application.

Key words : free movement of workers, fundamental rights, European Union, Case-law of the Court of Justice

JEL classification : K31, K33

1. The concept of worker.

One of the fundamental freedoms that comes with being a citizen of the European Union is the free movement of workers, an institution with important economic, political and legal implications. This implies the right of workers to move and reside freely within the territory of any Member State, the rights of entry and residence provided to the members of their families and the right to work in another Member State and the right to receive non-discriminatory treatment equal to that granted to the citizens of the state concerned. The right of free movement of workers, as an essential element for the development of a genuine EU labor market, is completed on the European level by a system for coordinating social security schemes and by a system likely to ensure mutual recognition of diplomas and qualifications.

The legal foundation is represented by the provisions of Article 45 of the Treaty on the Functioning of the European Union² (previously known as art. 39 of the EC Treaty) which states that free movement of workers is guaranteed within the Union, while it involves the abolition of any discrimination based on nationality between the workers of the Member States in terms of employment, remuneration and other conditions of work and employment. The provisions of the treaties were gradually developed and

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² Art. 45 TFUE: 1. „, 1.. Freedom of movement for workers shall be secured within the Union.

2. Such freedom of movement shall entail the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment.

3. It shall entail the right, subject to limitations justified on grounds of public policy, public security or public health:

(a) to accept offers of employment actually made;

(b) to move freely within the territory of Member States for this purpose;

(c) to stay in a Member State for the purpose of employment in accordance with the provisions governing the employment of nationals of that State laid down by law, regulation or administrative action;

(d) to remain in the territory of a Member State after having been employed in that State, subject to conditions which shall be embodied in regulations to be drawn up by the Commission.

4. The provisions of this Article shall not apply to employment in the public service ".

supplemented by secondary law of the Union, namely the Directive 2004/38 / EC on the right to move and reside freely within the Member States for Union citizens and their family members; Regulation (EU) no. 492/2011 on the free movement of workers within the Union; Directive 2014/54 / EU on measures to facilitate the exercise of rights provided to workers in the context of free movement of workers, Regulation (EC) no. 883/2004 on the coordination of social security systems and Regulation (EC) no. 987/2009 on its enforcement.

The concept of worker does not overlap with that of the European citizen, it is not defined either in the Treaty, where art. 45 stipulates the concept of worker, or in the secondary law of the Union. In this context, an important role is held by the Court of Justice of the European Union, which through its case law has determined the meaning and the constituent elements of that concept. The term has, according to the case law of the Court of Justice, a broad scope, encompassing both the employees who work under an individual labor contract, and the individuals coming from another Member State in search of a job.

Through extensive case law in this matter, the court in Luxembourg stressed the need to ensure the effectiveness of European regulations imposed in order to ensure the principle of free movement and equal treatment in employment of migrant workers. To determine its significance, the Court applied to the generally recognized principles of interpretation, from the ordinary meaning given to the terms in the light of the principles of Community law (EU:C:1964:19).

Consequently, the fundamental idea that emerges from the Court jurisprudence is that the concept of worker represents a European concept that does not depend on the meaning defined by Member States into their national laws. Thus, recently, by the Decision dated as of February 21, 2013 LN against *Styrelsen for Videregående Uddannelser og Uddannelsesstøtte* pt. 39 and 40, quoting previously given decisions,¹ the Court holds that the "term 'worker' within the meaning of Article 45 TFEU has its own independent meaning for the EU law that must not be interpreted restrictively, but it must be defined according to some objective criteria which characterize the employment relationship, taking into account the rights and obligations of the persons involved".

In *Lawrie Blum* case, the Court gave a general definition of the worker applicable throughout the entire Union, stating that the "concept of worker involves anyone who performs an activity that was not established by himself/herself, for and under the direction of another person, for remuneration, whatever the legal nature of the employment relationship".

So, in the acceptance of the European judge, what prevails for determining the quality of a "worker", is conducting a performance, that is carrying on an actual and genuine activity (EU:C:1982:105) for and under the authority of another person (EU:C:2001:616, para.37) for remuneration (EU:C:1986:284 para.16,17; EU:C:2004:172 para.26; EU:C:2004:488, para 15), the area where benefits are provided and the nature of the legal relationship linking the worker and the employer not showing interest in applying Article 45 of the Treaty.

Starting from the need for a uniform application of the Union law in all Member States, the Court pointed to two rules of interpretation of the concept of worker (*Teysie*, 2013 p.109,110):

¹ See in this regard, especially the Decision as of July 3, 1986, *Lawrie Blum*, 66/85, Rec., P. 2121, paragraph 16, Decision as of 21 June 1988, *Brown*, 197/86, Rec., P. 3205 paragraph 21, Decision as of 26 February 1992 *Bernini*, C 3/90, Rec., p. 1071 I, paragraph 14, and Decision as of 6 November 2003, *Ninni Orasche*, C 413/01, Rec., p. 13187 I, paragraph 23).

a) The European meaning of the concept of worker is not limited by the definition of the regulation manner in each Member State. The concept of worker has a European content, which means that its meaning should not be determined according to criteria defined by national legislation (Paragraph 41 of the recitals of the Decision dated as of 21 June 1988 in *Lair*, 39/86)¹. The Court pointed out that "in the Community law, there is no single definition of a worker, but it varies depending on the scope envisaged"². Also the content of the concept of worker may vary by different provisions of the EC Treaty (now the TFEU) or secondary law. Applying this rule, the Court of Justice found, for instance, that some national rules (in the Netherlands, Denmark, France, Germany, Italy) are contrary to the meaning of the concept of worker in the sense of the EU law on the freedom of movement and the right to social security (*Tinca O*, 2015, p 9).

Given that labor mobility within the Union must be one of the means by which workers are guaranteed the opportunity to improve living and working conditions and promote on the social level, while helping to satisfy the needs of the economy of Member States in order to achieve the objectives of the Union, and to grant equal protection, the term of worker has a community meaning (European) imposed by the need for uniform interpretation and application in all Member States (EU:C:1964:19).

b) The concept of worker involves a proper interpretation of objectives pursued by the treaties establishing the European Union in order to ensure completely the principle of free movement of workers, so that in some cases it goes beyond the existence of an employment relationship. At the termination of the employment relationship, the person concerned loses, in principle, the quality of worker, but in some circumstances, the quality of worker in the sense of community (European) meaning may take effect after termination of the employment relationship, particularly in relation to the person seeking a job in another Member State (the migrant worker)³.

In the Court jurisprudence they also included in the category of 'worker' within the meaning of Art. 45 TFEU the person who is looking for a job in another Member State⁴, the one pursuing studies in another Member State and who also provides a activity that comprises the essential elements of the employment relationship (EU:C:2004:172; EU:C:2002:432; EU:C:2013:97), the person who after graduation in another Member State seeks a job (EU:C:1992:84, EU:C:2004:172).

In a recent decision (EU:C:2014:2007, para. 47), the Court of Justice ruled that a woman who terminates employment or ceases to look for a job because of physical constraints that occur in the latter stages of pregnancy and following the birth retains the status of "worker" for the purposes of this Article, on condition to resume work or find another job within a reasonable period after childbirth

1 The same effect, the Decisions as of 19 March 1964, Case *Unger*, 75/63, and 28 March 1982 in Case *Levin*, 53/84

2 Paragraph 31 of the recitals of the Decision dated as of 12 May 1998, in the case *Maria Martinez Sala* C-85/96 'It must also be pointed out that there is no single definition of worker in Community law: it varies according to the area in which the definition is to be applied. For instance, the definition of worker used in the context of Article 48 of the EC Treaty and Regulation No 1612/68 does not necessarily coincide with the definition applied in relation to Article 51 of the EC Treaty and Regulation No 1408/71 .

3 Paragraph 32 of the recitals of the Decision *Martinez Sala* 'there must be considered as a worker a person who performs, for a certain period of time in favor of another person and under the latter's direction, certain services, for which he receives remuneration. At the termination of the working relationship, the person concerned loses, in principle, the quality of worker, although on the one hand, this quality can produce certain effects after the termination of employment relationship and, on the other hand, a person who seeks real employment must also be regarded as a worker (see, to that effect, the decision as of 3 July 1986 *Lawrie - Blum* Case 66/85, *Cul.*, p. 2121, paragraph 17; Case 21 June 1988, *Lair*, Case 39/86, *Cul.* p. 3161, paragraphs 31-36, and the decisions as of 26 February 1991 *Antonissen*, Case C-292/89 *Cul.* p. I-745, paragraphs 12 and 13), *Caves Krier Frères* Case C 379/11, EU: C: 2012: 798, paragraph 26

4 Among the decisions in this regard we can mention the decisions dated as of 4 June 2009, in case *Vatsouras*, C-22/08 and 23/08, the Decisions as of 23 March 2004 *Colins*, c138/03

Extensive case law of the Court constituted the engine of codification at the level of secondary legislation, made by Directive 2004/38 / EC on the right to move and reside freely within the Member States for Union citizens and their family members¹, Regulation (EU) no. 492/2011 on free movement of workers within the Union and Directive 2014/54 / EU on measures to facilitate the exercise of rights conferred to workers in the context of free movement of workers, acts under which fragmented and sectoral measures measures applicable in this field so far were merged.

2. The rights granted to European workers

2.1. The current European context.

The provisions of Article 45 TFEU are directly applicable in the national law of the Member States within the limits outlined by the jurisprudence of the Court of Justice of the European Union (CJEU) and in compliance with the legal framework established in secondary legislation. They provide to the EU citizens, without discrimination, the right to move freely within the territory of any Member State in professional interest, the right to seek employment, accept real job offers, to work in a Member State without needing a work permit, to reside in a Member State of the European Union for the exercise of their duties and remain in that Member State even after termination of employment agreement.

Currently, the rules and specific conditions to exercise these rights are provided for in Directive 2004/38 / EC. By Regulation (EU) no. 492/2011 on free movement of workers within the Union there was completed the legislative framework aiming at setting up an overall common regulatory framework across Member States. Regulation regulates in detail the rights arising from the freedom of movement for workers and defines the areas which prohibit all discrimination based on nationality between workers of the Member States in the labor market. Rights deriving from free movement concern the access to jobs, working conditions, social and tax advantages, access to training, membership of trade unions, housing, access to education for children.

Art. 7 of the Regulation provides that workers who are nationals of a Member State may not be treated differently from national workers on the territory of other Member States on grounds of nationality, as regards the conditions of employment and work, especially in terms of remuneration, dismissal and, if left without a job, reinstatement or re-employment with the same social and tax advantages. It takes into account both direct and indirect discrimination, and CJ held that even if certain criteria are applicable irrespective of nationality, they must be considered as indirectly discriminatory if there is a risk of discriminating against migrant workers in particular (EU:C:1996:206).

According to article 7 para. (2) of the Regulation, migrant workers enjoy social advantages as the national workers do since their first day of work in the host Member State, which must be interpreted in the sense that obtaining such advantage cannot be subject to completion of a specified period of occupation. Social advantages have been defined by the CJ in Case C-85/96 'as representing all the advantages which, whether or not linked to a contract of employment, are generally granted to national workers primarily because of their objective status as workers or due to the simple fact of their stay in the national territory and whose extension to workers who are nationals of other Member States appear to facilitate their mobility.'

Revealing a serious concern for ensuring the effective exercise of freedom of movement for workers, for the a more accurate and uniform implementation and enforcement of the rights conferred under the TFEU and Regulation (EU) no. 492/2011,

¹ Published in JOCE no.L158 as of 30 April 2004, details the specific rules and conditions regulating the free movement and residence in the Union territory

Directive 2004/38 / EU was adopted. It applies to all workers and their families as well as to people in search of a job, covering in compliance with the provisions of Art. 2 the following issues related to the free movement of workers: (a) access to employment; (b) conditions of employment and work, in particular as regards remuneration, dismissal, health and safety at work, and, if Union workers become unemployed, reinstatement or re-employment; (c) access to social and tax advantages; (d) membership of trade unions and eligibility for workers' representative bodies; (e) access to training; (f) access to housing; (g) access to education, apprenticeship and vocational training for the children of Union workers; (h) assistance afforded by the employment offices.

The Directive also introduces a number of binding obligations to all Member States to facilitate the mobility of workers by reducing the obstacles created by certain European or national rules, aiming at improving the mechanisms of effective implementation of the principle of equal treatment for workers within the Union and the members of their families exercising their right of free movement and a better knowledge of their rights.

According to the provisions of Article 3 there is established the obligation for Member States to ensure EU mobile workers, who travel for work purposes within the European Union, an appropriate means of appeal at the national level, meaning that every worker in the European Union who has suffered or suffers from restrictions and unjustified obstacles to their right to free movement or who considers to have been discriminated against on grounds of nationality, should be able to apply to appropriate administrative and / or legal means to challenge discriminatory behavior. In the same context, the states should grant social partners, associations, organizations or other legal entities which have a legitimate interest in promoting the rights of free movement of workers the opportunity to engage in administrative or judicial proceedings on behalf of or in favor of mobile workers within the Union European whose rights have been violated.

Workers knowledge of the rights they enjoy is one of the objectives at European level, so that Member States are obliged to establish or designate structures or bodies at national level to promote the exercise of free movement by providing information, support and assistance to mobile workers in the European Union who face discrimination on grounds of nationality. These national structures will cooperate, will exchange information which will be further made available to stakeholders.

According to art. 5 and 6, Member States shall take measures to promote the dialogue with social partners and relevant non-governmental organizations and ensure easy access of all interested parties to clear, free, accessible, comprehensive and updated information.

2.2. The right of residence.

Nationals of Member States of the Union may enjoy the right of access to the territory of a Member State and the right of residence in its three manners, regulated distinctly by the European rules mainly in relation to the duration: legal residence for a period of up to three months, residence for more than three months and permanent residence. Currently this right derives from the status of European citizen and it does not depend entirely on the quality of independent worker or employee.

Thus, pursuant to art. 6 of Directive 2004/38, citizens of the Union have the right to reside in another Member State for a period of maximum three months if they hold a valid identity card or passport, without having to fulfill other conditions and formalities These provisions also apply to family members¹ who hold a valid passport or who are not nationals of a Member State and they accompany or join the citizen of the Union.

¹ According to art. 2 paragraph 2 of Directive 2004/38/CE 'family member' means: (a) the spouse; (b) the partner with whom the Union citizen has contracted a registered partnership, on the basis of the legislation of a Member State, if the

Corroborating these provisions with those contained in art. 14 para. (1) of the Directive 2004/38 under which it is permitted the removal of Union citizens and their family members from the host country for economic reasons, it appears possible in certain cases to consider the conditions and formalities stipulated by art. 14 para. (3) pt. (16), art. 30 and 31 or art. 14 para. (4) b) of the directive.

It should also be noted in this context the fact that the individuals mentioned in art. 6 are not required to declare their presence to the local authorities in the host Member State.

The right of residence for more than three months is subject to certain conditions, depending on the person's status in the host Member State¹. Art. 7 of Directive 2004/38 states that all EU citizens have the right to reside in another Member State for more than three months provided they comply with one of the following situations:

- (a) are workers or self-employed persons in the host Member State; or
- (b) have sufficient resources for themselves and their family members not to become a burden on the social assistance system of the host Member State during their period of residence and have comprehensive sickness insurance cover in the host Member State; or
- (c) — are enrolled at a private or public establishment, accredited or financed by the host Member State on the basis of its legislation or administrative practice, for the principal purpose of following a course of study, including vocational training; and
— have comprehensive sickness insurance cover in the host Member State and assure the relevant national authority, by means of a declaration or by such equivalent means as they may choose, that they have sufficient resources for themselves and their family members not to become a burden on the social assistance system of the host Member State during their period of residence; or
- (d) are family members accompanying or joining a Union citizen who satisfies the conditions referred to in points (a), (b) or (c).

If the period of stay exceeds three months, the host Member State may require the Union citizens, in accordance with art. 8 of the Directive. 2004/38, to register with the competent authorities, in which case they shall be issued a registration certificate (Deleanu, 2013).

If the planned period of residence exceeds three months, family members of a European citizen who are not nationals of a Member State have to apply for a residence permit, according to the provisions of art. 10 para. (2) indicating the exhaustive documentation to be submitted by the applicant for the issuance of a residence permit.

The right of permanent residence is not subject to any condition, it can be acquired by any European citizen and family members who have legally resided together with the

Union citizen in the host Member State, regardless of citizenship² after five years of continuous and legal residence on the territory of the receiving State. This right can be acquired, notwithstanding the above provisions, and in a shorter period of time under certain strictly defined circumstances. The continuity of residence is not affected by the

legislation of the host Member State treats registered partnerships as equivalent to marriage and in accordance with the conditions laid down in the relevant legislation of the host Member State; (c) the direct descendants who are under the age of 21 or are dependants and those of the spouse or partner as defined in point (b); (d) the dependent direct relatives in the ascending line and those of the spouse or partner as defined in point (b);

¹ 'Host Member State' means the Member State to which a Union citizen moves in order to exercise his/her right of free movement and residence.

² It is not any period of time to be taken into account for establishing the right to stay. According to the European Court jurisprudence the periods of detention in the host Member State of a third-country national, family member of a Union citizen who has acquired during those periods the right of permanent residence in that Member State cannot be taken into account in order to acquire by the third country national the right of permanent residence.

temporary absence which does not exceed a total of six months a year or by absences of longer periods of time, determined by performing the compulsory military service or by an absence of twelve months in a row due to important reasons, such as pregnancy and childbirth, serious illness, study or vocational training, or a detachment in another Member State or in a third country.

After acquiring it, the right of permanent residence is lost only through absence from the host Member State for a period exceeding two consecutive years (art. 16 para. 4).

Under Art. 19 of the Directive, EU citizens who have the right of permanent residence shall be issued a document certifying the permanent residence. Furthermore, Member States shall issue a permanent residence permit with a validity of 10 years, to family members who are not nationals of a Member State and have the right of permanent residence, according to art. 20 para. (1) of the Directive.

3. The restrictions applied to the free movement right

The right of free movement and right of residence on the territory of Member States do not have an absolute character but they are subject to limitations and conditions laid down both in the Treaty and in the secondary law. Analysis of regulations on the field have proven the conclusion that we can envisage three categories of restrictions, respectively:

- a) restrictions on grounds of public policy, public security or public health;
- b) restrictions on grounds of employment in certain positions or exercising certain activities, involving prerogatives of public authority;
- c) restrictions arising from the transitional arrangements agreed by the Member States and the European Union, on the occasion of signing the Treaties of Accession.

Member States may restrict the freedom of movement and residence of Union workers and their family members, irrespective of nationality, on grounds of public policy, public security or public health under the provisions of the introductory paragraph. 3 of art. 45 TFEU, paragraph 1 of article 52 TFEU and Article 62 TFEU. These reasons cannot be relied on to contribute to the achievement of economic goals (Blumann, C. 2006, p.67).

The acceptance recognized to the notions of "overriding reasons of public order" and "imperative grounds of public security" is established both depending on how these notions are defined by Member States but also on the definition under the provisions of the European law and the Court of Justice of the Union.

The measures taken if they considered grounds of public policy or public security must observe the principle of proportionality and be based entirely on the actual and individual behavior of the individual in question, previous criminal penalties being unable to represent by themselves reasons for taking such measures.

Considering the public health reasons cited for restricting the right to free movement, it is provided for in art. 29 that the only diseases justifying measures that restrict the freedom of movement are diseases with epidemic potential as defined by the relevant bodies of the World Health Organisation and other contagious infectious or parasite diseases to the extent that they are subject to, in the receiving state, some protective provisions which apply to nationals of the host Member State.

Diseases occurring after a period of three months from the date of arrival cannot be grounds for expulsion from the territory.

Expulsion from the territory of the host state shall be achieved under the conditions imposed by European rules, those persons benefiting from material and procedural guarantees, provided for by art. 31 of Directive 2004/38.

Under the primary provisions of the EU law, Member States may limit the employees' access to employment of in the public administration or at performing certain

activities involving the exercise of public authority, while retaining them for their own nationals. This exemption has been interpreted narrowly by the Court (Case Lawrie Blum, 1986) and found compatible with EU law only to the extent that the vacant positions in the administration "involve direct or indirect participation in the exercise of public powers and functions which aim at protecting the general interests of the State or of other public collectivities and which involve, therefore, as far as the holders are concerned, the existence of a special solidarity report with the State, as well as the reciprocity of rights and obligations representing the foundation of the citizenship relationship. Excluded positions are only those which, considering their respective duties and responsibilities, may take the specific characteristics of government activities in the areas described above. "

Upon a country's accession to the European Union there was created the possibility for Member States to impose a series of transitional arrangements on the free movement of workers, aimed at temporarily restricting the access of workers coming from the new Member State on the labor markets in their countries. These transitional measures allow Member States to establish the access policy to employment regarding the situation of the local labor market so that there should not be serious disturbances, while they can be established for a period of 7 years. Currently such restrictive measures apply to workers from Croatia Provence, the measures will expire in July 2020

4. Conclusions

Art. 3 of the Treaty on the European Union states that "the Union shall offer its citizens an area of freedom, security and justice without internal frontiers in which there shall be provided the free movement of persons, in conjunction with appropriate measures on external border controls, the right to asylum, immigration and the prevention and fight against crime". An important component of this freedom is the freedom of movement of workers within the Union.

Although it has been more than 50 years after the recognition of the freedom of movement of people, the effective exercise of freedom of movement for workers as part of it still remains a major challenge for Member States and, very often, workers in the Union unaware of their rights faced with unjustified restrictions.

At European level there has been a constant concern to improve the mechanisms for effective implementation of the principle of equal treatment for workers in the Union and their family members exercising their right to free movement. The actions were conducted on multiple levels: on the one hand they aimed to synthesize and improve the existing legal framework, including the solutions offered by the jurisprudence of the CJEU, on the other hand efforts were targeted towards the establishment of mechanisms to enable a correct application and unitary European standards coupled with an efficient and coherent cooperation between Member States and to provide information to the beneficiaries of this right.

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VIEWS WITH RESPECT TO THE EU LEGISLATIVE COMPETENCE FOR CRIMINAL LAW, ATTRIBUTED TO THE LISBON TREATY

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Abstract

The Lisbon Treaty assigns EU legislative competence in criminal matters (shared, according to article 2 A TFEU).

This news published in legislative union generates a different perspective on European criminal law, previously designed as a right that is born from the cooperation of Member States and is considered the expression of each people's culture, which incorporates the characteristics of its way of life and development.

EU legislative competence in criminal matters, as shown in art. 83 (2) TFEU gives the power to define crimes and establish penalties at least in the particular area of serious crimes with a cross-border dimension, and in those cases where the approximation of laws and regulations criminal Member States proves to be essential to ensure the effective implementation of a Union policy in an area which has been subject to harmonization measures.

If the allocation of legislative competence in criminal matters in favor of the European Union amount to "reconfigure the concept of sovereignty" as is claimed in theory, fears of goals legislating criminal (by covering areas) and lack of perspective real to be implemented effectively and in an effective way through the European institutions, it is understandable given that institutional structures are not operational at the moment.

Seeking an answer to this problem should not circumvent that law-making process at European level in criminal matters as conceived by the Treaty implies both European institutions: the Commission, the Council and specialized agencies on matters AFSJ (Article 68 and 70), as and national parliaments (Article 12).

Moreover, at least declaratively, recognizes the inviolability of sovereign prerogative of Member States to develop and apply the criminal law. In its Resolution of 22 May 2012 the European Parliament on the EU approach on criminal law (act drawn up after the entry into force of the Treaty) states that "whereas criminal law systems and criminal procedure Member States have developed the over the centuries and each Member State has its own characteristics and peculiarities (and therefore) the core areas of criminal law must remain the responsibility of Member States".

Keywords: *approximation, legislative competence, cooperation, European Criminal Law, European Institutions, Member States*

Code JEL: K14

1. The nature and content of competence established by Article 83 (2) TFEU

Under Article 83 (2) of the Treaty on the Functioning of the European Union (TFEU) The European Union may define criminal offenses and sanctions are, at least in the particular area of serious crimes with a cross-border dimension, and in those cases where the approximation of laws and criminal regulations of the Member States proves essential to ensure the effective implementation of a Union policy in an area which has been subject to harmonization measures.

Although the Treaty of Lisbon (TEU) clarifies the division of powers between the European Union (EU) and its Member States, introducing for the first time in the founding Treaties classification accurate in three core competences: exclusive competences, shared competences and skills support, the issue of the competence established of Article 83 (2) TFEU entails some discussions if we look to the principles of proportionality and subsidiarity.

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The founding treaties of the European Union institutions do not confer general jurisdiction exhaustive, to take all necessary measures to achieve objectives of the Treaties, but lay down in each chapter, the remit of action.

Thus, Article 83 (2) TFEU confers jurisdiction on shared action (IN Militaru, p 32) develop rules of criminal nature, to achieve the objective of creating an area of freedom, security and justice, an objective set out in Article 3 paragraph (2) of the Treaty of Lisbonⁱ.

Building the European area of security and justice is both a form of cooperation, a policy objective of security and a model of integration (Mihalcea, I Mihalcea D-A, p.2).

But recognition of competences of the European Union in criminal law is an issue that generates enough disputes, given that criminal law is recognized (including the European institutions) as an attribute of Member Statesⁱⁱ, an area "no go" over which European Union can not intervene (OMSalomia, A.Mihalache, p.172).

On the other hand it can not be conceived building the European area of freedom and justice (an objective of the EU) without the use of criminal law.

In this European Union was concerned, even before the entry into force of the founding treatiesⁱⁱⁱ, to find a formula by which the criminal law to contribute to building and strengthening the European security and justice.

The first formulas which became applicable criminal law in the European space were based on cooperation between Member States its classical form, conventions and agreements. With the amplification of the integration process were agreed upon deeper forms of cooperation that lead to near the national criminal laws^{iv}, fair cooperation^v, harmonization^{vi} and mutual recognition^{vii} ((I, Mazilu. Pag.4).

As was reached and the creation of joint bodies such as Eurojust^{viii}, who received skills regarding implementation of more efficient tools of criminal law in Europe.

We can say, therefore, the attribution of legislative power provided by Article 83 (2) TFEU is the result of a constantly evolving process of achieving a unit of legal action by Member States by continuous adaptation of legislation, where an important role was played European legislation, Member States' position flexibility, and Court of Justice of the European Union.

The question now is whether the powers in Article 83 (2) TFEU, in particular those to define crimes and establish penalties (at least) in particular serious crime with a cross-border^{ix} dimension agree with progress in the process of approximation of criminal law systems of the Member States and whether there are mechanisms to be implemented in the Member States.

2. The power under Article 83 (2) TFEU must be reported to the subsidiarity principle

However necessary it is, in a certain time, the tasks of defining offenses and establishing penalties for certain offenses committed in the European security and justice can not replace national regulations^x.

This is because, on the one hand, they do not give the EU, the power to criminalize new facts (defining infratiunilor not equivalent to criminalization of acts) and establish for them the punishment applicable, since treaties are limited only to sketch the lines they directories and to give European institutions the tasks and power to put them into practice by taking appropriate steps (D, Chile p.2).

Findings confirmed that Article 29 letter d) of the TEU refers to "as necessary harmonization of rules on criminal law of the Member States, in accordance with article 31 item (s), so that European criminal law it can not substitute the criminal law of the Member States (André Klip. P.26).

Means that Article 83 (2) of the TFEU must be understood and applied in connection with the principle of subsidiarity, according to which in areas not within its exclusive competence, the EU can only act if - and insofar as - the objective of the proposed action can not be achieved sufficiently EU countries, but it could be better achieved at EU level.

The provisions issued under Article 83 (2) TFEU should not be construed otherwise than as provided model, standard for implementation of EU criminal law with Member States (André Klip. P.28).

Furthermore, these provisions could not be applied at European level since there is no court to judge these crimes and to impose sanctions when necessary and no institutions to implement them.

Therefore, we think in terms of legislative competence attributed to the European Union by Article 83 (2) TFEU is one shared and come under the principle of subsidiarity^{xi}.

Anyway we do not support the idea that these provisions involve a reassessment of the concept of sovereignty as it is considered in the literature. (Ola G. p.4), whereas this assessment could be understood as a transfer of sovereignty on criminal law.

3. The forms through which the power provided for by Article 83 (2) TFEU

The provisions of Article 83 (2) TFEU target the achievement of the following objectives:

I. Approximation of rules of substantive criminal law by defining criminal offenses and determining penalties in particularly serious crime with a cross-EU competence to establish "minimum rules concerning the definition of criminal offenses and sanctions in the areas of particularly serious crime with a size border resulting from the nature or impact of such offenses or from a special need to combat them from a common base "and if there are differences that constitute an obstacle to law enforcement and judicial cooperation across borders.

Sometimes the quality is considered "good" truly European, which requires that it be ensured protection at EU level^{xii}.

These areas of crime are: terrorism, human trafficking, sexual exploitation of women and children, illicit drug trafficking, illicit arms trafficking, money laundering, corruption, counterfeiting of means of payment, computer crime and organized crime.

The enunciation is one illustration of that depending on developments in crime, the Council may adopt a decision identifying other areas of crime that meet the criteria mentioned above (D.Bobaru, p.3).

Regarding determining penalties it is a generic one. The penalty is an important part of any regulatory system, and the current regulatory framework gives Member States a considerable degree of autonomy in choosing and applying sanctions at national level.

However, it must be a balance between autonomy in this area and the need for effective and consistent application of EU legislation taking into account the fact that the sanctions have a deterrent effect and act as a catalyst in compliance with EU legislation.

II Approximation of rules of criminal law material by defining criminal offenses and determining penalties in those cases where the approximation of laws and regulations criminal Member States proves essential to ensure the effective implementation of a Union policy in an area which has been subject to harmonization measures. Under the principle of subsidiarity, intervention is justified only if Member States fail to ensure compliance with Union law or if significant differences arise between Member States in the field, causing inconsistencies in its application.

In a Commission Communication^{xiii} incidence areas are referred to as road transport, data protection, customs rules, environmental protection, fisheries policy, internal market policies (counterfeiting, corruption, public procurement), stating that the list is not exhaustive. Broadening the scope of European criminal law depends however on the principles of subsidiarity and proportionality.

This concerns the choice between criminal or administrative sanctions should be based on a thorough impact analysis.

The implementation of the provisions of art. 83 (2) TFEU is achieved by directive, to be implemented in national law of the Member.

It may be mentioned in this regard:

- Directive 2008/99 / EC on the protection of the environment through criminal law and Directive 2009/123 / EC of the European Parliament and of the Council of 21 October 2009 amending Directive 2005/35 / EC on ship-source pollution and introduction of penalties infringement;
- Directive 2011/93 / EU of the European Parliament and the Council on combating the sexual abuse, sexual exploitation of children and child pornography, and replacing Framework Decision 2004/68 / JHA;
- Directive 2011/36 / EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating human trafficking and protecting its victims, and replacing Framework Decision 2002/629 / JHA;
- Directive 2012/29 / EU establishing minimum standards on the rights, support and protection of victims of crime and replacing Framework Decision 2001/220 / JHA;
- Directive of the European Parliament and the Council on combating fraud against the Union's financial interests by criminal law / * COM / 2012/0363 final - 2012/0193;
- Directive 2012/13 / EU of the European Parliament and the Council on the right to information in criminal proceedings; transposition deadline expired on June 2, 2014
- Directive 2012/29 / EU of the European Parliament and of the Council of 25 October 2012 establishing minimum standards on the rights, support and protection of victims of crime and replacing Framework Decision 2001/220 / JHA
- Directive 2014/62 / EU of the European Parliament and of the Council of May 15, 2014 on the protection of the criminal law of the euro and other currencies against counterfeiting and replacing Framework Decision 2000/383 / JHA
- Directive (EU) 2015/849 of the European Parliament and of the Council of May 20, 2015 on prevention of the use of the financial system for money laundering or terrorist financing, amending Regulation (EU) no. 648/2012 of the European Parliament and of the Council and repealing Directive 2005/60 / EC of the European Parliament and of the Council and Directive 2006/70 / EC

Conclusion

Article 83 (2) TFEU confers a shared competence that proves to be necessary to achieve the objective of creating an area of freedom, security and justice, an objective enshrined in Article 3 paragraph (2) of the Treaty of Lisbon. However, they can not substitute for national regulations as article 29 letter d) of the TEU refers to "as necessary harmonization of rules on criminal law of the Member States, in accordance with article 31 item (s), so right European criminal to criminal law can not substitute Member.

This means that Article 83 (2) of the TFEU must be understood and applied in connection with the subsidiarity principle.

Definition of criminal offenses and determining penalties is not directly Union European, as distinct entity but its institutions, since treaties are limited only to the sketch lines to them directly and give European institutions the tasks and power to put them into practice by taking appropriate steps.

Directive is the act by which this is achieved proficiency.

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ENDNOTES

ⁱ Treaty on European Union (TEU) states in Article 3 (2): "The Union shall offer its citizens an area of freedom, security and justice without internal frontiers in which the free movement of persons, in conjunction with appropriate measures concerning, inter alia, crime prevention and combating of crime "

ⁱⁱ Criminal law is essentially the expression of the sovereign will and the legal culture of a people. That in this respect the EU can not legitimize competence in criminal law creating a supra-national states (through their parliaments) the only with full powers, led much reluctance in addressing legislative issues of criminal law.

ⁱⁱⁱ By the mid 1970s penal policy at EU level is conducted in an informal, non-governmental. The Maastricht Treaty, which entered into force on 01.01.1993 gives a new perspective field of justice and home affairs as a result of the incorporation of the basic institutional framework as the third pillar of the European Union discussed cooperation in law enforcement and the fight against racism and xenophobia. An appeal launched by seven magistrates Europeans corruption in Belgium (Benoit Dejemeppe), France (Renaud Van Ruymbeke), Italy (Edmondo brutal Liberati and Gherardo Colombo), Spain (Baltasar Garzón Real and Carlos Jiménez Villarejo) and Switzerland (Bernard Bertossa) 1 October 1996 on the creation of a "European judicial area" in order to counter transnational nature of crime has been adopted and used to define

cooperation within the JHA as the area of freedom, security and justice. Another milestone in the activation of criminal law at EU level is the entry Schengen Agreement, which provided among other benefits and police and judicial cooperation in criminal matters, on the assumption that people's security can not be ensured without a criminal justice appropriate requirements Lisbon comunitare.Tratatul already provides a framework that makes this possible, because it allows the EU to resort to criminal law in order to strengthen the application of EU rules and policies.

^{iv} Approximation involves "an alignment of laws, regulations" which requires the initiation and implementation of measures leading to a formal agreement with the European text. Approximation of criminal laws was conducted and international law.

Initially close was designed asymmetrically in that Member States undertake to incriminate at least some practices, but are free to incriminate any other.

^v Article 4, paragraph 3 TEU (ex Article 10 TEC) provides this essential obligation "Under the principle of loyal cooperation, the Union and the Member States respect and help each other in carrying out tasks which flow from the Treaties. Member States shall take any general or particular, to ensure fulfillment of the obligations under the Treaties or resulting from the acts of Union institutions. Member States shall facilitate the achievement of the Union's tasks and refrain from any measure which could jeopardize the attainment of its objectives.

^{vi} Harmonization of criminal law put a compatibility of their improving cooperation in criminal matters and criminal proceedings. It is stipulated in Article 29 letter d) of the TEU which refers to "as necessary harmonization of rules on criminal law of the Member States, in accordance with article 31 item (s).

^{vii} In the Hague Programme, the European Council stressed that the strengthening of justice it is necessary to develop equivalent standards for procedural rights in criminal proceedings, to align the laws, regulations to prevent criminals take advantage of differences between systems legal and guarantee citizens the opportunity to receive protection wherever they are in the EU. The effective application of the principle of mutual recognition, it is necessary to strengthen mutual trust.

^{viii} Eurojust is an EU body with legal personality made up of representatives of Member States, assisting national investigative bodies, having a center of expertise and role at the judicial level for effective activities to combat different forms of the cross-border crime.

^{ix} Article 83 of the Treaty provides that such minimum standards may be adopted for the so-called "Euro crimes", included on a list of facts particularly serious crime with a cross-: terrorism, human trafficking and sexual exploitation women and children, illicit drug trafficking, illicit arms trafficking, money laundering, corruption, counterfeiting of means of payment, computer crime and organized crime.

^x This is the European Parliament's position expressed in a document after entry into force of the Treaties and Commission ruling explicitly that national criminal law of each State must remain the responsibility of Member States

^{xi} The subsidiarity principle aims to limit the extension of Union competences and protection of legislative autonomy of Member States.

^{xii} See explanatory memorandum to Directive 2014/62 / EU of the European Parliament and of the Council of May 15, 2014 on the protection of the criminal law of the euro and other currencies against counterfeiting and replacing Framework Decision 2000/383 / JHA

^{xiii} Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards an EU criminal policy: ensuring the effective implementation of EU policies through criminal law of September 20, 2011 COM (2011) 573 final.

LOCAL GOVERNMENT AUTONOMY IN THE DOMESTIC REGULATION AND IN THE EUROPEAN CHARTER OF LOCAL AUTONOMY

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Summary

Romania's integration into the European Union represents a great challenge for the local government. It is the one who must implement successful social models of Western democracies: quality public services, reduce bureaucracy, transparency and efficiency in public spending, high standards of performance for public institutions.

The transition to "democratic centralism" a specific manner of organizing a totalitarian state administration, decentralization and autonomy for local decision-making, was the touchstone for the Romanian government in recent years. Are these years of accumulation sufficient for local government so that it will rise to the level of local Western democracies?

Keywords: *government, European Union, administration.*

Jel Classification: K3K39

1. The principle of "democratic centralism" in the communist totalitarian regime.

In the past, "democratic centralism" was called to provide process Communist Party rule through a centralized organization strict nature allow him to impose masses through elections, in which only its members could run (I. Gliga, 1957) .

As a political principle, democratic centralism was defined as "one of the main structural base of the organization of the party, included in the statute, such as ensuring bodies and organizations single party, a wide opening to action and initiative in view of achieving their role as leader for "the masses. The principle of democratic centralism in state activity was considered to represent, in that era, combining unitary management of economic and social life with autonomy and initiative of people's councils county, city, town and village, the economic enterprises, other social units, with the active participation the masses in governing society. "

In reality, democratic" centralism " enshrine strict subordination of local bodies of state administration, both on the horizontal line and the vertical line. Subordination on a horizontal line is to choose by popular councils, the executive committees from among their executive committees which generate an obligation to be accountable to the people's councils for its work. Subordination vertical line match with the hierarchical relationship under which, the executive committees of the people's councils executive committees were subordinate superior "to the Council of Ministers, in the sense that they were obliged to comply with the directions of the latter" (T. Drăganu 1972) .

Time doctrine considers that: "The autonomy of organization of administration is consistent with the principle of democratic centralism, the subordination of local organs of the central state administration. The autonomy of organization of state administration shall be rendered within the system of unitary organization of the country "(Oroveanu, 1975).

The so - called autonomy allotted a formal content, resuming the implementation of the "indications" party. This was actually ensured through the dual functions of party and state. Promoting a public office not done unless the person was a member of the party, while having an important position in the party hierarchy.

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Uniformity of local life was a first consequence of this system, as local authorities were state bodies that were part of a hierarchy established in order to give priority to the general interest. There was no question of local autonomy given that local authorities were representatives of the state in territory and managing its assets.

Although the city has its own budget, it was part of the state budget, because this system over centralized basis was the socialist property of the state.

The other side of "democratic" centralism, namely the democratic, was conceived as a means of citizens' participation in public affairs, counterbalancing the unilateral aspect of the management of society by the single party organs. After all the forms of organization and functioning of citizen participation, although they did not have the nature for formations party were strictly directed and conducted by local party, thereby providing a framework, limited and formalistic of the initiatives promoted during the debate of important projects.

In conclusion, we can state that the principle of "democratic centralism", although he had two heterogeneous elements, one centralized and a decentralized one was conceived socialist ideology, as having a unitary content, as shown above.

In fact, the dominant side was centralized and the effective application of the principle of democratic centralism at the level of local government meant that they had exclusive state function, which involves promoting the excellence of the national interest; the local level, although declared, it had no conditions for affirmation.

The so-called democratic centralism, ensured at local government level a strict centralized organization and functioning of public authorities and the idea declared "local autonomy" was nothing more than an application of the Party's leading role unique locally.

They were therefore patterns that worked in local government in Romania during the communist-totalitarian period.

2. Local public administration in Romania, under the Western model of local government

Communist totalitarian regimes crisis in Eastern Europe led to a shift in the administrative systems of the Western model of local government success: independent decision-making to local communities through decentralization.

The handy solution for solving crisis situations was that of decentralization of authority and hierarchical bureaucracies, accompanied by a wide autonomy granted to administrative - territorial units. The government should encourage competition and quality of service; it will act more like a manager who seeks his company to become more flexible to requirements, more competitive, innovative.

To exist as administrative reality decentralization should be seen as a conceptual change of the entire administrative system, to reassure a rational distribution of powers at decision-making levels as close to where they are running (Alexander, 1997).

The post-revolutionary period was characterized by the desire to strengthen the institutional and legislative of local autonomy; it must become the engine of local development, as happens in European Union states.

The essential European requirement on the organization and functioning of public administration is that of connecting it to democratic principles, characteristic to the rule of law, and making it serve the citizens by eliminating mechanisms of centralist type of the state administration specific to the totalitarian period.

The country reports for Romania, the European Commission, assessing the degree of administrative decentralization, showed that in recent years there has been a steady transfer of responsibilities from central to local authorities in several fields, such as social welfare, health, education, transport, emergency services, public utilities, but the existence

of unclear legal framework and lack of a strategy to coordinate the decentralization process in a transparent and stable manner, were factors that limited the consolidation of local autonomy.

In this context, they have been identified as causes of the malfunctions occurred in the transfer of responsibilities from the central level, consulting low of local authorities on draft legislation that has high impact locally as the absence of transfer of adequate resources that would have to accompany the decentralization of public services.

Financially, the full manifestation of local autonomy is affected by the reduced capacity of collecting local revenues, lack of transparency, of which the legislation governing financial transfers is suffering, as well as the mighty instrument that amounted the control of the County Council on the expenditure of local councils.

A milestone was the adoption of Law no. 199 of 17 November 1997 ratifying the European Charter of Local Self-Government adopted in Strasbourg on October 15, 1985.

In art. 3 para. 1 of the European Charter of Local Self-Government it is stipulated that the local autonomy means the right and effective capacity of local authorities to resolve and manage within the law in their own name and in the interest of the local population an important part of public affairs .

According to art. 4 para. 2 of the Charter, local public administration authorities are recognized under the law, to have full discretion to exercise their initiative in all areas that are not excluded from their competence or are not attributed to any other authority.

The concept of local autonomy has been defined by Art. 3 paragraph. 1 of Law no. 215/2001 on local public administration, whose content is almost identical to the text of art. 3 para. 1 of the European Charter of local autonomy. Thus, according to internal regulation, the local autonomy means the right and effective capacity of local authorities to resolve and manage, on behalf and in the interest of the local communities they represent, public affairs, under the law.

In the scientific literature it has been assessed whether there was consistency between domestic and European regulation regarding the definition, emphasizing qualities, but appreciating, however, that regulations complement each other (Trăilescu, 2005). Moreover, according to art. 11 para. 2 of the Constitution, since it has been ratified by Romania, the European Charter of local autonomy is part of national law in which the rules must be reconciled.

From the contents of the Charter emerge the elements of decentralization based on the principle of local autonomy. These components are: the existence of a territorial local colectivity; recognition of responsibility in managing the specific needs of local communities and the existence of own resources; The local community to dispose of their own administrative authorities, autonomous from the state; overseeing the work of local authorities by way of executive control of administrative tutelage (Alexander, 2002).

According to these legal regulations, local autonomy is not only a principle of organization and functioning of public administration, but also a right of local public authorities which is exercised by them on behalf and in the interest of local communities.

This right shall be exercised by local councils and mayors as well as county councils, authorities of local government elected by universal, equal, direct and secret suffrage, based on the ballot list, respectively the uninominal ballot and by independent candidacies.

Local autonomy is linked to the organization, functioning, powers and duties and resource management which, by law, belong to the village, town or county, as appropriate.

Powers and duties of local authorities are established only by law. These skills are full and exclusive, unless required by law.

Local autonomy gives local authorities the right, within the law, to take initiatives in all areas except those expressly given to other public authorities.

Relations between local government authorities in communes and towns and public administration at the county level is based on principles of autonomy, legality, responsibility, cooperation and solidarity in solving the problems of the entire county.

In relations between local government authorities and the county council, on the one hand and between the local council and mayor, on the other hand, there are no subordination relationships.

Central public administration authorities can not establish or impose any responsibilities to local government in the process of deconcentration of public services or the creation of new public services without ensuring financial means for carrying out these responsibilities.

These central public administration authorities are obliged to consult before taking any decision, the associative structures of local authorities in all matters which concern them directly, according to the law.

In the national economic practice, municipalities, cities and counties have the right to own resources, which the local government authorities manages according to their duties under the law. The financial resources of local authorities should be proportionate with the skills and responsibilities required by law.

Under Art. 25 of Law no. 215/2001 in order to ensure the local autonomy, the local public administration authorities in communes, towns and counties, develop and approve the budgets of revenues and expenditures and have the right to levy local taxes and duties under the law.

These provisions express affirmation of the principle of local autonomy in another important area - public finances - which constitutes a core element of financial support that ensures achieving local autonomy.

Local authorities have the financial resources and manages assets public or private property of communes, towns and counties, in accordance with the principle of local autonomy.

Local autonomy is only administrative and financial, not political. This can not prejudice the national state character, unitary and indivisible of Romania.

The fact that the provisions of art. 4 para. (1) of Law no. 215/2001 specifies the legal nature of local autonomy, namely administrative and financial, is likely to eliminate any tendency or action to distort the meaning and precise content of this principle. By law, local autonomy can exist on other criteria, such as the criteria of ethnic, linguistic, territorial (regional) etc.

Also under the principle of local autonomy, protection and promotion of their common interests, local government authorities have the right to join national and international associations under the law.

Local authorities may conclude agreements between themselves and participate, including by the allocation of funds, the initiation and implementation of regional development programs, under the law.

The principle of local autonomy has an external dimension. Thus, the local councils and county councils in the territorial administrative units adjacent border areas may conclude cross-border cooperation with authorities in neighboring countries, according to the law. These agreements may be concluded in the fields of competence of these authorities also with compliance with national legislation and international commitments undertaken by the Romanian state.

Corroborating the provisions of art. 11 para. 1 with that of art. 13 para. 1 of Law no. 215/2001, the literature distinguishes between cross-border and over-border

cooperation, the difference between these two forms of cooperation being that in the second case, cooperation takes place between local collectivities, that have no common border .

The right to over-border cooperation and is enshrined in art. 10 para. 3 of the European Charter of local autonomy and the right to cross-border cooperation at European level is covered in detail by the European Outline Convention on transboundary cooperation between Territorial Communities or Authorities.

In the same framework of the principle of local autonomy encompasses the right of local councils and county councils to decide on the participation with capital or goods, on behalf and in the interest of the local communities they represent, to companies setting up or establishment of local public services or county, where appropriate, under the law.

On the exercise of rights by citizens belonging to national minorities as an expression of local autonomy and democratic character of the state, in line with European standards, the Law amending the Constitution no. 429/2003 was expressly upheld the right of Romanian citizens belonging to national minorities which has in the administrative-territorial unit a significant share, to use in writing or orally, relations with local authorities, the mother tongue.

In its current wording, Law no. 215/2001 provides that the administrative-territorial units where citizens belonging to national minorities have a share of over 20% of the total population, local government authorities will ensure the use in relations with their native language and in accordance with the Constitution and the international conventions to which Romania is a party.

In these circumstances, it is apparent that the existing provisions of the Local Public Administration Law defines the term "significant percentage" used in the Constitution, when referring to the percentage of over 20% of the national minorities (Preda, 2004).

3. Some aspects relating to the principle of decentralization and subsidiarity are not directly connected with the principle of local autonomy

In essence, the centralization of public administration means on an organizational level, hierarchical subordination of local authorities to the central and appointment of civil servants in the management of local authorities by central authorities which are subordinate in functional terms and issue the act of decision by central and execution of the local ones.

Decentralization in public administration is a regime in which solving local problems is no longer made by officials appointed from the center, but by those elected or appointed by the electoral body. In that system, local authorities are no longer subordinated to the central and their acts (even those not complying with the law) can not be canceled by authorities, but the authorities in the sphere of another power - the judiciary - or in a specially constituted court system.

The doctrine (Cărăușan, 2012) was shown as considering "decentralization as opposed to centralization is wrong because it does not mean negation of centralization, but reducing them, reducing concentration of powers".

The legal regime of decentralization is based on the material plane, on its own patrimony of administrative-territorial units, distinct from the state, which provide the means (financial and material) to meet his needs and local colectivity interests.

The regime of administrative decentralization, recognized the legal personality of administrative-territorial units, and the existence of public authority which is also not part

of the hierarchical system under center, but are subject to special control conducted by the prefect (administrative guardianship) .

The fundamental principles, general rules and institutional framework for the conduct of administrative and financial decentralization in Romania are regulated by the framework law on decentralization no. 195/2006.

Under that law, decentralization is the transfer of financial and administrative powers from the central government to the local government or the private sector. The process of decentralization shall benefit citizens by strengthening the power and role of local government in order to develop economic and social development of administrative-territorial units.

Decentralization framework law enumerates the art. 3, the following principles on which decentralization takes place:

a) the principle of subsidiarity, which is to exercise its powers by the authority of local government located at the administrative level closest to the citizen and that has the necessary administrative capacity;

b) the principle of ensuring adequate resources transferred powers;

c) the principle of accountability of local public authorities in relation with their competences, which requires the achievement of quality standards in the provision of public services and public utility;

d) the principle of a decentralization process to ensure a stable, predictable, based on objective criteria and rules that do not constrain the activity of local authorities or limit local financial autonomy;

e) the principle of fairness, that involves providing all citizens access to public services and public utility;

f) the principle of a budget constraint, which prohibits the use by central government authorities special transfers or subsidies to cover final deficits of local budgets.

Administrative decentralization has as administrative centralization, both advantages and disadvantages.

The most important advantages can be summarized as follows:

- A regime of administrative decentralization can be solved under better circumstances local interests, local public services and may be run better by local elected government authorities because they are not obliged to comply with the orders and instructions of the center;

- The measures and decisions can be made operative by local government authorities, as they no longer need to wait for approval in this regard from the center;

- A regime of decentralization, financial and material resources and even manpower can be used more efficiently and can respond to priority needs that local authorities know , and "they feel" better than the central government;

- Election or appointment of civil servants, for a limited term, greater removes bureaucratic and routine phenomena in local activity, each time bringing a new spirit in managing local affairs;

- Inhabitants participation (elections) the designation of local authorities emphasize their sense of responsibility and initiative for the public life of "city" and motivate them to find their own solutions to the problems they face.

When referring to the disadvantages of administrative decentralization, these are mainly the following:

- A strong decentralized system, central government action is hampered because it is not always connected to the interests and actions of local authorities;

- The choice of decentralized authorities, stressed Professor Tarangul, "introduces in local government, the political party, that takes over and vitiates everything. Lack of competence and responsibility, demagoguery and servility are some of the biggest drawbacks of this mode of recruitment of decentralized authorities";

- Sometimes in small units, it is hard to find good specialists in public administration, which can administer the public services that decentralization (greater) gives to local authorities;

- In terms of asset management and finance, decentralization increases the number of communities with their own assets and its own budget, which makes it difficult to achieve effective control over the use of public money and the formation of a correct vision, as actual finances of the country and national wealth.

Regarding the principle of subsidiarity it is found to be debated, in par. 2 of Article 4 of the European Charter of local autonomy according to which local authorities are first recognized, within the law, have full discretion to exercise their initiative in all areas that are not excluded from their competence or which are not allocated to another authority.

According to par. 3, the exercise of public responsibilities should, on a general basis be given, preferably to those authorities which are closest to the citizens. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy.

As was revealed in legal literature, the idea of subsidiarity is often currently used at European level considering that the principle of subsidiarity is a response to the various issues raised by the organization and structuring of united Europe.

It also showed that subsidiarity means more than a simple principle of institutional organization; it applies primarily to relations between individuals and society, and relations between individuals and the institution being the inspiration for the division of powers in the institutional scheme between basic and higher levels (M. Cărăușan, 2012).

4. European structures, with impact on the issues targeting local communities

4.1. The Congress of Local and Regional Authorities of Europe (CLRAE)

In 1957, the Council took its first step towards local authority representation. Since then, its activity was extended from Iceland to the Russian Federation and from Norway to the Balkans.

In 1994, the Congress of Local and Regional Authorities of Europe (CLRAE) was established as an advisory body of the Council of Europe, replacing the Conference of Local and Regional Authorities of Europe. It works on the basis of Statutory Resolution 2000 (1) of the Committee of Ministers.

The role of the Congress of Local and Regional Authorities of Europe is manifested in the following aspects:

- Is the voice of Europe's regions and municipalities;
- Provides a forum where local and regional elected representatives can discuss common problems, pool their experience and express their views to governments;
- Advises the Committee of Ministers and Parliamentary Assembly of the Council of Europe regarding local and regional policy issues;
- Work in close cooperation with national and international organizations representing local and regional authorities;
- Organizes hearings and conferences at local and regional levels to reach a wider public whose involvement is essential to a working democracy;
- Prepares regular country reports on the situation of local and regional democracy in all Member States;

- Ensure, in particular on the application of the European Charter of Local Self Government;
- Supports the new Member States of the Organization in carrying out practical tasks necessary to achieve effective local and regional autonomy.

4.2. Committee of the Regions (CoR)

The Committee of Regions (CoR) is an advisory body of the European Union, composed of representatives of the 28 Member States, elected local and regional level. Through the CoR, they may directly express their views on EU legislation which has an impact on regions and cities.

What are the main responsibilities of the CoR?

- CoR offers regions and cities the opportunity to be involved officially in the EU legislative process, ensuring that the views and needs of local and regional authorities are respected;

- European Commission, the EU Council and the European Parliament must consult the CoR when legislating in areas falling within the remit of local and regional health, education, employment, social policy, economic and social cohesion, transport, energy and combating climate change.

- If it is not consulted, the CoR may refer the Court of Justice of the European Union.

- Since receiving a legislative proposal, the Committee of Regions prepares and adopts an opinion which then transmits to all relevant European institutions;

- The CoR may issue opinions on its own initiative.

Structure

CoR members are representatives elected from the local or regional authorities. Currently CoR has 353 members (elected) .Each country designates what members want. They are appointed by the EU Council for a term of 5 years, renewable. The number from each country depends on population size.

Members from a country that form the national delegation reflects the balance of political, geographical, regional and local country. Romania is represented by a delegation consisting of 15 members and 15 alternate members.

Each member may decide to be part of a political group in the CoR. Currently, there are five groups reflecting a range of political affiliations People's Party (EPP), the Party of European Socialists (PES) Alliance of Liberals and Democrats for Europe Group (ALDE), European Alliance Group (EA) and the Group of European Conservatives and Reformists (CRE). Members also have the opportunity to choose not to be part of a political group (unrelated).

CoR appoint a chairman from among its members for a term of two and a half years.

How does CoR work?

CoR appoints a rapporteur (one of its members) to consult stakeholders and prepare the opinion. The text is discussed and adopted by the CoR commission in charge of that policy area. Opinion is then presented in plenary session to all members who can edit and then take a vote. Finally, the opinion is sent to all relevant EU institutions.

Every year, there are organized up to 6 plenary sessions, during which are adopted opinions on 50-80 bills.

CoR and citizens

CoR encourages participation at all levels, from local to regional authorities and ordinary citizens. Regional and local authorities, associations, NGOs, experts and academics can participate in surveys, consultations and events online. The contest

"European Entrepreneurial Region" applies to all regions with political powers, while these contests aimed at academics.

CoR has several networks that allow regions and cities in the EU to share best practices, work together and contribute to European debates on topics such as growth and employment, development and subsidiarity, combating climate change and cross-border cooperation .

Local and regional authorities can sign the Charter on multilevel governance in Europe, which contributes to better promote the legitimacy and responsibility of cities and regions in EU policy implementation.

THEORETICAL ASPECTS CONCERNING PUBLIC POLICIES IN THE EUROPEAN UNION

Isabela, Stancea¹

Summary:

The public policies means all the actions of the government, those levers and mechanisms by means of which the governmental apparatus shall exercise general management. The political, economic, administrative and social, directly or indirectly which may influence the life and well-being of citizens.

The public policies provides solutions to the needs of the Community at a given moment, they assuming a series of actions, decisions, institutions and the regulatory framework of making them. By default, any public policy included in a government program requires the financial means public, budgetary resources and policies of attracting of revenue and efficient allocation of public money.

With regard to the public policies of the European Communities, the budget of the European Union reflect the priorities and plans of the Union for each year, it is the document which authorise the financing of the activities to be undertaken in the space of the European Parliament and of all operations concerned.

Keywords: *Public policies, decisions, European Union, governmental structures.*

Jel Classification: K3K39

More broadly, the policy is a set of theoretical concepts and practical mechanisms used by the state to achieve social impact objectives.

With the help of public policy there are borrowed techniques, methods and elements of multiple fields, such as law, economics, sociology, political science, etc.

In their evolution over time, public policies have worked through a number of stages, four of which are considered essential:

- almost to the 60s this institution, of public policies did not constitute a distinct concern theoreticians of those times. Most of the analyzes that were made at that time in terms of governance mechanisms aimed at that moment, which made the political parties and the entire electoral process to be examined more closely;

- in the period '60 -'80 was noted an increase in interest in the greatest possible efficiency effects of policy decisions, focusing on reforming the mechanisms of government as a whole;

- after 80s the focus on government-civil society partnership on reforming governance mechanisms in order to manage effectively public money.

- Years after 2009, along with the global economic crisis, the government-civil society partnership acquires new dimensions, in that the state must play an active role in managing the crisis. To this end, public policies must be oriented towards of the economic and social the adjustment factor to the evolution of global politics.

"The elements that achieve policy coherence can be delineated as follows:

- specific measures that give substance to public policies;
- the allocation of resources accompanied by coercive forms of monitoring and control;

- Integration of public policy in a strategy, a framework for action, on a medium and long term;

- influence by public policy of a target group of individuals;

- Define and implement public policy objectives depending on the scale of social values of the time "(Grawitz J. M. Lecca, 1992, p. 102).

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According to an opinion expressed in specialized literature, public policy refers to the government's actions and the intentions that led to these actions (Clarke, 1993, p. 302).

Another expert believes public policies as political decisions related to the implementation of programs designed to achieve specific social objectives (Malone, 2007, p. 58).

"In common sense, the term "politics" is usually taken to apply to something "bigger than individual decisions, but" something less "than the general social movements. So policy, in terms of level of analysis, is a concept placed in the middle. A second element, namely an essential one, is that for most authors the term refers to a purpose of some sort" (Miroiu A., 2001, p.9).

"Heinz Eulau and Kenneth Prewitt defined public policies as firm decisions characterized by behavioral consistency, both from those who practice them and from those who respect them" (Junjan V., R. Beer, 2002, p.164).

In our view, the policy actions of the government represents all those levers and mechanisms by which the government apparatus shall exercise general leadership, political, economic, administrative and social, directly or indirectly, and that may influence life and wellbeing.

Public policies provide solutions to community needs at a given time, they assuming a series of actions, decisions, institutions and regulatory framework for achieving them. By default, any policy included in a government program requires public funds, budgetary resources and policies to attract income and an efficient allocation of public funds.

So public policies consist of a set of concrete measures, decisions or ways of allocating financial resources, which is part of an overall framework for action, addressed an audience wider or narrower. Public policies have the following characteristics:

- They are made on behalf of citizens;
- Are established and implemented by the government apparatus;
- They are interpreted and implemented by public and private actors;
- Reflects the government's plans;
- Reflects what the government does not intend to do (Howlett M., 2003, p. 92).

"The beach of public policies presupposes the existence of a plurality of actors, situations and problems, in whose interdependence is born a policy and at the same time, it checks its viability, duration over time, how malleable it is and how to suit the interests of citizens" (Malone, 2007, p. 58).

The actors involved in the development and implementation of public policies are, therefore, institutions of the State Parliament, but citizens may be on an equal basis, international organizations, associations, foundations, etc. For example, Parliament is a central authority in which its members, councilors, parliamentary committees have a vital contribution in generating and implementing public policies.

Equally, the actors involved in the public policy process can be both individuals and groups, their number varying by country, sector or area and being able to change over time. Of course, the literature provides multiple classifications of participants in the public policy process (Profiroiu MC, E. Iorga, 2009, p. 34).

"The term 'actor' include both actors in the social sphere and actors of state structures, some being more involved in the administrative process, while others are mere spectators" (Howlett M, Ramesh M, 2004, p. 63).

An author distinguishes between participants inside and outside the political-administrative system the following categories: government, senior officials, Parliament, lobbyists, academics, researchers and consultants, media of mass communication, political

parties and public opinion, but claims that this distinction is partly artificial (Kingdon, 1984, p. 37).

"The political parties have a significant effect on public policy, but indirectly, generally through their members who are in the executive apparatus and to a lesser extent in the legislature. Political doctrine or ideology of the party can influence to some extent the option to party members to certain types of policies, but quite often in practice it is noted that they are neglecting their platform in the official party policy. If we were to analyze the political process in Romania, it is easy to see that the members of the Romanian political parties are not really interested in the ideology of the party they belong, but rather their own interests and the desire to learn "the boat is power "which gives them easier access to resources. This can be easily noticed by migration occurs among political parties in Romania "(Profiroiu MC, E. Iorga, 2009, p. 40).

So for a policy to be considered public should be generated or processed even organizations, procedures, or governmental influence. Therefore, we can say that:

- Public policy decision involves a number of inter-;
- Are implemented by individuals and government organizations;
- They are influenced by earlier political decisions and environmental factors;
- Public policies are presented by the media before their implementation;
- Public policies involves both action and inaction ;
- they can not be analyzed separately from the process of building the policy;
- Public policies have consequences, which may or may not be provided;
- Public policies require resources, and practical actions (M. Lipsky, 1980, p. 12).

"A first key element for a successful policy is the correct definition of the problem and identify its causes, because throughout subsequent public policy process invariably depends on the moment. When we have a clear picture of the problem, it is good to provoke discussions with all potential stakeholders, to analyze available data, qualitative and quantitative. A poorly structured problem or causes of which were not detected correctly can lead to a failure of public policy "(Profiroiu MC, E. Iorga, 2009, p. 54).

Also, the process of policymaking may fluctuate; Such actors involved in policy can address another issue considered urgent at the expense of those already opened.

Similarly, those involved in the development of public policies may change and with that change, there is another approach to solving a certain problem. For example, if after the parliamentary elections, changes occur in the government coalition parties, this leads invariably to changing the order of priorities on the agenda of the new government's work.

Therefore, even if the problems facing society are changing, values that govern that society are changing rapidly, some problems end up being debated, while others never reach the public agenda.

In practice, there are a number of limitations acting on those who formulate public policies. Some fundamental constraints may be related to the nature of the problem to be solved. Others are procedural constraints, which in turn can be institutional (constitutional provisions, the organization of state and society, systems of ideas and beliefs dominant) (M Howlett, Ramesh M, 2004, p. 141).

Public policy involves a complex set of elements that interact.

Thus, in the process of policymaking can be multiple actors, from public institutions and international organizations and by interest groups, researchers or journalists, each of whom promote different values and different interests or perceptions on a policy and how to solve different.

The entire process of drafting a policy, from the occurrence of the problem, and to the decision to solve it and assess its impact may extend over several years, requiring a longer period of time to understand the impact of policies on socio-economic factors.

So by grounding and careful elaboration of public policies, authorities administrative may respond better to the general interests of citizens and local communities. The public policy is closer to the citizen and its problems, it has a higher effectiveness and efficiency (M. Lipsky, 1980, p. 12).

It is well known that the implementation of a policy, usually does not involve only officials within the same organizational hierarchies, but individuals who belong to that organization or government, or that are not part of any organization. So both policy formulation and its implementation may involve more participants who may have different ways of understanding the issue exposed and can provide several solutions for this.

"The implementation of a public policy is a process that is often faced. Different authors have identified the causes of failures of implementation as:

- The large number of participants in the process, each with a different perspective on the problem and with a different level of involvement in solving it;
- Diversification goals. The policy depends more clarifications and explanations, the more the risks increase as initial objectives are not achieved;
- Ambiguity original purpose;
- The objective was not considered a priority;
- There were not enough resources to meet it;
- There was a conflict with other major participants;
- the group targeted by the policy was hard to involv, contact etc .;
- what has been made, did not have the expected impact;
- In time, circumstances have changed and attention was overtaken by other problems, apparently more important "(Profiroiu MC, E. Iorga, 2009, p. 70-71).

The solution involves examining starting conditions which must be satisfied as failures to be minimized (Hood, 1976; Gunn, 1987; Fesler, 1980). Some of these preconditions necessary to achieve perfection in public policy is outside the sphere of influence of the performers. For example, a political context, legal provisions, institutional framework performers as perceived by some constraints. Other conditions, however, come under their jurisdiction may be changed or shaped by performers, to a certain extent (Hogwood, Gunn, 1984).

In the European Union, it is known that it is a community of countries of particular importance for the international political environment of the last hundred years, an entity for which no definition is fairly comprehensive.

The features that customize this union are:

- Transfer of powers from member states to the Union, the transfer is significantly influenced by the degree of sovereignty of each Member State;
- That were created in the Union, public institutions responsible executive and legislative competence;
- The emergence of transnational policies that have significant budgetary resources;
- Budgetary policy distribution of resources according to current needs of the states and to reduce disparities of development.

Expansion and European integration increases the importance of mechanisms and instruments of substantiation, elaboration and implementation of national public policies and the European practice and usage properties, while stressing the need to identify the particularities of European decision-making. Under the requirements of European integration, national institutional and policymaking process were subjects factor change. Moreover, under the impact of the same process, the very process of European policy

making was shaped by rules and procedures that have evolved with changes and successive enlargements of the European Union (Matthew A. Dogaru C-T., 2011, p. 78).

Aligning regulations, principles and standards regarding the whole process of formulating public policies in Romania was and is a constant concern for IPP in all its areas of expertise, both before joining the European Union and in the present. In particular, IPP is interested in how the measures of foreign policy - both those in the relationship with the European Union and with non-member or other important institutional player (NATO, Council of Europe) - is reflected in society, Romanian citizens who are expectations in this regard, what are the issues that our country faces as a member, etc. (<http://www.ipp.ro>).

European policies About the EU budget reflects the priorities and plans for the Union each year, which is the document that authorizes financing activities taking place within the European area and all related operations.

As the degree of European integration has increased, the budget has changed, being influenced by the following factors:

- Unification of budgetary instruments by establishing a single budget level
The European Union;

- there has been achieved a better balance at the institutional level;
- The introduction of own resources (Clarke, 1993, p. 305).

In general, European policies must be implemented effectively, and the Commission but also other EU institutions are responsible for the proper management of budgetary resources.

In public policy making in the European economic and social context, it is imperative that those who develop these policies, to forge ties with their foreign counterparts, the diversity of ways of making this process easy communication. Therefore, it is essential to make progress in identifying public policy units and to refer directly to Europe in describing the work and the goals envisaged in policy.

European policies have known, naturally, ongoing changes in recent decades, and its budget has promoted and reflected this development.

In the future, funding sources and financing instruments of the EU budget should provide funding of public policies based on the current needs of existing and to be assessed in accordance with the principles agreed, taking into account efficiency, fairness, transparency, necessity and financial autonomy.

Equally, it is necessary and best practices for improving ministers and all other public policy makers involved in presenting and implementing EU legislation. It would give a definite direction on what policy makers should do to assess the possible benefits and drawbacks of legislation, and how will it affect EU citizens (Profiroiu MC, E. Iorga, 2009, p. 123-124).

The Maastricht Treaty also makes changes in public policy through the European Union's activities by including the following:

- "Abolition between Member States of customs duties and quantitative restrictions on imported and exported goods and other measures with equivalent effect;

- Common commercial policy;

- Internal market will be characterized by the abolition between Member States of restrictions on the free movement of goods, persons, services and capital;

- Measures concerning the entry and exit of persons domestic market;

- A common policy on agriculture and fisheries;

- A common transport policy;

- Introduction of a system ensuring that competition in the internal market is not distorted;

- A social policy that includes the European social fund;

- Strengthening economic and social cohesion;
- An environmental policy;
- Encourage industrial competitiveness;
- Promoting research and technological development;
- The establishment and development of trans-European networks;
- Help to achieve a high level of health protection;
- Supporting the development of education and a professional training quality;
- A policy in development cooperation;
- Associating countries and territories next to seas to gain trade activity and promote economic and social development;
- Increased consumer protection;
- Measures on energy, civil protection and tourism "(art. 3 TUE).

"The governments of Western states, the international financial institutions and other donors require and use different tools to assess a project. In Romania, of public policies evaluation phase is still underdeveloped. Most monitoring and evaluation activities are conducted within programs with funding from the European Union. Regarding programs financed from the state budget, a small number were assessed during or after their implementation. If the assessment was conducted, it takes the form of reports on the achievement of objectives, without giving importance to public policy impact or efficiency with which resources were given "(Marton Balogh, 2014 p.77).

Although it is estimated that at European level there is a framework for unification of public policies, they can not be applied in the same way, their diversity is determined by the different realities of European countries, their culture and traditions, and not least the varying development economic tools and mechanisms that promotes national public policies (Matthew, 2007, p. 4). However, national actors can learn lessons from the process of Europeanization, then trying to change and to adapt their internal processes EU policies.

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SOME ASPECTS OF CIVIL SERVICE PAY POLICY

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Abstract

Staff salary budget theme is timeless and very complex one, and the 'unification' wage legislation in the public system is quite difficult.

In recent years two laws were adopted unitary wage framework of personnel paid from public funds: the Framework Law no. No 330/2009 and Law framework. 284/2010. But they did not bring a uniform salary and no easing wage, conversely created large discrepancies between employees and state employees, even within the same profession.

Therefore, it is necessary to adopt a new law on the unitary pay of personnel paid from public funds to consider such as the unitary principles, rule of law, fairness and consistency, discrimination, financial sustainability.

When classifying different types of motivation arises from the outset the difficulty of choosing the criterion that could be used. Building on the main categories of incentives involved in professional life we can identify the following incentive key:

- Incentive money, financial, economic - economic motivation;
- Work, professional activity - professional motivation;
- The interaction between group members work - psychosocial motivation.

The economic motivation is produced by stimulus money, financial.

Although money has no incentive value, they can receive motivational valences in that they are the primary means by which man can meet most of its own needs. It is highly difficult, if not impossible, to find a remuneration system that contains only positive aspects, able to satisfy all employees equally. More useful is to use more varied forms of remuneration so as to ensure the fulfillment of several needs. In addition, it has been found that the same form of payment may have positive effects in certain conditions, and in others negative, therefore it requires proper handling of the system of remuneration.

Public administration staff from his office may have moral and material advantages.

The importance of benefits varies by age, country or functions. Sometimes public office is surrounded by great prestige, so the material advantages are left in the background and may even disappear. Lofty prestige of public office was enough to attract them towards true professional authority which long time continued to exercise, apart from this small or no retribution.

The situation was valid for Prussia and France after the revolution. Today, unfortunately, the prestige of the public function is dwindling, except for countries in the Middle East and Orient extreme.

Among the advantages of materials entering first and especially remuneration. . Remuneration paid from budget funds replaced as a way of remuneration, the perception by them of their gross royalties from those administered in the exercise of the function.

Salary is payable by monthly installments and regular manner; sometimes in other countries is delaying payment of those wages, which causes protests.

Retribution is usually fixed, but it is often increased by allowances, accessories.

Salaries are sometimes smaller than those paid in private enterprises. Some countries are more generous with their officials, others less. In general, they are stingy.

However, there are advantages of administrative staff compared with those in private enterprise: guarantees stability, certainty of wages, pensions, and surveillance against

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unfair dismissals. Those who work in administration, however, are subject to difficulties in terms of monetary instability and inflation. This discourages them and many private enterprises migrate towards ensuring their remuneration.

Low wages, regardless of the temptations of corruption that expose the officials, incites and outdoor pursuits for seeking to form additional resources. In South American countries, in Spain, officials, after several hours of office, have a private job.

Salary constitutes consideration for work performed by the employee based on individual employment contract or on the order of appointment to public office, the civil servant.

The legislature recognizes civil servant entitled to any salary as an employee. The use, and in the case of civil servant to the same term does not mean that the legal status of civil servant salary is the same as the salary for an employee with an individual employment contract, especially with the employee in the private sector.

Due retribution between the official and the employee there are common elements but also differences. Beyond this identity form, terminology, the law governing different in substance, the salary of the public servant from that of the employee.

In accordance with the provisions of Article 31 of the Statute of the civil servants in the fixed part of the salary structure, includes base salary and bonus for seniority.

It was established in the manner mentioned a conception of the pay structure inspired by the payroll systems of other countries, especially Anglo-Saxon system where, by means of wages, seeks to ensure an individualization of the salary quantum which is the responsibility of different categories of staff depending on the complexity and specificity of activity it performs.

As a matter of fact, as shown in the article 9 of the Framework Law no. 284 of 28 December 2010 on the unitary remuneration of personnel paid from public funds pay system governing the remuneration of public sector employees in relation to job responsibilities, work, quantity and quality of it, the social importance of labor, the specific conditions under which it is developing, the results obtained.

The pay system is based on the following principles:

a) The unitary character in the sense that regulates the payment of all categories of staff in the public sector, taking into account the rights of salary set by special normative acts in the payroll system covered by this law;

b) Law supremacy in the sense that the rights of the nature of the employer shall be established only by legal rules of force law;

c) Fairness and coherence by creating equal opportunities and equal pay for work of equal value, based on uniform principles and rules for fixing and granting salary and other salary rights of public sector employees;

d) Financial sustainability by establishing wage increases based on annual special laws.

You can see an improvement of this rule in relation to the common law in this matter, in accordance with international norms by replacing "equal work" by "work of equal value" in the sense that public sector work can be equal for functions identical and the same amount for equivalent functions.

In the application of the Law no.284/2010 have been adopted. Law No.285 of 28 December 2010 on staff salaries in 2011 paid from public funds and Order no. 42/77 of 13 January 2011 on approving the Methodological Norms for the application of Law no. 285/2010 on salaries in 2011 of personnel paid from public funds.

According to the provisions of Art. 2 of Law no. 285/2010 according to which in 2011, for the newly-classified by function, staff named / employed within the same institution / public authority on the functions of the same kind, as well as for the staff

promoted to grade / step salary shall be made at the level of salaries and wages in the payment for the functions of similar institution/public authority in which it is highlighted.

In practice this has not happened thus leading to a situation where three civil servants of the same class, professional grade and seniority, working in the same compartment and carried on the same activity, to have three different salaries. The difference results from the fact that they are engaged in different wage increments unlawfully since the provisions on pay scales were repealed.

With regard to this aspect by Decision No 108/2013, the High Court of Cassation and Justice has found the illegality pt. III lit. b) the common Order no. 77 of 14 January 2011 approving the Methodological Norms for the application of Law no. 285/2010 respectively with reference to the phrase "where civil servants hired or promoted new salary levels for similar positions in payment is appropriate stage III payroll used in 2010.

Moreover, the High Court of Cassation and Justice - complete unraveling questions of law by Decision No. 32 / 19.10.2015 issued in case no. 1329/1/2015 admitted complaint filed by Pitesti Court of Appeal - Civil Division I, in case no. 2651/104/2013 and, therefore, concluded that:

In relation to the provisions of article 7 of the Framework Law no. 284/2010, which establish gradual application of its provisions and those of art. 4 paragraph (2) of Law no. 285/2010, art. 4 paragraph (2) of Law no. 283/2011, art. 2 of Government Emergency Ordinance no. 84/2012, art. 1 of Government Emergency Ordinance no. 103/2013, which stop the effective implementation of the benchmark and corresponding coefficients of hierarchy classes payroll Annexes Framework Law no. 284/2010, taking into account the provisions of art. 6 paragraph (1) and (3) of Law no. 285/2010, will distinguish between reflow, according to the Framework Law on wages and actual payment of wages.

The actual payments of salary rights are to be made in accordance with Art. 2 of Law no. 285/2010 in relation to the wage payment for similar function, namely by reference to the remuneration payable to a person of the same grade and the same professional employment and seniority-based and passed the seniority after the entry into Law no. 285/2010.

In accordance with the provisions of article 8 of Law no. 285/2010, the amounts corresponding to annual prize for 2010 will be no longer granted starting with January 2011, these being taken into account when in order to establish wage increases to be granted in 2011 public sector employees.

Point out that this article had no practical applicability although civil servants entitled to receive this award was won as long as the legal provisions that were in force on 31.12.2010, only cash payment amounts being postponed for January following the year for which the award is granted, any provision contrary to the principle of non-retroactivity in violation.

At the same time, The Constitutional Court, by Decision no. 658 of November 11, 2014 regarding the exception of unconstitutionality of art. 8 of Law no. 285/2010 on salaries in 2011 personnel paid from public funds, that given the fact that the Framework Law no. 330/2009 on the unitary pay of staff paid from public funds provided a legal right for such year 2010 and the legislature not eliminated during 2010, the annual award for 2010 represents an outstanding debt, liquid and due on which the employee has on public employer and constitutes a "good" within the meaning of article 1 of the First Additional Protocol to the Convention for the protection of human rights and fundamental freedoms.

It can be appreciated that the interpretation given by the Constitutional Court of the fact that the right to award that has been not removed by repealing art. 25 of the Framework Law no. 330/2009, but also continued to be an outstanding debt, liquid and due to the employee on the employer, as amended, in particular, only the manner of granting,

namely successively phased in during 2011, namely by increasing in accordingly, the amount of wages / Balance / indemnity basis, is correct.

But in relation to this conclusion, it retains the right to annual prize has been maintained and after the repeal of Article 25 of the Framework-Law no. 330/2009, starting with January 2011.

In this context, the rights governed by law and not granted, we can mention art. 1 of O.U.G. no. 8/2009 on granting holiday vouchers, public institutions defined under Law no. 500/2002 on public finances, as amended and supplemented, and local government defined under Law no. 273/2006 on local public finances, as amended and supplemented, regardless of the system of financing and subordinating, including those financed entirely from own revenues, employing civil servants and / or staff by concluding an individual contract of employment, as the case may be, granted under the conditions of the law, holiday bonuses only in the form of holiday vouchers.

A particular situation in this respect is on granting holiday vouchers for 2015.

Thus, O.U.G. no. 83/2014 regulating the remuneration of civil servants for 2015 and which provided for the art. 8 paragraph 2 that in 2015, public authorities and institutions, regardless of how funding, will not award prizes and holiday bonuses, entered into force on 18 December 2014.

The law granted us the right to receive holiday vouchers in 2015, Law no. 173/2015 approving Government Ordinance no. 8/2014 for the amendment of certain terms set out in the Government Emergency Ordinance no. 8/2009 on granting holiday vouchers, entered into force on July 4, 2015.

Moreover, the detailed rules on the granting holiday vouchers came into force on August 6, 2015.

Given these two subsequent regulations O.U.G. no. 83/2014 (which provided that public authorities and institutions, regardless of the mode of financing, will not award prizes and holiday bonuses), we felt that we are in the presence of tacit repeal since the new regulation is contrary to the former regulation, the two legal norms being incompatible.

An important moment in achieving a fair wage policy is Law no. 71/2015 approving Government Emergency Ordinance no. 83/2014 regarding the salaries of staff paid from public funds in 2015 as well as other measures in public spending.

By adopting this law have been eliminated discrimination by the nature of the employer who were undergoing since 2011 after the entry into force of Law no. 284/2010, Law no.285 / 2010 on salaries in 2011 personnel paid from public funds and all legal acts that have subsequently appeared "frozen" at the same level framing salary of civil servants, meaning that for identical markers public officials regarding professional grade and class were different wage entitlement.

Thus, the provisions of article 1 paragraph 51 stipulates that "staff remunerated at the same level receiving an amount of base salaries and bonuses lower as the set at maximum level in the organization for each professional degree (assistant main and higher) will be paid to maximum level provided to carry out the work under the same conditions. "

Regarding the text of the law invoked, the only condition imposed by the legislature for the application of the provisions of article 1 paragraph 51 GEO no. 83/2014, so that the entire staff paid at the same level to benefit from the wage set at maximum level for public functions, it implies the effective activity in the same conditions as other employees.

It is true that in the legal text which recalled mentioned some authorities of which it was intended to apply O.U.G. no. 83/2014 amended by Law no. 71/2015 (Romanian Parliament, Court of Auditors, the Competition Council), but this specification is necessary because the staff in these authorities have different status (civil servant parliamentary,

external public auditors, inspectors of competition), governed by special normative acts (for example, Law no. 7 of 11 January 2006 relating to the status of civil servant parliamentary).

Important in this case I think it is the legislator's intention, which is to eliminate wage discrimination of any kind at any level, not just the institutions provided by law.

Moreover, the legislature, in this case the Romanian Senate, in the motivation of the amendment proposed by the Commission for work Family and Social Protection states that regulatory intervention was needed "to remove discrimination arising as a result of legislative developments unrelated to reality."

In the same direction, the meeting of 26 September 2016, The High Court of Cassation and Justice- complete unraveling of points of law in civil, admitted notification formulated by the Court of Appeal - Section VIII of administrative and fiscal in file no. 28.884 / 3/2015 on a judgment prior and therefore, determined that:

"In the interpretation and application of art. 1 paragraph (51) of the Emergency Government Ordinance no. 83/2014 regarding the salaries of staff paid from public funds in 2015 and other measures in public spending, approved with amendments by Law no. 71/2015, as amended and supplemented, the phrase "remunerated at the same level" refers to the staff of the staff of Parliament, staff of the Competition Council, the Court of Auditors and of the other public authorities and institutions listed art. 2 paragraph (1) a) of the Framework Law no. 284/2010 regarding the unitary remuneration of personnel paid from public funds, with subsequent amendments; wage level to be considered in interpreting and applying the same rules shall be determined by application of Art. 1 paragraph (1) and (2) of Government Emergency Ordinance no. 83/2014, approved with amendments by Law no. 71/2015, as amended and supplemented, within the same public authority or institution ".

Currently, according to art. 1 paragraph 1 of O.U.G. no. 57/2015 of December 9, 2015 on remuneration of personnel paid from public funds in 2016, the extension of deadlines and measures fiscal, the gross basic salaries / solders basic function / salary base / allowances of employment enjoyed by staff paid from public funds is maintained at the same level as what was given in December 2015 to the extent that staff operate under the same conditions do not apply to the reference value and the coefficients of hierarchy that classes salary listed in the annexes to the framework Law No. . 284/2010 regarding the unitary remuneration of personnel paid from public funds, as amended and supplemented.

This decree was amended and supplemented by O.U.G. no. 20/2016 of 8 June 2016 for amending and supplementing Government Emergency Ordinance no. 57/2015 regarding the salaries of staff paid from public funds in 2016, the extension of deadlines and fiscal measures and amending and supplementing normative documents and O.U.G. no. 43/2016 of 31 August 2016 amending and supplementing Government Emergency Ordinance no. 57/2015 regarding the salaries of staff paid from public funds in 2016, the extension of deadlines and fiscal measures, amending and supplementing certain acts and for the uniform application of laws.

By these acts they were brought important changes.

According to Article 31, through an exception to the provisions of art. 1 paragraph (1) since August 2016, the staff paid from public funds which benefit from a rate base salaries / allowances of employment, corresponding to a normal schedule of working hours, lower than the established payment at maximum level for each function, grade / stage, grade, seniority or specialty, if applicable, will be paid at the maximum basic salary / allowance of employment within the institution or public authority, if it operates under the same conditions, and starting with August 2016 staff holding a PhD (doctor*s scientific title), working in the field in which he obtained the title and not receiving compensatory

amount included in 2010 base salary, the pay/salary function, monthly allowance framing benefit from the compensatory amount corresponding to the scientific title of doctor set at similar payment for the same function, didactic, tranche seniority teacher at school or grade / stage work and, where appropriate seniority for other groups staff of the institution or public authority, or, where appropriate, in a similar public institution or authority.

As for the remuneration of staff in the European Union institutions for work performed, their salaries are set by grade level and within the echelons (steps).

Title V of the EU Staff Regulations is entitled "the financial arrangements and social benefits of officials'.

From the content of the articles of this title governing the remuneration of European officials, we can draw several conclusions:

- Granting retribution is the right of an European official
- The official can not waive this right, which expressly stipulated in Article 62 paragraph 2;
- The payment is granted by grade and echelon, and attracted European official appointment, it is therefore a result of the act of appointing a European function;
- Official retribution is expressed in Belgian francs and paid in the currency of the country in which it operates;
- Official retribution is subject to annual review and some corrections, whose purpose is to protect the official;
- The remuneration, by grade and echelon, is established by Article 66 of the Statute;
- Outside the basic salary Officials and emoluments, the basic salary adding various bonuses and allowances.

The basic salary can be defined as a salary, usually monthly, constant, fixed and periodic official charged.

The evolution of the civil service in many countries is towards a degree or remuneration not only in the station, but watching it and certain specific factors (assessment officials on skills, competencies and performance).

Management allowances (more or less fixed, in addition to the basic salary) are granted for certain occupations or certain specific posts. They don't have a special connection with the services provided but are considered as a supplement to fixed basic salary determined by function. Management allowances are granted especially in Germany, Austria, Spain and France.

The first yield is a way to pay depending on benefits and efficiency. Such raw exist in Germany, Spain, France, Ireland, the Netherlands and Austria.

Regarding the word "traitment" used by French doctrine to appoint civil servants' salaries, it expresses the fact that is not just an amount of money, but a rule of treatment in terms of remuneration, public service, the company ultimately to the work of the service department.

Apart from expressing wage income, civil servants may get different incomes called bonuses and allowances, as well as rent allowance, salary indexation and others.

Given the above, I believe that it is appropriate to adopt a new law on the unitary pay of personnel paid from public funds to take into account principles such as the unitary character, rule of law, fairness and consistency, discrimination, financial sustainability.

THE RIGHT TO A FAIR TRIAL. FREE ACCESS TO JUSTICE

Nicolae, Grădinaru¹

Summary:

The right to a fair trial is a fundamental principle of civil process provided for by the code of civil procedure governed by the provisions of Article 6 so that everyone has the right to the judgment of the case in its fair, within optimal and predictable, by an independent and unbiased judgment and established by law. To this end, the instance is obligated to provide for all measures are permitted by law and to ensure that the trial.

The right to a fair trial has several components, namely:

- Free access to justice;*
- examining the case in the fair and public hearing within a reasonable period of time;*
- examining the case by a court independent, unbiased as established by law;*
- the advertising of the pronouncement of judgments.*

The right to a fair trial enshrined in Article 6 of the Code of civil procedure shall establish and certain guarantees conferred on consumers in order for there to be a fair trial and so provided for the right of every person in the judgment of the case in its fair, within optimal and predictable, by an independent and unbiased judgment and established by law.

Free access to justice is a right that belongs to any person the right to address the justice for the defense of the rights and freedoms and the interests of his legitimate, while ensuring that the exercise of this right may not be restricted by any law.

Key words: *fair trial, within reasonable time, free access to justice.*

State functions can be understood as groups of public documents. Duguit Leon said that neither Montesquieu, when he spoke about the separation of powers simply did not understand anything but the separation of functions in the state, unlike Rousseau, who predicted separation of state powers (Leon Duguit, 1911).

The tripartite theory of state functions. Leon Duguit makes a division of state functions as the intrinsic nature of the acts that are performed by public authorities, covering public services. It is a material classification of state functions departing from the legal nature of the acts and the object function (Erast Tarangul Diti, 1944).

The legislative function is characterized by the fact that it aims to establish rules of social conduct, general and impersonal, binding and subject to sanctions if it were to be violated through the coercive force of the state. These rules are general and impersonal in the sense that although called upon to apply to individuals, they are formulated in the abstract, meaning they either concern all persons in a society or a category or more categories of persons defined by certain common features .

The executive function or administrative, as it is called by some authors (Erast Tarangul Diti, 1944) is to organize the implementation and application specific laws, ensuring the proper functioning of public services created for this purpose and issue normative acts and individual acts performing the physical operations through which, under the law, it intervenes in the lives of individuals to direct their activity or exercise certain benefits (Drăganu □, 1998).

The judicial function, is to resolve a legal dispute or finding with *res judicata*, of a report disputed or disputable.

Justice enforcement is a fundamental function of the state and its administration is one of the essential attributes of the sovereign power. This function involves state

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structures able to perform judicial activity. These structures must be organized on the basis of its own principles, functional and autonomous.

These principles mention: access to justice, judicial independence, security of tenure, equal justice and gratuity justice in all of them closely related to justice and to guarantee the right of citizens to a fair trial.

The right to a fair trial has a special place among the fundamental rights in a democratic society whose level should be inherent in any system of law.

In reality, the right to a fair trial does not have a single dimension, but reflects a complex law with a series of exigencies that the domestic legislator but also those who are called to enforce the law, including the addressees must comply with.

Given that the right in question applies not only under national rules but also of supranational covered by the European Convention on Human Rights, it is important to determine the meaning of the European Court of Human Rights scope of the principle of the right to a fair trial.

The right to a fair trial set out in article 6 paragraph 1 of the European Convention on Human Rights and Fundamental Freedoms¹.

However, the Constitution stipulates in art. 21 para. (3) that the parties have the right to a fair trial and to resolve cases within a reasonable time.

The right to a fair trial is a fundamental principle of civil proceedings prescribed by Code of Civil Procedure governed by Article 6 so that everyone is entitled to a fair hearing of his case within optimal and predictable by an independent court, impartial and established by law. To this end, the court is obliged to order all measures permitted by law and shall ensure the prompt judgment.

The fairness of the criminal trial and the reasonable time provided for by article 8 of the Code of Criminal Procedure, thus judicial bodies have an obligation to prosecute and judge with respect to procedural guarantees and rights of the parties and the procedure subject, so there are detected on time and in full the facts constituting the offense, no innocent person may be prosecuted, and anyone who committed a crime would be punished according to law in a reasonable time.

According to article 11 of the Constitution, the Romanian State pledges to fulfill as such and in good faith its obligations as deriving from the treaties it is a part of.

Treaties ratified by Parliament are part of national law.

The constitutional text applies a number of principles on the trust between states and the relationship between international law and national law to incorporate those rules pertaining to international law into national law. Integration which is achieved through ratification of international instruments by the Romanian Parliament and conferring these rules a mandatory character in Romania including specific regulations regarding human rights.

In this respect Article 20 of the Constitution states that rights and freedoms shall be interpreted and applied in accordance with the Universal Declaration of Human Rights, with the covenants and other treaties to which Romania is a party.

Where inconsistencies exist between the covenants and treaties on fundamental human rights to which Romania is a party and internal laws, the international regulations shall take precedence, unless the Constitution or national laws comprise more favorable provisions.

According to article 3 of the Civil Procedure Code, the provisions on rights and freedoms shall be interpreted and applied in accordance with the Constitution, Universal

¹ Law no.30 / 1994 on ratifying the Convention for the Protection of Human Rights and Fundamental Freedoms and additional protocols to the Convention, published in M.Of.nr.135 / 31.05.1994.

Declaration of Human Rights, with the covenants and other treaties to which Romania is a part of.

If any inconsistencies exist between the covenants and treaties on fundamental human rights to which Romania is a party, and this Code, international regulations shall prevail, unless the present code contains more favorable provisions.

The Convention for the Protection of Human Rights and Fundamental Freedoms and of additional protocols to this convention through ratification have become part of domestic law and is applicable by priority. Being an integral part of domestic law, these rules shall apply with priority are mandatory, are sources of law and applied by the Romanian courts and their decisions shall be controlled by C.E.D.O.

According to article 4 of the Civil Procedure Code, the mandatory rules of the European Union Law apply as a priority, regardless of the quality or status of the parties.

Under Art. 124 par. (2) and (3) of the Constitution provides that justice shall be one, impartial, and equal for all, and that judges are independent and subject only to the law. Also in art. 126 par. (2) shows that justice is done by High Court of Cassation and Justice and other courts established by law.

The right to a fair trial constitutes an element of the rule of law in a democratic society, not being enough that the law should recognize persons with substantial rights to the extent that they are not accompanied by fundamental safeguards of procedural issues, such as putting them in value (Boroi G, Spineanu-Matei O. 2013) .

This right is enshrined in article 6 paragraph 1 of the Convention for the Protection of Human Rights and Fundamental Freedoms. The Convention for the Protection of Human Rights and Fundamental Freedoms, Article 6 point 1, provides for the right of everyone to a fair trial, "Everyone has the right to have his case examined in a fair and public hearing within a reasonable term by an independent and impartial tribunal established by law, the determination of rights and obligations of a civil nature, or on the merits of any criminal charge against him. Judgment shall be pronounced publicly but the meeting room may be forbidden for the press and the public throughout the process or a part thereof, in the interest of morals, public order or national security in a democratic society, where the interests of juveniles or the protection of private life of the parties so require, or to the extent strictly required by the court when, due to special circumstances where publicity would prejudice the interests of justice ".

According to article 10 of the Universal Declaration of Human Rights¹ it is established the right to a fair trial according to which "everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of rights and obligations or on the merits of any criminal charge against him ", and article 30 of the Declaration states that" nothing in this legislation can not be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of rights and freedoms set forth therein ", and article 14 paragraph 1 of the international Covenant on civil and political rights².

¹ Universal Declaration of Human Rights adopted by the UN General Assembly on 10 December 1948. Adopted and proclaimed by General Assembly resolution 217 O.N.U A (III) of 10 December 1948. Romania signed the Declaration on 14 December 1955, when the R 955 (X) of the UN General Assembly, was admitted amongst Member States.

² International Covenant on Civil and Political Rights, adopted by the UN General Assembly on 16 December 1966 and entered into force on 23 March 1976 was ratified by Romania by the Decree no.212 / 10.31.1974, published in the Official Bulletin 146 / 11.20.1974.

All are equal before the courts and courts of justice. Everyone has the right to dispute which is to be examined fairly and publicly by a tribunal competent, independent and impartial body established by law, to decide either on the merits of any criminal charges against them or the appeals rights and his civil obligations. Hearing public may be excluded from all or part of its development, in the interest of morals,

Analyzing the text of the Convention shows that the right to a fair trial has several components, namely:

- Access to justice;
- examination of the case fairly, publicly and within a reasonable time;
- Examination of the case by a court that is independent, impartial, established by law;

- publicly pronouncement of judgments.

The right to a fair trial enshrined in art. 6 of the Code of Civil Procedure establishes certain guarantees conferred on individuals for there to be a fair trial and so provide the right of everyone to resolving his case fairly and within optimal and predictable time by a court that is independent, impartial and determined by law.

Free access to justice.

The right to a fair trial can not be conceived without the right of a person to go to court to hear the case vested.

Free access to justice requires access to the procedural means by which justice is carried out.

Access to justice is regulated by article 21 of the Constitution which provides that any person may apply to the courts for protection of rights, freedoms and legitimate interests. No law may restrict the exercise of this right.

Access to justice is a right that belongs to every person to go to court to protect the rights, freedoms and legitimate interests, ensuring that the exercise of this right can not be restricted by any law.

The right to go to court is provided and article 8 of the Universal Declaration of Human Rights that everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights recognized by the constitution or by law.

Thus, under Article 6 of Law no.304 / 2004, any person may apply to the courts for protection of rights, freedoms and legitimate interests in the exercise of his right to a fair trial.

And according to article 6 paragraph 2 of Law no.304 / 2004, access to justice can not be restricted¹.

Furthermore these acts Code of Civil Procedure expressly stipulates in article 5 that judges have the duty to receive and resolve any request for jurisdiction of the courts according to the law.

No judge can refuse to judge on the grounds that the law does not provide, is unclear or incomplete.

If a cause can not be solved neither by law nor the custom, in the absence of the latter, or under legal provisions regarding similar situations, it will be judged on the basis of general principles of law, given all its circumstances and taking into account the requirements of fairness.

It is forbidden for the judge to lay down provisions generally binding by the decisions they delivered in the cases which are submitted to judgment.

According to art.192 of the Code of Civil Procedure, to defend its legitimate rights and interests, any person may inform the competent court of justice by an application for

public order or national security in a democratic society or when the interests of the private lives of the parties so requires, be to the extent that the court would regard this as absolutely necessary due to special circumstances where publicity would prejudice the interests of justice; however, delivery of any civil or criminal judgments will be made public except where the interest of juveniles requires you otherwise, or when the process concern matrimonial disputes or the guardianship of children.

¹ Law no.304 / 2004 on judicial organization, republished in M.Of.nr.827 / 13.09.2005.

summons. In cases specifically provided by law, court referral can be made by other persons or bodies. The process begins by filing the application with the court

According to Article 148 of the Civil Procedure Code, "any request to the courts must be made in writing ...", but thanks to modern means of communication and the law states "The request shall include, where appropriate, and address electronic or coordinates that have been indicated for this purpose by the parties, such as telephone number, fax number or the like" (Bîrsan C, 2010).

The judge is obliged to receive requests, regardless of the manner in which they were sent to the court during the hearing so alin.14 of article 104 and 15 of the Rules of Procedure provides that applications or documents filed during the hearing of judgment shall be dated, endorsed and signed by the presiding judge.

During the hearing clerk shall record in the tender Notes: file number, its position on the list of hearing oral argument during the hearing, submission of applications and documents, measures ordered by the court, and all other aspects of the trials and Article 99 of Law let.e no.303 / 2004 stipulates that it is misbehavior, unjustified refusal to accept applications, conclusions, pleadings or documents filed by the parties in the trial.

According to this right of access to justice, the Civil Procedure Code has several legal provisions of which include: the application of summons (194) meet (205) counterclaim (art.209), demand call (art.470), appeal (art.486), the appeal for annulment (art.503-508), revision (art.509-513), appeal to execution (711-719), etc ..

Likewise mention the provisions of the Code of Criminal Procedure: prior complaint (art.295-298) complaint against measures and decisions of prosecution (art.336-340) resolve the complaint by the judge for preliminary chamber (art.341 par.6 c) and paragraph 7, letter d), the appeal against the preliminary chamber judge's conclusion (art.347), call (art.412), appeals (art.425), the appeal for annulment (art.426 -432), an appeal in cassation (433-451), revision (art.452).

These procedural paths, provides stakeholders access to a court, to which the law has established jurisdiction to rule in civil or criminal.

Convention for the Protection of Human Rights and Fundamental Freedoms does not provide concrete legal means to ensure the right of access to justice but leaves Member States which have ratified this Convention, regulating these legal means.

The right of access to justice is governed by national law but it is not an absolute right to be compatible with the limitations prescribed by law but only insofar as they do not affect the actual substance of law. Right of access to justice means ensuring access of any person to a tribunal established by law and thus ensure that legal proceedings can be carried entitlement.

According to article 2 paragraph 2 of Law no.304 / 2004, justice is achieved through the following courts: High Court of Cassation and Justice; Courts of Appeal; courts; specialized courts; military courts; judges, but this does not mean that the right of access to justice gives the opportunity to address all of these instances a particular question or that benefit all appeals against the judgment. Thus, according to art.465 of the Code of Civil Procedure governing decisions are subject to appeal and art.483, which are the decisions subject to appeal. Also in this respect article 94 point 1 letter j mention provisions) of the Civil Procedure Code on the substantive jurisdiction on the criterion of value when court judge any other requests monetised value of up to 200,000 lei inclusively, regardless of quality parties, directly or indirectly through, and applications valued in money over this amount, the tribunal jurisdiction to hear it.

In this sense we mention decision no.1 / 1994 of the Constitutional Court finding that the legislature may set in consideration of special circumstances, special rules of procedure, as the manner of exercise of procedural rights, the principle of free access to

justice assuming possibility Unlimited those interested in using these procedures, the forms and arrangements put in place by law.

Free access to judicial structures, and procedural means, including appeal, is done in observance rules of jurisdiction and procedure of courts established by law.

Free access to justice shall be made only in respect of equality of citizens before the law and public authorities so that any exclusion would mean violation of equal legal treatment is unconstitutional¹.

It is, moreover, a solution resulting categorically, from the provisions of Article 126 para. (2) of the Constitution, according to which "the competence of courts and court procedure are provided only to law" and Art. 129 under which "judgments, the parties concerned and the Public Ministry may exercise remedies under the law".

Consequently, the legislator may establish, by reason of special circumstances, special rules of procedure, as the manner of exercise of procedural rights, the principle of free access to justice assuming Unrestricted opportunity to those interested to use these procedures in the forms and arrangements put in place by law. Therefore, the rule art. 21 para. (2) of the Constitution that no law may restrict access to justice is significant that the legislature can not exclude the exercise of procedural rights that it has established any class or social group.

In practice of national courts, the parties often cited as affecting access to justice, the lack of free civil trial law by the obligation imposed on the parties to pay a judicial stamp duty and failure to provide free legal assistance.

Regarding legal assistance hardened 71 of Law No.51 / 1995 on the organization and the legal profession, which provides that, in cases provided by law, the Bar provides legal assistance in the following forms:

a) in criminal cases, the defense is mandatory under the provisions of the Criminal Procedure Code;

b) in any other cases than criminal, as a way to grant legal aid under the law;

c) Legal Assistance attorney granted at the request of local government bodies.

In exceptional cases, if the rights of the indigent would be prejudiced by delay Bar Association may approve granting free legal assistance specialist.

And Article 72 provides that where, according to GEO no.51 / 2008 on legal aid in civil matters, was nodded legal aid application form of assistance by a lawyer, the request along with concluding declaration must be sent once the bar Association in that district courts.

The Dean's Bar or lawyer of whom the dean has delegated this authority shall appoint, within three days, a lawyer registered in the register of legal aid, which shall forward with the notice of designation, concluding declaration. Bar Association has an obligation to communicate to the beneficiary designated legal aid attorney's name. Legal aid beneficiary may request designation of a particular lawyer himself, with his consent under the law.

Regarding payment of court fees, we consider that there is a restriction on actual right of access to justice because changing the legal framework for the conduct of civil proceedings by adopting the Code of Civil Procedure and the implementation of new institutions adopted by civil code, it was necessary to be changed and the regulatory framework regarding judicial stamp duties. Because the charging system to reflect the new structure and dynamics of the civil trial, new procedural guarantees afforded to parties to ensure a fair trial, as well as additional costs for infrastructure development and for providing logistics required to implement the new legal provisions, taking into account,

¹ Decision No. 1/1994 of the Constitutional Court Plenum, published in M.Of.nr.69.16.03.1994.

thus the need to ensure, on the one hand, a proper balance between budgetary efforts of providing a public service quality and duty of the citizen who uses this service to help support costs, and, on the other hand, transparency application rules involving a clear record of all operations involved in the tolling system¹.

Judicial stamp duties are payable by all natural and legal persons and represent payment for services rendered by the courts and the Ministry of Justice and Prosecutor's Office High Court of Cassation and Justice.

In cases specifically provided by law, the actions and claims brought before the courts and requests to the Ministry of Justice and the Prosecution Office attached to High Court of Cassation and Justice are exempt from court fees.

According to article 42 of GEO no.80 / 2013, individuals may qualify for exemptions, reductions, rescheduling or delays to pay court fees, according to the GEO no.51 / 2008 on legal aid in civil matters².

The court grants legal persons, upon request, in the form of discounts, facilities, rescheduling or delays to pay court fees payable for actions and applications made to the courts.

Payment of court fees does not hinder the principle of free justice and access to justice because "the losing process will be required, at the request of the winning party, to pay its costs" Costs are regulated in art.451 -455 of the Code of civil procedure.

Compared to the national provisions laid , the lack of gratuitousness of the civil trial could not be successfully relied on as a violation of free access to justice within the meaning of Article 6 paragraph 1 of the Convention.

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THE PRESUMPTION OF INNOCENCE – EUROPEAN LAW PRINCIPLE

Raluca-Viorica Lixandru¹

Abstract

Regulated in article 6 paragraph 2 of the European Convention on Human Rights, the presumption of innocence is an essential principle in criminal proceedings and it is also a principle of European law. This latter feature was fully highlighted by the rich jurisprudence of the European Court of Human Rights.

The presumption of innocence principle is also included in the constitutions of some countries, such as Italy, Spain, Portugal and Canada. The Amendments of the US Constitution do not explicitly devote this principle, but they simply assume it if the provisions protecting the individual in terms of proof and procedure are taken into account. In France, this principle is set out in the Declaration of the Rights of Man and of the Citizen of 1789, as well in the French Procedure Code.

In the Romanian Criminal Procedure Code, the presumption of innocence is included among the basic rules of the criminal proceedings. By adopting the presumption of innocence as a basic principle, distinct from the other rights that also guarantee individual freedom – the right to defence, respect for human dignity – there has been series of restructuring of the Romanian criminal trial.

Keywords: presumption principle, human rights.

JEL classification: K13, K39.

The presumption of innocence is an important principle in the criminal proceedings, as well as a principle that ensures the respect for the human rights in the criminal proceedings.

According to the presumption of innocence, the suspect or the defendant is not obliged to prove his/her innocence. As a rule of law, this principle gained its independence only in the eighteenth century, being proclaimed for the first time in the United States' legislation.

The need to establish it in international documents prompted its entry in article 1 paragraph 1 of the Universal Declaration of Human Rights adopted by the United Nations General Assembly on 10 December 1948. It was also recommended that the national laws insert the rules on the presumption of innocence.

The International Covenant on Civil and Political Rights, adopted on 16 December 1966 by the UN General Assembly governs the presumption of innocence in article 14 paragraph 2: "Anyone charged with a criminal offense is presumed to be innocent as long as his/her guilt has not been legally established."

In the Statute of the International Criminal Court in article 66, the presumption of innocence states that: "Anyone shall be presumed innocent until proved guilty before the Court shall be established in accordance with the applicable law."

The European Union Charter of Fundamental Rights, proclaimed in Nice on 7 December 2000, stipulates the presumption of innocence in article 48, paragraph 1: "Any person accused is presumed innocent until his/her guilt shall be proved in accordance with the law."

In the Romanian legislation, until 2003 the presumption of innocence was stated under Title III of the Code of Criminal Procedure (evidence and means of evidence) in article 66. By Law 281/2003, article 5 ind. 2 was introduced, through which it was explicitly stated that any person is presumed innocent until establishing his/her innocence through a final criminal judgment. The title of article 66 was changed to the right to test the

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lack of rationality of the evidence, stating in its content that “the accused or the defendant is presumed innocent and is not obliged to prove his/her innocence.”

Romania’s Constitution, through article 23 point 8, establishes that “until a final judgment of conviction, a person is presumed innocent.”

In the text of the Constitution the focus is on the existence of a final judgment of conviction and, in article 5 ind. 2 the phrase “final criminal ruling” is used, referring to those criminal judgments that are not of conviction, but that can determine a person’s guilt in committing a criminal offense. In case there has been a question of removing the criminal liability or of defence of punishment, the decision of the court is to cease the trial, although by court judgment, the defendant’s guilt was initially found (Theodoru, 2010).

The presumption of innocence principle is inserted in the constitutions of other countries, such as Italy, Spain, Portugal, Canada (article 11 d of the Canadian Charter of Rights and Freedoms). Without explicitly proclaiming this principle, the amendments of the U.S. Constitution assume it, if taken into account the provisions that protect the individual in terms of evidence and procedure. In France, the principle is contained in the Declaration of the Rights of Man and of the Citizen of 1789, which according to the Constitutional Council is part of the “block of constitutionality” (all the rules with constitutional value), as well as in the preliminary article (III paragraph 1) of the Code of Criminal Procedure. Article 21 of the Constitution of the Moldavian Republic provides that “any person charged with a crime is presumed innocent until proved guilty legally during a public trial at which he/she has all the guarantees necessary for his/her defence,” the principle being also resumed in article 8 of the Code of Criminal Procedure (Țăndăreanu, 2010).

Romania’s Constitutional Court defines this principle and tries to explain the guarantees offered by the presumption of innocence. The Constitutional Court, through decision no. 815/2006 regarding the exception of unconstitutionality of article 500 of the Criminal Procedure Code, published in the Official Gazette of Romania, Part I, no. 39 of 18 January 2007 states that: “(...) the presumption of innocence is the right of a person to whom a criminal charge is brought to be presumed innocent until his/her conviction by a final judgment. This principle imposes on the members of a court not to start with the preconceived idea that the accused committed the offense he/she is charged with, the burden of proof belongs to the prosecution, and the accused takes advantage of the doubt. In essence, the presumption of innocence tends to protect the person under investigation for a criminal offense against a verdict of guilt that was not legally established.”

The presumption of innocence is a relative presumption, with a special legal regime, which, although can be proven by any evidence, can only be rebutted by a criminal judgment of conviction, which became final (Chiriță, 2008). Thus, through a judgment (the Case Phillips vs. United Kingdom, 2001), the European Court of Human Rights held that “besides being explicitly mentioned in article 6 § 2, the right of a person, criminally prosecuted, to be presumed innocent and to compel the prosecution to bear the burden of proving the allegations against him/her falls under the general concept of a fair trial according to article 6 § 1. This right is not absolute, however, since any legal system operates with presumptions of fact or of law to which the Convention does not oppose, in principle, as long as the contracting states do not violate certain limits taking into account the seriousness of the cause and respecting the right to defence.”

The European Convention stipulates in article 6 paragraph 2 that “Anyone charged with a crime is presumed innocent until his/her guilt will be legally proved.” Whenever the prosecutor or the court will establish, as a result of the evidence, the defendant’s guilt, the presumption of innocence will cease to operate and it will be removed by a final

proceedings judgment. According to the same article, it is stated that when there is evidence of guilt, the accused or defendant has the right to prove their lack of rationality.

The first judgment, which focused on the regulations of article 6 paragraph 2 of the European Convention on Human Rights, was the cause Minelli against Switzerland, where it was held that the presumption of innocence is violated if “the accused without being previously found guilty, in compliance with the law, and especially without having had the opportunity to exercise the right to defence, a judicial decision reflects the opinion that he/she would be guilty” (Van Dijk, Van Hoof, 1998).

The European Convention on Human Rights expressly states the right of the accused “to be informed promptly, in a language which he/she understands, and in detail, of the nature and cause of the accusation brought against him/her.”

Any person has the right to his/her trial fairly, publicly and within a reasonable period of time for his/her case, by an independent and impartial tribunal, established by law, which will decide on the solidity of any criminal charges against him/her.

The right to a fair trial should not be considered a guiding principle of the criminal trial, it must be found in the content of any procedure, throughout the course of the criminal proceedings, as a sum of procedural safeguards provided to the person involved (the defendant or the accused) (Mateuț 2007).

The text of article 6 of the European Convention on Human Rights stipulates in paragraph 1 that “Any person has the right to a fair trial, publicly and within a reasonable period of time for his/her case, by a tribunal which is independent and impartial to his/her civil rights and obligations or on the solidity of any criminal charge against him/her. The judgment shall be pronounced publicly, but the access in the meeting room may be forbidden for the press and the public throughout the trial or for part of it in the interests of morality, public order or national security in a democratic society, when the interests of juveniles or the protection of private life of the parties involved in the trial so require, or to the extent strictly required by the court when, in special circumstances, publicity would prejudice the interests of justice.” It can be noted that the text refers to the trial of the accused, which brings to mind only the trial stage, without considering the other stages, the prosecution and the enforcement of the criminal judgments.

But, the text of the law continues with the principles of the right to a fair trial in paragraphs 2 and 3, thus: “2. Any person charged with a crime is presumed innocent until his her guilt is legally proved.

3. Any accused has, particularly, the right to:

a) to be informed promptly, in a language which he/she understands and in detail, of the nature and cause of the accusation brought against him/her;

b) to have adequate time and facilities for the preparation of his/her defence;

c) to defend himself/herself or to be represented by a lawyer of his/her choice and if he/she does not have the means to pay for legal assistance, to have the free assistance of a public defender, when the interests of justice so require;

d) to ask or require the examination of the witnesses of the prosecution and to obtain the summoning and the examination of the defence witnesses under the same conditions as prosecution witnesses;

e) to have the free assistance of an interpreter if he/she cannot understand or speak the language used in court.”

The right to a fair trial established by the text of the European Convention on Human Rights text is found in other legislations, under other aspects. Thus, in the United States’ Constitution, Amendment VI states the right of the accused to benefit from the confrontation with the prosecution witnesses, the so-called right to counter-interrogation, which is an indispensable element in guaranteeing the right to a fair trial (Kadar, 2012).

Similar provisions of this right are set out in article 6 paragraph 3 letter d) of the European Convention on Human Rights.

The term “accusation” found in the text of article 6 of the European Convention on Human Rights is very broad, covering both criminal charges brought to someone, and his/her indictment, which are usually made in the prosecution stage. The prosecution is not done directly in front of the court, but for exceptional cases, if the prosecution stage is missing (Neagu, 2008).

Article 6 of the European Convention on Human Rights gives a broad sense to the term of indictment, which thus includes both the criminal charges and the indictment, also relying on the 11 classical principles. In all three paragraphs of article 6 there are expressions such as: criminal charge (paragraph 1), accused of committing a crime (paragraph 2) and accused (paragraph 3). This principle must also be based on the equality of the arms of the prosecution and those of the defence, combined with the impartiality of the prosecutor (Neagu, 2008).

The Court’s jurisprudence has mentioned that article 6 of the European Convention on Human Rights makes no distinction between “acts punishable by criminal law” and “acts which, given their lack of social danger, are not punishable under criminal law,” the provisions of the text being applicable to “any criminal charge” (Bîrsan, 2006).

The text does not impose a specific form of how the accused must be informed of the nature and cause of the accusation brought against him/her.

In clarifying the content of the concept of “information”, ECHR ruled that this means the bringing to the attention of the accused of the material facts that are alleged and the legal characterization.

The European Convention on Human Rights guarantees for any “accused” the opportunity to defend the charges brought in three ways:

- the accused can defend himself/herself;
- he/she may be assisted by a counsel of his/her choice;
- he/she may have the free assistance of a public defender.

Regarding the guarantees established, the doctrine revealed that some of them are borrowed from the legislation of article 6 paragraph 1 of the European Convention on Human Rights (Bîrsan, 2005):

- the burden of proof in criminal matters lies with the prosecution;
- the application of the “in dubio pro reo” principle;
- the requirement that the judges have of not having preconceived ideas;
- the prosecution is required to state the facts on which the accused is charged and to bring sufficient evidence to prove his/her guilt.

Further to these guarantees, article 6 paragraph 2 of the European Convention on Human Rights also provides its own guarantees, such as (Chiriță, 2008):

- the obligation of the states to refrain from imposing sanctions without a conviction decision;
- guaranteeing the right to silence;
- the prohibition of having a trial twice for the same offense and the same perpetrator, with the opinion that this prohibition also influences his/her prosecution.

The presumption of innocence applies both in the prosecution and the trial stages.

The applicability of article 6 paragraph 2 during the prosecution stage is possible when we can talk about a criminal charge. At this stage, the criminal procedural guarantee is that the accused person should not be treated as if guilty. Moreover, it was established that during the prosecution, the institution of preventive custody is exempted from article 6 paragraph 2. This exemption extends throughout the prosecution stage, excluding the

situation in which the preventive custody is punitive and represents an anticipated punishment (Bogdan, Selegean, 2008).

During the trial, the presumption of innocence works starting with the moment of referring a case until the final decision, no matter how many degrees of jurisdiction it would go through, both in the court of first instance and in appeal or cassation.

According to Article 6 paragraph 3, letter d of the European Convention, any accused is entitled to “ask or require the examination of the prosecution witnesses and to obtain the examination of the defence witnesses under the same conditions as the prosecution witnesses” and in accordance with the provisions of letter e “to have free assistance of an interpreter if he/she cannot understand or speak the language used in court.”

In conjunction with the principle of the right to silence of the suspect or defendant, the European principle of presumption of innocence establishes the following rules (Mateuț, 2007):

- the burden of proof lies with the pursuer;
- the accused benefit of the doubt;
- the right of the accused to adopt a passive attitude;
- the interdiction to use preventive detention to exert immediate repression;
- the observance of the presumption of innocence in the communications with the media;
- prohibition for a court to disclose, during a trial, its opinion or belief about the facts alleged against the accused;
- the principle of good faith in civil law is found in the presumption of innocence in the criminal proceedings, creating an inextricable link between the two branches of law (civil law and criminal procedure law).

The doctrine has debated enough cases before the Court, leading to a thorough understanding of the scope of the presumption of innocence.

To highlight this principle, the European Court of Human Rights underlined that (the case Viorel Burzo against Romania, 2009), if the presumption of innocence established in article 6 paragraph 2 is included among the items of the fair criminal trial requested by article 6 paragraph 1, it is not limited to a procedural guarantee in criminal matters: its scope is wider and requires that no representative of the state declare that a person is guilty of any offense before his/her guilt has been established by a court. However, article 6 paragraph 2 cannot impede the authorities regarding article 10 of the Convention to inform the public about the criminal investigations in progress, but it requires that they do so with all the discretion imposed by the presumption of innocence. Moreover, a virulent press campaign can, in some cases, harm the equity of the trial, influencing the public opinion and, by doing so, the judges who were to rule on the defendant's guilt.

According to its constant jurisprudence, the European Court of Human Rights decided on 4 March 2008 in the Case Samoilă and Cionca against Romania that public statements, through the printed press, made after the beginning of the criminal investigation, but before its solving, which leaves the distinct impression of guilt, violates the presumption of innocence.

In fact, C. Samoilă and D. Cionca, police officers, have been charged with committing an act of abuse of office. Police have ordered an inquiry, and the press was informed that the two were disciplinarily moved to another police unit and that they had committed “with certainty” the deeds of which they were accused.

The Court, considering that the state officials have given the Romanian public the distinct impression of guilt of the plaintiffs, which infringed their presumption of

innocence, established the violation of article 5 paragraphs 3 and 4 and article 6 paragraph 2 of the European Convention of Human Rights and Fundamental Freedoms.

In a recent case (the Case Viorel Burzo against Romania, 2009), the Court reiterates that if the principle of presumption of innocence established in article 6 paragraph 2 is included among the items of the fair criminal trial requested by article 6 paragraph 1, it is not limited to a procedural guarantee in criminal matters: its scope is wider and requires that no representative of the state declare that a person is guilty of any offense before his/her guilt has been established by a court. An undermining of the presumption of innocence can be generated not only by a judge or court, but also by other public authorities.

The Court also notes that the articles appeared in the press, which also concerned the plaintiff, appeared at the time of the arrest and beginning of his case, and not in the moment of convicting, while there was a certain period of time between the events on which the plaintiff grounded its allegations in the perspective of article 6 paragraph 2 of the Convention and the moment of his conviction, considerations that lead to the conclusion that article 6 paragraph 2 was not violated.

In the Case Păvălache against Romania (Case Păvălache against Romania, 2011), regarding the comments of various politicians, the Court considers it necessary that they be located in the context of the fight against corruption, a topic of concern for the entire Romanian society.

Referring to the echo that the case had in the press, the Court considers that in a democratic society comments are inevitable, sometimes severe, from the media on a sensitive case, such as that of the plaintiff, it challenges the morality of certain senior officials.

Although the national authorities cannot be held liable for the actions of the press, the importance of the choice of words used by the state agencies is underlined, and in particular, by the judicial authorities who control the investigation.

The Court finds that, by informing the journalists about the plaintiff's preventive detention, the prosecutor H.M. said that all the evidence converge towards establishing with certainty the plaintiff's guilt and that his conviction could not have been avoided, given that "nobody and nothing can help him escape criminal liability." Considering the content and the context of these comments, the Court concludes that they clearly stated that the plaintiff had been guilty of corruption, encouraging the public to believe his guilt and they prejudged the assessment of the facts by the competent courts. Consequently, article 6 paragraph 2 was violated and the presumption of innocence was undermined.

Wearing handcuffs before the jury does not violate article 6 unless corroborated by other deeds that cause damage in the realm of the presumption of innocence (Clayton, 2000).

In the case Englert against Germany, the Court held that a decision, after the cessation of the prosecution, the refusal for an accused of the reimbursement of the costs and fees and reparation made for the provisional detention, may raise an issue from the perspective of article 6 paragraph 2 if the reasons inseparable of the device are the equivalent in substance to a finding of guilt, without the latter being previously legally established and without the person concerned having the opportunity to exert his/her rights of defence (Filimon, 2003).

The doctrine, extracting from the reasoning of the Court, stated that the authorities cannot, in the public statements, use any type of vocabulary, the choice of the terms is essential for the protection of the safeguards in criminal matters. The only representative that can, in certain circumstances, use broader language to highlight the existence of

sufficient evidence in the case file is the prosecutor, the other officials do not benefit from such freedom of expression (Bîrsan, 2005).

In the case of Vitan against Romania (judgment of 25 March 2008), the Court emphasizes the importance of choosing by the officials of the terms for the statements which they make before a person was considered or recognized as guilty of an offense. In this case, the prosecutor assigned to the investigation proceedings against the plaintiff stated on 19 December 2000, during a press conference, that the plaintiff was guilty of traffic of influence, given that his guilt was not legally established until 15 May 2002, the date of the final judgment in question.

In these circumstances, the Court considers that this statement made by the prosecutor could be perceived as an official statement to the effect that the plaintiff was guilty given that his guilt had not been legally established, resulting in the violation of the presumption of innocence.

During the period in which this principle was not expressly stipulated in the Code of Criminal Procedure, the courts of Romania took into account the specific establishment of the presumption of innocence in the Constitution of 1991 and its regulation in article 66 of the Criminal Procedure Code.

The judicial practice (HCCJ Decision no. 3465 of 27 June 2007) held that in case the evidence relating to guilt are not certain, secure, complete, but there is doubt about the defendant's guilt, the rule in dubio pro reo is applied, according to which any doubt operates in favour of the defendant, and on its basis, the solution that emerges is acquitting the defendant by the court.

In the current Criminal Procedure Code, the presumption of innocence is regulated in article 4 paragraph 1 having the same content as the one in the old regulation. In paragraph 2 it is mentioned that: "Following the administration of the entire evidence, any doubt in forming the belief of the judicial bodies shall be construed in favour of the suspect or defendant." The new paragraph was added to emphasize the establishment with certainty the guilt of the suspect (not the accused) or defendant, any doubt taking advantage of the latter.

In the Romanian Criminal Procedure Code, the presumption of innocence is entered between the basic rules of the criminal proceedings. By adopting the presumption of innocence as a basic principle, distinct from the other rights that also guarantee the personal freedom – the right to defence, respect for the human dignity – there have been series of restructuring of the criminal trial and the concept of the judicial bodies which should answer the following requirements:

- guilt is established within a trial, observing the procedural safeguards, because the mere accusation does not mean establishing guilt;
- the burden of proof lies with the judicial bodies, which is why the interpretation of the evidence is done at each stage of the criminal proceedings, the findings of a judicial body not being binding and final for the next stage of the trial;
- upon the adoption of a judgment of conviction, until the final decision, the defendant has the status of innocent person, upon adopting a decision of final sentence the presumption of innocence is reversed with "erga omnes" effects;
- the sentence must be based on clear evidence of guilt, and in case of doubt, that cannot be rebutted by evidence, there must be decided a solution of acquittal.

All these requirements are arguments for turning the concept on the presumption of innocence from a simple rule, guarantee of certain fundamental rights, to a distinct right of every person to be treated as innocent until proven guilty by a final criminal judgment. Furthermore, in the jurisprudence of the ECHR, in the case Constantin and Stoian against Romania published in the Official Gazette, Part I, no. 169 of 16.03.2010, it was held that

article 6 of the Convention was violated (fairness of the criminal proceedings and the presumption of innocence).

The presumption of innocence obliges that court vested with the proceedings not to start from the preconceived idea that the person prosecuted is guilty in the sense of the criminal law, requiring that this principle does not remain theoretical, but to be guaranteed specifically by certain rules of legislation to allow the accused person to prove his/her innocence, at least in the same way in which the prosecution tries to prove the allegations (Oncescu, 2012).

Conclusions

The presumption of innocence is not the passive attitude towards the offenders, but the fact that the body conducting the criminal proceedings against a person has to prove his/her guilt so that there is no doubt about it or the court does not declare the person's guilt until the culpability is not certainly apparent. The stipulation of this principle, both worldwide and specifically in the countries where there is a strong democracy, it is a guarantee for respecting the human rights, especially when it comes to the criminal trial, because here the person's freedom is firstly questioned.

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6. Case Constantin and Stoian against Romania (2010);
7. Case X against Germany (2000).

- SECTION FINANCE AND ACCOUNTING –

FOREXEBUG IMPLEMENTATION AND ROLE IN INCREASING PUBLIC ADMINISTRATION ACCOUNTABILITY

Ionela Popa¹

The Master Loan Agreement with the International Monetary Fund has laid down that the commissioning of an advanced information service for reporting financial statements of public institutions should be one of the control elements to achieve Romania's obligations.

In its relations with international financial institutions such as the International Monetary Fund or the World Bank, the Ministry of Finance is requested to give detailed information regarding the financial statements of public institutions. In such circumstances, it has been imposed that the Ministry of Finance should be aware of budget implementation and budget commitments detailed at primary level, in a functional and economic profile, of all approximately 15,000 public institutions and businesses, consolidate this information into a data base available both to the Ministry of Finance and to other stakeholders.

In order to achieve this goal, this year they have managed to implement the FOREXEBUG information system. This paper aims to highlight the features of its implementation and its effectiveness in increasing public awareness.

Key words: public administration, accountability, reporting, financial statements

JEL Classification: H60, H61, H83

1. Introduction

The national system of financial statement reporting in public institutions means all informational applications and rules defined by the operation procedure of the national reporting system that ensures the process of verification, monitoring, reporting and controlling of public entities' budgets, budget commitments, financial statements and preparing according to them centralized and/or consolidated or other reports set up by the system operation procedure.

FOREXEBUG was initiated by the project called "Increasing Public Administration Accountability by Modernizing the Information System for Reporting Public Institutions' Financial Statements (FOREXEBUG)" co-financed from the EUROPEAN SOCIAL FUND by the 2007-2013 Operational Programme on Administrative Capacity Development. Its main objective is the desire to increase the efficiency of central and local public administration and administrative transparency by creating modern standardized instruments to provide public institutions the possibility of reporting their financial statements and issuing detail information on the use of public funds in accordance with budget classification.

The main features of the system are the some simplified forms for public institutions' reporting of financial statements, monitoring and electronic controlling functionality of legal and budgetary commitments with direct impact on improving the financial discipline and preventing the occurrence of public institutions' arrears.

The project allows providing reliable information on the use of public funds for domestic use by the Ministry of Finance, public institutions, other relevant institutions and the public, both at detail and consolidated levels. It also provides loan officers with effective budgetary management, ensuring real-time information on using the approved budget in all public institutions that are hierarchically subordinated.

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2. Implementing FOREXEBUG in Public Institutions

A. The first legislative references to the implementation of the Electronic System for reporting public institutions' financial statements were represented by Emergency Ordinance no. 88 of 18/09/2013 regarding adopting certain fiscal-budgetary steps to fulfil commitments agreed with international bodies, as well as amending and supplementing certain acts, published in Official Gazette, Part I, no. 593 dated 20/09/2013. The Normative Act approved the operating procedure of the national reporting system that includes all the definitions, rules, forms, reports, methodologies, terms, data and information structures, reporting and recipient public entities, reporting obligations of public entities and other obligations of the latter, the way to electronically send or record reports or data, access to and interaction with the system, regulating the use of electronic signatures and the manner of authentication, archiving electronic documents in public entities and in the reporting system, and any other rules required for system operation.

According to this Normative Act, the motivation of FOREXEBUG implementation is given by the need to follow these goals:

- strengthening budget discipline in public entities and accountability of loan officers in the budgetary process;
- reducing the general consolidated budget deficit by reducing arrears reported by public entities;
- following commitments made by the Romanian Government to the international financial organizations on the approval by a government Ordinance of standard definitions for commitments until mid September 2013, so that the commitment control system currently under construction should be supported by necessary legal and procedural changes, and to approve a set of criteria for prioritizing significant public investment projects;
- improving budget planning and prioritizing significant public investment projects in order to enhance the absorption of EU funds so as to create fiscal space and economic growth support;
- need for compliance with performance criteria assumed in the Stand-by Arrangement between Romania and the International Monetary Fund in order to meet the commitments made by Romania in the letter of intent sent to the International Monetary Fund and ensuring fiscal consolidation by increasing state budget revenues through a more efficient tax-authority debt collection from a larger number of taxpayers.

According to the mentioned legal framework, implementation deadlines were represented by 31 December 2014 for the commissioning and testing of the operation procedure, respectively until 30 June 2015 for the use of the national reporting systems for all public entities included in that procedure. In reality, as a result of delays arising from the system implementation, integrating public institutions was completed in the second quarter of 2016.

B. Order 2004 for approving the Procedure on public entities' register no.2004 of 13.12.2013 published in Official Gazette no.794 of 17.12.2013 including instructions on the submission and amendment of data in the Public Entity Sheet Form.

C. Another Normative Act is the Order of the Ministry of Finance no.517 of 13.04.2016 for approving procedures related to modules which are part of the operating procedure of the national reporting system – FOREXEBUG - published in Official Gazette no.307 of 21.04.2016. It gives details on the procedures for the module called “Electronic Signature of Reports and Public Entities’ Access to national reporting system functionalities – Forexebug”, the module called “Completion and Submission of Public

Institutions' Individual Budget" and the module called "Registering Legal Commitments and Budget Commitments in the Commitment Control System".

3. Steps in applying the FOREXEBUG information system

Applying the FOREXEBUG financial reporting system has involved the following steps:

1. REGISTRATION IN FOREXEBUG

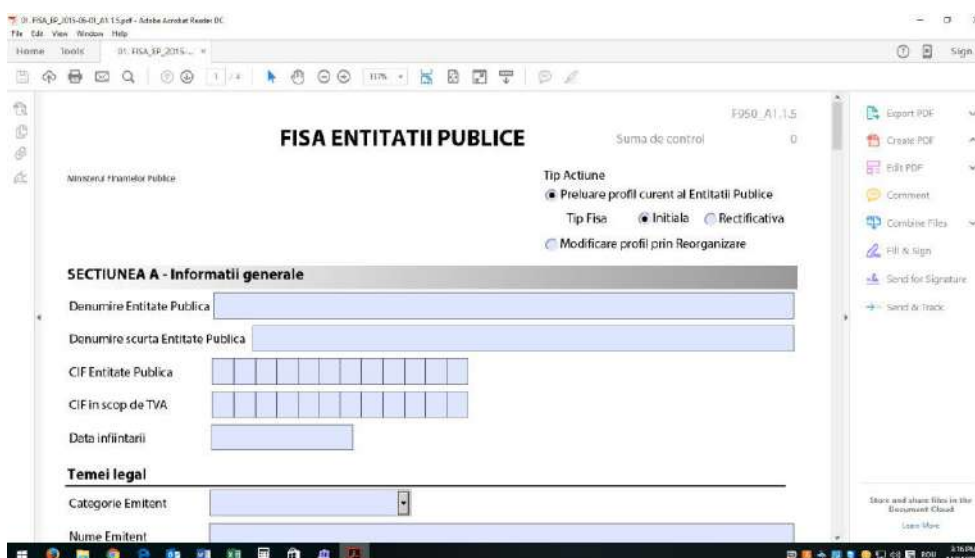


In order to register a public entity in the FOREXEBUG reporting system, it is necessary to send a Public Entity Sheet Form by the State Treasury by means of which the public body will declare general identification information, the type of work performed, the type of hierarchical subordination (if applicable) and the type of funding (sources).

For a public institution to be able to access the FOREXEBUG reporting system, it is required that the loan officer should delegate one or more people as user/users holding a valid digital certificate for electronic signature.

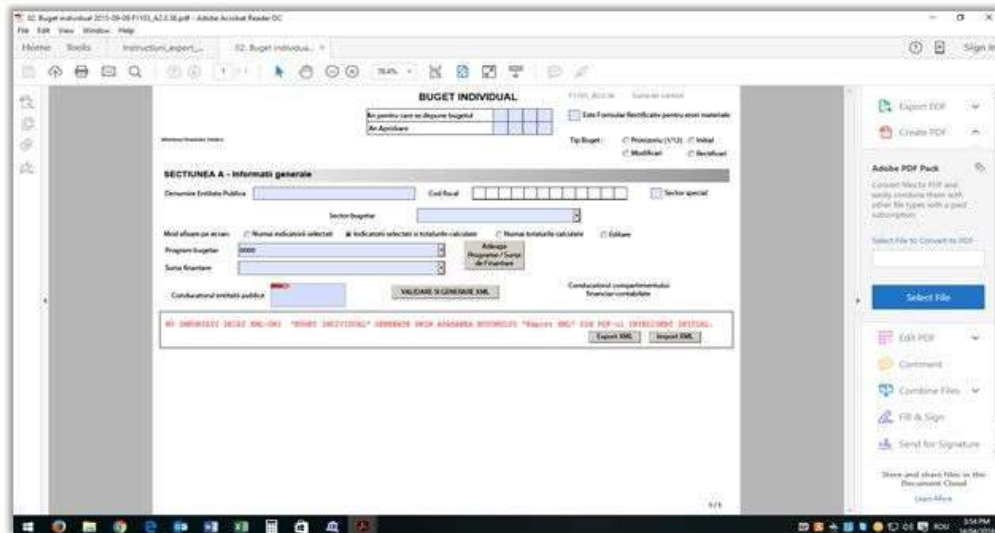
User registration in the FOREXEBUG reporting system requires sending an application for registration approved by the loan officer to the State Treasury, along with a copy of ID and an electronic signature digital certificate exported electronically. An electronic signature digital certificate is issued nominally and may be used only by the person in whose name it has been issued.

Registration is done by sending a Public Entity Sheet Form to the State Treasury. This is a pdf. document where a public entity declares general identification information, the types of activities performed, the type of hierarchical subordination and funding sources.



Most of the fields of data collection in A Public Entity Sheet Form are filled in using predefined lists. After filling out the data, the form is validated and signed using the electronic signature digital certificate.

2. The first stage of registering economic information on budget execution is filling in the budget form (a pdf. file with an xml attached) by means of which a public institution registers initial budgetary provisions and subsequent budget amendments.



According to the information sent by a public entity sheet, the budget form is verified by the system and validated or not. Information is provided on inconsistencies that are exploited in the process of correction and retransmission.

As in the case of Public Entity Sheet Form, a budget form includes fields for data collection with predefined lists that help easily identify the information to be filled in.

BUGET INDIVIDUAL F1103_A2.0.36 Suma de control

An pentru care se depune bugetul	2	0	1	5
An Aprobare	2	0	1	5

Este Formular Rectificativ pentru erori materiale

Tip Buget: Provizoriu (1/12) Initial
 Modificari Rectificari

SECTIUNEA A - Informatii generale

Denumire Entitate Publica: AGENTIA NATIONALA DE ADMINISTRARE FISCALA Cod fiscal: 1 6 0 3 1 7 1 2 Sector special

Sector bugetar: 01. Bugetul de stat
 01. Bugetul de stat
 02. Bugetul local
 03. Bugetul asigurarilor sociale de stat
 04. Bugetul fondului de somaj
 05. Bugetul fondului de sanatate (FNUASS)
 06. Bugetul de stat - Actiuni Generale

Mod afisare pe ecran: Numai indicatorii selectati Indicatorii selectati si Editare

Program bugetar: 0000

Sursa finantare:

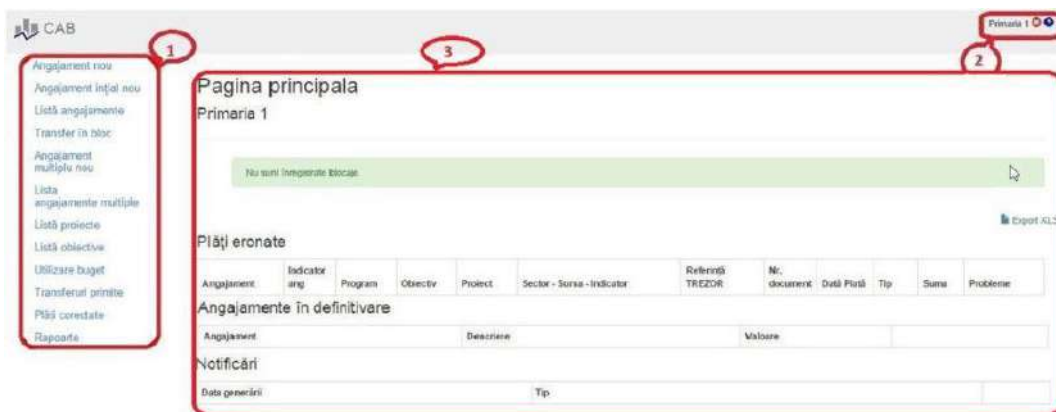
Conducatorul entitatii publice: VALIDARE SI GENERARE XML Conducatorul compartimentului financiar-contabilitate

NU IMPORTATI DECAT XML-URI "BUGET INDIVIDUAL" GENERATE PRIN APASAREA BUTONULUI "Export XML" DIN PDF-ul INTELIGENT INITIAL.

3. The second step of registering economic information is introducing budgetary commitments by means of the Budgetary Commitment Control (CAB) Application of the FOREXEBUG.

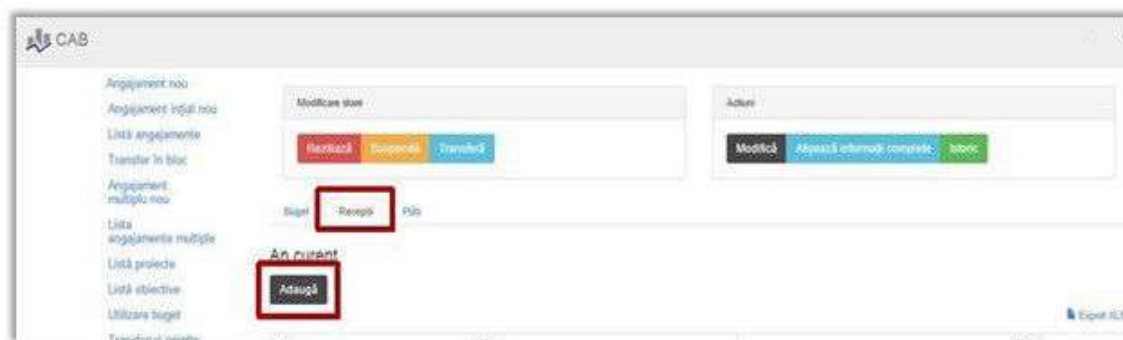
The CAB application presents a list of menus of registration and display of budgetary commitments and commitment-related data, each option being used to create a certain kind of commitment.

A budgetary commitment is an administrative act reserving a budget credit in order to remove the payment obligation arising from the execution of a legal commitment.



4. The next step is the introduction of receptions related to budgetary commitments. Within the Budgetary Commitment Control application for liquidation and ordering operations of ALOP (commitments, liquidations, ordering, payments), there is only one operation - Receptions.

Within actions with a fulfilment period of over one budget year, reservation is made within the related budgetary credits approved in the budget for each tax year, according to the payment obligations arising from the execution of a legal commitment. In the context of related budgetary credits approved for legal commitments relating to the supply of goods, services or execution of works, a budgetary commitment creates payment obligations only after fulfilling the conditions set out therein.



5. The last step in filling in a budget execution in the FOREXEBUG reporting system is sending payment orders and cheques for cash withdrawal to the State Treasury (*Payment*) which will bear the unique identification code of the budgetary commitments made up in the Budgetary Commitment Control application.

4. Advantages and Disadvantages of FOREXEBUG Implementation

Starting from the overall objective, namely increasing the efficiency of central and local public administration and administrative transparency by providing public institutions with modern standardized tools for reporting financial statements and publishing detailed information on the use of public funds, according to the budget classification, the FOREXEBUG implementation has aimed at the following results: transparency and uniqueness of financial reporting related to the public domain, reducing the time to prepare financial reports, creating a joint database, accuracy and standardization of data and information, easy access of third parties and other specialized institutions, management and synchronization of revenues and expenditures of public institutions with the information found in the system.

One can appreciate that most of these goals have been achieved: the system centralizes data from every loan officer, regardless of rank; reporting the budget execution is done by the

Treasury and not hierarchically by the main credit officer as in the past; credit officer's access to the database, transmission of data based on electronic signature, reducing the volume of data to be reported by each credit officer; reducing the working time and related resources due to a significant decrease of data to be centralized and reported.

Yet, a number of negative issues have been raised, including:

- Delayed implementation of the information system by about 1 year (from June 2015 to June 2016) amplified by the lack of specialized training of operators in public institutions. The training courses conducted by representatives of the Ministry of Finance were often devoid of substance, due to a lack of practical experience of the trainers.

- Difficulties related to accessing the system because of conditions imposed by the existence of a digital certificate. Although the compulsory online submission of tax statements had existed since 2011, there were still many institutions or their representatives who had not contracted until FOREXEBUG accessing any services for the digital certificate issue. Thus, in a short period of time, few providers of digital certificates coped with the large number of applications.

- Difficult correction of errors (e.g. - if a credit officer accidentally enters wrong data in the individual budget, the system crashes and the error is signalled both to the credit officer who has mistyped the individual budget and to the main credit officer, and the other credit officers cannot enter data until unlocking the system);

- Delayed updating of operations (e.g. - if changes are made within individual budgets, that day one cannot operate commitments and payments for those changes, and they are performed the next day because the system, even if it transmits that the data have been validated without errors, by the presentation interface, processes overnight the data entered that particular day.

Conclusions

The FOREXEBUG implementation has been especially to executives in public institutions a difficult process both in terms of the unknown things occurring in the implementation and amplifying the workload and time required to deploy tasks (additional operations required to perform payments by filling in additional fields on payment orders, plus operations in the CAB's).

In addition, the last step in filling in the budget execution in the FOREXEBUG reporting system namely sending payment orders and cheques for cash withdrawal to the State Treasury is not yet operational, which makes the system efficiency reduce significantly.

Amid the harmonization of accounting programmes, softwares for reporting various situations and statements provided by the National Agency for Tax Administration, as well as the completion of system implementation, one can estimate that its objectives will be achieved.

References:

1. Emergency Ordinance no.88/2013 on fiscal-budgetary steps to accomplish commitments agreed with international bodies, and for amending and supplementing certain normative acts, published in Official Gazette, Part I no.593 of 20.09.2013;

2. Order of Ministry of Finance no.517 of 04.13.2016 for approving procedures related to modules which are part of the operating procedure of the national reporting system - FOREXEBUG, published in Official Gazette no.307 of 21.04.2016;

3. Order 2004 for approving the Procedure regarding public entities' registers, no.2004 of 13.12.2013, published in Official Gazette no.794 of 17.12.2013;

4. CAB user manual available at <https://extranet.anaf.mfinante.gov.ro/anaf>

THE IMPACT OF EUROPEAN INTEGRATION ON ROMANIA'S AUDIT SECTOR

Radu-Daniel Loghin¹

It can be argued that maintaining the competitiveness of the audit market is of paramount importance to standard setters since the quality of financial statements prepared by public companies depends on a fair and transparent competition among auditors. Since Romania has joined the European Union in 2007 a lot of effort has been put into the preservation and expansion of a competitive audit market. Some would question whether joining the European Union has impacted in any discernable way the Romanian audit market which is distinguishable from that of its non-European Union counterparts. The current paper is dedicated to exploring these trends by combining an extensive literature review with empirical data gathered during the first nine years of Romania's European journey.

Keywords: *auditing, European Union, Romania, market structure*

JEL Classification: M42

Introduction

From a geopolitical perspective, European integration can be seen as an exercise in globalization. The development of a single, interconnected market across the European Union provides the researcher with an opportunity to identify the features of such a phenomenon.

Since its inception in 1993 at Maastricht, the European Union has made significant territorial advances into Eastern Europe, absorbing many of the former Warsaw Pact members in its ranks, as well as former Yugoslavian Republics such as Croatia and Slovenia. It can be argued that the expansion of the European Union has partly contributed to a new financial order on the Old Continent (Shiller, 2009), through policy-making and standard-setting. Because of the ever increasing financial integration which comes with the expansion of the European Union (EU), the impact of audit work is no longer confined to isolated equity markets. Risks of financial contagion have pressured European officials in developing and promoting quality accounting and audit standards across all EU jurisdictions.

Even if we dismiss the audit and accounting regulations set by the European Union as a deciding factor for financial market integration, there is mounting evidence which indicate the contribution of IFRS standards to the imposition of neo-liberal discourses on a global scale (Hopper, et al., 2016). Financial markets are no longer a „casino” for the privileged few and, with the advent of the Internet, have become accessible to an ever wider range of investors and stakeholders. Investors can trade equities for small amounts of cash with modern and easy-to-use transaction platforms. The quality of the financial information contained in the disclosures of publicly-traded companies affects a wide range of shareholders and thus convergence in both accounting and auditing has become a global phenomenon. Following Hopper et al' (2016) critical reasoning , we can argue in a narrow sense that globalization of the accounting international environment through the removal of trade barriers and the promotion of accounting convergence as advocated by EU officials have fundamentally altered the relationship between international accounting firms and national jurisdictions.

A decade has passed since, on the 1st of January 2017, Romania has formally joined the European Union. Since then, the Romanian financial markets have generated enough data to supply us with metrics relevant to the study of European Integration from the

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perspective of the audit market. The current study taps this rich data set for the purpose of answering questions relating to the evolution of the audit profession and audit market structure in the context of a jurisdiction which has joined the European Union. Since such a study cannot be performed without a control population, Turkey was selected to fill that role. The Turkish market is also a significant regional emerging market with a NATO alignment and its leadership is holding talks with the relevant European stakeholders with the purpose of obtaining EU membership.

The paper is thus structured in two significant parts. The first part covers the relevant history of the Istanbul Stock Exchange and Bucharest Stock Exchange with methodological aspects regarding the selection of the sample. The second part deals with the audit market concentration within the two jurisdictions and the possible underlying causes.

1. Audit history in the two jurisdictions and sampling

Both Turkey and Romania emerged from the ruins of the Ottoman Empire as distinct social and political entities. As a vassal of the Ottoman Empire, Romania's early administrators and accountants learned a lot from their Ottoman counterparts and vice-versa. The two jurisdictions were exposed to Western accounting thought during the nineteenth century.

However, until the early 20th century there was no formal organization which dealt with issues relevant to the accounting profession within their respective jurisdictions. The professional authority of the accounting profession in Romania (CECCAR) was recognized in 1921 (Fotache & Pavaloaia, 2015), while its Turkish counterpart (The Turkish Association of Expert Accountants and Organisers of Enterprises) was organized later in 1942 (Uçma & Beycan, 2008).

The accounting profession in both jurisdictions is also preceded by its equity markets. The Istanbul Stock Exchange was founded in 1866, while its Romanian counterpart was developed later in 1882.

The activity of CECCAR was disturbed by WW2 and was abolished for much of the 20th century by the communist authorities until its reestablishment in 1992 (Tiron Tudor & Muntiu, 2007). After a wave of privatisations paved the way for private capital in the Romanian market, the Bucharest Stock Exchange is re-established in 1995.

A legitimate concern for the audit of the financial statements was addressed during Emil Constantinescu's presidential term. During the 1997-1998 period, the World Bank imposed conditions for financial aid. Three of the four conditions addressed the need to develop a framework which dealt with audit missions. That environment included the adoption of International Standards of Audit and the creation of the institution responsible for the activity of financial audit (Albu, et al., 2010).

Two significant steps were taken for the meeting of those conditions. First, the definition of the audit activity was issued in 1999 and secondly, the Chamber of Financial Auditors of Romania (CAFR) was established later in 2000 as an independent entity to settle the affairs of the audit profession (Laptes, et al., 2014). The period during which the conditions of the World Bank were implemented saw little private investment, even though the privatization was at an all-time high (Floricioiu & Loghin, 2011).

It could be stated that the reforms which happened before 2000 were slow-paced and that real progress occurred prior to the conclusion of the negotiations with the European Commission in December 2004, when the *acquis communautaire* had to be implemented, with further improvements occurring between 2005-2006 when the Romanian authorities had to ensure the regulations were harmonized with the existing

European directives (Floricioiu & Loghin, 2011). Significant audit regulations issued by the European Union during this time included Directive 2006/43/EC (Laptes, et al., 2014).

The impact of European Directives on the Romanian legislation can also be seen in the enactment of OUG 90/2008, which implements Directive 2006/43/EC into the Romanian context (Laptes, et al., 2014).

While preserving a capitalist system since its inception in 1923, the Republic of Turkey has faced considerable challenges in implementing a modern framework for the accounting and audit professions (Mert, 2013). Despite keeping its flagship stock market open through the Cold War, Turkish authorities faced significant challenges in the implementation of an institutional framework for the audit profession. After the implementation of a German legal framework for accounting and audit in 1938, the accounting profession was formally established in 1942 (Uçma & Beycan, 2008), later than its Romanian CECCAR counterpart. During this period, a High council of Auditing was also set up for state economic enterprises.

The renamed Turkish Accounting Experts Association became an early member of the IASC (International Accounting Standards Committee) in 1972 and a member of IFAC (International Federation of Accountants) in 1977 (Uçma & Beycan, 2008). The last significant development from the Turkish markets refers to the establishment in 1994 of The Turkish Board of Accounting and Auditing Standards and the issuing of Turkish translations for International Auditing Standards a decade later (Uçma & Beycan, 2008).

The history for the two accounting markets reveals some common features which recommend using the Turkish market as a control for the Romanian market. These are a delayed establishment of the institutional framework for the audit market, the late 19th century development of the stock markets in their respective jurisdictions as well as the initial reliance on an influential jurisdiction for legislation (Germany for Turkey and France for Romania).

For the purpose of this paper, a sample consisting of 278 equities from the Istanbul Stock Exchange and 105 equities from the Bucharest Stock Exchange were selected. These equities had uninterrupted financial reporting from the 2006 financial year to the 2015 financial year. These issuers would represent the core of both stock markets during the period, and the minimum threshold on which to build the models.

The total assets expressed in Euros of the company were considered a proxy for size and their variation a proxy for growth. Since market capitalization can be computed from the outcome of sporadic transactions on the equity markets, accounting measures were considered more reliable. More assets on the balance sheet means greater audit risks and by default greater audit fees for the professional. The average weighted growth of each sample, drawn from multiplying the share of the equity in the aggregated amount of assets reported by all issuers from the selected stock exchange with the growth of the total assets reported by each equity in the sample, supplies us with the image of growth and decline in the potential audit markets. The data was retrieved from the Thomson Reuters Eikon database at 29.10.2016.

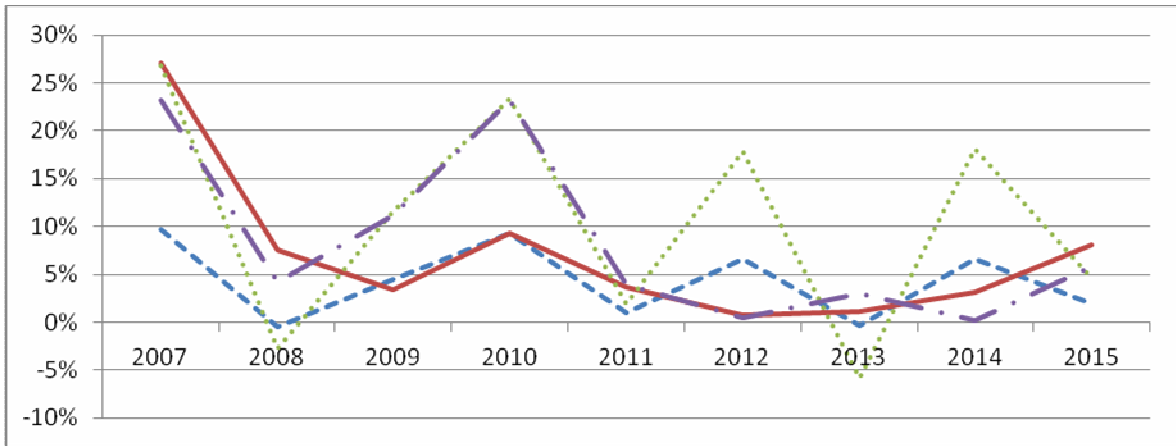


Figure 1 Variances in the growth of the two equity markets¹

In Figure 1 we can observe similar growth patterns emerge between the samples and their respective aggregate amounts. By using 4 distinct Mann-Whitney tests we can determine if the growth patterns exhibited by the sample equities correspond to their aggregate amounts. This is obvious from looking at the data from Table 1 below.

Table 1 Outcome of the Mann-Whitney tests in p-values

	Romanian total	Turkish Sample
Romanian sample	0.482	0,283
Turkish total	0.313	0,11

In Table 1 we can observe that there are no significant differences between the samples to suggest that the control population is not adequate for the test population or that the samples are inadequate with respects to the behaviour of their overall population. None of the four significant Mann-Whitney tests can dismiss their corresponding null hypothesis.

2. Audit Market Concentration

The concentration of the audit market is a significant aspect of the audit regulatory process, especially when we consider such branches of auditing as statutory audit missions. The probability that an auditor will secure a client can depend on a variety of factors, such as audit fees, technical skill and reputation. In 1984, Big Eight companies had higher audit fees than small and medium audit companies. These audit firms had discounts for continuing audit engagements which made continuing engagements more probable (Francis, 1984). We can consider that Big Eight companies had the benefit of offering larger discounts to their clients than smaller companies for similar audits, and thus could more readily preserve a client than a smaller company.

One of the earliest studies on the market share of the Big Eight, later Big Four companies, suggests that there was no significant upward shift towards Big Eight concentration of the audit market in the case of the United States (Paul & Eichenseher, 1986). A study by Doogar and Easley (1998) reveals that contracting practices, client size distributions and differences in auditor productivity jointly determined audit firms' market shares in the American audit market. In other advanced jurisdictions, such as the United Kingdom, Pong (1999) finds evidence that the Big Six companies held approximately 75% of the market and their market share was still consolidating.

In another significant pursuit in regards to the audit market concentration, Wolk et al (2001) find that in the US audit market since 1988 the audit market has undergone a

¹ Legend: square dot for the Turkish sample, solid for the Romanian sample, dot dash for the entire Turkish equity market, long dash dot for the entire Romanian equity market

gradual concentration of the market share. The methodology used relied on metrics such as Herfindahl indices to capture the concentration of the market.

While there are limitations when it comes to investigating financial information originating from emerging market issuers, there is also a significant body of evidence to suggest that the emerging market audit sector is also witnessing a significant concentration. DeFong et al (1999) find that the market share of large audit firms can change with the adoption of new accounting standards, if those auditors issue modified opinion reports for their clients. A paper focusing on the Malaysian audit market reveals that Big 6 companies held 60% of the audit market (Iskandar, et al., 2000).

An analysis stretching over 42 jurisdictions reveals that the concentration of the audit market does not affect earnings quality for investors per se, however it becomes problematic if the market shares of Big 4 auditors are unbalanced (Francis, et al., 2013). The key feature of the study is that the audit market was analysed in a two-tier system which considered Big 4 auditors a distinct category from the other players on the market. While Big 4 auditors form a category of their own in many such studies, the picture might be misleading.

In such emerging markets like Romania, there are many companies which are part of an international group, and thus their consolidated financial statements are presented as part of the financial statements reported by the whole group. The simple Big 4/Non-Big 4 dichotomy can thus be considered inadequate for the purpose of this study.

The international literature review supports the view that competition in the audit market has the effect of consolidating the market share of large audit firms. Regarding the scientific literature derived from the two cases of emerging markets (Romania and Turkey); there is also a significant body of scientific literature dealing with the audit market.

In the case of Romania, the main findings deal with a variety of issues concerning audit missions. Hategan (2013) reveals that the audit of European programmes in the Romanian market has been concentrated in the portfolios of a handful of local auditors.

Tracking the market concentration for the Romanian and Turkish samples since Romania has become a member of the European Union is a daunting challenge for the researcher. The first obvious challenge to the scientific endeavour is the lack of proper disclosures regarding the audit benefits received during the audit mission. The aggregated consideration received from each audit client for all the equities generates for us the available audit market. Allocating that amount among the individual auditors based on the financial disclosures supplies us with the market share. However, such an algorithm cannot be developed for the comparative analysis, as these amounts are not disclosed in the annual reports of the issuers.

Thus, the analysis requires that the market share be derived through other methodologies. Even if the growth of the equities can be assessed using the previous analysis, it can only supply a determinant of the final audit fees as received by the audit company as they only pertain to audit risks, which are but a small component of the amounts demanded from the client by the audit firm.

The only incomplete method of determining the market share postulates that the key component of the audit market is its expanding customer base. While a large client can supply an entity with much of its revenue, audit rotation legislation prevents the auditor from permanently securing that particular client, unlike other markets where goodwill and other intangible qualities can insure that the customers remain loyal to one auditor or another. To remain anchored in the long run, an audit firm must consider the acquisition of a large and diverse client pool, from which it builds its reputation and reach.

The approach presented by this paper treats each client as an equal part of the overall audit market. The market share is thus measured in the number of audit clients acquired during the financial period, and the concentration is measured using the approach partly outlined by Wolk et al (2001), which employed Herfindahl indices. While the emphasis is on original audit reports there are nevertheless several entities which submitted unaudited financial statements to their investor base. Even though subsequent restatements and revisions of those financial statements may have been accompanied by an audit report, the original statements were unaudited.

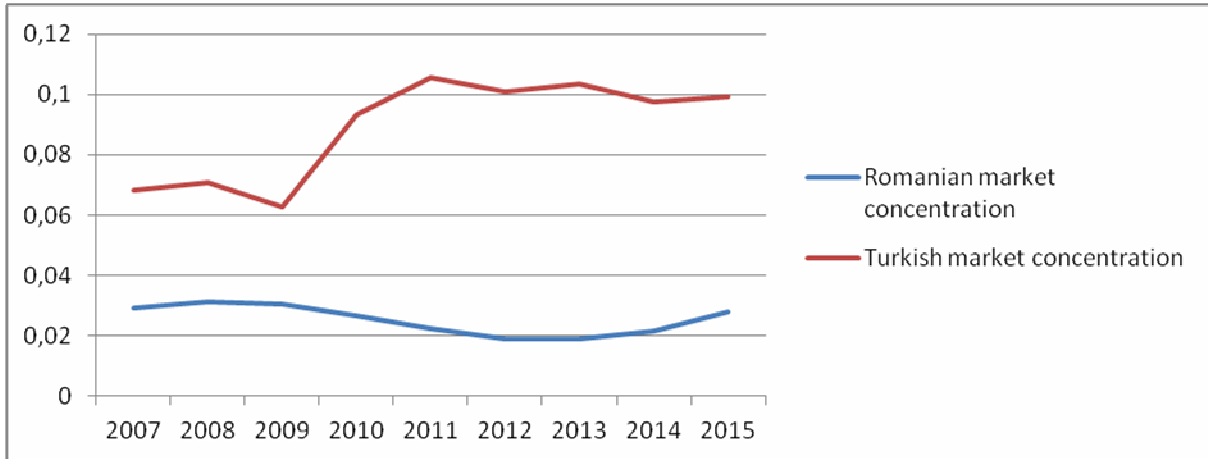


Figure 2 Changes in the audit market concentrations for the Romanian and Turkish markets

As the above chart reveals, the older Turkish equity market is more concentrated than its Romanian counterpart. The slight decline in the aggregate volume of assets held by Romanian issuers before 2014, coupled with a slight increase since 2014, appears to correlate with the evolution of the audit market. The trend reveals no significant upward shift in the market concentration in the case of the Romanian market, while the opposite trend appeared to happen in the case of the Turkish audit market. A Mann-Whitney test was used to determine if the two opposing trends are distinct or not. The usage of a Mann-Whitney test is critical to our understanding of the Herfindahl indices, since it allows us to assess whether the two samples are derived from independent populations, and the differences are not a result of random sampling.

In our case, the p-value for the Mann-Whitney test is less than 1%, and we can conclude that the evolutions of the two market concentrations are separate phenomena, even though the lack of a third population can affect the conclusion that the evolution of the Romanian audit market bears the hallmark of the European integration.

In the case of Romania, we can see a decline in the audit market concentration after it peaks in 2008. According to Laptés et al (2014), during 2009 we actually witness the decline in terms of actual numbers of audit firms. A possible explanation for this phenomenon would lie with the rearrangement of the market after so many entities left. It might just be possible that the surviving companies were more experienced in dealing with the realities of the market than those prior to 2007, and more capable of securing a client from the ranks of publicly listed companies.

A second more valid explanation would have to deal with Hategan's research (2013). Joining the European Union has meant more than expanding the audit market for listed equities. A whole array of audit missions became available for professionals, both enterprises and individuals, like the audit of European projects. This expansion of the market has reduced the pressure on audit firms to secure a publicly-traded audit client in their portfolios, while in the case of Turkey the lack of such opportunities has probably meant that audit firms had no choice but compete for publicly-traded clients.

Conclusions

Unless a change in accounting regulations catches the Big 4 companies and their network of partners off guard, it is unlikely that their position will change significantly over the course of the following decade.

Features, such as leverage over the standard setting process and a global network permit Big 4 companies to operate easily across multiple jurisdictions, either directly through wholly-owned subsidiaries or through local partners. Needless to say, it is unlikely that there will likely ever be a spectacular fall like the one which affected Arthur Andersen after the Enron fallout.

However, Romanian auditors can hope to gain the right amount of skills which enable them to ensure a strong foothold on the local market. We could argue that European integration could actually enable the emergence of a competitive audit market, where the Big 4 firms do not have a monopoly over accounting and audit services.

However, the conclusions in this study are unfortunately limited by their scope and the lack of genuine transparency in financial disclosures pertaining to audit fees and non-audit services, which would offer a clearer image of the Romanian audit market.

For future papers, recommendations include the integration of value relevance models into audit quality narratives. Since the number of listed equities at the Bucharest stock exchange was small, compared to its much larger Turkish counterpart, conclusions derived from any value relevance model are exposed to abnormal values of Cook's distance and thus require novel designs for implementation.

Regardless, more data is still required to successfully describe the impact of European integration on Romania's audit market.

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INTERNAL AUDIT- PILLAR OF THE INTERNAL/MANAGERIAL CONTROL SYSTEM

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Abstract:

Internal audit, especially in a public sector where public money is involved, is to be considered a pillar of management, a pillar of internal control. Internal audit is linked to internal/managerial control by laws and regulations. In this paper we are aiming identifying the reasoning of this close connections between internal audit and managerial system and presenting some aspects regarding the deployment of internal/managerial control system. The needs of economic entities are mainly common with the human needs, respectively are limitless, complementary, have the capacity to regenerate and are conditioned objective and subjective. In public institutions and economic entities in which the state is shareholder, meeting these needs and ensuring business continuity are more important, given that they are entities of national importance and have an increased public and social responsibility. We can say that the internal audit was developed in response to these needs (of economic entities), with the purpose to improve and add value to activities.

Key words: internal auditing, internal control, managerial control, added-value, goodwill

JEL Classification: G32, M10, M42

1. Introduction

In this paper we rely on the normative acts in force in Romania with reference to the internal / managerial control system (abbreviated IMCS) and legislation on public internal audit.

When we refer to internal control we refer to all forms of control exercised at the level of the public entity, including internal audit, established by management in accordance with its objectives and legal regulations, to ensure funds management in an economic, efficient and effective way, which include organizational structure, methods and procedures. (OG 119/1999)

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (Law 672/2002)

Regarding the implementation of internal/managerial control system in public entities, a series of laws and regulations have been adopted in Romania. We will take as reference the newest ones, published in 2015 and 2016. According to legislation, public entities are required to implement a code of internal / managerial control through adoption of 16 standards of control. (OSGG 400/2015)

These standards are applicable to all public institutions/entities.

In the next table we present some of the elements representative for internal/managerial control, elements that we considered to be significant.

Table 1. Significant elements regarding internal/managerial control

Significant elements regarding internal/managerial control
Internal/managerial control is a management function, rather than a verification operation
An efficient implementation of IMCS ensures methodic functions, is a methodical procedure for the exercise of management
IMCS represents a minimum of regulations applicable by the management

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An efficient IMCS it supposes to be exercised over all management functions during exercise not only ex-post
IMCS should be adapted to the specific of the entity, there is no pattern of the IMCS that could be applicable to all entities
Has refference in all levels of government and in any activity in the entity, being compulsory for all.
Costs of applying measures to implement IMCS has to be lower than the benefits from it

Source: selection of data and personal representations

2. The connection between internal audit and internal/managerial control system

OSGG 400/2016 presents a minimum of aspects regarding the relation between internal audit and IMCS, through the Standard number 16 (see Table 2. Internal audit and internal/managerial system)

Table 2. Internal audit and internal/managerial control system

Internal audit and internal/managerial control system	
Aspect	Observations
A public entity should have a departament of internal audit.	<ul style="list-style-type: none"> - Proper sizing of the internal audit department: the departament of internal audit should be sized based on the volume of activity and the size of the associated risks - existence of competent internal auditors - internal auditors must enhance their knowledge, skills and values in vocational training and preparation to ensure compatibility with the type and nature of internal audit work to be performed
Internal audit assures an independent and objective evaluation of IMC system.	The business of internal audit should provide assurance on the risk management, control and leadership (government).
Reporting in internal audit	<ul style="list-style-type: none"> - The internal auditor completes its actions through audit reports, which sets out the weaknesses identified in the system and make recommendations for their elimination. - The head of the public entity should take the necessary measures, having regard to the recommendations of the internal audit reports in order to eliminate weaknesses found by the audit missions.

Source: selection of data and personal representations

3. For a better understanding os IMC system, we consider adequate conducting a mission to provide advice in order to ensure understanding by those responsible of the need to implement an IMC system and the implementation mode.

In that regard, we developed a series of documents, resulting in tables for better presentation, in which we have identified issues which we considered significant in implementing the IMC system.

Table 3. IMC system: organizational process and implementation

Objective	Activity/question
Implementation	<ol style="list-style-type: none"> 1. The existence of a decision through which has been set up the working group for monitoring, coordination and methodological guidance of deployment and/or the development of the internal/ managerial control system. 2. The Monitoring Committee comprises leaders of departments from the flowchart?Members duties to be registered in the job description 3. It is appointed a president and a committee secretary by the decision? 4. No decision has lodged the management risk team. 5. Establish someone to be in charge of drawing up and updating the risk register for each compartment. 6. Is there a development program of IMCS? 7. The program of IMCS was developed and approved in the current year? 8. The monitoring committee established met periodically and analysed the production method and the deployment of the stages and deadlines of the IMCS development programs and established the appropriate measures to realise an efficient control system? 9. In the program of IMCS development were included professional training activities for both managerial and execution staff and the professional training operations were in accordance with the requirements of the program? 10. Are developed procedures for processes and for the identified activities according to Annex 2b of the OSGG 400/2015? 11. Is there a Regulation on the organisation and functioning of the Committees? 12. Responsibilities necessary for the activities are established by the institution through the organization rules and through the job descriptions of the employees? 13. Is there a list of the objectives and activities? 14. Is there the list of the objectives, activities and risks? 15. Self-assessment questionnaires are completed? 16. There is a document to provide the circuit of the documents and information?Means of communication within the entity. 17. There is a programme of training of the responsible staff for IMCS? 18. There are files with the minutes, decisions, resolutions of the Monitoring Committee?
Reporting	<p>TABLE I. Half-yearly reports have been completed?</p> <p>TABLE II. Annual reports have been completed?</p> <p>TABLE III. There is an annual report of the director, annex to the annual financial statements on the status of IMCS implementation?</p>

Objective	Activity/question
Standard 1. Ethics and integrity	TABLE IV. There is a code of ethical conduct? TABLE V. There is a document acknowledging the provisions attached to their personal code of ethics? TABLE VI. Are there any regular testing knowledge of the code of ethics? TABLE VII. There is a procedure related to reporting irregularities?
Standard 2. Responsibilities, functions, tasks (duties)	TABLE VIII. There is a (ROF) Regulation on the organisation and functioning at entity level? TABLE IX. There are internal rules and regulations? TABLE X. Are the job descriptions established for everyone? TABLE XI. Existence of the Analysis of sensitive functions.
Standard 3. Competence, performance	[1] The posts are filled by competent persons? Studies, preparation, etc. [2] There are annual assessments of professional performance? [3] There are provided annual training courses?
Standard 4. Organizational structure	[4] Existence of the flowchart [5] Is this updated (the flowchart)? [6] The grading of the staff from the organization chart is to be found in the state of functions, respecting the accordance between the nature and necessary skills. [7] The delegation is made through ROF, job description, express order? [8] The act of delegation complies? It contains all the elements?
Standard 5. Objectives	[9] The specific objectives are defined according to the SMART requires? [10] Are the objectives updated/reassessed as a result of transorming the internal/external environment? [11] Are targets defined fot each department?
Standard 6. Planification	[12] There are plans/programs for the attainment of the necessary resources and with obvious deadlines?
Standard 7. Monitoring performance	[13] Are established performance indicators for the identified objectives? [14] The attainment of the objectives is monitored? [15] The leaders of the compartments monitors the performance by the annual preparation of the list of the objectives, activities and performance indicators and draw up an annual report sent to the Monitoring Committee. [16] The secretary of the Committee will collect the reports from the leaders of the compartment [17] The management of the entity shall evaluate the performance and finds irregularities, take corrective measures.
Standard 8. Risk management	[18] There is a strategy for the risk management? [19] There is a record of the risks? [20] Each department leader will identify the risks of the department.

Objective	Activity/question
	[21] The Secretary of the risk committee centralizes the risks and elaborates The Plan for the implementation of the measures control
Standard 9. Procedures	<p>[22] There are written procedures for all the activities?</p> <p>[23] Are the procedures updated?</p> <p>[24] Are these adapted to specific feature?</p> <p>[25] There are overlaps procedure?</p> <p>[26] Non-existent procedures on certain activities.</p> <p>[27] Are the procedures complete > responde to queries:“Who, when, where, how, with what?”</p>
Standard 10. Supervision	<p>[28] The duties, responsibilities, limits of competence have been communicated to each employee?</p> <p>[29] Is systematically evaluated the activity of each employee?</p> <p>[30] The results of the activities are approved in various stages of implementation?</p>
Standard 11. Going concern (continuity in activity)	<p>[31] Are inventoried situations that may lead to any black spots in the activity?</p> <p>[32] There is an plan of continuity of activity, which should be based on the identification and assessment of risks which affect business continuity?</p> <p>[33] Is the continuity plan accessible to all employees?</p> <p>[34] Are identified the activities, processes, the essential functions of the entity in a documents approved by the management and archived?</p>
Standard 12. Information and communication	<p>[35] Are laid down the types of information, content, quality, frequency, sources, their recipients and develops an effective system of internal communication and external, so that management and employees to fulfill effectively and efficiently the tasks and information to reach complete and timely to users</p> <p>[36] There is a document in which to establish the methods and ways of internal and external communication?</p>
Standard 13. Documents management	<p>[37] There are rules, procedures concerning the registration, dispatch, drafting, filing, protect and keep documents?</p> <p>[38] There is an archive of the entity?</p> <p>[39] There are security measures to protect the documents against the destruction, theft, loss, fire, etc?</p>
Standard 14. Accounting and Financial reporting	<ul style="list-style-type: none"> • There are procedures to follow with the work of financial accounting? • Financial statements are accompanied by the annual reports of the performance?
Standard 15. Evaluation of the IMCS	<ul style="list-style-type: none"> • Annual report on IMCS is developed by the management? • Adequate and timely measures are taken to establish the degree of compliance of IMCS with IMC standards? • There is a procedure for assessing IMCS?
Standard 16. Internal	<p>¹ There is an internal audit department?</p>

Objective	Activity/question
audit	² Internal audit department is sized properly? ³ Are assumed the duties of the head of internal audit department by signature? ⁴ Requirements are being complied with the professional preparation of the internal auditors? ⁵ Are reported the weak points and made recommendations on the internal audit reports? ⁶ Measures are taken on the recommendations of the internal audit reports?

Source: selection of data and personal representations

Conclusions and proposals

Mainly through the implementation of these standards, a system of internal/managerial control aims to provide reasonable assurance that the entity is functioning well at all levels according to the expectations of the beneficiaries. Note that this is a reasonable assurance, the fact that an entity has the IMCS implemented completely, this does not guarantee 100% that the entity would register profit and that it will continue its activity based on the going-concern principle.

I discovered (through the nature of the work that I develop), that in practice there is a lot of struggle with the implementation of the system. Implementing an internal control system is cumbersome because of reluctance of employees and the fact that many do not understand the importance of a control system and do not understand the terminology used in this area. What I think is to be taken into account, although the intention of the government is good in this regard, to implement a IMC system takes time and a lot of effort, especially because of the wide large of paper to elaborate. An IMC system should not be a burdem for the management and for the head of departament.. Sometimes, checks over checks and over checks does not lead to an improvement of the activities, does not lead to the recording of performance, but on the contrary lead to decreased performance, decreased interest in work, particularly in the areas / activities / departments that take more than the production and staff do not have an inclination and a great interest in terms of the administrative and completeness of the papers. An IMC system should be easy to understand, easy to implement at all levels of perception.

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O.G. 119/1999 on internal control and preventive financial control rep.

O.S.G.G. 400/2015 approving the Code of internal/ managerial control on public entities.

O.S.G.G. 200/2016- amendment of O.S.G.G. 400/2015.

O.S.G.G. 201/2016 approving the Methodological Norms on the coordination, methodological guidance and supervision of the implementation stage of the internal/managerial control system in public entities.

HARMONIZATION OF NATIONAL RULES WITH THE NEW INTERNATIONAL RECOMMENDATIONS ON CORPORATE GOVERNANCE. CASE STUDY FROM INSURANCE COMPANIES IN ROMANIA

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Abstract

The principles on corporate governance issued internationally have undergone a review process in recent years. Authorities and professional accounting bodies have made efforts to implement them. Based on these considerations, this study aims to analyze the stage of implementation of these recommendations to the insurance companies from Romania. As credit institutions, these entities have a very important role in the economy of a country and the experience of past years has shown that poor corporate governance has contributed significantly to the outbreak of the financial crisis. To prevent a series of negative effects in the Romanian economy, we believe that even the insurance companies should consider implementing the principles of corporate governance in their work. The results of the study show that the entities which made the subject of the research are in the early stages of introducing these international recommendations.

Keywords: *corporate governance, financial crisis, international recommendations, insurance companies, stakeholder*

JEL Classification: H21, H25, G38

1. Introduction

It has been over two decades since Sir Adrian Cadbury (Cadbury, 1992) defined corporate governance as the system by which companies are directed and controlled, a country's economy being significantly influenced by efficiency of the activity of the companies. In this paper also appear concepts such as corporate governance code, supervisory board, directors, audit committee, nomination committee, remuneration committee, the responsibility of management, financial reporting, information dissemination, financial auditor's responsibility. These have been the foundation of corporate governance principles issued internationally in 1999 by the Organization for Economic Co-operation and Development (OECD).

They were updated in 2004 and in September 2015 was published last revised form. The provisions of these principles have been taken over the years in over 97 countries. In Romania were issued for the first time in 2000 and in 2008, an updated edition was published. In September 2015, the Bucharest Stock Exchange has published the latest version of harmonized international recommendations that were published the same year by O.C.D.E. They apply from 1 January 2016 by the entities listed on the capital market in Romania.

The regulatory plan, the European Union were issued a series of regulations such as: Directives concerning Takeover Bids (Directive 2004/25 / EC), the transparency of listed companies (Directive 2004/109 / EC) Shareholders' Rights (Directive 2007/36 / EC), the Market Abuse (Directive 2003/6 / EC) and audit (Directive 2006/43 / EC). At the national level they were issued following legislation: Government Emergency Ordinance no. 109/2011 regarding corporate governance of public enterprises, Emergency Ordinance no. 51/2013 amending and supplementing Government Emergency Ordinance no.

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109/2011 regarding corporate governance of public enterprises, Emergency Ordinance no. 10 of 13.05.2015 to Government Emergency Ordinance no. 109/2011 regarding corporate governance of public enterprises, Law no. 111/2016 approving Government Emergency Ordinance no. 109/2011 regarding corporate governance of public enterprises, the Government Decision no. 722/2016 approving the Methodological Norms for the application of certain provisions of GEO no. 109/2011 regarding corporate governance of public enterprises. Also, other significant legislation in matters of corporate governance are the Companies Act no. 31/1990, Emergency Ordinance no.93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority, Law no. 237/2015 regarding the authorization and supervision of insurance and reinsurance, Regulation no. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the Financial Supervisory Authority. According to the last mentioned law (Article 3, point h of Regulation No. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the FSA, published in Official Gazette no. 216 of March 23, 2016), insurance companies which made the subject of the study "... shall take appropriate measures on the implementation of a corporate governance system that ensures a correct and prudent based on the going concern assumption ... '. Therefore, implementing the principles of corporate governance have a binding nature and not is not just a recommendation for the surveyed entities.

2. Literature review

The concepts of corporate governance are presented in a series of theoretical and empirical studies. Thus, some authors have examined the effects of implementation of corporate governance principles on enterprise value (Christensen et al, 2016). Most studies have shown a direct relationship between governance and value of an enterprise. Other studies have shown that auditors have an important role in reducing information asymmetry in supplier-customer relationships. The results of the studies also show that financial auditors help to mitigate the investment inefficiency (Dhaliwal, Shenoy, Williams, 2016).

Analyzing the effects of the introduction of International Accounting Standards across several countries on the value of companies has been the subject of research in a series of studies, the authors pointing out that implementation may not extend too much because certain businesses have had and will have local and not international character (Ball, 2016).

Analysis of international accounting research has been the subject of study in certain papers, showing that the volume and quality of international accounting research have grown rapidly in recent years (Ball, 2015). The relationship between allowances of board members and the company's value was analyzed by other authors (Li et al, 2014) who have shown that people who participate actively in the meetings are paid better.

Subject of dissemination of financial information by companies was reviewed by other authors who showed that, in certain situations, customers can be discriminated by the fact that access to certain information is made only by subscription (Rogers, Skinner, Zechman, 2016).

Analysis of disseminating financial information to managers was the subject of some authors' research and it has been shown that the publication of financial information helps increase the company's value (Bertomeu, Magee 2014).

Financial auditors play a vital role in enhancing enterprise value and their accountability issues were addressed in some papers showing that their negligence could have negative consequences for the companies (Maksymov, Nelson, 2016). Econometric

research plays an increasingly important role in the economy, accounting studies showing that certain variables, such as economic crises causes an asymmetry of accounting information (Ball, Kothari, Nikolaev, 2013).

Application of International Accounting Standards in the light of globalization was addressed in some papers, resulting that their implementation in companies increase their flexibility in the application of certain accounting policies (Ball, Li, Shivakumar, 2015). Other authors have studied the importance of reputation auditors in the event of litigation. The study shows that those offices auditing entities engaged in accounting fraud minimum lose a quarter of customers. Larger companies or those with growth options take into account the company's reputation audit (Skinner, Srinivasan, 2012).

3. Objectives, data and research methodology

Given the important role that the banking financial institutions play in general in a country's economy, we continued the series of studies published in other papers (Bigioi, A, 2012; Feleaga, Feleaga, Bigioi, 2012) and expanded analysis of implementation of the principles of corporate governance for insurance companies in Romania. We believe that the results of the study are welcome in the context of discussions that took place nationwide in the last period in terms of respect going concern assumption by a number of entities in this field. Given the above, we set the overall objective of the research to determine the stage of implementing the principles of corporate governance in insurance companies in Romania. Thus, the study was conducted in all 32 insurance companies in Romania officially published in the Register of insurance companies issued by Financial Supervisory Authority (A.S.F. has published the list of insurance companies licensed on the site <http://asfromania.ro/emb/ra/registru.php?Reg=as>), the sample being 100%.

To achieve this objective of the research, we proceeded as follows:

- we extract from the Register of insurance companies, Part A, all 32 entities that will be surveyed (insurance companies authorized list can be found on the site <http://asfromania.ro/emb/ra/registru.php?reg=as>);
- we picked General and financial information based on data published on its website by each insurance company and those published on the websites of the Ministry of Finance (www.mfinante.ro) and the National Trade Register Office(www.onrc.ro)
- we selected the data and information needed to prepare the study and applied specific tests on the system of corporate governance;
- we centralized data from processing each entity, according to the method scores, developing corporate governance matrix for insurance companies.

To achieve the study, we defined the following mathematical model for empirical test:

General function of corporate governance matrix in the insurance companies, $F_m(Sa_t)$:

$$F_m(Sa_t) = [F_m(Sa_{1j}) + F_m(Sa_{2j}) + F_m(Sa_{3j}) + \dots + F_m(Sa_{ij})] / i, \quad (1)$$

where $i \in [0;32]$; $j \in [0;10]$ and

$$F_m(Sa_{1j}) = f(\delta_{11}) + f(\delta_{12}) + f(\delta_{13}) + f(\delta_{14}) + f(\delta_{15}) + \dots + f(\delta_{1j}); \quad (2)$$

$$F_m(Sa_{2j}) = f(\delta_{21}) + f(\delta_{22}) + f(\delta_{23}) + f(\delta_{24}) + f(\delta_{25}) + \dots + f(\delta_{2j}); \quad (3)$$

$$F_m(Sa_{ij}) = f(\delta_{i1}) + f(\delta_{i2}) + f(\delta_{i3}) + f(\delta_{i4}) + f(\delta_{i5}) + \dots + f(\delta_{ij}), \quad (4)$$

where $f(\delta_{i1}), f(\delta_{i2}), f(\delta_{i3}), f(\delta_{i4}), f(\delta_{i5}), \dots, f(\delta_{ij}) \in [0;1]$ iar $0 \leq F_m(Sa_{ij}) \leq 10$.

It results that $F_m(Sa_i) = \{[f(\delta_{i1}) + f(\delta_{i2}) + f(\delta_{i3}) + f(\delta_{i4}) + f(\delta_{i5}) + \dots + [f(\delta_{ij})] + f(\delta_{21}) + f(\delta_{22}) + f(\delta_{23}) + f(\delta_{24}) + f(\delta_{25}) + \dots + f(\delta_{2j})] + \dots + [f(\delta_{i1}) + f(\delta_{i2}) + f(\delta_{i3}) + f(\delta_{i4}) + f(\delta_{i5}) + \dots + f(\delta_{ij})]\} / i$. (5)

Function parameters are defined below:

δ_{i1} represents the estimated value of the parameter checking on the condition if there is a corporate governance code published for each entity

δ_{i2} represents the estimated value of the parameter checking on the condition that the annual report of the administrator includes a section dedicated to corporate governance for each entity

δ_{i3} represents the estimated value of the parameter checking on the condition if there is a nominating committee at board level

δ_{i4} represents the estimated value of the parameter checking on the condition that there is a separation between execution function and control function, including even independent members.

δ_{i5} represents the estimated value of the parameter checking on the condition that the composition of the board respects gender equality

δ_{i6} represents the estimated value of the parameter checking on the condition that the composition of the board level respects the diversity of nationality

δ_{i7} represents the estimated value of the parameter checking on the condition that the composition of the board level respects the diversity of the professional training

δ_{i8} represents the estimated value of the parameter checking on the condition whether the entity has disseminated information on remuneration of the management members

δ_{i9} represents the estimated value of the parameter checking on the condition of the entity if the entity disseminated information about the annual report of the administrator

δ_{i10} represents the estimated value of the parameter checking on the condition whether the entity has disseminated information about the annual financial statements.

4. Results of the study

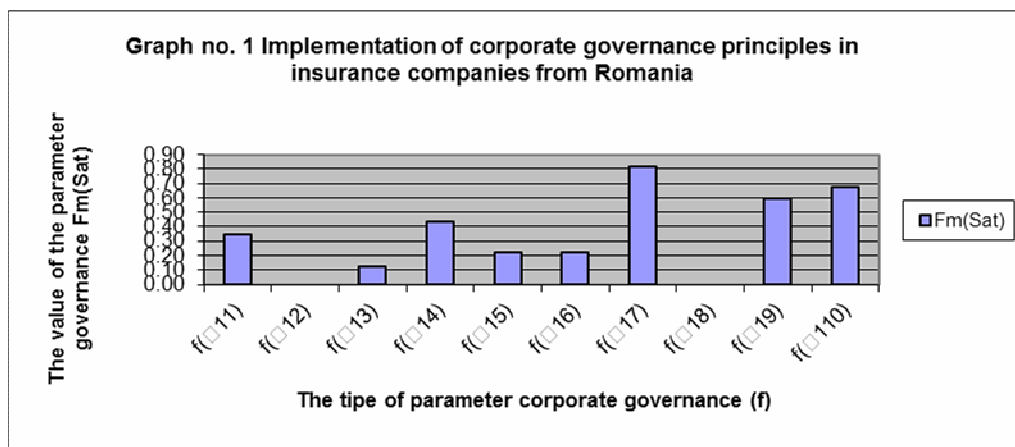
Applying the above model for each entity that has been subject of the analysis we obtained the following results (Table no 1):

Table no. 1: Matrix of implementing the principles regarding corporate governance in insurance companies in Romania

Entity	$f(\delta_{11})$	$f(\delta_{12})$	$f(\delta_{13})$	$f(\delta_{14})$	$f(\delta_{15})$	$f(\delta_{16})$	$f(\delta_{17})$	$f(\delta_{18})$	$f(\delta_{19})$	$f(\delta_{110})$	$F_m(Sa_i)$
X ₃₁	1	0	1	1	1	0	1	0	1	1	7
X ₃₂	1	0	1	1	1	0	1	0	1	1	7
X ₂	0	0	1	1	0	1	1	0	1	1	6
X ₇	0.5	0	0	0	1	1	1	0	1	1	5.5
X ₄	1	0	0	1	0	1	1	0	0	1	5
X ₈	0	0	1	1	0	0	1	0	1	1	5
X ₁₄	0	0	0	1	1	1	1	0	1	0	5
X ₂₄	1	0	0	1	1	1	1	0	0	0	5
X ₆	0	0	0	0	1	1	1	0	1	0	4
X ₁₀	0	0	0	0	0	1	1	0	1	1	4
X ₁₁	0	0	0	1	0	0	1	0	1	1	4
X ₁₃	0	0	0	1	0	0	1	0	1	1	4
X ₁₉	1	0	0	1	0	0	1	0	0	1	4
X ₂₂	0	0	0	1	0	0	1	0	1	1	4
X ₂₃	0	0	0	0	1	0	1	0	1	1	4
X ₂₅	1	0	0	1	0	0	1	0	1	0	4
X ₂₈	1	0	0	1	0	0	1	0	0	1	4
X ₁₅	0	0	0	0	0	0	1	0	1	1	3
X ₁₆	0	0	0	0	0	0	1	0	1	1	3
X ₁₈	0	0	0	0	0	0	1	0	1	1	3
X ₂₁	1	0	0	0	0	0	1	0	0	1	3
X ₁	0	0	0	1	0	0	0	0	1	0.5	2.5
X ₉	0.5	0	0	0	0	0	1	0	0	1	2.5
X ₂₀	0	0	0	0	0	0	0	0	1	1	2
X ₂₆	0	0	0	0	0	0	1	0	0	1	2
X ₂₇	0	0	0	0	0	0	1	0	0	1	2
X ₃₀	1	0	0	0	0	0	1	0	0	0	2
X ₅	0	0	0	0	0	0	1	0	0	0	1
X ₁₂	0	0	0	0	0	0	0	0	1	0	1
X ₁₇	1	0	0	0	0	0	0	0	0	0	1
X ₃	0	0	0	0	0	0	0	0	0	0	0
X ₂₉	0	0	0	0	0	0	0	0	0	0	0
F_m(Sa_t)	0.34	0.00	0.13	0.44	0.22	0.22	0.81	0.00	0.59	0.67	3.42

Source: own processing, based on data extracted from the websites of entities

The results are plotted as follows (Graphs no 1):



Source: own processing, based on data extracted from the websites of entities

5. Conclusions of the study:

After conducting the study, based on data extracted, the result was that insurance companies have partially implemented the provisions of corporate governance principles, the average scoring obtained being 3.42 points from a maximum of 10. Thus, the lowest scoring (0) was obtained within the parameters that relate to: disseminate information regarding the remuneration policy of the members of the management and publishing a statement of compliance or non-compliance with certain principles regarding corporate governance, no company unpublished such information.

Other weaknesses resulting from the matrix of corporate governance are: the existence of a small percentage of the nominating committee of members of the management, the failure by some entities for diversity on gender and nationality of board members and low independence of board members.

Strengths resulting from the analysis of the matrix of corporate governance refers to the existence in the boardroom of members with a superior training specific to the insurance (the scoring average 0.81 out of a maximum 1) and publication the annual financial statements (the scoring average 0.67 out of a maximum 1).

Regarding the dissemination of financial information to shareholders, we recommend that the financial statements are presented in a detailed form and not synthetic like administrator's report, which presents insufficient information regarding corporate governance, as reflected in certain cases.

Also, given the mandatory nature of the regulation on corporate governance issued by A.S.F. applicable to insurance companies on 1 January 2016, we believe that a future regulatory need to establish also sanctions if it does not comply with regulation.

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ECONOMIC BEHAVIOR AND ITS PSYCHOLOGICAL IMPLICATIONS

Mariana Cristina Cioponea¹

Abstract

In the theoretical scientific analysis, man and therefore his behavior is viewed differently. The economical point of view considers the individual as a rational being acting to maximize utility in relation to certain preferences. The sociological point of view considers that the key driver of human behavior is the influence of social context and constraints framework. The psychological point of view considers the man a complex being, endowed with spirit, thought, perceptions, sensations, will, affection, emotions, imagination etc., which is reflected in its economic behavior. The human nature is influenced by the relationship which develops between the individual and society, specifically between the individual and other individuals who compose society as a whole.

Economic behavior, is an important part of the human behavior and is predictable in a very small extent; also the consequences of certain decisions may differ depending on the psychological aspects that characterize those involved at some point in a specific action. A particularly important issue that should concern a great economic professionals is raised by extend to which perceptions of economic actors determine economic behavior.

Keywords: economics, psychology, economic behavior, rationality, psychological needs, economic utility, personality

JEL Classification: A12 - Relation of Economics to Other Disciplines

Introduction

Economics is deeply marked by psychological load of human behavior. The steps of rapprochement between the two areas - economics and psychology who long time have ignored each other - have a load of great complexity, as psychologists rarely investigated economic behaviors, and economists have mainly studied the economic environment in which man acts.

Bringing attention to the link irrefutable between the two disciplines and fields of study - as both dealing with human behavior - would be able to lead in time to a new vision of economics, so its object of study place the welfare of the individual in all its aspects in its preoccupations.

The latest economic and psychological research have begun to converge towards each other, so as to understand and explain the differentiation of motivations and behaviors from one individual to another, depending on group or culture membership.

1. Definitions of terms

At first glance, it can be said that both in economics and psychology, circumscribing and defining the subject had undergone frequent revisions and changes, which reflected, on the one hand in determining the issues addressed in different historical periods, and on the other hand, in the status of each area in the overall system of sciences.

In a primary sense, economy (oikonomia - oikos = home, household; nomos = law) indicates the administration of an individual had more or less important. Economy analyzes the evolution of the global economic system: price trends, production and underemployment, currency trends, banks, capital and wealth.

In most economists's researches we found a common element, the location of the subject study to human activity to obtaining goods and services necessary for human and society existence and on the interest for overcoming constraints generated by resource

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constraints in relation to people's needs. Economics has several meanings, among which are just a few: "(1) set of objective knowledge that relate to human activities, aiming at the satisfaction of needs; (2) the science that studies human behavior in work allocation and alternative uses of scarce resources to meet the diverse and unlimited needs of individual and society; (3) the science that deals with the study of humanity in her usual occupations of life; (4) science of rational allocation of limited resources (with alternative use) for unlimited and various needs of human society (M. Băcescu, Băcescu-Cărbunaru Angelica, 1997)".

"The economy is the body of human activities carried out in the production, distribution and consumption of economic goods. The main goal of the effort is to meet people's needs for goods and services "(Băcescu M., Băcescu-Cărbunaru Angelica, 1997).

The subject of economics leads us to investigate the many and varied aspects, such as: the satisfaction of human needs; define economy as science of the efficient choice; presentation wealth as a source of welfare; orientation to utilitarian principles; presentation of economic phenomena and processes; specifying some key concepts such as economic law, value, profit, cost, price; economic relations (between them prevailing property relations); the relationship between man and the environment etc.

In the economic activity, between economic facts and acts there are many links that are continually evolving in time and space. Economic phenomenon represent the external form of economic activity, that is those acts and economic facts that appear and is manifested on the surface of society and that people know directly (prices, unemployment, production).

Although the intention of specialists is to pay attention to man in all these approaches, as in others, economic research is focused on meeting the needs, efficiency of allocation, rationality of elections etc., and man is not regarded as a factor influencing by its very structure - which has an important psychological side - but often as an manipulated individual.

"Psychology is the science that studies the general laws of becoming, functioning and organization of psycho-behavioral mechanisms". In turn, "the subject matter of psychology is the internal psychic organization in the contradictory unity of conscious and unconscious and circular relationship between internal psychic structures and external behavioral acts." (M. Golu, 2005).

Human psyche is very complex, with a very pronounced evolutionary dynamism. It is composed of: logical thinking based on the principle of generalization, abstraction and formalization; creative imagination; historical memory; decision-making function; deliberative will; the valuation function; socio-cultural motivation; superior emotions and feelings of aesthetic and sociomoral manner; personality traits; structure and execution of complex creative skills.

2. The need to deepen the study of the psychological aspects in economics

Economics and psychology science are two separate and independent sciences. Although the boundary between them is pretty clear in the current social and economic conditions, to reinstatement of human in question leads to the need of approach their areas, as there is no economic and social phenomenon without motivations and psychological implications.

Economics is a science related to real life and plays an important role in the system of contemporary sciences. Increasing the role of economics as a science requires not only to recognise of directly visible processes, but the causal relationships related to the essence of the phenomenon.

Of course, it is undeniable that in the economic processes are studied psychological aspects; so there are concerns: the behavior and motivation at work (studied by the work psychology), the consumer's behavior (studied in marketing); aspects of scientific and technical creation, job, leadership, professional stimulation (reviewed in management) and economic adaptation, training etc. But psychological elements are taken into account only in a small frame sequences of economic processes and phenomena.

Traditional economic research focuses on economic categories, often ignoring people's behavior. Thus, the human factor is interpreted in mechanistic terms, free of psychological charge and relations between economic variables are simplified and schematic, which can deform them. Economists are interested in market behavior and not that of humans. Based on this observation, we believe useful to extend the study of the behavior of the economic categories of human behavior, as active participants of economic processes.

In turn, psychology dealt with specific problems: consciousness, unconscious, mechanisms of mental activity; organization of mental life; motivation; psychological traits of personality; group psychology etc., apart from human mental life connection with economic and social life.

Economic science must evolve towards an acceptance, in addition to individual foreign aspects, (about the conduct of economic phenomena and processes according to specific objectives economic laws) and aspects of the internal structure of man, according to which he translates into his economic activities, its subjective experiences generated by feelings, perceptions, desires, attitudes, will, intelligence, sentiments etc.

Given the presence of the human psyche in the conduct of economic processes, the science must know in what consist the influences, their way of expression, the role and correlation with other aspects of the analyzed phenomena.

3. Economic psychology - border science

Studying economic processes should not be reduced to purely technical aspects thereof. Economics assumes perception, understanding and explaining human relationships assembly that relies, action of psychological aspects in the behavior of individuals and their reactions to certain situations. For this, psychology can actively participate in deciphering social and economic phenomena, and interactions between them and the economic environment. Studying individual behavior and social interactions in certain economic situation, requires a multidisciplinary approach, which should be involved in areas such as economics, psychology, sociology, pedagogy, philosophy etc. In this connection of genuine scientific fields, between psychology and economics can make a real partnership, given the complexity of issues manifestation of individual and social psyche in the economic field.

Economics development has taken into account the apparition of new requirements in the knowledge of rationality levels, of the individual and social dynamism and increasing complexity of human behavior and psychological approach so that psychology has found a wide applicability in economy. In the last decades of the nineteenth century, studying the implications and reflective of psychological elements in consumer behavior and producer, was outlined as a border science the economic psychology. It is important to note that the emergence of this scientific field was the result of specific social conditions of the historical period covered, namely: promotion of industrial production of large series and production standardization.

Following concepts of French author PLReinaud of the book "La psychologie économique", representatives of the Austrian psychological school - Karl Menger (1840 - 1921), Bowerk Bohm (1851 - 1929) and F.von Wieser (1851 - 1926) - "proclaims that

psychological analysis must underpin any economic theory and that only by introspection we can know the needs and value judgments on which the entire economic mechanism belong to. Later, Max Weber, Vilfredo Pareto, T. Paerson and C. Gini (sociologists and economists) have attempted a merger of psihosociology with economics, explaining the origin and specificity of economic behavior and contributing to specification of morphological groups." (Olga Ciobanu p. 39) .

Concerns in this area existed in Romania since the interwar period (D. Todoran, psychological representative of the School of Cluj, in 1935 address issues of economic psychology in Advertising Psychology) and later, Tiberiu Pruna, professor at the University of Iasi, drafted a treatise titled Economic psychology, which introduces the term psihoeconomy.

4. Economic behavior and psychology

Human activity is characterized by a specific behavior in all domains of life: economic, scientific, managerial etc. The behavior represent the totality of facts, acts, reactions mentally, voluntarily or consciously adjusted through a person respond to physical or social requests of the world outside.

Economic behavior is the side of human behavior that analyses facts, acts and reactions of people in the economic sphere. Lately, economic behavior is a very commonly studied subject in economics, as in every field of activity, it may be appropriate or inappropriate, rational or irrational, effective or not behavior. Therefore, it is necessary that, economic behavior to be analyzed including the psychological point of view, and secondly, to pursue the economic and social aspects influence on human behavior. Human economic behavior, on the one hand, is part into the growing complexity of business processes, and on the other hand, respond to human configuration complexity. Thus, the man cannot be transposed neither in behaviorist scheme (as he cannot be reduced to the simple causality stimulus – response) nor to the Gestalt model (because he cannot be reduced to its components subordinate to the whole. Economic behavior is very complex and is the result of combining the objective with the subjective elements in a specific socio-economic environment, manifesting itself in the form of forces that cooperate or face each other. In pursuit of economic behavior, it must be borne in mind that human action in the economic environment is a result of several factors: personality, thought, will, conscience, feelings, perceptions etc. - related to the psychology of the individual.

Human behavior is predictable in a very limited extent, so that economic modeling will have to develop a component to build economic forecasting models based on human behavior.

Performance at work are largely conditioned of professional behavior in the environment and workplace. Professional success is a result of the individual's personality traits - temperament, abilities, skills, character, creativity, motivation at work - all of which influence efficiency and labor productivity. Type of temperament - sanguine, choleric, phlegmatic, melancholic - and personality types in relation to the environment (C. G. Jung, 1997) - extroverted, introverted - will often dictate certain professional behaviors and events in the working.

Also, the man has the ability to adapt their behavior to the economic environment restrictions, while acting on it, in order to achieve their targets. In general, people are influenced in their decisions by the production of recent events; if a market is not functioning following the trajectory that took it in a recent past, deviations from economic logic will manifest not only in the subsequent operation of the market, but also in the decisions of participants in economic life. It follows that an issue which manifests itself

and must be resolved, is to determine the economic instability caused by perceptions of individuals. That is
as important as the actual fundamentals of the economy.

5. Economic behavior between utility and need

One of the benchmarks for consumer behavior is the real usefulness. (By the consumer behavior we understand the reasoning and the reactions of individual about choosing and using economic goods.) Apparently, the term utility is a very clear notion of utility/usefulness designating what is necessary, appropriate serving at something. In a general sense, a good utility is the ability to satisfy a need. Depending on the intensity with which a need is felt from one individual to another, they will decide how much to purchase/consume a particular good. This is the reasoning that leads to the distinction between utility in a general sense and utility in the economic sense. Economic usefulness is the satisfaction that consumer hopes to achieve in given conditions of time and space, by using a certain quantity of an economic good.

If the notion of economic utility has an objective character, meaning for cover the needs, assessing the economic value is subjective, because in this respect important is the intensity with which different consumers feel the need in external conditions similar to their individuality. In other words, the marginal utility appears, from one individual to another, at different times of the same product consumption. Economists believe that the assessment of the economic value is realized by the amount of money that, under specified conditions of space and time, a buyer decides to pay in exchange for a given quantity of a particular economic good - which is correct, but not enough. Besides material aspects, people's choices are determined by factors related to education, culture, psychological traits, motivation.

Human needs were investigated in detail by economists; they not only defined but also laid down a number of regularities and features that characterize their manifestation. Generally, the needs are objectively necessary requirements in human existence and development. Human needs, therefore expresses a state of individual objective necessity for the individual or for a human collectivity.

Beyond this point of view, they express other opinions that challenge the human personality and spiritual side of the individual:

- needs reflect objectively necessary conditions of human life made of all material and spiritual goods;
- economic necessities represent a state of human personality that occurs as a condition as well as impulse of all activities forms.

Compared to previous enunciations, that have the consistency of definitions, we take from the literature other meanings too of the term need/necessity, namely: lack of something desired or imaginary shape of man's requirements, which means that the individual is determined to act because it feels a lack, or in the event of a dissatisfaction state. These approaches are all arguments in support of the need to complete research and the views of economists with those of psychologists in the study of economic behavior.

A very important aspect that currently exist, is to change the relationship between resources and needs, as a result of increasing their complexity. The complexity of these relations stems both from the growth of needs and change their content from the limited and exhaustible natural resources both from the changes in satisfaction of needs.

Research of needs typology allowed the identification of classification criteria and their hierarchy about importance degrees for the everyday life, starting from a first level which meets basic needs (food, housing, clothing, health) followed by social and communication necessities, - placed at an intermediate level - to a higher level that include

intellectual necessities related to knowledge, training, opening of educational and cultural horizons.

In terms of growth and diversification of needs - which emerged as an objective law in their evolution - Emery and Thorsrud, in "Form and content of democracy", published in 1969 (Ciobanu Olga, p. 43) identified an account of psychological needs that influence the individual to increase their culture level and integrate into work, namely:

- the need to hire his personality in a meaningful activity;
- the need to learn through work;
- the need to know the nature of the approach and how it can be done;
- the need to make decisions and take initiative;
- the need for positive social contact and recognition of personal merit;
- the need to connect their existence in the community;
- future security needs;
- the need for psycho intellectual comfort, in sense of intrapsychic stability;
- the need to find meaning and purpose of education and of work for human life.

In today's society, after achieving the need by purchasing / owning a particular asset (a house, a car), instead of seeing the so-called "saturation", often installing a need with a great psychological charge, that property owned cannot meet. There are individuals who will feel the need to purchase another property (a country house, a luxury car), which caters to more than just need. There are more numerous cases where individuals purchase some goods, not to satisfy a need, but simply to show with satisfaction that good, probably in the hope that it will enjoy an extra prestige in the community. As economists explain marginal utility in this case? Here there is no question of achieving the need but satisfying an ego. It is no longer a need objective, but a false need. It is not about expanding human needs as a result of social progress and individual development, but the manifestation of traits, whose analysis and interpretation falls within the human psyche.

Advancing knowledge concerning human needs has led some experts to seek methods of needs measurement. Contrary to opinions that denies the possibility of their quantitative measuring, the economic literature has outlined a possibility of needs economic quantification through their social usefulness (Postelnicu Gheorghe, page 5), through three parameters: the saturation measure, preference measure, elasticity measure. If for the first parameter they found a way of measuring the relative utility of goods and services by comparing actual consumption with optimal saturation on the second parameter - the measure of preference - stands his great psychological load. It can be said that the quantitative determination of needs is very elastic and unstable due to the dose of subjectivity that can not be quantified.

6. Rational and spiritual determination of economic behavior

Addressing economic rationality in behavior brings into focus the concept of Homo economicus, which is characterized by: rational behavior, self-interest, has clear preferences, maximizing utility, does not like constraints, it is perfectly informed. With such features, Homo economicus remains an abstract being designed by economists, framed in society and driven by the stimulus to satisfy their material needs.

Rationality, described by the classical theory of rational choice, refers to how a person takes a decision, weighing the cost and benefits / disadvantages of an action. The theory assumes that there are several stages of decision-making: to identify the nature of the problem; determining targets subsumed to the solving problem; identifying all possible options to achieve the objectives; evaluating the consequences associated with each option and select the most suitable one. And this theory is debatable, especially due to premise such as: unlimited access of decision maker to information; possibility of taken decision by

assessing all information and choice in a scientific manner; action of individual who must make decisions is selfish, he followed his own interests.

Building on the positive aspects of rational choice theory, to explain human behavior as alternatives to the economic approaches are biological, sociological and psychological ones. Among the alternatives to the rational choice theory, the theory of social norms coexist with rationality. "While homo economicus is guided by instrumental rationality, attracted by the prospect of future rewards and adapt to changing circumstances, always seeking improvements, homo sociologicus performing a behavior guided by social norms, being pushed from back by semi-inertia forces and insensitive to circumstances, loyal to the prescribed behavior, even if they are new and apparently better options." (Mihaela Cioca, page 31)

In G. S. Baker's view, the social actor is those who trying to maximize utility of its shares consistent with a stable set of preferences and information available. "Considering that the basic unit in society is the individual, J.Elster and J. Coleman continues this thought. But they insist on the deliberate nature of the action and admit that the economic outlook cannot explain all aspects of human behavior." (Mihaela Cioca, page1)

Behavior oriented to social norms is considered as a form of rational behavior or optimizer. Both rationality and social norms are actions' determinants, especially when it comes to collective action, which cannot be explained only by selfish rationality. Therefore we need to find the mix of motivations that lead to collective action in question: selfish and normative, rational and irrational. Economic rationality is present increasingly in society, penetrating all its spheres. But the complexity of social life cannot be reduced to economic calculations, costs, benefits and transactions, without taking into account the human factor and his psyche. In an economic environment perceived as very rational the influence of feelings and psychological factors is often underestimated.

Given the evolution of life on Earth, corresponding to the universal law of progress, we can say that the passage of millennia, human behavior is more responsive to the needs of higher order in the hierarchy of needs, such as those spiritual. Based on psychological studies and esoteric knowledge in the study of evolution of life and individual, Burcu A, (2003, p. 7) arranges human needs in a "pyramid of needs" divided into twelve levels, of which are activated currently only nine namely: physiological, safety, environmental, social, knowledge, self-esteem, creative, identity, spiritual. According to this hierarchy, above social necessities we meet that can be assigned to psychological - self-esteem, creativity, finding identity – and the highest level of human needs is the spiritual plane. Of course, not all individuals have activated all levels of needs; as evolvement in social plan and advancement in knowledge, as the transition from the profane to the sacred, the same individual will be felt necessities of the higher planes of existence.

Conclusion

Because socio-human sciences cannot exist outside phenomena reflected - which by their nature are volatile and vary from one historical stage to another - it requires that sciences such as psychology, social psychology, economics to refocus on the their analysis and study object. Human perceptions evolve; thinking becomes more complex; language and vocabulary change; typology of emotional states diversifies. In those circumstances, the elements of the human psyche are becoming more deeply involved in the operation of social and economic phenomena. Therefore it is necessary to call into question the humanity, not only in the science of psychology, but also in deepening the analysis of economic behavior.

As currently is studied the subsystems economic from, micro, meso, macro and mondo level, is necessary to extend the analysis of economic phenomena and processes in psychological terms; psioeconomic subsystem is come into view. It could be, in fact, the

investigation of a border science, dealing particularly with economic behaviors triggered by psychological factors (perception, thought, imagination, emotionality, motivation, will, personality).

Knowing the causes of the economic behavior of man, implies on the one hand, identify the contents of needs and their evolution, and on the other hand, examination of business processes and their progress and development mechanism. By now, those aspects was studied by various experts: economists, sociologists biologists, philosophers, psychologists and their research have a complex and interdisciplinary character.

Motivational determinant of any human activity can be placed inside or outside of his being. Thus, individual behavior is influenced from within, either by the prerogative of his personality concrete result of coexistence elements innate - instincts, needs, activity nervous, psychological characteristics, thinking, imagination - or socio-moral learned in the socialization process - norms and values social beliefs, ideals. By the external determining, human action is a response to psycho-behavioral actions of other individuals.

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THE AUDIT OF ECONOMIC SYSTEMS

Cristescu Marian Pompiliu¹

Abstract

Basically, ERP implies a policy that reflects what it means to think and act for the purpose of economic processes, and is therefore considered a strategic management solution. The new business model with process focused operations, increases productivity and meets the economic performance standards. The economic operational stages must be integrated in order to trigger workflows, to control the flow of information and to create connections between the organization, suppliers and customers. All this requires organizational changes, technological updates and, eventually, a new identity for the organization itself. The present paper proposes a specific approach to the procedures needed to perform the audit of integrated information systems. Concrete methods of undertaking audit operations for the financial accounting modules of integrated information systems are presented in the present work.

Keywords: *Integrated Computer Systems, Internal Audit, Risk Management, System Implementation, procedures.*

JEL classification: O31, O32

1. Introduction

The ERP applications form the backbone or basis of an organization and are "responsible" for data and information operations and with the internal organizational knowledge. The core of this application package has to administer internal data. They are organized in data warehouses, from where they are extracted and analyzed through decision support systems using OLAP or OLTP type tools. Overall, "data warehouses provide architecture and useful tools for the entity's top management by means of systematic organization, the understanding and usage of data for strategic decisions" [6]; in particular, they support information processing procedures by providing a solid platform for strengthening historical data for analysis.

According to [6], "the integration can be achieved at any business level using any type of technology. The key to success lies in choosing the best performing technologies that comply with the following criteria: the support provided to users, technological longevity, adaptability, scalability and the fast feedback of a solution":

- the application of the system, the data, the accessibility to the data and the graphical user interface are harmonized and standardized for users;
- the rationality of data corresponding to the enterprise – the data has the same status in different systems and modules and are coherently defined at organizational level;
- all management applications and computerized media are scalable, portable and cover multiple functions.

From a technological point of view, the applications can be quickly reconfigured according to the amended business processes and must show flexibility. The code and the structure of the data support changes and replicates.

2. Performing fundamental procedures

During an audit, the audit team must choose and apply those procedures that comply with audit standards and at the same time meet the objectives of that audit. Fundamental procedures represent tests conducted by auditors in order to obtain proof or

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evidence needed to detect major inaccuracies in the financial statements. There are two types of substantive procedures: analytical procedures and substantive tests.

To understand the quality and the fairness of the financial accounting systems' operation, carried out within an entity and to rule over the truthfulness and accuracy with which financial statements were prepared for the financial term, auditors have to make a series of investigations:

a) Describing the procedures in a system that collects and processes data in order to determine, for each significant field (purchase of goods and services, storage, production, sales), which are the procedures used by the company for collecting information, drafting registers, data processing, recording of synthetic and analytical accounting in chronological and systematic records. The legal provisions of the National Accounting Standards state as follows: "The supporting documents that help base the underlying accounting records make liable the individuals who have drafted, authorized, approved or made the registration in the accounting", this claim is also found in [11], [8], [9].

b) The compliance tests

The compliance tests are designed to determine whether the procedures described above are real, regardless if they are applied or not. At this stage, the main focus is not on discovering the errors in the functioning of financial accounting information system, but only to determine whether the system described above is, of course, the real one.

c) Preliminary assessment of the risk of errors

Once a description of the accounting data collection and processing is established in the financial system, a preliminary assessment of the reliability of the organization will be undertaken in order to highlight the strengths and weaknesses of the system procedures.

At this stage the system is analyzed in order to assess the design, to highlight the design errors, making sure that the stage that follows will verify the functionality of the system.

The strengths consist of controls, placed in the data processing flow, which guarantee a correct accounting procedure.

The weaknesses are represented by the deficiencies of the system that may give rise to risks of errors or fraud.

d) Test of continuity

The aim is to monitor if the procedures are implemented in a permanent manner without fault. These tests must be broad enough to provide certainties for the functioning of the system.

To detect the risks occurred in the functioning of the system, an analysis of the preventive and detection controls provided by the company, must be enforced.

3. Performing analytical procedures and documentation

The auditors design and perform substantive procedures to account for the assessment regarding significant audit risk at the level of assertion. The substantive procedures applied by the auditors at assertion level may be derived from tests of details, from substantive analytical procedures or from a combination of both of the above.

In accordance with the International Standards on Auditing [10], the analytical procedures are used for the following purposes:

a) As risk assessment procedures to gain an understanding of the entity and its environment;

- b) As substantive procedures, when their usage can be more effective or efficient than compared to the tests of details, in reducing audit risk at the level of assertion at an acceptable low level;
- c) As an overall review of computer systems and of the financial statements at the end of the year.

The first stage of an analytical procedure is to determine the acceptable difference between the forecast made by the auditor and the numbers stated in the financial statements. Furthermore, the auditor will take into account the relationship between the total value of the category of operations and the basis of materiality, calculating the acceptable difference as according to the following formula [11]:

$$\text{The acceptable difference} = \frac{\text{The level of materiality} \times \sqrt{\text{The value of the transaction category}}}{\sqrt{\text{The basis of materiality}}} \quad (1)$$

Example:

An auditor determines the materiality level at 450,000 Euros for entity X. The total expenditure of 50 million Euros forms the basis of materiality. The auditor wants to perform an analytical review of the transaction category for staff salary, of 40 million Euros.

The method of calculation:

The sum of 40 million Euros (the value of the transaction category) divided by 50 million Euros (the basic materiality) equal to 0.8, from which the auditor extracts the square root (0.8944). Then, he multiplies this result with the materiality level (450.000 Euros) obtaining the acceptable difference of 402.292 Euros.

The second stage of an analytical procedure is to make an estimate. The auditor should perform this procedure before knowing the value noted in the financial statements. Therefore, the forecast that the auditor makes, must result from independent data than those foreseen by the accounting records. In this case, it results that the information obtained from outside sources of the entity are more valuable than those obtained from the inside.

Example:

If the auditor inspects a school with 150 employed teachers who earn 2000 Euros per year, then the total value of expenses encountered for paying wages is expected to be of 300.000 (150 x 2.000).

If an audited entity collects local taxes from the population, the auditor will be able to estimate what would be the total income. Thus, if the entity collects 100 Euros per apartment in the area and 150 Euros per house, and there are 20,000 apartments and 5,000 houses, then the expected income will be:

Table 1. Data adherent to the process of estimation

	Number	Value	Total income
Apartments	20.000	100 Euros	2.000.000 Euros
Houses	5.000	150 Euros	750.000 Euros
			2.750.000 Euros

The third stage of the analytical procedures is to compare the forecast with the value of the account. This is a simple procedure that the auditor must register within the work papers, then he must assess whether the actual numbers correspond within the acceptable ranges, meaning that the difference between forecast and account numbers is

lower than the accepted difference. In case the value ranges within these limits, the auditor is certain that the verified transactions are in accordance with the existing regulations. It is accepted only a small difference between the actual and the estimated number (maximum tolerance of 1 percent) where those differences cannot be adequately explained.

If the numbers surpass the limits, the auditor should request punctual explanations. He will use open questions as: “what factors have influenced those incomes?” and he will not ask “why the resulted income is bigger or smaller, this year”.

Example:

If the recorded incomes in the financial accounting information system related to concessions and corporate rents are about 4.000.000 Euros and the forecast situations had been about 2.750.000 Euros, then the audit team will request explanations for the variation of the 1.250.000 Euros sum. The informatic system should be equipped with a warning system in case of increased variation (45%). If the credit accountant will explain to the audit team that this increase is due to the new spaces used during the year, then the team will have to determine how many such spaces were built and which was the surface given for rent, as well as the commencement date of collecting the rents.

Considerations regarding the evaluation of the analytical procedures and tests of control regarding the information system:

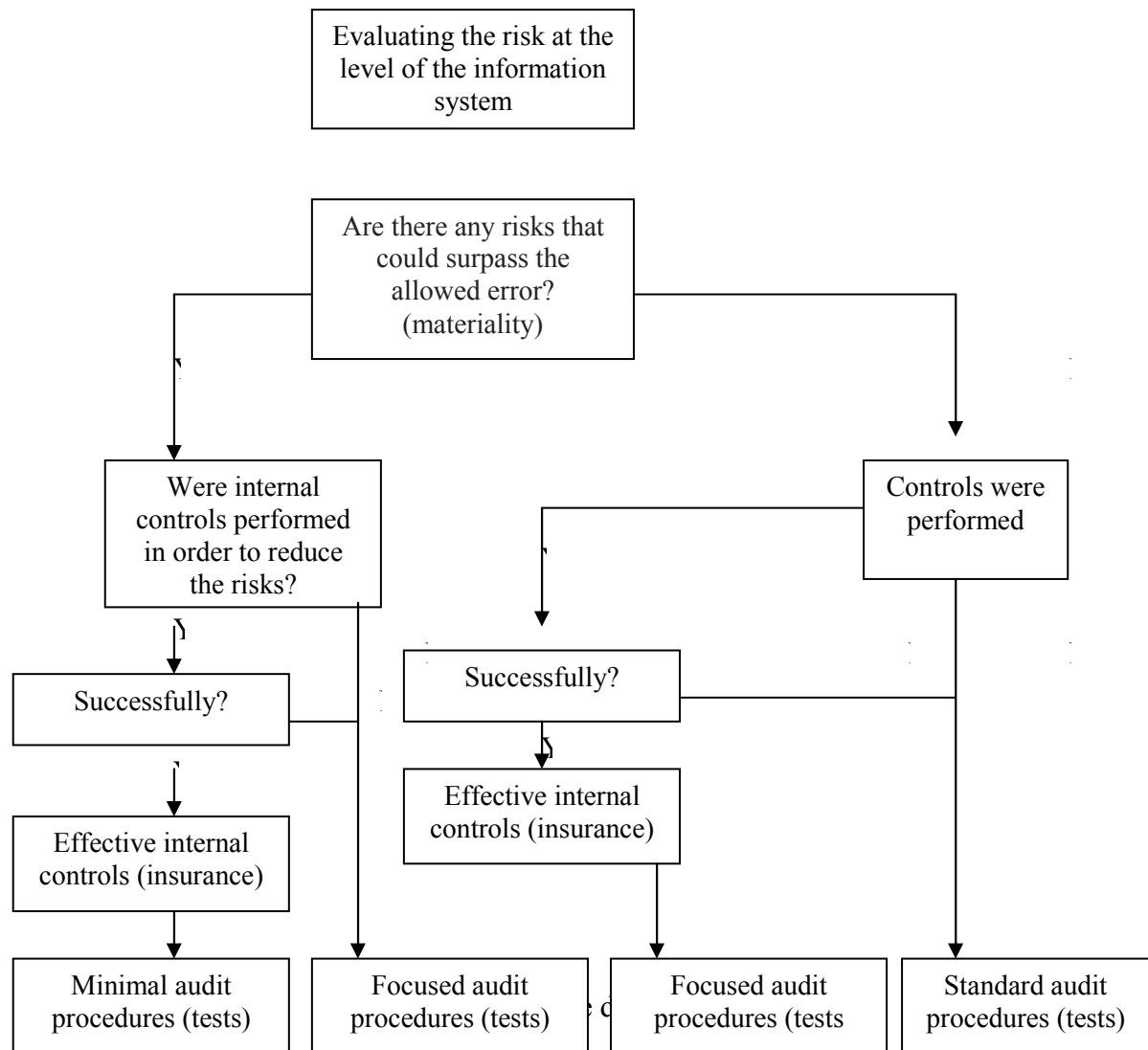
Evaluation of the analytical procedures	If the analytical procedures allow the formulation of a forecast in the limits of an acceptable difference, then the auditor can rely on the planned insurance. In the case where the analytical procedures do not indicate a forecast within the limits of the acceptable difference, then the planned insurance cannot be taken into consideration and the audit must adopt alternative procedures aimed to obtain the planned insurance.
Evaluation of the control tests	If the auditors find that certain controls have not given the proper result, they will analyze the possibility of conducting other controls (alternatives). In case there are no alternative controls or they prove to be ineffective, the auditor should revise the audit plan. For example, if a monthly variation analyze is not undertaken for individual wages, this does not necessarily mean that the payroll for that month is incorrect.

4. The audit report

The audit report should contain a clear opinion based on the evaluation of the conclusions drawn in accordance with the evidence obtained during the audit.

According to the Audit Standard no. 700, "The audit report" [12], "must contain, in writing, a clear opinion on the financial statements considered as a whole".

Before drafting the audit report, it is recommended to verify the decision tree that might look like this:



To select the most appropriate audit procedures to be used for checking the financial accounting information system, it is considered that the auditors should use the decision tree [7], [2].

According to [1], [3], [5], [6] it all starts with the risk assessment for the information system as a whole and for each separate module. If major error risks were identified, the auditors must verify the internal controls of the entity, carried out for preventing and reducing risks.

5. Conclusions

Following the analysis and the comparison of the European Standards [8], [9] used in the auditing of the financial and accounting information systems, a number of common elements that need to be introduced and used in Romanian standards were identified.

As such, the financial and accounting information systems' audit should be:

- a) **easy to understand** – a clear, simple language must be used, to the extent permitted by the objectives of the audit.
- b) **unambiguous/clear** - the auditor will ensure that all the findings are expressed accurately and leave no room for interpretation, the easiest way to be fully understood is to use standard formulas that are generally accepted;

- c) **complete** - an audit must contain all the information necessary to firstly fulfill the objectives of the audit and then the requirements of the audited entity;
- d) **accurate** - an accurate description implies, with accuracy the scope of the audit and the used methods. Any inaccuracy occurred within the audit report may create doubts on the validity of the report as a whole, and can distract the attention from the purpose of the report;
- e) **objective** - an audit report has a considerably greater credibility if the evidence is presented in an impartial manner;
- f) **persuasive/ convincing** – the user must be convinced by the reality of the findings, of the reasonableness of conclusions and by the benefit of applying the formulated recommendations;
- g) **concise** - the audit should be concise and to contain conclusions and recommendations to support the evidence presented.

An audit report must specify the type and extension of the paper, of the IFAC International Auditing Standards and the Guidelines for Internal or International Audit [10], [12] on with theme works were carried out.

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THE EXCESSIVE DEFICIT, A TOOL TO IMPROVE THE ECONOMIC GOVERNANCE IN THE EU MEMBER STATES

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Abstract:

This research approach presents the viewpoint on the issue of the excessive deficit within the European context, and highlights the situation in Romania. The starting point was the evolution of economic and budgetary governance policy within the European Union. Consequently, we focused on the study of budgetary policies among the Member States, whose role is to ensure a solid system of public finances in the framework of the smooth functioning of the Economic and Monetary Union (the Maastricht Treaty). The question we attempted to answer in this research was: "Has the application of the economic and monetary union principles ensured the stability of the Member States' public finances and avoided the excessive deficit?". In this context, we started from the following assumptions: "Are the data that the public accounting provides reliable, so that the information included in the public finance statistics can be considered trustworthy?"; "Does the public accounting reform in the Member States ensure the transparency and comparability of the information?"; "Have the reforms concerning the strengthening of the financial discipline improved the excessive deficit procedure?".

Keywords: excessive deficit, accrual accounting, cash accounting, public finance

JEL Classification: M41

1. Introduction

Within the current European context, the issue of the excessive deficit requires the implementation of structural reforms in the Member States. The structural reforms recommended by the Council of Europe (for example, public expenditure reform) are not binding nor enforceable for these states, therefore they need to score progress in relation to the budgetary discipline. Besides, if the excessive deficit is not corrected within the set deadline dates, sanctions may be imposed, in the form of a fine which can be up to 0.5% of GDP.

The European regulations adopted in the field of economic governance and budgetary policy are: The Maastricht Treaty, The Stability and Growth Pact (SGP), the SGP reform, the economic governance package, the Budgetary Pact, and Budgetary surveillance and monitoring regulations. The latter is only applicable to the Euro area Member States. Since 2011, new regulations have been adopted in the field of economic governance and budgetary policy. Thus, the economic governance package is based on the European Semester for economic policy coordination, and it contains the detailed requirements and demands of stability and convergence programmes, the requirements regarding budgetary frameworks of the Member States, the procedure and sanctions regarding macroeconomic imbalances, the operationalization of the debt criterion. The budgetary pact stipulates that the structural deficit cannot exceed the overall objective in the medium term and, if deviations occur, a national mechanism for correction will automatically trigger. The compliance with this regulation and its monitoring is carried out by the national fiscal councils. The budgetary surveillance and monitoring regulations package establishes a strict monitoring of the Member States which are subject to an excessive deficit procedure through regular reporting on the budget execution throughout

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the year, as well as a mechanism of early warning regarding the risk of failure to correct the excessive deficit by the deadline dates set during the launched proceedings.

”The Five Presidents' Report” concerning the completion of the economic and monetary union (developed by Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz, 22nd of June 2015) led to the adoption by the European Commission of measures needed to improve the economic governance (21 of October 2015) by establishing national competitiveness councils and a European fiscal council having an advisory role.

In this context, a Member State, as a part of the application process of the excessive deficit, has 4 main obligations: to report statistical data to Eurostat, to correct the excessive deficit by the set deadline, to state the budgetary effort required by the recommendation, and report on the taken action.

To ensure the comparability of the data provided by the Member States, it is necessary to comply with the accounting rules which are in accordance with the European System of Accounts (ESA 95/ESA 2010). Feeds must be registered under the accrual principle when an economic value is created, transformed, exchanged, transferred or extinguished, or when debts or obligations arise, are transformed, or canceled. (ESA 95, section 1.57)

2. Research methodology

The epistemological positioning acted as the starting point of the research theme, „The excessive deficit - a tool to improve the economic governance in the EU Member States”, portraying reality through two contemporary epistemological paradigms, i.e. positivism and constructivism. Positive spirit implies the rigour of inductive reasoning, thus ensuring the transition from facts to hypotheses. Constructive thinking is, necessarily, the construction of the subject, following the interaction with the object under study. (Niculescu, Vasile, 2011, page 57, page 75).

3. Accounting reform in public sector

From the EU perspective, the public sector accounting standards (IPSAS) are not transparent and are not comparable, consequently it is necessary to harmonize the accrual accounting. The European statistics on public finances are issued according to ESA 95 / ESA 2010, are interpreted and further adjusted by Eurostat and include data on economic activities of public administration, including public revenue and expenditure, deficit, operations in assets and liabilities, other economic streams and balances.

Since 2015 with a view to achieving the strategic objectives of improving the public financial management it has been necessary to increase the putting in force of IPSAS based on the accrual accounting. Thus, in 2015 the following standards have been revised:

- in January 2015 IPSAS 33 "*First time adoption of the accrual accounting*" and IPSAS 34-38 "*Interest in Other Entities*" were revised and they replace IPSAS 6-8;
- in March 2015 the standard concerning *Reporting information on service performance* was revised (Ernst@Young, mai 2016, Brussels Workshop).

In EU Member States there are different accounting approaches depending on each country's specific circumstances, therefore, to implement the IPSAS standards in the public sector it is necessary to harmonize the accounting treatments to ensure comparability and drafting, putting in force and implementing the EPSAS standards.

Eurostat has undertaken a research on the potential impact of the implementation of accrual accounting and the appropriate framework of IPSAS standards stating that EPSAS implementation costs are estimated between 1.2 billion Euro and 6.9 billion Euro. The participants in this research believe that financial statements prepared on the accrual

accounting basis have greater credibility to stakeholders, i.e. investors, citizens and fund donors. (Ernst@Young, December 2015, page 9).

The European Commission's priorities for the period 2015 - 2016 have been: the establishment of the EPSAS working group and of the EPSAS cell for the first time implementation of the standards (Cell on First Time Implementation), the development of the EPSAS and the broadening of the scope of activities to stakeholders (authorities, auditors, academic environment). In mid-2016 the EPSAS working group has completed the Guide "First Time Implementation" (Ernst@Young, May 2016, Brussels Workshop)

The synopsis of the situation is presented in the figure below:

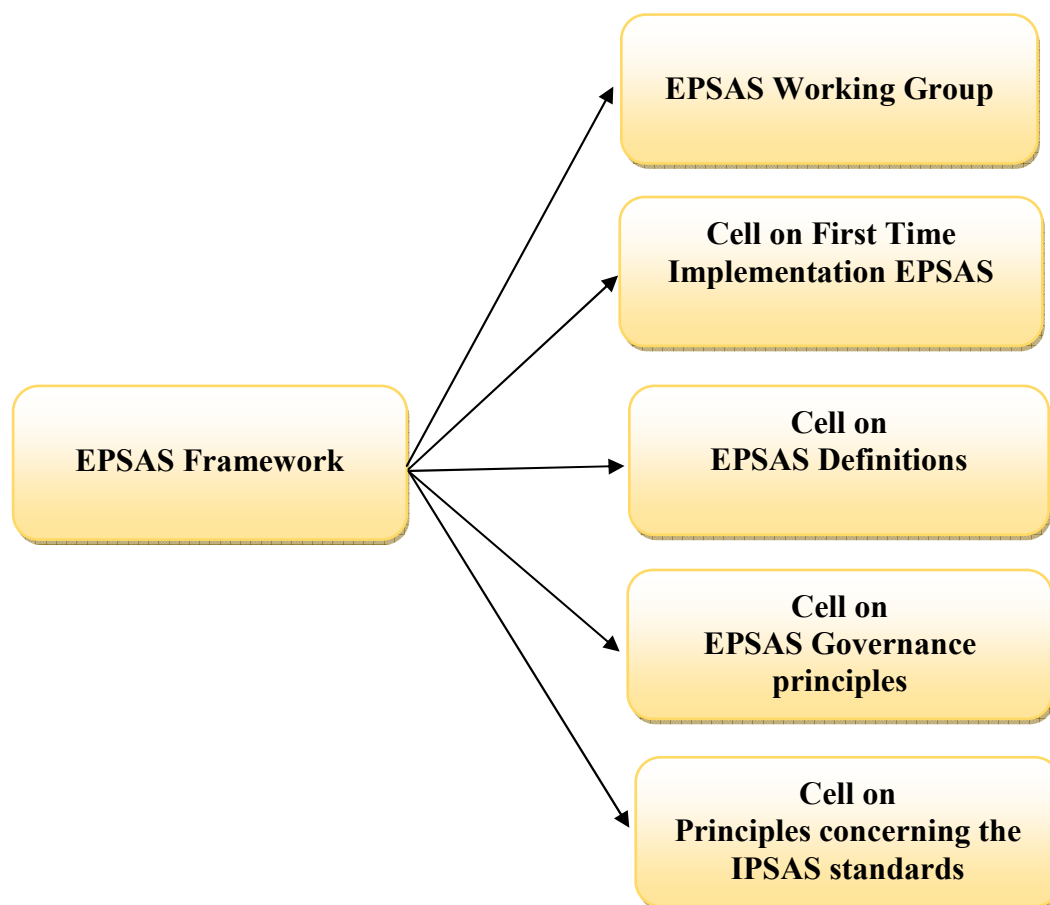


Figure no.1 EPSAS Framework
Source: adapted from Makaronidis

The EPSAS standards should be developed such as to reduce the differences to the ESA (the European System of Accounts) in order to achieve an integrated system which can be applied at microeconomic and macroeconomic levels. The European system of national and regional accounts (ESA 95 / ESA 2010) is the EU's accounting framework, internationally compatible and used for systematic and detailed description of the economies of the regions and of the Member States. The system was updated in September 2014 by switching to ESA 2010 which reflects the developments on measuring the modern economies, the progress in the methodological research and the users' needs. ESA is a system updated with the accounting rules and the classifications that are being used within the comparable UN system and has specific features, in accordance with the EU needs.

4. Public finance statistics data quality

As aforementioned, the quality of the data provided by the Member States to Eurostat through national statistics institutes and national central banks (case of Belgium) is crucial in assessing the situation of each of the Member States and deciding on the matter of an excessive deficit procedure initiation.

The analysis and assessment of the information provided is based on areas specified in the excessive deficit procedure, among which: the delimitation of the public administration sector, the classification of specific operations in the public administration, the record keeping of the operations in accordance with the accruals accounting principle.

Over the past years, the legal framework governing the quality of statistical data in the public finance sector has undergone several changes in order to improve:

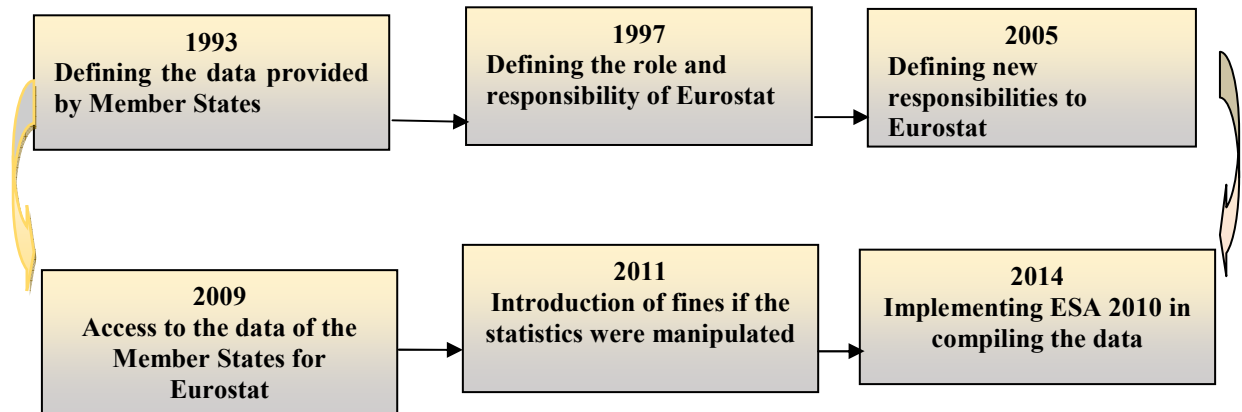


Figure no.2 The evolution of the legal framework of public finance statistics

Source: own information processing

In ECA special Report No.10 of 2016, it is stated that the data provided by the Member States are not always complete, both in case of binding data and data submitted voluntarily. This statement is grounded by the fact that Eurostat has not carried out a detailed analysis of the data contained in the correlation tables displaying the link between the ESA classifications and the public accounts, and also has not submitted feedback on the quality of the information included in these reports.

5. Excessive deficit - case study

In the Euro zone (countries which have adopted the Euro), the government deficit decreased from 6.3% of GDP (GDP) in 2009 to 2.1% of GDP in 2015, and the forecast for the period 2016 - 2017 is of 1.9% of GDP in 2016 and 1.6% of GDP in 2017. In addition to that, the public debt was expected to record a significant drop from 94.4% in 2014 to 91.1% in 2017. Currently, only 6 states are in the excessive deficit situation, namely: France, Spain, Portugal, Britain, Croatia and Greece. (European Commission, Stability and Growth Pact: Fiscal Proposals for Spain and Portugal, 2016)

At the present time, the excessive deficit procedure has been applied in almost all Member States, except for Estonia and Sweden. Hence, 92.85% of Member States were or are in the course of an excessive deficit procedure, which means that rules on the budgetary discipline have not been respected, therefore structural reforms are needed in the framework of the global financial and economic crisis.

The synopsis of the situation of the countries which were or are in the course of an excessive deficit procedure is presented in the figure below:

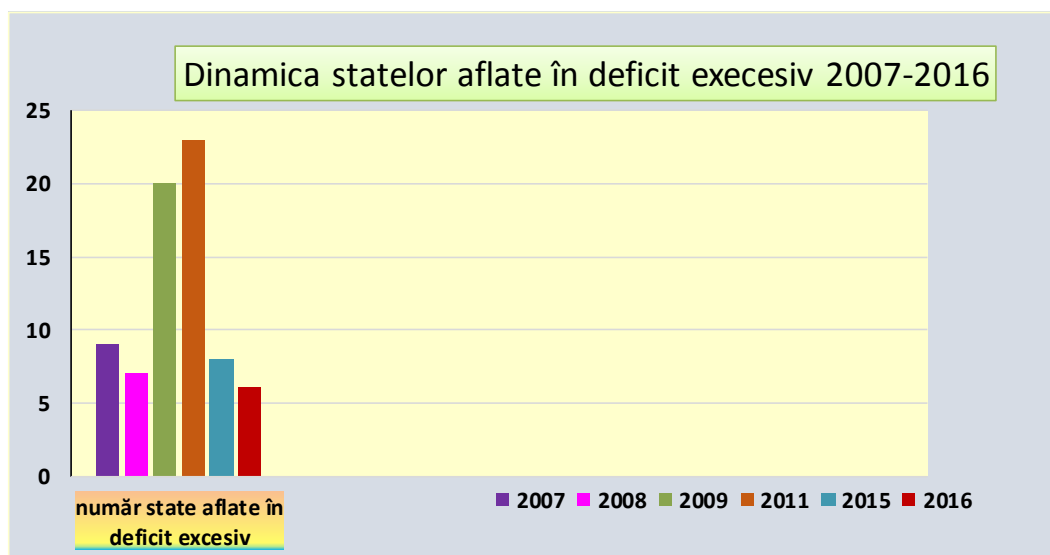


Figure no.3 The dynamics of states in excessive deficit procedure

Source: own information processing

The result of applying the excessive deficit procedure should have impact on the deficit and public debt and it should also lead to the strengthening of budgetary discipline, but the excessive deficit procedure has not proven fully effective as a correction mechanism. However, France continues to be in excessive deficit procedure after three extensions of time, and Cyprus has accepted a financial assistance program. (ECA, 2016, page 67).

If position ourselves in 2008, which is a reference year because it marked the beginning of the financial and economic crisis, we find that the public debt to GDP increased on average by over 24% in 2012 in the EU Member States. The factors of the public debt dynamics are the primary balance, the snowball effect and stock flow adjustment. The primary balance is the budget balance minus the expense of the public debt interest, and it is considered also an indicator of financial discipline. The snowball effect is the effect of the accumulation of public debt and is calculated as the difference between the public debt interest and the nominal growth rate of GDP. If the interest rate is higher than the nominal growth rate of GDP, the snowball effect will cause an increase of the public debt rate to GDP. As a result, the growth of the public debt rate to GDP should be compensated by the primary balance. (ECA, 2016, pages 69-70).

Romania, as an EU Member State, was in the excessive deficit situation between 2009 and 2013 based on the decisions by the Council to open the excessive deficit procedure (in July 2009) and to repeal the excessive deficit procedure (in June 2013). At present, in Romania there isn't an ongoing excessive deficit procedure, because the country stands alongside the other 21 Member States which meet the preventive part of the proper functioning of economic and monetary union mechanism (budget deficit $\leq 3\%$ of GDP and public debt $\leq 60\%$ of GDP).

The government debt to GDP in the period 2012 - 2014 in Romania is presented in the table below:

Table no. 1. „2012-2014 Public Debt Situation in Romania”

No.	Indicators	Financial year - million Euro -			Chain index		Fixed index
		2012	2013	2014	I _{2013/2012}	I _{2014/2013}	I _{2014/2012}
1.	Public debt	54,382.20	59,569.30	65,946.50	9.53%	10.70%	21.26%
2.	GDP	133,905.29	144,286.03	150,860.61	7.75%	4.55%	12.66%
3.	The public debt ratio to GDP (%)	40.61%	41.28%	43.71%	1.64%	5.88%	7.63%

Source: information processing after the Court of Accounts Report

By analysing the public debt ratio to GDP in the period 2012 - 2014, we find that the growing trend of the public debt was higher than the GDP growth: $I_{DP} = 21.26\% > I_{PIB} 12.66\%$. The situation is not favourable even if the level in the period under review is below the alert threshold of 60% which is provided in the Maastricht Treaty.

The Fiscal Council in Romania in the 2014 report estimated that the impact of state companies on the budget deficit calculated based on the European System of Accounts (ESA 2010) is an additional pressure on the budget deficit targets under the Maastricht Treaty. Thus, the reasons underlying this statement are that the impact is materialized by issuing state guarantees and, especially by re-classifying a number of state companies in public administration. Following the analysis by the Fiscal Council, it was concluded that, subsequent to the re-classification of several state-owned enterprises (according to the Eurostat methodology on accrual accounting ESA 2010) in the central administration sector, the general consolidated deficit was positively influenced (ESA 2010) within 2011 - 2014, with the exception of year 2012. At the same time following the re-classification of state enterprises in the local administration sector, the general consolidated deficit was negatively affected within 2011 - 2014, with the exception of year 2011. (The 2014 Report of the Fiscal Council in Romania, page 118)

The situation is presented in the table below:

Table no.2. „The contribution of the companies in the public administration to the budget deficit”

No.	Company	The contribution of the companies in the public administration to the consolidated budget deficit (mil. lei)			
		2011	2012	2013	2014
1.	Total number of companies in the public administration				
	□ – total amount	1,236.80	-382.70	2,475.30	3,198.20
	% - as share in total	96.82%	-67.92%	111.25%	100.61%
2.	Total number of companies in the local public administration				
	□ – total amount	40.60	-180.70	-250.40	-19.60
	% - as share in total	3.18%	-32.08%	-11.25%	-0.61%
3.	Total number of companies in the local and central public administration				
	□ – total amount	1,277.40	-563.40	2,224.90	3,178.60
	% - as share total	100.00%	-100.00%	100.00%	100.00%
4.	(%) in PIB	0.23%	-0.09%	0.35%	0.48%

Source: adapted after The 2014 Report of the Fiscal Council in Romania

In order to ensure the sustainability of the public debt of our country, action must be taken to reduce the budget deficit by: adopting fiscal consolidation measures, ensuring economic growth, increasing public debt at lower rate than the GDP growth, ensuring the growth of goods and services export at a higher rate than the increase of the external public debt, so that the people's indebtedness level is reduced. All these are included in the governmental public debt management strategy 2015 - 2017.

As the ECA noted in its assessment concerning the effectiveness of the excessive deficit procedure so far, the procedure has taken into account mostly the public deficit criterion. The debt criterion has been operational since 2012 and will be applied by all Member States no earlier than 2020. This is due to the fact that the governments do not exert the same level of control over the public debt ratio in the GDP as over the budgetary deficit. The arguments supporting this statement concern the financial transactions, particularly the stock-flow adjustments, which have a significant impact on public debt in a budgetary exercise. If we take into account that budget years depend on each other, we are aware that inconsistencies may result between the deficit based targets and the public debt based targets.

6. Conclusions

In the European context of the improvement of the economic governance framework, the European Commission has granted the Member States access to information, data, and tools necessary to calculate the relevant indicators which are used in the budgetary surveillance process (since the first quarter of 2014). The Commission has also granted access to information on the return of the key individual fiscal measures, discretionary for the Member States under excessive deficit procedure with an "ascending" approach. (The ECA, 2016, page 132).

Given the fact that currently only 6 countries (Croatia, France, Greece, Portugal, Spain, and the UK) out of the 23 Member States under this procedure in November 2011 are using the excessive deficit procedure, we can state that claiming that structural reforms have been implemented while the micro and macro environment has undergone change. Consequently, the excessive deficit procedure has been improved though reforms aiming at strengthening the financial discipline.

Thus, since the "economic governance package" reform in 2011, the debt criterion implying an average annual reduction of 0.2% of the difference between the actual debt level and the reference value of 60% at a time, for 3 years, has been made operational. Basically, the 23 Member States undergoing the excessive deficit procedure in 2011 fall under this reform.

The research carried out emphasized a particularly important issue, namely the data quality of public finance statistics depends on the quality of information provided by the system of public accounting in the Member States. The public sector accounting systems in the Member States are currently undergoing a process of harmonization and improvement: at microeconomic level, we can talk about financial reports based on IPSAS standards, developed on the basis of IFRS and EPSAS standards under development on IPAPS basis, while at macroeconomic level we can talk about statistical reports, namely government finance statistics – GFS, national system of accounts – NSA and the European system of accounts - ESA.

Our conclusion concerning the question of our scientific approach is that the stability of the public finance has been and still is vulnerable and that is why most of the Member States were, until now, subject to the excessive deficit procedure.

The limits of our scientific approach are set by the current state of information available from public accounting and public finance statistics, by the changing conditions of the economic environment, and by economic crisis cases which the Member States experience.

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ACCOUNTING PRACTICES DURING THE ECONOMIC CRISIS

Erincz, Alicia¹

Abstract

The economic crisis can be defined as a sudden disruption of the economic conditions, a situation wherein a country's economy is experiencing a significant drop in activity, driven by a financial upset.

Coping with an economic crisis, is also to withstand a drop in the gross domestic product, lower liquidity and price increases due to inflation

Responsibility of the accounting policies is to ensure that the business has a real benefit for reimbursement of the investment made.

It is therefore imperative that in time of crisis, this important feature of accounting policies to help in solving business problems related to pressures arising from the crisis.

This article aims to analyse accounting practices during important times of crisis respectively the Great Recession of 1930 and 2008 Global Economic Crisis..

Keyword: *Economic crisis, accounting policies, investment, recession*

JEL Clasification: *B2,M40,M41*

Economic crisis can be characterized by a deep instability, therefore being accompanied by an increased volatility and uncertainty. In crisis situations we are in a permanent state of unease and uncertainty in relation to the future, fear or even panic. Our defence and preservation instinct prompts us to sometimes behave irrationally and to accentuate even more this volatility as each of us, with the ability we have to screen the information and understand the phenomenon in our own way transposing it afterwards in a certain behaviour related to the market.

The question is how high does the inflation, unemployment or a country's GDP decrease should be, to be able to appreciate the beginning of a crisis.

The recession is set to have been settled when after two successive trimesters we are dealing with a country or regions' GDP decrease.

The economic crisis can be defined as "a significant decline in the economic activity for several months mirror a reduction in GDP, decreased individual income, employment reduction, reduced industrial production and consumption".²

These crisis are classified as social crises (inflation rising unemployment, poverty) in financial crisis (increased volatility in the capital markets, decrease of the stock exchange and their spectacular return), political crises (which can degenerate into wars), local or international crises caused by natural disasters or economic widespread crisis. More often than not, it is difficult to say when a financial crisis becomes an economic one, or an economic crisis generates a financial crisis or vice versa. Actually we always talk of an economic crisis generated either by financial, political or social reasons. The financial crisis is a manifestation of the economic crisis and reflects a lack of confidence in the financial system, a significant decrease in the volume of transactions on the stock exchange, a misadjust in the market mechanisms.

The stock exchange is the barometer of the economy; it is the one that transacts business of different sizes and from different sectors of the economy. When the market of such businesses (real estate, oil market, labour market) suffers from maladjustment or important corrections they are certainly reflected in the profitability of businesses listed on the stock exchange and, consequently, in the price of financial assets (stocks or bonds) that always depend on the investors' expectations. The panic regarding this phenomenon in

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economics does nothing but to emphasize such corrections and induce new uncertainties in the economy. Then under these circumstances the savings and investment are reduced and then market interest rates grow. Unfortunately we are talking about a crisis only when its effects are affecting a large number of individuals and companies. But crises can exist in a dormant state and may not be so visible in a given period, although they are slowly deteriorating our existence.

There have always been periods of crisis over time, and further I will treat one of the most important the Great Recession of 1930 and implications of the accounting practices during this period.

1.THE GREAT DEPRESSION FROM 1930

The world economic crisis started in 1929 and lasted until 1933, being the longest and severe economic depression the industrialized occidental society has been through.

It caused fundamental changes within the structure of the economic institutions, macroeconomic as well as in the economic theory.

Although it started in the USA, the great Depression incurred a drastic decline of productivity, a severe unemployment rate in almost all of the world's countries.

The crisis started in the USA in October 1929 was the most severe ever known by the capitalist system, as far as the size and durations are concerned, as it affected the entire world except URSS and prolonged in some countries until 1935, if not even until 1939, with the start of the Second World War, to which start, actually contributed.

The economic crisis of the interwar period was one of overproduction aggravated by the deep decline in the purchasing power of the population. Worldwide it exploded in mid-1929, affecting the production of iron, copper, steel, coal, salt, leaving huge amounts of unsold goods in warehouses.

After a period of fantastic growth there was a period of recession, with devastating effects on almost everyone.

At the time, the US industry produced about half of total industrial output of the world. Regarding the stock market, it has increased spectacularly for 8 years prior to 1929, the Dow Jones index rose by over 600%. Mainly this was due to the fact that investments on the stock exchange were seen as a way of enrichment, then the standard of living being high, Americans could afford to make savings, money that were then invested in the stock market. Concurrently, because banks were easily granting loans, the Americans were investing borrowed money from the bank into stock exchange.

In addition, at that time, the legal framework was not a well-tuned, so that companies could increase their capital as they pleased by issuing new shares.

Then they traded "in margin", i.e. paying only a fraction of the value of shares, proceeding to sell them afterwards, in a few months at a higher price, which led to the creation in fact of a giant pyramid scheme considering most of the money invested on the stock market did not exist in reality.

2.THE CRISIS IN ROMANIA

The situation was reflected immediately worldwide also, each country being hit in turn by the fall in the US stock market.

The situation in Romania was similar to the one in the USA, the country being in process of modernization, people, especially peasants, making loans to modernize the agriculture. Also, industrialists were engaged in various projects to develop their businesses. But at that time began to feel the effects of the recession in the US.

An investigation of the Ministry of Agriculture conducted in 1932 indicated that nearly 2.5 million farmers had to repay debts contracted by 1931, worth 52 billion lei. The debt comprised only claims on banks and not the debts from individual to individual, estimated at nearly 20 billion. The reality was alarming: in each village or commune being one or more lenders, Romanian, but mostly foreigners.

In the early 1930s, the price of the quintal of wheat fell below the level of expenditures made to harvest it. Great proprietors, who had made considerable financial efforts for the automation of the agricultural process, reached insolvency.

Agricultural goods, being unprotected by any customs measure, were left to the discretion of the international competition, which contributed to lowering the respective prices by 60-70% over the period 1928-1929.

3.BANK FAILURES FROM 1930

The Romanian financial system began to be seriously affected starting 1930. It was then when companies with foreign capital withdrew from the Romanian market, trying to limit their losses and to salvage a smattering of profit. According to unofficial estimates, between October 1929 and July 1931 were withdrawn from Romania over 17 billion lei.

Therefore, the banking system collapsed, the most resounding bankruptcies during that period being the Romanian Land Bank and the Bercovici Bank, both in Bucharest. The banking crisis, announced since 1930 created a real panic among depositors, people beginning to massively withdraw the deposited money.

The crisis still felt different from one family to another. The only Romanians unaffected by the crisis were those who lived from their own production without being forced to buy something from the market.

The main anti-crisis government measures were translated into collective discharge and reduction of the officials' salaries. In 1933, the nominal wage index decreased in comparison to the outbreak year of the crisis, to 63.1%. Also, the authorities decided to force grain exports, while trying to apply a law conversion of agricultural debt.

The state budget remained in deficit for three consecutive years, resorting to increased taxation, while refinancing the deficit by employing more re-stabilizing loans. In the area of monetary circulation, the credit crunch has led in the summer of 1931, to the collapse of big banks such as the General Bank of Romanian Land, Bercovits Bank or Marmorosch Blank, the assets were taken over by the National Bank, afterwards being transferred to the state and to other banks.

4.GLOBAL ECONOMIC CRISIS OF 2008

The second half of the twentieth century was a calm period, but the economic crisis of 2008 was nevertheless the result of problems accumulated for decades. The subprime mortgages and the US are not the only reasons for it, the causes being more and more extensive. Economists Nouriel Roubini and Stephen Mihm give some very clear explanations in the book "Crisis Economics", referring to both the recent crisis and the previous ones, namely:

Crises are based on speculation on an asset class, e.g. real estate or shares. Sometimes it is a technological innovation leading to its formation, but in 2008 it was especially about a financial innovation. Asset prices are greatly inflated due to indebtedness of those involved with the speculative game. It is the period wherein the loan is cheap and easy to obtain, so it is easy to buy the desired assets, people get bolder and continue to buy including riskier assets within that category such as shares in small

companies, newly listed, with low profits and big promises. At one time an event occurs (such as the bankruptcy of Lehman Brothers in 2008), but that is not the true cause, but that the bid for assets artificially inflated exceeds the demand (because prices have become too high or the central bank increases interest and the credit is more expensive etc). Prices begin to fall, those who borrowed from banks selling the assets cheaply to submit the required guarantees. In this way, the indebtedness makes the collapse much steeper than normal.

In the years before the crisis the shadow banking system proliferated, namely institutions that look like banks, act like banks borrow and give loans like banks, invest like banks but are not regulated as banks. Some examples: investment banks, financial investment services companies, non-bank mortgage lenders, structured investment vehicles, money market mutual funds, investment funds with hedging. They risked massively by excessive debt and the accumulation of "toxic" assets on their balance sheets. Because they were not regulated, the state was not forced to rescue them, but had no choice, because they would have dragged into the abyss also the innocent ones..

Financial innovations have reached unprecedented levels before the crisis. A big problem was the securitization that turns some illiquid assets such as mortgages in liquid assets, traded on the free market, which have spread worldwide (50% of which were sold outside the US) ..

Globalization has had its contribution to the fact that things have gone too far in the US: there is a surplus of money in Japan, Germany, China, emerging countries, but citizens of these countries were not satisfied with the US government securities only, thus they also bought many securitized products because they had better yields. US got to lead an existence far above the possibilities for too long because it is a superpower. If it were an emerging economy, investors would have retired long ago.

The current crisis is the effect of several financial mistakes, says Joseph Stiglitz and the reconstruction cannot be done overnight and it should be done long term. Saving rate went near zero in the US. Even after the slight recovery of the banking system, saving will not increase very much.

"Now the saving rate is somewhere around 4-5% and some analysts believe it will reach 10%," says Joseph Stiglitz.

According to Joseph Stiglitz, the curve evolution of this crisis will not be V-shaped, but will have more of an L-shape. The unemployment rate rapidly rising to 8.9%, does not highlight the seriousness of the economic situation.

"There are many individuals who have lost their permanent jobs and now work part-time. They are not included in the unemployed category. The number of individuals who lost their homes is in the millions, which is a social problem rather than an economic one".

The end of the recession does not coincide with the moment of the return to economic growth, but with the time when individuals will regain their jobs.

"The nature of the market economy in the US: we have a situation with hundreds of thousands of homeless people and many homes without inhabitants. It is a problem! Unfortunately we cannot put people in inhabited homes. When officials say that the recession is approaching to an end, refers to the moment when growth is again positive. But for citizens, the end of the recession is when they regain their jobs ", says the former World Bank chief economist.

"I think that most likely would be a cataclysmic political event such as Brexit. In other words, the member countries of the Eurozone are Democrats and one can see a hostility growing against the euro, a hostility which, unfortunately, extends toward the European project and liberal values "

"It will be the end. What will happen shall be a concrete consensus that Europe is not working anymore", so it will be decided to give up the single currency and to keep the rest.

"My concern is that just a political event (like Brexit) will be the catalyst for the change".¹

5.ACCOUNTING PRACTICES DURING THE ECONOMIC CRISIS

Many researchers believe that changes in accounting regulations are correlated with economic crises.

Referring to the Great Recession of 1930, it brought major changes to the laws to protect investors from the US, immediately after the collapse of markets in 1929. Some researchers believe that the weakness in accounting is evident in the period following a crisis.

But to determine how weak the accounting practices are during and after an economic crisis requires a theory on how ideas and accounting practices are evolving.

There hypotheses on the evolution of accounting around crisis around as appearances of rapid change in the period of relative stagnation in agreement to the punctuated equilibrium (Eldredge & Gould 1972)

It is possible that the evolution of accounting to have been characterized by significant discontinuities compatible with punctuated equilibrium theory.

For example the introduction and adoption of the LIFO method was probably linked to the wave of inflation after the Great Recession (Moonittz1953; Davis 1982).

6.ACCOUNTING PRACTICES DURING THE GREAT RECESSION

Between 1920 businessmen were allowed to regulate their own businesses, accountants being those who assisted with the preparation of information on costs, production and sales that were sent to the Department of Commerce.

Before 1930 no law was forcing companies to audit their financial statements (Zeff, 2003: 190).

Even the public sector generated fewer requests for financial audit reports, wherefore the accountancy sector has promoted other services that could be offered to businessmen within the period.

Namely budgetary plans, implementation of cost systems, management techniques.

These were extremely important for accepting the status of public accountants.

Meanwhile the role of accounting practices has increased, often being associated with practices to minimize taxes (Mellon, 1924).

Great crisis incurred laws on bankruptcy that brought an important change on the content of accounting registers, changes in the accounting regulations of the respective countries bringing them to an agreement on the international accounting standards.

During the Great Depression the American Institute of Accountants issued the Fiscal Statements Audit. This document was one of the first attempts of the institute to provide some guidance to the accountancy profession, but practitioners of those times were not prepared for the uniform accounting concept.

Many accountants believed that the issuance of the document "Uniform Accounting" created the illusion that there were accounting and audit procedures, with a wide range of use, which led to complicity from both the businessmen and the profession.

¹ Joseph Stiglitz

In 1927, the Stock Exchange of New York has appointed Price Waterhouse & Co. as accounting adviser, being George represented by George o.May who "gained a freedom of time and action that allowed him to lead the profession towards some reforms urgently required" (Carey, 1969: 244).

His objective in conjunction with that of J.M.B Hoxsey who was appointed executive assistant to the Securities Commission was to "make the tax statements of listed companies to be both informative and clear as possible" (Carey, 1969: 245).

Then came the Stock market crash and only in 1933, the Special Committee of Cooperation of the Stock Exchange in New York, presented the first project of accepted accounting principles.

The result was then published in the Company Accounting Audits, which listed five basic principles with reference to the most opened abuses during those years:

- No loss of profit
- No spending surplus reproached to release revenue account
- The surplus earned before an acquisition is not earned surplus of the source
- Dividends on treasury bills is not revenue
- Effects and receivables due from members or employees must be presented separately

The 6th principle, namely the donated capital cannot result in acquired surplus, was added to the 1934 annual meeting of the Institute.

Abuses on the stock market in the late 1920s, culminating with the Great Crash of 1930, along with teaching and inadequate accounting statements were proof of the need for reform.

Later there was a tendency among academics, researchers, managers of institutions and even politicians, to blame accounting regulations of the countries affected by the financial crisis and to ask governments and other accounting institutions to strive to adopt IAS and IFRS.

Moreover, many believe that if the countries affected by the financial crisis will adopt IAS and IFRS, will be able to avoid future crises.

7.ACCOUNTING PRACTICES IN THE GLOBAL ECONOMIC CRISIS (2008)

During the global economic crisis we are talking about accounting practices much more evolved and since now available in a single reporting system.

There are common standards regarding activities outside the balance sheet and accounting for financial instruments.

These tools work to analyse accounting losses from loans within projects related to financial instruments.

Thus a joint approach has been tried to the financial crisis and the overall aim to seek convergence between IFRS and US GAAP described in a Memorandum of Agreement first published in 2006 and updated in 2008.

Moreover councils expressed their commitment to work together for common standards through the development of building projects of accounting practices.

They wanted to examine the books of loan losses, including losses patterns incurred and predictable patterns.

It was also established the presentation of financial statements, the fair value measurement of financial instruments with characteristics of equity.

Several actions were undertaken during this period of crisis of Financial Crisis Advisory Group (FCAG) and Expert Advisory Panel on Fair Value in the Market declining (EAP), namely:

- Effective Financial Reporting
- The limitations of financial reporting
- Convergence of Accounting Standards
- Independence and accountability of standards bodies

8.CONCLUSIONS

Economic crises brought as a consequence the improvement of accounting practices. Accounting standards can have huge implications for business, which is why the authorities and competent bodies should always be concerned to better reporting, fair, providing to the users of financial statements a true and fair view on companies, profits and capital.

Accounting standards are profoundly involved in the economic crises, crises themselves have shaped the evolution of accounting.

Crises cause changes in accounting regulations, always bringing novelty in the area of accounting.

The desire for safety during these times of crisis led to more growth and improving accounting practices, because accountants could not provide in those periods all the guarantees for their work.

Just having a good accounting system in place, we may in the future to prevent economic crises, only through a system of accounting principles, that make it impossible registering fraudulent financial transactions.

The fact is that crises have led to revision of accounting standards, and even made a step forward in terms of improving these standards, they have added a greater degree of difficulty, so users of the financial reports have a true image on them.

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HOME INSURANCE, A SOCIAL PROTECTION INSTRUMENT BY REDUCING THE IMPACT OF NATURAL DISASTERS

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Abstract:

This scientific approach addresses the issue of Romania home insurance in the context of the changes in the legal framework, namely in context of establishing the Insurance Pole against Natural Disasters. The research has as its starting point the need to reduce the risk of natural disasters in our country and it highlights the home insurance market dynamics between 2008 and 2016 in order to identify the market malfunctions. We have intended to answer the following question: "How the home insurance market can be made more effective?" The research hypotheses in order to give possible answers are the following: "Is the national legislation in force an appropriate framework?", "Has the home insurance market segment been supported by the national authorities upon models from developed countries?"

Keywords: home insurance market, social protection, insurance pole against natural disasters, risk of natural disasters

JEL Classification: G22

1. Introduction

The protection of the population against the effects of natural disasters must be a priority of the public policies in Romania, mostly due the fact that the effects of such events are extremely difficult to manage by the central and local public authorities. In addition to the specific measures meant to prevent and minimize the effects of natural disasters (for example, building consolidations, embankments, etc.), it is very important to identify effective solutions to guarantee the financial capacity of the citizens to rebuild the damaged households and thus to avoid the risk that unforeseen expenses occur in the public budgets.

From this point of view, providing home insurance with a wide level of coverage is both a solution to protect the property and the individual interest of each citizen, and a way to ensure macroeconomic stability and predictability, by preserving the assets of citizens and minimizing the allocations of public funds required in case of state emergency situations.

2. Research Methodology

The research methods that were used were descriptive methods that is case studies, to give a more complete picture of home insurance situation in our country. The research was for years 2009 - 2015 and tried to answer the main question: "How can the home insurance market can become more efficient?"

3. Natural disasters, a serious threat to Romania

Romania is a country with particularly significant exposure to the risk of natural disasters. Events like the earthquake in 1977, which caused significant losses – of billions

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of Euros – can repeated at any time, therefore it is very hard to absorb and manage by public resources the social and economic impact of such events.

The statistical analyses on the history of earthquakes in the Vrancea area showed an increasing trend of seismic activity. For the centuries ahead, it is expected to increase in the incidence of earthquakes with magnitude of at least 6.7 ° Richter. (Amaritei, 2012)

Regarding the effects of a major earthquake, the estimates undertaken by the famous company AON Benfield, at the request of the National Association of Insurance Companies in Romania, show that a similar event to 1977 earthquake in Romania would affect about 850,000 households and cause damages of over 6.5 billion Euro. (Badea, 2016)

Moreover, in addition to major events such as earthquakes, the experience of past decades has shown us that our country was constantly exposed to major risks of floods and landslides, which have caused considerable material losses every year. The Romanian Waters National Administration, in its the hazard and potential risk maps, published in 2014, showed that in Romania there are "*375 sectors with significant potential risk of flooding on 313 rivers, which covers about 16,000 km², that is 20 % of the cadastral hydrographic network of Romania*". (Romanian Waters National Administration, 2014)

To exemplify the catastrophic consequences of such events, we refer to the latest statistics of year 2015, during which more than half of Romania counties (28 counties) were affected by floods; it is estimated that the impact cost due to flooding reached 260 million Eur. (Romanian Waters National Administration, 2015)

4. Natural Disasters Insurance Pool – a social protection solution for homeowners in Romania

Given the high risk of natural disasters and the need to find a suitable solution for our country, Romania has developed, together with the World Bank, a project whose aim was *How to Mitigate the Risks caused by Natural Hazards and to prepare for Emergencies*. Following this project, it resulted the need to implement a national home insurance against disasters program. Consequently, at the end of 2008, Law 260 concerning the mandatory home insurance.

The main new element of this law was that home insurances became mandatory and a new entity to take over the insurance risks of earthquake, floods and landslides was established. The technical solution was the establishment of an insurance pool (Natural Disasters Insurance Pool - PAID), whose shareholders are 13 insurance companies in Romania.

The international experience should be a model for Romania. In this respect, it is extremely important to note that the solutions must be implemented before natural disasters occur, and not as a consequence of natural disasters.

Given the severity of natural disasters, and the need to empower extremely large financial resources, worldwide insurance pools were set up after disasters stroke. We would like to present the examples of Turkey, Taiwan, New Zealand and the Caribbean region.

In Turkey, after the 1999 devastating earthquake, which caused losses of over 10 billion Euros, household insurance became mandatory and the Turkish Compulsory Insurance Pool (TCIP), managed by a state entity, has been established. The development of this system has encountered significant difficulties, its coverage is currently below 50%, although an insurance policy costs less than 40 Euros. (<http://www.1asig.ro/Romania-si-Turcia-Modele-actuale-ale-sistemelor-de-asigura-re-obligatorie-a-locuintelor-articol-3,100-51691.htm>)

In Taiwan, following the devastating 1999 earthquake (7.3 on the Richter scale), the Taiwan Residential Earthquake Insurance Pool (TREIF) has been established. The local insurance companies, which are members of TREIF, cover risks up to 5 million Euros, and 1.2 billion Euros are taken and placed by TREIF to international reinsurance companies. ([Bulugea.pptx, 2010](#))

In New Zealand, following a number of major earthquakes, a government agency dealing with managing a compensation fund in case of wars and earthquakes has been established since 1942, and it has been gathering funds from a surcharge applied to all fire policies. In 1988, this government agency turned into Earthquake Commission, an independent commercial entity, which still preserves the state guarantees in case of exhaustion of its own funds. After that, the insurance remained mandatory only for those who purchase an insurance policy for fire risks. (<http://www.eqc.govt.nz/about-ecq>)

In the countries of the Caribbean region, following the 2004 natural disasters, a new independent entity has been established (The Caribbean Catastrophe Risk Insurance Facility - CCRIF). This entity has been dealing with the reinsurance international markets, and has acted as an intermediary between the member countries and the international financial markets. This new entity took the form of an insurance pool for several countries in the region.

Thus, the international experience shows that the establishment of an insurance pool meets the need to create a very solid financial structure, able to tackle major challenges, such as disasters caused by earthquakes. Also, another main target in establishing insurance pools is the provision of social protection to the citizens through the opportunity of purchasing an insurance product at a low cost. That is the reason why the implementation of a "social" solution can be achieved either through direct state involvement in managing the insurance pool or by the state taking over a part of the risk or providing state guarantees.

As for the compulsory system of home insurance that has been established in Romania by Law no. 260 of 2008, the new insurance pool (PAID) began to work after two years since the adoption of the law. The first mandatory home insurance policy (called PAD), was issued on 15 July 2010.

Given the necessity to adopt a comprehensive social protection solution (home insurance at a price which most Romanian citizens can afford), the law has imposed PAD policies for fixed insured amounts, depending on the type of the building, of 10,000 Euros (constructions whose exterior walls are made of unburnt brick or of any other materials which were not subject to heat and/or chemical treatments) or of 20,000 Euros (constructions whose resistance structure is made of reinforced concrete, metal or wood, or with exterior walls made of stone, burnt brick, wood or any other materials which resulted from a thermal and / or chemical treatment) for which the insurance policies cost 10 Euros and 20 Euros.

The peculiarity of this system is the fact that the PAD is a first risk policy, which means that regardless of the house value, the events resulting in damages up to 10,000 Euro or 20,000 Euro will be fully compensated, thus giving the owner a full protection within the insured amount of money. Unlike the PAD policy, in optional insurances of proportional kind, the compensation is charged in proportion to the ratio of the insured amount, stated on the policy, and the value of the insured property. For this reason, in case of an optional proportional policy, with an amount of 20,000 Euros insured, for a property value of 100,000 Euro, the compensations paid by the insurers represent only 20% of the damage.

Basically, if we compare the PAD insurance policy features with those of an optional insurance policy, we note that the mandatory policy has the advantage of giving a

full protection for damages of up to 10,000 Euros or 20,000 Euros, but limits itself to the three kind of risks, namely earthquake, floods and landslides risks. Obviously, a complete protection, both in relation to a compensation to the full value of house and a coverage for all the other building specific risks (for instance, fire risk) involves the purchase of additional optional insurance policy.

5. The evolution of the main indicators concerning home insurance in Romania

Although Romania is a country highly exposed to natural disasters, the underdevelopment of the insurance market and its low level of coverage is a constant phenomenon throughout the past decades, both in case of the compulsory home insurances, and in case of the optional policies.

Beyond the economic problems, such as the low income households, the main reasons which led to the establishment by law of a compulsory insurance mechanism were the extremely low level of financial education and the people's lack of confidence in the insurance industry.

For this reason, the analysis of the home insurance market should start from a broader context that is the context of the entire insurance market in Romania. The insurance market in our country is the last in the rankings in Europe as the penetration of insurances at the end of 2015 was of nearly 1.23% of GDP. (FSA, 2015)

This percentage is much lower than the European average. In the developed countries it reaches even 10% of GDP. Compared with the period of the economic boom, that is 2006 - 2008, it recorded a declining trend. Moreover, we need to say that the insurance market in Romania has been and continues to be mostly a car insurance market (particularly, civil liability car insurance - RCA), and that the development of the remaining classes of insurances is extremely low.

The analysis of the home insurance evolution was based on the indicators included in the periodic reports issued by the supervisory authority (the Insurance Supervisory Commission for the period before 2012, the Financial Supervisory Authority after year 2013). Table 1 and Table 2 present the evolution of the number of contracts and their coverage compared to the total number of households over the period 2009 - 2015:

Table no.2

The evolution of the number of contracts and of insurance coverage in case optional home insurance in Romania

Indicators	Optional insurances						
	2009	2010	2011	2012	2013	2014	2015
Number of contracts	1,528,253	1,714,393	4,392,647	3,324,910	2,462,765	1,830,996	1,786,112
Number of households	8,384,972	8,427,941	8,722,398	8,760,923	8,799,832	8,840,595	8,882,090
Coverage	18.20%	20.30%	50.40%	38.00%	28.00%	20.70%	20.10%

Source: Annual reports by the FSA

Table no.2

The evolution of the number of contracts and of insurance coverage in case mandatory home insurance in Romania

Indicators	Mandatory Home Insurance – PAID						
	2009	2010	2011	2012	2013	2014	2015
Number of contracts	-	367,287	574,229	331,131	736,318	1,491,329	1,590,954
Number of households	8,384,972	8,427,941	8,722,398	8,760,923	8,799,832	8,840,595	8,882,090
Coverage	0.00%	4.40%	6.60%	3.80%	8.40%	16.90%	17.90%

Source: Annual reports by the FSA

As shown by the aggregate national indicators show, the development of the home insurance market in Romania is very low. We note that the two categories of insurances, the mandatory ones and the optional ones, have had different trends over the past 3 - 4 years. Thus, on the one hand, we are witnessing a sharp decline in the optional insurances, from more than 4 million contracts in 2011 to less than 1.8 million contracts in 2015, and, on the other hand, we are witnessing an uptrend in the share of mandatory insurance.

As a result, although the compulsory insurance had an extremely shy start (from its debut in 2010 to 2013, its evolution dropped below 1 million contracts), over the past two years an increasing trend in terms of coverage has been recorded and, at the end of 2015, it reached roughly 1.6 million insurance policies in force. Moreover, the latest statistics issued by PAID show that, in 2016, a slight upward trend has maintained, so that, on 31 August 2016, 1.73 million PAD policies were in force. (<https://www.paidromania.ro/statistici-lunare>)

To identify the reasons and explanations concerning the oscillations and contradictory developments of the two segments of home insurance, namely the mandatory ones (PAD) and the optional ones, we must analyse which the main factors that influenced the emergence and further development of PAID were.

The foundation of Law no. 260 of 2008 on compulsory household insurance – which supported the emergence of PAID and of mandatory household insurance in Romania – was the need to apply the principle of social solidarity and to support the population, so that the segment of citizens receiving an insurance premium at a reasonable value to be as broad as possible, by including all households in Romania into the insurance.

Basically, unlike the regular mechanisms of the insurance industry, in case of the mandatory insurance policies (PAD), the tariff is set uniformly for all households, regardless of various geographic areas or other risk criteria that normally apply in the case of certain types of optional insurance, which shows the social nature and high degree of mutuality of insurance sold by PAID.

Given the major social implications and the special interest of policymakers and government in the public awareness with respect to the compulsory insurance, the original law, which had been adopted in 2008, suffered quite frequent changes, equally influencing both the development of the new compulsory insurance, as well as the development of the optional insurance market.

We present below the main amendments made to Law no. 260 of 2008 concerning the compulsory home insurance, by highlighting the impact on Romania's home insurance market:

- **November 2008** - the emergence of the law. Up to PAID operationalization, no immediate effects occurred on the optional home insurance market. The upward trend has continued.

- **July 2010** - PAID started to issue optional insurance policies. Under law of 2008, at the expiry / renewal of an optional insurance policy, homeowners are obliged to first purchase a mandatory policy for the amount of 10,000 / 20,000 Euros; as for the remaining value of the dwelling, the homeowners can purchase an optional insurance policy. Currently, it is expected that the optional insurance will be directly affected because of the loss of a market segment.

- In **December 2010**, by Law 248 of 2010 significant changes were made to the existing legislation, one of the main additions being the removal from the scope of Law 260 of 2008 of the obligation to conclude PAD for "*natural and legal persons who have concluded an optional home insurance covering all risks set out in the compulsory insurance*".

This amendment maintains the requirement of purchasing a home insurance policy, but practically leads to the liberalization of the competition between PAID and other insurance companies. The immediate effect of this measure was the exponential increase of the coverage in case of the optional insurance (the optional policy has become an alternative to the mandatory policy), but it discouraged the first steps and cut PAID's development enthusiasm.

Consequently, in 2011, following the legislation amendments and the emotional impact emerged due to the obligation to purchase a new compulsory insurance, the optional insurance reached a historic high level of about 4.4 million contracts. Also in 2011, which was the first full year of operation for PAID, only 574,000 PAD policies were registered (below 7% of coverage). That level was well below the expectations and far away from the number of insurance policy holders which an insurance pool should focus on.

Subsequently, in 2012, due to the lack of administrative control measures in relation to the compliance with the regulations on compulsory home insurance purchase, the insurance coverage has decreased, both in the optional insurance policies and in the mandatory insurance policies.

- In **July 2013**, in the context of the coverage decrease and the dramatic drop in the number of the compulsory insurance policies, in order to revitalize PAID, the legislator brought a new structural change on the functioning of home insurance in Romania.

Thus, the amendments brought by Law no.243 placed PAID again in the position of sole provider of insurance for the 3 risks (earthquake, flood, landslide), for a coverage of 10,000 / 20,000 Euro.

The insurance companies have now the possibility to issue policies for other risks (e.g., fire) or, in case of the 3 risks - only for amounts of money exceeding the limits of PAD. The immediate impact of this measure was the transfer of a substantial portfolio part from the insurance companies to PAID.

That reflected in the significant decrease - less than 1.8 million optional insurance policies in 2015, and at the same time the increase to almost 1.6 million PAD policies. However, the insurance coverage remained at less than 20%, which means that more than 7 million households were not insured by PAID.

- Following the measure taken in 2013, in **July 2015** (Law no.191/2015), additional amendments were made to the legislation on compulsory home insurance in Romania, the main change being that the issuance of an optional insurance policy depends on the proof that a prior PAD compulsory insurance policy was purchased.

The purpose of these changes was to support PAID and increase the coverage by requiring everyone who has an optional insurance policy to prove the existence of the mandatory home insurance policy as well.

The effects of this change were felt immediately, as until 30 June 2016, there was an increase of roughly 230,000 PAD insurance policies (PAD 1.73 million PAD policies on 30 June 2016, compared to 1.5 million PAD policies on 30 June 2015), but in return there was an identical decrease in the number of the optional contracts (from 1.79 million contracts on 30 June 2015 to 1.53 million contracts on 30 June 2016). (Financial Supervisory Authority, September 2016).

Thus, as it easily can be seen in figure no. 1, the home insurance development in recent years has been directly influenced by the many legislative changes in this area:

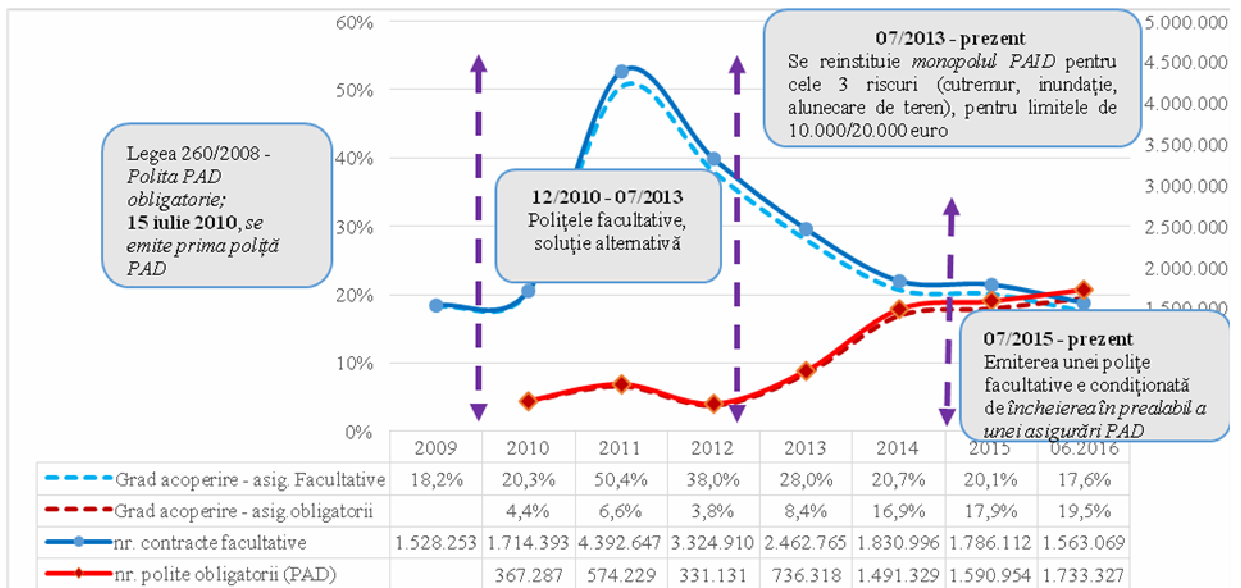


Fig.no3. Coverage and contract number in force at the end of the reporting period (2009- 2016)

Source: Annual reports by the Financial Supervisory Authority

6. Conclusions and solutions regarding the improvement of the home insurance framework in Romania

The attempts made by political factors to impose a mandatory insurance policy model in Romania and support PAID have proven themselves ineffective so far. In terms of protection against natural disasters, less than 20% of the homeowners in our country have a PAD insurance policy, which means that more than 7 million households are not covered by insurance.

Repeated legislative changes not only did not lead to an increase in the coverage, but also affected the existing portfolios of optional policies, which have reached a record low compared to moment of entry into force of Law 260/2008 concerning mandatory home insurance.

Although the law provides penalties for those who do not purchase home insurance (a fine from 100 lei to 500 lei), the local authorities empowered to impose these fines have not made any approach in this direction. For more than 5 years, a general lack of financial education and discipline among the communities in Romania has been tolerated by the local public authorities.

An artificial solution of legislative nature (the prohibition to purchase an optional insurance policy for the PAD uninsured homes) is not a realistic method to increase the insurance coverage and it negatively influences the development of the optional home insurance segment.

PAID was established as a social solution with a high level of mutuality, but the viability of this protection tool for all citizens is subject to obtaining a degree of insurance coverage as large as possible, by guaranteeing a dispersion of risk on a greater number of households. But, in this case, maintaining the level of coverage below 20% may bring doubts about the sustainability of the mandatory insurance framework, both in terms of risk of adverse selection (focusing in the portfolio on only some buildings, highly exposed to the catastrophe risk), and in terms of estimated insufficiency charge of the initial premium (the initial insurance premium calculated on a broad portfolio of clients has remained unchanged, respectively 10 / 20 Euros).

PAID has been regarded with skepticism by some of the experts in the field, because the government's intention to implement a social solution (with discount rates, unique all across the country) solely by funding the private investors was highly criticized.

From this point of view, we find ourselves in a seemingly paradoxical situation: capping the tariff and the low level of coverage are causing an overly high exposure to PAID and its shareholders, so that an increase in coverage would be equal to accumulating a further exposure and may lead to an interest decrease in business development by its shareholders. Moreover, PAID has not carried out an aggressive awareness campaign to win a higher market segment, therefore the task of coverage increasing remained solely on the shoulders of the legislator.

The main topics and solutions to improve home insurance in Romania must be targeted towards two main goals, namely:

a) *Ensuring the sustainability of the insurance system (the ability to cope with compensations for damage following a natural disaster);*

b) *Increasing the insurance coverage.*

a) In terms of *ensuring the sustainability of the insurance system*, we consider that the establishment, by will of the Parliament, of a new PAID entity with an essential social role, the legal granting of a monopoly to PAID on in its segment of activity, as well as the use of a premium charge regulated for the PAD insurance, and the establishment by law of the mandatory requirement for the owners to insure all households with policies issued by PAID are arguments supporting the opportunity and necessity of a more active and direct government involvement in the functioning of PAID.

From this point of view, the situation in Romania is quite unusual, as the international models of social protection and response following a natural disaster have as a common goal the direct involvement of the state (either as a shareholder or as guarantor), the insurance pools against disasters being public entities in most cases, serving the public interest.

Therefore, in Romania we are witnesses of a paradoxical situation where PAID is essentially a private entity whose inherent purpose is to gain profit. On the other hand, the current crisis in the insurance market is a premier in the insurance market, with the top two insurers in Romania, Carpatica and Astra, which are also PAID shareholders, going bankrupt. These crisis situations have led to public mistrust towards all products on the insurance market, and have affected both the strength and the image of PAID.

At the same time, recent discussions in the public environment on the necessity to reevaluate the level of the insurance premium for the policies or to establish a PAD franchise raise questions about the ability to cope with major events, and thus affect PAID's public image and credibility. However, from our point of view, the social solutions should be meant to cope with disasters instead of helping people with the purchase of an undervalued insurance policy.

Therefore, the issues related to the insurance premium and franchise should be treated in a responsible manner, and the state's involvement should be concerned with the subsidization of the insurance premium for low-income families, but not with imposing an insurance premium of a "populist" level which is insufficient when it comes to coping with disasters.

Furthermore, given the social interest to maintain a low fare of insurance, most international mandatory insurance frameworks against natural disasters include a franchise that can be removed by paying an additional premium or by purchasing a separate optional insurance.

b) Although the PAD insurance is compulsory, the lack of interest and involvement by the state authorities, in addition to the lack of means of awareness and financial

education from PAID, led to the maintenance of a coverage below 20%. *The increase of the number of PAD policies* can be achieved both through education and incentives for citizens, and through coercive measures.

Although the law has provided from the beginning the possibility to fine those homeowners who don't have PAD insurance (the fine is between 100 lei and 500 lei), the local authorities have not applied the penalties provided by law so that the law has become obsolete.

From this viewpoint, it is obvious that an immediate measure is needed to return to legality either by decriminalizing the act and return to the system of optional insurance that existed before year 2010, or by applying the sanctions provided by law (e.g., compelling the local authorities to impose the penalties provided by Law 260 of 2008, transferring the power to impose fines to another state institution, etc.).

Obviously, the sanctions cannot be the unique solution to educate and discipline the population. The citizens must be made aware of the benefits of insuring their households, and they should be given easy solutions to purchase PAD policies (by online sale, by using other distribution channels, such as the utilities providers, the providers of communication services, etc.).

Also, given that insurance is directly related to the real estate, the state may consider granting tax breaks to those who prove the purchase of PAD policies (similar to the current building tax reduction in case of prepay by 31 March).

Finally, given the geographical specificity of Romania, the differences between the risk profile among the different regions and many citizens' skepticism with regard to the three risks that apply to their households, we believe that one of the solutions to increase the attractiveness of the compulsory insurance system may be the coverage expansion onto other risks, such as fire.

In addition to the aforementioned solutions, given the sinuous experiences of Law no. 260/2008 concerning mandatory home insurance, we would like to put emphasis on the need for a coherent and stable legal framework.

In this regard, it should be emphasized that one of the key solutions in order to revitalize home insurance is to rethink the business model used within the industry of home insurance, to clearly mark the objectives and the public and private interests, as well as reassigning the state (having as point of departure examples taken from other countries), whether as an active player or as a manager of insurance against natural disasters, or as an independent arbitrator of a free and competitive home insurance market.

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THE NECESSITY OF AN ACCOUNTING HISTORY

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Abstract: *Most often, accounting professionals refer to its history to justify its status as a university discipline in terms of seniority, of accounting "veneration". But the history of accounting is not a mere curiosity or an intellectual exercise. Generally speaking, since antiquity, history was regarded as being also practical apart from its theoretical dimension. In this sense, Aristotle said that "if you want to understand something, see how it arose and how it has developed". Classically, there is a dichotomy between the conventional approach to history and the one characteristic to social sciences. From this point of view, it is said that a historian studies the past, while the social sciences researchers will use the past to understand the present.*

Keywords: *history, accounting, relevance, research*

JEL Classification: M40, M41

1. The need and importance of a research of the past of accounting

The research perimeter chosen explicitly for the study of the history of accounting can be the international or national context. Even if for the study of the history of accounting is chosen the national context, by default, the studies for each country can be the basis for understanding the phenomenon of international accounting.

In this respect, there can be identified four forms of international history: the country-specific studies, comparative studies (archaeological studies), genealogical studies and international studies:

- Country-specific studies are limited to the accounting phenomenon specific to that and by default there is a comparison with the situation in other countries ;
- Comparative studies (archaeological) compare explicitly the accounting from two or more countries;
- Genealogical studies explicitly investigate the causal connections between two or more countries ;
- Transnational studies investigate the accounting phenomenon without regard to national restrictions.

Regarding the accounting, since 1904, Haskins said that the history of accounting allows a new approach to how we understand the present, but also to control and predict the future. Such an approach enables the identification of a progressive development of accounting allowing a systematic development of techniques and concepts of accounting [Carnegie and Napier, 2000]. So in terms of our approach, either partially reject the classical theory on history approach, (most historians now view their work as being of great importance for understanding and solving contemporary problems), or we frame accounting in social sciences, the result will be the same, the historical approach to accounting surpassing controversy about its status.

On the same importance is Littleton, who, in the preface to the second edition of his book says that in order to appreciate at its full value the soundness of the basis on which accounting relies on, we must realize how important accounting items that have resisted in time through their use are. J. R. Edwards points out that examination of past events offers at least the opportunity to appreciate the complexity and duration of events facing

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accounting currently, the knowledge of the past serving as guardian in the way of hasty judgments and premature adoption of seemingly simple solutions [Edwards, 1989].

In particular, the accounting history illustrates how to establish accounting in a system of knowledge and skills relevant from the professional point of view, likely to shape and transform social relations [Lemarchand and Nikitin, 1999].

S. Chen surprises this situation, justifying the need to study history of accounting in relation to its environment, too : "The history of accounting shows a complex relationship between accounting, organizations and society. Not only does the accounting system evolve in response to political and socio-economic environment, it also plays an active role in shaping and influencing organizational and social transformations, which in turn creates opportunities for its own transformation.." [Shimin, 1998]

The quote highlights the fact that the development of accounting reacts to economic needs, but do not underestimate any accounting impact on the evolution of the economy, because there is an interdependence between the two processes. Accounting is designed to help the economy, the sophistication of accounting techniques being expected to lead to a higher rate of economic growth. On the other hand, it is equally true that, occasionally, appears the phenomenon of manipulation of accounting information with the intention to influence decision making or to justify certain actions in the past and are economic consequences not necessarily positive. One example is the omission of recording depreciation on British railway companies in the nineteenth century, which enabled the reporting of profits and, as a consequence, the distribution of fictitious dividends, which resulted due to the de-capitalization, to delays in the construction of certain segments of tracks, or even the cancellation of building others, with obvious negative economic consequences.

Approaching history through accounting only may therefore lead to rupture of the economic reality in which accounting evolves. On the other hand, a particular problem can rise in the economic explanations of accounting. Most of the renowned researchers in the field of accountancy have a formation in which the primary role of accounting is regarded as the technical instrument in the service of economic decisions [Carnegie and Napier, 2000]. The explanation is that most of those researchers had a primary or secondary economists formation. For this reason, the classical approach is to look at accounting evolution in terms of its ability to provide useful information in making decisions.

Essentially, on the one hand, history of accounting encourages the researcher to see accounting as interdisciplinary and in close correlation with the environment around it and, on the other hand, supports contemporary studies in policy, practice and normalization. It reveals accountants people, ideas, experiments and lessons which constitute a valuable legacy, informing us on how they reached a certain presently applicable accounting convention. It must be concluded that, as long as the conditions that triggered the application of certain accounting practices remain unchanged, it is unlikely to change that practice. Even if there was a better practice, mental inertia of humans tends to preserve the old ways - conservatism manifests itself, after all, as a general tendency to keep the old ways to the new.

CAH (Committee on Accounting History), a body founded in 1968 with the stated aim of promoting research in accounting history justifies the need to study the dual accounting history: the approach both intellectual and practical.

- From the intellectual point of view, CAH showed that such a field emphasizes the process through which thinking, accounting practices and institutions were developed, identifying environmental factors that have induced changes and revealing how these changes occurred. It also seeks to determine the effects that the changes that have occurred in thinking, accounting practices and institutions have

had on the environment. Finally, it contributes to a better understanding of economics history.

- From a practical standpoint, CAH stipulates that history reveals the origins of concepts, practices and institutions used today, causing an insight on solutions to the current problems of accounting. Giving an understanding of past interactions between environment and development of accounting, becomes somewhat easier the prediction of consequences that accounting solutions currently proposed may have.

The famous English author Brown, stressed in a treaty of "History of accounting and accountants" that "Anyone who has the desire to become a master in art history must study history first. Without historical foundation of our knowledge is poor and the judgment of present phenomena is incomplete and lacks maturity."

In the same context, more than three centuries ago, the great French enlightenment philosopher Rene Descartes, stated: "...one must read the writings of old people, because their relationship gives us the huge advantage to be able to use the work of so many people either to know these things which were ingeniously discovered before, either to know what remains to be discovered from here".

For C. G. Demetrescu research of history of accounting is a process which can collect "valuable information that can be used in research that will be taken by those looking to fix the principles that underpin this science in its applications" [Demetrescu, 1972]

2. The usefulness of studying accounting history

Accounting history can be useful in many ways, both theoretically and practically. To highlight some of the reasons that can cause serious study of the history of accounting, I will take a series of steps belonging to Garry J. Previts, Lee D. Parker and Edward N. Coffman and published in the article "Accounting history: definition and relevance" [Previts et al., 2000]. The relevance of accounting history is presented three-dimensional from the following perspectives: pedagogical, political and accounting practice.

2.1. The utility of accounting history as a pedagogical approach

From the pedagogical point of view, as a school subject, we can not say that history of accounting is favored, few countries providing it in the curriculum. Arguments for studying the history of accounting both universally and nationally, are multiple. Thus, a traditional profession should educate its members so that they can appreciate the intellectual heritage that belongs to them. It is true that in Romania carrying the tradition has not actually been at « home ». It is noted that interested in studying the history of accounting concerned either consecrated teachers since before the Second World War or very young teachers, practically trained after the revolution of 1989. This is because a whole generation has been deprived of the right to promote their own values and judgments during the regime of Moscow origins.

Another reason for studying universal history of accounting is that in the long term, many concepts, studies, accounting techniques can be lost,

A study shows that, in terms of students, the effects are beneficial, considering that relevant examples from the past help them to better understand the theory of accounting: "[case studies in which students take active part in opposing teams] has brought benefits in <bringing accounting to life> and in challenging students' enthusiasm for the wealth of accounting history" [Craig and Greinke, 1994].

Another reason quite important is the fact that the lack of historical accounting in connection with the environment developmental stage, or in other words, ignoring the

analysis and interpretation of developments of practices and accounting thinking, may lead researchers who base their analysis on empirical studies to the risk of building judgments on sand, as long as the basis for their studies can be the incomplete or misleading information about the series of the data they use. To support the last point one can be appeal to the article belonging to G. Previts, L. Parker and E. Coffman, who make references to a series of studies that shed light on a series of major risks a researcher who ignores the past may face.

2.2. The usefulness of accounting history in policymaking

Accounting and other areas of research provide knowledge about the past as the basis for understanding contemporary issues. For example, analysis of transcripts of legislative deliberations on accounting can provide valuable knowledge about politics and government plans and can provide guidance for achieving a legislative national accounting framework (such intention to attract foreign investment or to potentiate new financial instruments may lead the adoption of certain accounting principles such as the principle of substance over form, while a policy of restriction of credit in the economy may lead the central monetary authority to extend the principle of prudence). The study of history helps decision makers to better understand the causal relationships between political decisions and their economic outcomes (or accounting, social, environmental, etc. depending on what is envisaged).

2.3. The usefulness of studying history through accounting practice

Practitioners, including those responsible for developing procedures and accounting techniques, as well as those providing multiple specialist services can gain greater flexibility by knowing the methods and techniques used in the past and understanding the past may confer also a basis to assess the success or failure of measures and practices adopted. Study on the past conditions and comparing them with the actual decision may underlie the revival of earlier practices or develop new practices. Moreover, the study of history of accounting practices and governmental auditing can support the formulation of current policies impacting on accounting. For example, diminishing inflation was achieved in many countries through a broad tax reform that involved quite often reforming accounting practices, too.

So, studying history can help accounting departments at least anticipate its development: "Today, the real-time global integrated information is almost a reality, suggesting new accounting paradigms. Understanding the history of [accounting] is needed to establish causal links existing and predicting its future."

I. Ionaşcu appreciates the utility of an accounting history research by the fact that it [Ionaşcu, 2003]:

- (i) can contribute to improving accounting normalization, avoiding errors that occurred in the history of accounting codification process;
- (ii) can be a complementary tool in teaching, as a presentation of the historical development of accounting concepts and techniques can allow a better understanding of the doctrine and practice of contemporary accounting;
- (iii) is a guide to refining accounting language through the study of the historical meaning of various accountants terms;
- (iv) can be an alternative thinking tool for accounting through historical and comparative approach doctrines and accounting practices.

3. Limits of accounting history research

There are a number of factors that hinder research of history of accounting. One of the most important is the likely cultural import phenomenon [Merino and Mayper, 1993] as it may determine that the research be impaired by non-recognition of such imports, which could cause incorrect analysis of the causes that have determined certain accounting developments. After studying the evolution of different accounting systems, the conclusion that we drew would be that, most often, cultural import causes a discontinuity of current practices which can be easily recognized when a civilization is required before the natives, either by direct or indirect conquest.

As simple examples, we can mention the influence ancient Mesopotamians had on the peoples within their areas of influence, the accounting from the Italian Renaissance, or the influence US accounting standards exert worldwide. Romania has experienced several such cultural imports :some indirect regarding accounting (in the late nineteenth and early twentieth century, were widely used the Western accounting systems, which were "imported" according to the countries where the specialists and teachers of accounting were completing their education) others direct, as the Soviet-inspired accounting system or the current one, which is essentially a takeover of International Accounting Standards.

Another risk is imposing current values on events in the past. The danger of this transfer greatly increases when using a theoretical diagram to explain a particular phenomenon. Often, schemes help to explain certain phenomena, yet they restrict possibilities for interpretation. The scheme in this case is that, in order to record something, anything, first they should invent writing. For this reason, the thesis paragraphs are not built with a certain pattern, sometimes being the prevailing inductive technique (especially during the pre-capitalist period), sometimes the inference being first, depending on the specific of the materials analyzed.

Justification for the merge between the two techniques comes from the very nature of history of accounting addressed in its socio-economic context, combining in this way the characteristics of historical research with those of social research : "remains generally true that historians examine particular samples and adopt a conclusion through induction if the evidence forms recurring patterns. Researchers in the social sciences, on the other hand, frequently adopt a approach in which, deductively, they seek specific examples of events that bear a priori generalizations about human behavior. And generalizations are essential because of the inexhaustible wealth of historical detail".

Moreover, if there was a single methodology for gaining new knowledge, a researcher's activity would be limited by imposing a single way of thinking, knowledge discovered by him may be limited or, even worse, misleading: one way only to acquire new knowledge "can squelch creativity and alternative visions. Understanding the history of alternative methodologies may allow scientists to prevent a narrow viewpoint on the acquisition of knowledge" [Merino and Mayper, 1993].

4. Conclusions

The research issue should be approached with caution because history is dependent on the existence of evidence available and what is an important element of generating changes in a particular country may be irrelevant in another reference system.

Internationally, it is well-defined the view that each generation must rewrite history according to its specific problems and aspirations, and to our generation, one of the key issues is globalization.

Accounting history helps us know who we are, where we come from and how we are here [Oldroyd, 1999].

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WAYS TO RECONCILE FINANCIAL ACCOUNTING AND MANAGEMENT ACCOUNTING

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Abstract: *Reconciliation between financial accounting and management accounting should always be possible, whether or not the two systems are integrated. Management accounting can take, depending on the degree of integration, three forms, namely: Integrated in financial accounting; Independent or autonomous in relation to financial accounting; Extra. In our country the organization and leadership of management accounting is governed by OMPF 1826/2003. It foresees that the management accounting can be done using specific accounts (independent accounting), by developing the accounts in financial accounting (integrated accounting), or by using its own operational and technical evidence (extra-). Integrated or independent accounting management are intra-accounting solutions which are expected to adhere to the regular registration of accounting of a firm. For this reason there may be constraints contradictory to the management needs consisting in obtaining relevant data as soon as possible.*

Keywords: *reconciliation, management, accounting, integrate,*

JEL Classification: M40, M41

1. Integrated management accounting

Integrated management accounting involves the development of plan of accounts of financial accounting, and to match their needs. We also add accounts required to provide information on the production process and to highlight differences of incorporation and estimate for certain costs or products.

The organization of accounting on a single circuit is typical to Anglo-Saxon countries.

Used accounts meet the information needs of both management accounting and those of financial accounting. Revenues and expenses are recorded in the accounts of classes 6 and 7 of the financial accounting, according to their nature and economic content, being centralized in the same Ledger. Development of analytical accounts of expenditure related to synthetic production activity is influenced by the information wanted [Feleagă, 1999]

According to authors B. Apoteholtz additional accounts that should be added to the chart of accounts of financial accounting require fulfillment of a minimal structure, namely [Apothéloz, et al. 2007]:

- Products under financial accounting;
- Products allocated under management accounting;
- Allocated products;
- Expenses under financial accounting;
- Expenditure allocated under management accounting;
- Allocated costs;
- Supporting activities and main activities;
- Manufacturing costs of production in progress;
- Manufacturing costs of finished products
- Production in progress and finished products;
- Manufacturing cost of products sold;
- Costs of distribution of sold products;
- Allocation differences;
- Incorporation differences;

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- Operating results of first degree, second degree and third degree.

When management accounting is integrated in financial accounting, one must respect general logic of the latter. Therefore, this solution is difficult to implement and administer and has certain disadvantages, such as [Richard, 1996]:

- Periods of recovery and analysis of information are not the same (financial accounting reports at regular intervals (monthly, quarterly, half-yearly, annually), while management accounting requires real-time and nonstandardized information.
- Information processing in financial accounting requires great precision, while management accounting uses approximate sizes that are relevant and timely for decision making.
- Because real, effective values are recorded in the financial accounting, based on justifying documents, and accounting management often uses values provided, it is necessary to make certain procedures tailored to the end of the period.

All these disadvantages can be eliminated by using an information system integrated in financial- accounting system.

2 Autonomous management accounting

Autonomous management accounting consists of organizing an independent accounting system with two independent circuits, each with its own rules of operation and distinct sets of accounts. This form of organization has two significant drawbacks, namely: first, a hard chart of accounts, secondly economic events should be recorded both in financial terms and in terms of cost.

These drawbacks can be overcome if independent accounting organization is done respecting the overall consistency of accounting based on dualistic overlook.

Consistency between financial accounting and management accounting requires the use of reflective accounts. It is easy to understand that a reflective account from the autonomous management accounting works mirrored in relation to the appropriate account of financial accounting [Bogdan, 2004].

In the literature some authors consider that to achieve the objectives, management accounting has to develop, based on accounts of class 9, a plan of their own accounts, more detailed and customized to activity conducted.

The management accountant has the role to devise this plan of cones, of the methodological norms, correlation scheme of accounts, as well as accounting monograph record in management accounting of the main operations. The Chart of Accounts prepared "should meet the needs of application of the method of calculation chosen to implement for future use, including here the processes and techniques used in the calculation of costs, and also to be sufficiently detailed to enable ordinate recording of all specific operations." [Neamțu and Teiușan, 2006]

Management accounting is disconnected from financial accounting, so it can be held in a manner independent of the others and at other times. Because of this it will be held in advance by data provided in the budget. At the general closing, it is obvious that all the differences will be recognized and the two accounts reconciled [Feleagă, 1996].

Organization of management accounting autonomously from financial accounting has certain advantages, such as: independence of organization (eg when registering), independence of the structure (eg changing the system of cost calculation has no impact on financial accounting), independence of financial events (eg the possibility of using data budgeted and obtaining provisional results without being recorded effectively in financial accounting), independent of location (management accounting could be kept at the place of production) and the existence of a formal security provided by requiring final reconciliation with the final results of financial accounting.

3 Management accounting based on own technical-operative records

Extra-accounting form requires collection of expenses on the basis of statements or tables (operating accounts) and calculation of costs on activity centers.

Operating account allows decoupling of management accounting from financial accounting and has a high degree of rigor, which allows reconciliation of final results. In addition it benefits from the flexibility and power characteristic of spreadsheets.

These tables are called extra-accounting because they are not related to the Ledger that develops based on the opening balance sheet to closing balance sheet. However, rigorous and regular treatment of these tables needs to reconcile the results of each system. The rules that are the foundation for spreadsheets offer the exact same security features as arithmetic equality debit = credit from the double entry bookkeeping. Despite this, if the reconciliation with General Ledger spreadsheet cannot be done, all financial accounts can be closed immediately. This includes expenses and inventory values missed from the management accounting, and other evaluation methods [Ebbeken, 2000].

This type of solution is often admitted in practice, the spreadsheet is considered a management tool that can speed up the production of approximate information particularly for determining an offer on time or making the decision to purchase from the outside, to the detriment of domestic production.

Using extra-accounting procedures has some advantages, such as: independence from financial accounting, a great adaptability (the calculation method of costs can be relatively easily changed), the possibility of using the table as a model to analyze the influence of certain variations, as well as offering a synoptic image of evolution of costs and margins.

Therefore, extra-accounting procedures are relatively simple, easy to elaborate, easy to analyze, especially when using software (including Excel).

Here are some of the disadvantages of using an extra-accounting form:

- It provides little control and verification keys in relation to financial accounting;
- Difficult to use in large enterprises with complex manufacturing processes and a wide assortment range.

4. Conclusions

In any enterprise, organization of management accounting and cost calculation, to meet the information requirements of managers and their subordinates, requires the study of all previous factors that exert influence (which are conditioned, intertwine or, conversely, is acting contradictory), their implications, and then, taking them into account to proceed to choose the most appropriate form of organization of management accounting and cost calculation.

Regardless of the enterprise, the organization of work of management accounting and costing depends, no doubt, on several factors, namely: size of company, organizational structure (functional and of production), production type and mode of organization, technology and degree of automation of production.

The organization of management accounting and cost calculation are each undertaking a series of principles. Until recently only found in the literature, these principles are now subject to legal provisions, among which we find listed and described.

In conclusion, an accounting management at the enterprise level requires reliance on a chart of accounts, documents, methods, rules, procedures and appropriate means of this accounting subsystem, which are required to be observed and used / applied after drafting or adoption. This is achieved through a process of internal standardization and normalization, and in pole position at the start of this race and the leader of his platoon

during the course must be the management accountant (Annex to the Order of MPF no. 1826/2003).

In the competitive conditions of the market economy managers need varied information about the evolution of economic phenomena in the companies they run. And the one that can ensure the provision of such information is the management accounting by its information system.

Since managers of each business are the ones who know what information they need, about what, how detailed, what time intervals, according to them, they will resort to a specific organization of an information system of accounting management in order to meet its needs for information.

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STUDY REGARDING THE FINANCIAL REPORTING OF INTANGIBLE ASSETS. CASE OF ROMANIAN PHARMACEUTICAL INDUSTRY

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Abstract

The accounting treatment of intangible assets is a particularly complex and important issue for today's economy, a knowledge based economy. For nowadays companies, these assets are inductors for success and an important factor for achieving competitive advantage. Also, these assets are an important part of the financial statements. With the increasing weight and importance of the intangible assets the need for financial information of financial statements' users has changed and the current accounting system makes it difficult to cope with these developments. Because of the uncertainty that strikes intangible assets, accounting can not capture their growing importance. Accordingly investors and other users of financial statements may not receive complete and relevant information for decision making. Basic questions arise here: Does the accounting treatment of intangible assets affect the relevance of financial information? ; May this treatment cause a misallocation of resources? The weakness is that the current accounting system can not capture all significant intangible values. Along with trying to answer the above question the purpose of this paper is to present the accounting treatment related to intangible assets according to international financial reporting standards and to analyze to what extent the accounting treatment of intangible assets affect the relevance of financial information for Romanian pharmaceutical companies listed on the Bucharest Stock Exchange

The research was qualitative type, based on empirical data recorded on a sample of 5 Romanian pharmaceutical companies, listed on the Bucharest Stock Exchange. The qualitative side is given by the fact that the study is based on interpretation, explanation, understanding.

Keywords: intangible assets, IAS 38 valuation, financial reporting

1. Introduction

The nature of investments made by companies has changed dramatically in the last quarter century. Besides the classic investments in tangible assets such as equipment, machinery, equipment and installations, investments in intangible assets become particularly important. According to the Organization for Economic Cooperation and Development, in certain countries, such as USA, Finland and the UK, the investments in intangible assets exceeded the investments in tangible assets. On the other hand, global competition, new innovative business models, the increasing importance of the services sector have increased significances of intangible assets for companies, sectors and national economies (OECD, 2011). Currently, it is increasingly recognized the importance and contribution of elements such as employee skills, knowledge, intellectual property rights, relations with suppliers and customers, software licenses to business competitiveness.

This changes in the structure of investments, according to several economists, is the expression of the transition from industrial economy to knowledge economy and knowledge-based economy, intangible assets are considered the main source of economic added value (Blaug & Lekha, 2009).

In this context, the evaluation of intangible assets or the financial reporting of intangible assets raises questions concerning the identification, evaluation and control.

Intangible assets are difficult to observe and evaluate. Terms such as "intangible assets", "intellectual capital" and "knowledge capital" are often used interchangeably. A study conducted at the request of the European Commission (Zambon, 2003), defined intangible assets as sources of non-physical expected future benefits. Lev (2001) defined

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the intangible assets as "*rights on some future benefits that it does not have a physical form*"

2.Review of the literature

In academic literature intangibles are defined in various ways. From an economic perspective, investments in intangible assets comprise digital information (software), innovative property (research and development expenses - applied or fundamental), economic competences such as organizational capital and human capital specific (Falk, 2013). From an accounting perspective, intangible assets include software, patents, copyrights, motion picture films, licenses, franchises, patterns, design, prototypes, etc., but exclude specific human capital (Falk, 2013).

Reporting of intangible assets raises three main issues: the definition, recognition and measurement of initial costs related intangible assets, recognition and measurement of intangible assets associated future costs.

International Accounting Standards (IAS 38) defines intangible assets as identifiable non-monetary assets without physical substance. A more general definition is given by Lev (2001) according to which intangible assets are non-physical rights on future benefits. The most common examples are: software products, copyrights, patents, licenses, concessions, brands, reputation, market parties, relationships with suppliers and customers, etc. (Gîrbină & Bunea, 2009).

Definition of intangible assets has evolved in recent years, in order to provide a better understanding of the concept, to allow a proper evaluation of intangible investments and to facilitate communication between researchers, businessmen, financial analysts. It is generally considered that intangible assets have no physical substance and are linked to the legal rights they confer (trademarks, copyrights, patents, etc.) (Gîrbină & Bunea, 2009). The asemea, assets are defined as resources controlled by the enterprise as a result of past events and from which future economic benefits are expected to obtain.

By putting together all the elements, we find that the existence of intangible assets is related to fulfillment of the following four criteria: identifiable, lack of physical substance, control of the asset and future economic benefits from the use of the asset.

Not all the items listed above fulfil with the definition of intangible assets. The most important are the identifiability, the lack of physical substance, control and reliability assessment of future economic benefits.

Intangible assets can be classified according to several criteria, but usually from the perspective of accounting valuation there are three categories: expenses of research and development, goodwill and other intangible assets such as concessions, patents, licenses, etc.

If the lack physical substance is understandable, the criterion of being identifiable is problematic. So the following question arises: How do we identify an intangible asset?

According to IAS 38, an asset is considered identifiable if it is distinguished from goodwill. Goodwill could be recognized in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination are not individually identified and separately recognized. Goodwill in a business combination represents any excess of acquisition costs over the share in identifiable assets and liabilities of the owner, acquired at fair value exchange transaction date. Otherwise, the goodwill exceeds the amount plătitoare justăa net assets of the acquired company. Goodwill is subject to a different standard IFRS 3 "Business Combinations".

An intangible asset arising from contractual or other legal rights and this is a feature that distinguishes it from goodwill. The value of goodwill is apparent from the collection of assets that make up a merged or acquired entity created by aggregating the value of the

collection of assets through a business combination. Goodwill in a business combination as an asset recognized can not be identified individually and separately.

In other words, an intangible asset is identifiable if one of two conditions is met:

- The asset is individually identified and separated from the entity and sold, transferred through a license agreement, rented or exchanged, either individually or together with another contract with an asset or liability identifiable regardless of the entity's intention to do so either,

- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or other rights.

In recognition of intangible assets acquired separately judgment must be present to assess the degree of confidence attached to the future economic benefits attributable to the use of the asset on the basis of available evidence at the time of initial recognition, the greater need for external evidence.

The control of an intangible asset is exercised, if the entity has the ability to obtain future economic benefits and to restrict access to future benefits for other entities supported by legal rights in court. Otherwise control is difficult to demonstrate. Legal rights are not a sine-qua-non condition to control. There are other ways to control the future benefits. For example technical knowledge can generate future economic benefits. This knowledge can be protected by copyright, or a trade agreement, or legal obligation of employees to maintain confidentiality.

If an entity has skilled personnel through training and additional training that could generate future economic benefits. However it does not have enough control over future benefits for these items met in the definition of an intangible asset with no royalties.

The portfolio of customers, market shares, customer relationships and loyalty, to meet the definition of an intangible asset, the existence of legal rights to protect customer relationships, exchange transactions capable of separation gives definition and recognition criteria of an intangible asset. Recognition of an asset in the balance sheet appears it is probable that future economic benefits to flow to the entity and the asset has a cost or value that can reliably be evaluated. The entity shall exercise control over the asset's future economic benefits. Asset Control is defined as the power to obtain future economic benefits flowing from it. Future economic benefits arising from intangible assets include income from the sale of products or services, savings, cost reduction, etc.

Recognition of intangible assets reflects a compromise between relevance and reliability, conservatism and caution (Høegh-Krohn & Knivsflå, 2000). International accounting standards provide recognition criteria for each of the three categories of property mentioned above.

Recognition of an intangible asset in the balance sheet appears when it is probable that future economic benefits to flow to the entity and the asset has a cost or a value that can reliably be measured.

In the case of separate acquisition the probability criterion it is always considered fulfilled. In addition, the cost of an intangible asset can be reliably measured, consisting in the purchase price plus other direct costs attributable to the assets.

In case of acquisition as part of a business combination, the situation is more complex and subject to IFRS 3. Therefore, in accordance with IAS 38 and IFRS 3, an acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognized by the acquiree before the business combination. A delicate problem, related to intangible assets is recognition of internally generated intangible assets (Gîrbină & Bunea, 2009). To determine if internally generated intangible assets meet the criteria for

recognition, companies classify the process of obtaining these assets in a research phase and a development phase.

Research phase only generates expenses. In this phase no intangible asset can be recognized because it can demonstrate that it will generate future benefits (Moisescu, 2010). Examples of research: obtaining new knowledge; final selection for applications that generate new knowledge; the search for alternatives for materials, devices, instruments, products, processes, systems or services; the formulation, design, evaluation and final selection of possible alternatives for materials, devices, tools, products, processes, systems or services or improved.

In the development phase, the entity may identify an intangible asset and demonstrate that it meets the definition and recognition criteria. Recognition of an intangible asset occurs if and only if the entity can demonstrate the following criteria to be met cumulatively: technical feasibility completion of the asset to be available for use or sale; The intention to complete the asset and use or sell it; Ability to use or sell the intangible asset; How the asset will generate future economic benefits by the existence of a market for active generation production or use internally estimate; Availability of technical resources, financial and other assets to complete the development and to use or sell the asset; Ability to credible assessment of costs attributable to the intangible asset during its development phase.

The development phase of a project is further advanced than the research phase. In certain circumstances the entity may identify an intangible asset and be skillful enough to demonstrate that it will generate future economic benefits possible.

To assess the entity's future economic benefits from an internally generated intangible assets use is made of the principles of IAS 36 Impairment of Assets. Specifically if the asset will generate future economic benefits only in combination with other assets, the entity applies the concept of unity generated cash IAS 36.

Examples of development activities are: design, construction and testing of models, prototypes before production and use; through new technology entity projecting tools, templates, molds and dies; design, construction and operation of a factory pilot - not of a scale economically feasible for commercial production; and design, construction and testing of a chosen alternative for materials, devices, products, processes, systems or services or enhancements.

Under development costs trademarks, technical boxes, publication titles, customer lists and items similar in substance generated internally can not be distinguished from the cost development as a whole. In conclusion these items are not recognized as intangible assets.

If the enterprise can not distinguish the two phases to create an intangible asset, it treats that expense of the project as if it were done only in the research phase.

Basically there are three possibilities of reporting changes in the value of intangible assets: depreciation, impairment and revaluation.

IAS no. 38 sets the benchmark treatment and alternate on the balance sheet valuation of intangible assets. In the cost model after initial recognition of an intangible asset shall be measured at its cost less any accumulated depreciation and less any loss depreciate. Reevaluation is an alternative treatment to estimate the value of intangible assets when the economy is affected by inflation. The entire class of intangible assets should be revalued simultaneously rejecting selective revaluation of values "resulting from the combination of costs and values" as at different dates. This model does not allow: revaluation of intangible assets that have not previously been recognized as assets; initial recognition of intangible assets at amounts other than cost. The model can be applied to an intangible asset that was received through a government grant and reputable nominal value. Reevaluation provides

that after the initial recognition of an intangible asset, to be presented at revalued amount based on fair value at the time of revaluation less accumulated depreciation and impairment losses. The fair value must be determined by reference to an active market.

3. Research hypotheses

Based on the above considerations, the questions from which I start to approach the research are "Does the accounting treatment of internally generated intangible assets affect the relevance of financial information?" and "Does the accounting treatment of internally generated intangible assets leads to a misallocation of resources?"

Most investment in intangibles are recorded as expences as soon as they are incurred (Galbreath & Galvin, 2006), according to the accounting treatment prescribed by IAS 38. On the other hand, the benefits of these investments are recorded later (Siegel & Borgia, 2007). As a result, the accounting principle of connecting expenses to income is severely biased and could unfavourably affect the value relevance of financial information (income, cash flows and the carrying amount). Given this problem, many researchers have tried to examine the association between financial information contained in the financial statements and market value using various valuation models of the company. In this context, Lev and Zarowin concluded, using a sample of US firms, that the usefulness of financial information to investors has dropped significantly in the last two decades (Baruch & Paul, 1999). The authors mention that the inability to recognize the intangible investment information as an assets, especially the intellectual capital of a company, as causing this loss in value relevance of financial information.

Other authors have also reported the existence of a decline in the financial result and value relevance of book values in explaining the market value of US companies. According to these authors, the decrease is related, in fact, to high costs associated with intangible investments. These intangible investments can not be capitalized and recorded as assets in the balance sheet, it is possible only recognize them as expenses. Thus, the impact on book value is negative (Zéghal & Maaloul, 2011).

In another study, conducted in Taiwan, Yao and Liang confirmed the results of previous studies, using a sample of Taiwanese high-tech companies. Indeed, their results show that traditional financial measures provided no significant explanatory power regarding the company's value (Liang & Yao, 2005).

However, there are papers which reject the hypothesis that intangibility reduces the value relevance of financial information. The obtained results support the idea that financial statements are less relevant for high-tech firms than for traditional companies (Zéghal & Maaloul, 2011). Likewise, other authors have shown that the relationship between market value and traditional financial variables differ in present period from the previous period, and the ability of financial variables traditional explain market value decreased for those firms that are new Economy.

Consequently we can say that the results of these studies are mixed. There is no uniform opinion on the relevance of financial information. The accounting treatment of internally generated intangible assets, coupled with an inefficient system of assessment has significant implications for companies, shareholders and society as a whole.

Intangible assets were subject to a survey by TNS Political & Social at the request of the European Commission - Directorate General for Enterprise and Industry, entitled "The investments in intangible: economic and innovation engine for growth" (2013). The study focused on the behavior of enterprises in investment in intangible assets. In this study they were examined issues such as intangible asset types that companies prefer to invest, financing - from internal resources or external sources, the reasons why companies invest in intangible assets, etc.

According to the study, company's priorities in terms of the intangible assets are customized IT solutions and services, reducing production costs, developing new products and services and increase labor productivity. In general the companies prefer to invest in internally generated intangible assets as the expense of acquired and the three activities that are most likely to be the subject of such investments are optimizing operating processes, staff training, company reputation and trademark development.

Considering that the most important share of investments in intangible assets is represented by the internally generated, companies can suffer a range of socio-economic consequences if they fail to provide adequate and relevant information for shareholders and potential investors. These consequences, such as information asymmetry, high cost of capital, high risk, lack of liquidity, can lead to misallocation of resources in the capital market. Moreover, financial accounting scientific literature acknowledged the existence of market imperfections due to information asymmetry. In this context, inaccurate reporting of intangible assets in the financial statements, in addition to their specificity for the company, creates high levels of asymmetric information between internal and external investors. Insider's investors generally hold the advantage of a plus of information regarding the company and intangible assets. This advantage allows them to make favorable adjustments in their portfolio at the expense of outside investors. Due to their disadvantage, foreign investors will demand, in general, a higher rate of return on invested capital. As a result of the inadequate accounting treatment of internally generated assets and the negative consequences that could result from this, international accounting bodies have made considerable efforts to improve the quality of accounting information. They designed models and guides for additional information to be reported in the notes to the financial statements. They have particular regard to non-financial reporting information related to intangible assets. A sensitive element from investment is the intangible costs of research and development (Michael & Mihalcic, 2011). Most Romanian companies believe that research and development is a key element of economic competitiveness, but, however, in the whole country, investments in R & D represent only 0.4% of GDP, the lowest rate in the 10 countries Central who participated in the study of CE Deloitte Corporate R & D Report 2014. According to the same study 71% of local companies said they plan to increase spending on research and development in the coming years. On the other hand according to data presented by the National Institute of Statistics, the GDP share allocation for R&D activity in 2014 was located at the lowest level since 2005, 0.38% of GDP. This value puts Romania in the last position of EU Member States and is far away from the 2% already achieved the European average. There is a major change to the business environment, where the interest for R&D is relatively small, but highly concentrated in a few areas such as automotive and IT sector.

Table no. 1 - Structure of expences for R&D component

Anul	2006	2007	2008	2009	2010	2011	2012	2013	2014
Share of GDP (%)	0,46	0,54	0,59	0,48	0,47	0,48	0,49	0,39	0,38
allocated amounts (mld lei)	1,57	2,18	2,51	2,36	2,41	2,79	2,36	2,46	2,55
Of which (%)									
Personnal	51,9	53,3	48,8	57,8	57,1	53,9	55,5	56,4	54,9
Material costs	24,8	21,2	26,1	19,3	15,6	15	12,5	11,7	12,6
Other costs	23,3	25,5	25,1	22,9	27,3	31,1	32	31	32,5

Source – <http://www.insse.ro/cms/ro/content/> activity of research and development

While the average amounts invested in research and development reach an average of 2% of GDP in the European Union (maximum 4% for Sweden and Finland), in Romania these are at around 0,3 - 0,4% a level equal to that of Poland and Slovakia and half of that of Hungary and the Czech Republic. The number of researchers in Romania was reduced

dramatically since 1990 and currently stands at barely a third of the EU average. The private sector performs modest in terms of innovations. The European Union still more than half of research and development contribution is given by private companies, while in Romania it is only 23%, mostly constituted by public funds.

Table no. 2 – Total expenditure in research and development, the finance and sector performance in 2014 (millions lei)

Source of funding \ Sector of performance	Total	Business sector	Government sector	Higher education sector	Private non benefit sector
TOTAL	2555,7	1059,4	1097,8	389,0	9,5
Companies	841,2	627,5	186,7	26,9	0,1
Public funds	1240,8	201,4	818,7	214,4	6,3
Privat - non-profit	2,4	0,2	0,6	1,0	0,6
Higher education	36,9	1,9	1,2	33,8	
Foreign	434,4	228,4	90,6	112,9	2,5

source – http://www.insse.ro/cms/ro/content/activity_of_research_and_development

After funding sources of total R & D expenses in 2014, public funds had the highest share (48.6%), followed by private funds – from the companies (32.9%).

4. Study on financial reporting of intangible assets by pharmaceutical companies listed on BSE

The pharmaceutical industry is a sector where R&D costs, intellectual property rights, regulation, procedure for authorizing medicinal products, etc. are very important elements. If the firm performs a new drug patent and its implications are significant for company value. In our approach, our objective was to analyse if the pharmaceutical sector companies listed on BSE comply with the minimum criteria on the inclusion of information in the notes of significant items related to intangible assets required by accounting regulations harmonized with IAS / IFRS. In order to grasp the practical issues on reporting intangible assets we analyzed the published financial statements, the notes and the auditors reports for Romanian listed pharmaceutical companies. The source of data is the information being published www.bvb.ro and individual sites companies. In Romania there are 170 companies active in the production of drugs. Of these only five are listed companies. The 5 companies which are the subject of the case study are: Zentiva, Antibiotice, Biofarm, Meduman and Sintofarm. These companies have as main activity is the manufacture of basic pharmaceutical products (CAEN 2110) and manufacture of pharmaceutical preparations.

Table no. 3 – Intangible assets reporting in annual financial statements (thousand euro)

Company	2014	2013	2012	2011	2010
Zentiva SA	135	81	94	167	111
Antibiotice SA	1.769	1.364	1.103	382	464
Biofarm SA	45	56	44	201	272
Meduman SA	242	243	245	281	338
Sintofarm SA	5	17	31	5	3

The highest values of the intangible assets they report company Antibiotice SA and lowest values are reported Sintofarm (table no. 3). The highest proportion of intangible assets to total assets are recorded Meduman SA (table no. 4).

Table no. 4 – The share of intangible assets in total assets reported (%)

Company	2014	2013	2012	2011	2010
Zentiva SA	0,16%	0,10%	0,13%	0,21%	0,12%
Antibiotice SA	1,57%	1,20%	0,95%	0,37%	0,51%
Biofarm SA	0,10%	0,12%	0,10%	0,47%	0,69%
Meduman SA	8,83%	10,66%	10,87%	11,73%	15,45%
Sintofarm SA	0,17%	0,60%	1,20%	0,21%	0,13%

In order to achieve the stated objectives, my goal was to find in the annual financial reports answers to following questions:

1. Does the company shows the movement of intangibles, both increases and decreases during the period, offering details for exynamics of intangible assets?
2. Does the entity discloses adjustments related to intangible assets impairment accompanied by a brief explanation of causes related?
3. Does the entity mentions the amortization method of intangible assets for each category?
4. Does the company disclose any details regarding the R & D?
5. Does the company gives details of intangible assets in progress?
6. Are the information on intangible assets are presented in the annual report, prepared in accordance with the regulation no. 1/2006 NSC?

Following the qualitative analysis carried out, we found that the information gathered shall be briefly presented, that does not follow the line drawn by IAS 38 and does not lead to comprehensive information to investors. For example, they are given information regarding the movements of intangible assets, gains and reduction, but without providing details on the dynamics and structure. I found no information regarding the adjustments for depreciation or amortization methods. There are offered minimal information on research and development. The companies included in Note 1 "assets" on the numerical data increases, disposals and transfers of intangible assets during the year, but the figures are rarely accompanied by explanations concerning transactions. Values shown are not explained or interpreted. Some companies mentioned in note "principles, policies and accounting methods" intangible items, specifying the method and amortization period. Similarly, for intangible assets in progress are offered values, but are not offered details on these items. Information on intangible assets in the annual report, prepared in accordance with provisions of the Regulation contains basic information and do not contain any information referitoare la intangibles. The research was qualitative in nature, based on empiric data recorded on a sample of five Romanian companies listed on the Bucharest Stock Exchange. Qualitative research side is the fact that the study is based on interpretation, explanation, understanding. In literature and quantitative models were developed to study intangible assets. These models resort to quantitative measurement, quantification, digital data of phenomena which will be studied.

Conclusion

Intangible assets are characterized by delicate issues on the assessment and recognition in the financial statements. As a result it was impossible to develop an overarching accounting standard. IAS 38 is an attempt to impose a uniform set of rules regarding intangible assets. IAS 38 imposes strict limits regarding certain assets, particularly internally generated. However the argument that it can not establish a relationship between the cost of the asset and future income streams is applicable to tangible assets. Exclusion rule is internally generated intangible assets and supersede the tests for recognition of these assets.

The issue of financial and non-financial reporting of intangible assets attracted the interest of many researchers worldwide. Unfortunately there is very little literature concerns about the financial and non-financial reporting of intangible assets by Romanian firms.

Future research directions will consider extending the analysis to a sample Romanian companies and identify factors that influence the amount of information published by the companies on the Romanian intangible assets.

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THE ANALYSIS OF THE FINANCIAL FLOWS RESULTING FROM PUBLIC SECTOR EXPENDITURES AND THEIR IMPACT ON ACCOUNTING

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Abstract

Incurring expenditures through the State Treasury, by public institutions, is carried out in two ways: by cashless payments, when the Treasury, based on the payment order issued by the authorizing officer, after the necessary checks have been conducted, orders payments from the institution's account to suppliers, service providers, etc., or in cash, when, at the request of that public institution, the Treasury issues the requested cash.

Keywords: *National Payments System, subsystem for bilateral netting of payments, subsystem for gross settlement, net settlement.*

1. Introduction

In accordance with the legal provisions in this field concerning the duties of the National Bank and the State Treasury, the general account of the Treasury is managed by the National Bank of Romania, in which context the operations carried out are subject to regulations imposed by the National Payments System, established by the Central Bank.

Within this system, called Return National Bank of Romania, operate six sub-systems of interbank transfers and settlements, operationally dependent but open, in principle, to the developments requested by a payment in progress, through which, in 1997, there have been settled intermediary, final and irrevocable payments and receipts worth 3.300.000 billion lei.

From the specialized literature, it results that out of the six sub-payment systems organized by the National Bank of Romania, two systems form the basis of the operations through the General Account of the State Treasury namely: the sub-system of bilateral netting, net settlement payments, referred to briefly (COBI) as of 03.04.1995, for the payments and receipts operations, regarding the consolidated general budget execution; and the gross settlement sub-system, at the end of the day, of the banking transactions, briefly called (DETI), for the receipts and payments operations concerning the issuance of government securities.

The main characteristics of the two sub-systems required for payment and receipts transactions of the State Treasury in the process of establishment and use of public funds are:

The sub-system of bilateral netting of payments with net settlement (COBI), means establishing some combinations of two participants for whom there are carried out transfers of funds, one of which is necessarily the National Bank of Romania and the second one, in our case, the State Treasury. The net settlement assumes determining the net debtor or creditor balance of operations, after compensation between the two partners was made.

2. The analysis of financial flows resulting from transfer payments and their representation in accounting

Cashless payments operations occupy a significant share in the Treasury's activity, as they are the main financial flow created during the implementation of the state budget, of

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the state and local social insurance budgets, of special funds and other extra-budgetary means.

The most complete definition of the National Payment System established by the Central Bank is given by Committee of Governors of the Central Banks of the Member States of the European Economic Community in E.C., Member States; in September 1992, thus: The bilateral netting system with net settlement is a system in which the bilateral net balances belong to each participant to a bilateral combination (n.r. funds transfer) and are settled only between its components. By bilateral net credit or debit balances, in a system of bilateral netting with net settlement, it means that the sum of all transfers of funds that a participant receives up to a point, from another participant, less the value of transfers that he makes himself to the same participant; if the amount is positive, the respective participant is in a net creditor position or if the amount is negative he is in a net debtor position towards the other participant, the net credit or debit balances thus calculated are called, at the time of settlement, the net balances to be settled.

This sub-system ensures:

- Regular issuance of banknotes and coins;
- Holding the general current account of the State Treasury;
- Conducting the operations of receipts and payments between banks.

The second sub-system of gross settlement, at the end of the day, for all banking transactions, (DETI), is used to conduct the financial investments of the State Treasury and it assumes that the final and irrevocable settlement of payments to be made only if in the accounts of the participants, at a certain moment during the day, there are available funds or guarantees. If affirmative, the final settlement takes place based on the aggregate gross, not as in the other sub-system described (C.O.B.I.). Otherwise, the payment is rejected and then accepted, on the principle "first in - first out".

This sub-system only works at the Central Bank level, through current accounts opened here by the Commercial Banks and the State Treasury compared to other sub-system (C.O.B.I.) which also works at the level of county branches of the National Bank of Romania, on the occasion of the execution of settlements in the current account of the county Treasuries and Bucharest Municipality.

The financial flows that arise on the occasion of carrying out such payments in the process of using public funds, by the public institutions, take place:

1. within the same Treasury, called internal settlements of the Treasury;
2. between the operational Treasuries within the county, called settlements in between Treasuries ;
3. Between the Treasuries in the county and the Commercial Banks, called interbank settlements of high or low value
4. between the operational Treasuries in the country, called settlements in between Treasuries;

With the exception of flows within the same operational Treasury, in achieving the payment flows, also participates the County Department of Treasury, operating the payments in the debit of the correspondent account of the paying Treasury, through the correspondent account of the beneficiary Treasury and the account "settlements with the National Bank in initiated transactions" for payments to Commercial Banks and Treasuries from other counties.

Cash payments shall be made using the payment order prepared by the paying public institution, that they show to the Treasury it serves. The exceptions are the refunds of budget revenues for which the payment order is drawn up and signed by the staff of the Treasury that makes the refund. This should contain all the data related to the identification of the paying institution, fiscal code, beneficiary of the amount, the amount, payee's bank,

the subject of payment, documents underlying this settlement as well as authorized signatures.

Filling the payment order with the above data, is verified both by the Treasury operative staff and by the staff in the current account management department within the county Treasury Department, because there cannot be released into the banking circuit improperly completed documents.

After presenting the payment order, the validation compartment within the operational Treasury analyzes the classification of the payment in the level of available budgetary credits or in the amount of the available funds account balance, from where the payment is made, and after it is accepted for payment it is operated in the indicated expenses account, by notifying the registration date, its copies being placed in accordance with the law.

1. The financial flows and their impact on the accounts determined by the payments by transfer between public institutions within the same Treasury.

The most complex financial flows determined by payments by the correspondents of the State Treasury occur within a municipal operative Treasury, county headquarters; therefore we propose for exemplification such unity. Within this unit there can be made payments that determine the following financial flows:

- within the same budget;
- between budgets;
- between budget funds, on one hand and special-purpose funds and extra-budgetary resources, on the other hand.

The financial flows, listed above, are determined exclusively by the payments that occur between the public institutions funded by the budget, or in between these, on one hand, and the public institutions financed from special funds or extra-budgetary means, on the other hand. In other words, the financial flows of this type are the result of the relationships that are established between the correspondents of the Treasury, is all those who have accounts with the Municipal Treasury and are the beneficiaries of its services.

Following the change of the financing system of health actions in an attempt to reduce the budgetary effort at the expense of special funds, there have been settled regular financial streams which have, as a starting point, the public institutions or the Treasury correspondents, through contributions to social health insurance, beneficiary is the Health Insurance, a self-financed public institution. Notable that in the case of these flows, along with the registration of the cash payments in the expense accounts of the paying public institutions from the Treasury's accounts, it also takes place the highlighting of the process of establishment of the public resources on behalf of these institutions, for the special funds budget of "social health insurance".

In other words, these financial flows determined by payments between the public institutions financed from public funds or between these and the self-financing public institutions do not alter the balance of the total resources of the Treasury, but translocate the resources from a budget or multiple budgets in that of "social health insurance".

▪ The financial flows and their impact on accounting determined by cashless payments between the public institutions that have accounts with different operative Treasuries, but within the same county

The flows of this type that are created by non-cash payments occurring between the public institutions within the same county, in relation to some deliveries of materials, providing services or transfer to the municipal Treasury, the county seat, of the amounts for the establishment of funds with special destination, from the public institutions served, on this occasion, there can be created flows that occur within the same budget, between the

budgets constituted from the budgetary funds, or among all of them, on one hand, and the special funds, on the other hand.

Therefore, in these cases, the financial flows, that occur during these payments between the public budgetary institutions and the non budgetary ones, located in different places within the county, do not modify the County Treasury funds. They can only make changes in their structure, when there are financial flows between budgets or between them and the special funds and the extra-budgetary resources.

▪ ***The financial flows and their impact on accounting, determined by non-cash payments, that occur between the public institutions and businesses.***

The largest payments performed by the public institutions are the ones made towards commercial companies, businesses on whose behalf they are beneficiaries of material values, services etc. This type of payments have as a starting point the Treasury, where they have opened expenses accounts, the public institutions or the Treasury's correspondents, then the current account of the Treasury from the National Bank of Romania and furthermore towards the system of the Commercial Banks where the recipients of payments have constituted their deposits. Outside the public institutions that make payments through Treasuries, there can be also found autonomous national or local administrations beneficiary of some budget funds or even commercial companies after the latest regulations in the field.

As in the case of the immobilizing of funds determined by the payment of taxes by economic agents, when public funds are found on flow a significant number of days, in the same situation are the amounts taken over by the Treasury from the component accounts of the general consolidated budget, for the payments ordered by the public institutions, which now do the reverse route to economic agents.

This void of public resources, determined by the interbank circuit is created due to the difference in time between the moment of operating the payments in the budget accounts (State budget etc.) arranged by the public institutions, the moment of their actual recording in the current account of the Treasury with the National Bank of Romania, and further to the interbanking flow National Bank of Romania - Commercial Bank branch in question - Commercial Bank Subsidiary where the economic agent has an account opened.

For the registration of a part of these assets, determined by the completion of payment documents on the route of the county Treasury – the National Bank of Romania, in the accounting of the county Treasury operates the account "Settlements on initiated payments" whose balance highlights the documents not operated yet, on the current account credit of the Treasury at the National Bank of Romania, but highlighted from an outflow of resources from the budgets through which are financed the public institutions concerned.

▪ ***The financial flows and their impact on the accounts determined by the payments that occur between public institutions located in different counties.***

Cashless transactions between public institutions belonging to the Treasuries located in different counties are rare and they usually concern payments for deliveries of materials, possible services, but more frequently are those caused by transfers of funds concerning customs warehouses etc.

The financial flows determined by such payments change the balances of the financial resources of County Treasuries by reducing those from the Treasury of the county that pays and increasing the resources of the beneficiary county Treasury. Overall, the resources of the Treasury, at "national" level, the situation remains unchanged, there may possibly occur also in this case, changes in the Treasury Resource structure, on the component budgets of the general consolidated budget.

In some cases, the financial flows determined by the payments of public institutions towards others from different counties, overlap with the financial flows leading to the establishment of public resources in the beneficiary Treasuries which we have referred to in the respective chapter, for which reason we consider that it is no longer necessary to return with more details on them.

3. The analysis of the financial flows determined by cash payments and their representation in accounting

In the current system of payments, the cash represents the most reliable currency category by means of which the debtors settle their obligations towards their creditors, nevertheless, in the developed countries, the tendency in this direction is irrevocable, in order to replace the cash, even in the case of small payments. Moreover, based on the achievements in computer technology, also the current transactions, settled by the cashless payments system on paper will soon transform in fully computerized transactions.

With all the existing tendency worldwide, in this field, Romania today is a society dominated by cash, huge amounts of cash circulating from the population to the banking system and conversely, where we include the State Treasury and between these (Commercial Banks + Treasury) and the National Bank of Romania, due to this fact, outside the banking system, remain significant amounts of cash, which makes a lot more difficult the decision making process, concerning the regulation of money supply.

We consider that the Romanian authorities in the field, have achieved little in this respect, the beginning of this action being, maybe, the payment of wages in personal accounts, opened at Savings Bank units or at Commercial Banks. From these deposits, then, being able to make cashless payments towards the service providers, public sectors of the population, tax payments to the budget etc.

The releases of cash, performed by the Treasury's operating units, are determined, especially by the public sector wage payment and to a lesser extent for small payments by the public institutions through their own cash offices, regarding purchases of materials, services etc.

The releases of cash by public institutions served by Treasury units that do not have organized cash offices is done based on county Treasury mandate by a Commercial Bank agreed on, usually from the operative Treasury's town, and in exchange, the Treasury transfers to the respective Bank the cash accounted for (scriptural).

The simple cash release, by the operative Treasury to the respective public institutions

does not immediately require an expense, although in the Treasury accounting this cash transaction release appears as an "expense" to the budget from which the amount is released.

Cash releases to the public institutions or its correspondents lowers the total resources of State Treasury, with the actual nomination of these decreases on budgets composing the general consolidated budget, but still to this moment, the event does not mean an expense for the state budget as the Treasury accounting suggests. These resource reductions of the State Treasury determined by cash releases usually occur without transactions through the General Account of the Treasury with the National Bank of Romania. Only in the event that the volume of these requests for cash withdrawal exceeds the cash available in the cash office of the Treasury, the treasuries are required to appeal to the National Bank of Romania to procure the difference in cash, in which case, for these additional amounts of cash, appear also the debiting operations of the Treasury account with the National Bank of Romania for the cash withdrawals in question.

Taking as example the practices in developed countries, where the Treasuries are more involved in the monetary policies of the state, with favorable consequences on supporting the national currency, it should be done also for our country, through:

- correlating and managing the Treasury's activities in the process of establishing the resources, especially the short term ones, emphasizing from one stage to another the cash or cashless ones;
- the right of the Treasury to hold currency in the account because, if necessary, for the national currency, to be able to carry out interventions on the currency market;
- the right of physical and legal persons to hold bank deposits at the Treasury, to which we have referred before, from which to be able to conduct transactions without cash, would be an important means of attracting cash from circulation etc.

For the actual release of cash, the public institutions or correspondents present to the operative Treasuries the required documents for such operations (Check cash etc.). We will not go into details concerning checks and formalities to be fulfilled on this occasion, we only mention the fact that, in this situation, issuing currency, which for the Treasury represents a "cash pay", its authorities must conduct a thorough check of the existence of credits opened in the case of the state budget and the state social insurance budget and of the availability of resources – funds, in the case of local budgets, special purpose funds and the extra-budgetary means.

In order to exercise a more rigorous control over the progression of the operations of payments and receipts, although the rules on the organization of this activity in the Treasury does not regulate in a certain way how to proceed, we believe that in between the cash receipts, on one hand, and the cash payments, on the other hand, there must be a clear demarcation of the cash flow in order to avoid the possibility of mixing its two streams. Both receipts per / total, as well as the payments as a whole to have a direct connection only with the treasury cashier.

The requests for cash from the public institutions served by the Treasuries that do not have cash payments desks are solved by the Commercial Banks approved by the County Treasury Departments. In the case of these cash releases, the verification of documents is carried out by the operative Treasury, where the public institution in question has opened the account, after that, these are transmitted to the Commercial Bank for the release of cash.

The consequence of the cash activities, carried out by the State Treasury and each bank with its customers, results in deposit transactions, with the National Bank of Romania, of cash in local currency, when there are exceeded the limits set by the National Bank of Romania on one hand and, on the other hand, operations of withdrawal from the National Bank of Romania, in the case of insufficiency to make payments to their clients. Both deposit and withdrawal operations also generate cashless flows in the case of deposits, by crediting transactions of the State Treasury and the Bank's accounts, or of withdrawal, by debiting the same accounts.

In this process we also appreciate that, as the Central Banks in the developed countries proceed in implementing their monetary policies, to be possible for the National Bank of Romania to be able to put up for sale bonds that it keeps in its own assets, in exchange for cash equivalent amounts, but for this, it is necessary for the Romanian authorities to organize more appropriately the secondary markets of capital, where these could be traded.

4.Conclusions

The evolution of the payment systems through the State Treasury is closely related to the historical evolution of this institution and, certainly, with the progress in informatics, of

the technology of the actual payment instruments and by new means and ways of transferring financial funds related to financial obligations between business partners.

We consider that the sub-system of payments that uses the net settlement will have to be maintained and developed under the conditions in which it is expected that, as "the banking culture" will penetrate deeper and stronger among individuals, it will increase the number and volume of individuals' deposits at banks and hence the need for cashless payments from these deposits.

A decisive step, that should be made by the State Treasury on the path of improving its payment system within its units is the development of a mechanism allowing the transfer of payments and receipts operations between the County Treasuries, and between these and the Central Treasury. The transfer of counties payment transactions, between the territorial units of the State Treasury, to be achieved by avoiding the accounting records in the current accounts of the county Treasuries, at the branches of the National Bank of Romania, the purpose of these operations following to materialize only through the general account of the State Treasury opened at the Romanian National Bank.

The introduction of a payment system more or less perfected, depends, however, largely by the investment opportunities that the Central Bank has and the entire banking system, which does not exclude the State Treasury.

We consider that the decisive and immediate step to be made by the Romanian authorities and all those involved (the Central Bank, the State Treasury and The banks) in this area, is the reform in the cash payments field, by reducing operations of extinguishing obligations this way. It must be introduced "the banking culture" as stated by Mariana Diaconescu and Vasile Savoiu, in their work to which we have referred constantly, in all environments, and especially among the population, to make it understand the advantages of cashless payments, and even if this process would temporarily lead to the dissolution of significant work places within the State Treasury and the Bank, would have multiple benefits for the entire economy, whose beneficiaries, ultimately, would be also the individuals restructured and directed for other specialties.

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POPULATION WEALTH. DYNAMICS AND STRUCTURES

Marius Gust¹

Abstract: *Population is a major player in the structure of market economy. A part of its role in economic relations can be regarded through its total or net wealth and wealth structure, and also through the debts it accumulates. In Romania over the last decade, the overall economic dynamics has marked net wealth, total wealth, debts and their components. Statistics reveal major increases of the above-mentioned categories but unfortunately they have been partly erased by the financial crisis. One can also note the large share of real estate assets in the structure of the population's wealth maintained at a lower level, though, i.e. a low level of wealth liquidity. At the level of financial assets in recent years, with a higher share of total assets, one can notice the dependence on high volatility securities which induces this feature into total assets, too. At the level of debts, although their total volume remains relatively low in size, structural changes can be seen towards decreasing the debts generated by consumer loans and, in return, an increase in financial debts due to mortgage loans.*

Keywords: *balance household, net wealth, financial assets, real estate.*

JEL Classification: G12, M59.

1. Introduction

Population plays an important role in economy, not only as suppliers of work resources or consumers of gross domestic product, but also as owner of material assets and also as investor, thus owner of financial assets. Also, a great part of debt in economy is owned by the population.

Table no. 1. Model of household balance sheet

Balance sheet for Households	
1	Total assets (= 2 + 3)
2	Nonfinancial assets (= 3 + 4)
3	Residential and commercial real estate
4	Other
5	Financial assets (= 6+7+8+9+10)
6	Currency and deposits
7	Debt securities
8	Shares and other equity
9	Financial derivatives
10	Other assets
11	Liabilities (= 14 + 15)
12	Loans
13	Other liabilities
14	Debt (= 12 + 13)
15	Financial derivatives
16	Net worth (1 - 11)
17	Balance sheet total (= 11 + 16 = 1)

Source: IMF, Financial Soundness Indicators: Compilation Guide, 2006, www.imf.org, section "Publications"

Economic growth registered by Romania in the last decade has also made its mark on population wealth. Thus immovable assets have experienced a series of fluctuations after the year 2000, either because of the real estate boom after 2005, which upped the value of

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these goods, or, since 2008, because of decreases of prices on the real estate market, who depreciated this component of assets. Also, the financial assets of the household knew, on the one hand, price changes, but on the other hand, a number of adjustments in economic behavior of individuals, also led to a series of structural changes. Finally, the credit boom, which resulted in public debt led to adjustments in household net wealth.

As at the level of enterprises, their heritage is represented through a balance sheet, at the population level assets, claims and debts held by it can be represented by a balance sheet.

In order to represent the population wealth IMF recommends a balance sheet as in Table 1 (IMF, 2006).

2. Methodology

Evaluation of population wealth is a rather difficult mission. A series of components of population wealth assume complex operations of value assessment, especially, real estate wealth or the position „other nonfinancial assets”. In the absence of statistical information on population wealth and its components, this analysis is based on published values, usually annually by the National Bank of Romania, in particular the reports on financial stability. Much of the data used should be reviewed critically, as there are no publications that provide alternative information.

Initially, in 2005, NBR, for estimating real estate wealth of the population (the determination of prices of housing) used the method of updating annual flows of income made from property (rents) starting from „guidebooks with guide prices of real estate made by the expert evaluators for notarial use” (NBR, 2006 and Neagu F. & Mărgărit. A., 2005), because since 2008, the NBR to use to estimate the value of real estate assets "data provided by the Chambers of Public Notaries on standard three rooms apartment and price per square meter of rural housing"(NBR 2008). Similarly, assessing the value of financial assets was made by the NBR based on information from "national financial accounts", through taking into account the holdings of unlisted shares (NBR 2007).

3. Dynamics of net assets, net financial assets and real estate assets

Net wealth of households rose from 171 billion lei (current prices) in 2002 to 917 billion lei in mid 2015. So an increase of more than 5 times. At the level of main components, net financial assets increased from 50 billion lei to 338 billion, or more than 5 times, and the real estate assets from 121 billion lei to 578 billion lei, about 4.5 times. The largest percentage increases were recorded between 2004 and 2007, on average 40% annually due to higher prices at the level of financial assets, but especially in the real estate goods. The years of crisis have strongly eroded the value of population wealth. Regression was more pronounced at the level of net financial assets, which, in two years (2008 and 2009), have halved their value, from a peak of 252 billion lei in 2007 to 126 billion lei in 2009, while the value of real estate assets owned by the population decreased by about 40% and regression manifested on a much longer period of about 5 years (from a maximum of approx. 950 billion lei in 2007 to 550 billion lei in 2012).

The analyzed decade has also brought changes to the structure of household net wealth. Thus, if initially in 2002, the ratio of net financial assets and real estate assets was 30-70%, the crisis, a strong decrease of the value of financial assets and strong household indebtedness changed the ratio to 15-85%, for recent years to balance the situation, particularly due to the rapid recovery of financial wealth (due to indebtedness stability, increase of deposits and holdings of other securities), the proportion reaching nearly 40-60%.

A better perception of the value of the population wealth we can get by reporting it to GDP or converting it into euro. Thus, as a share of GDP, total net wealth increased on the whole range with just 15% from 112% of GDP in Romania, to just 129%, although at the onset of the crisis in 2007 almost reached a multiple of three times national GDP. Real estate wealth remained almost stable, 79% of GDP in 2002, 81% of GDP in mid-2015, although in 2007 it was 2.2 times higher than GDP. Financial net assets were the only that visibly rose by almost half from about 33% of GDP in 2002 to 47-48% of GDP in 2015, although in 2007 they represented 60% of Romania's GDP. But if we convert that wealth into euro, significant increases are noted at the level of all components. Thus, if we compare the end lines, net assets and financial net wealth grow four times and immovable assets three times though also here is remarkable the erosive effect of the crisis remarkable and the processes that accompanied it.

Table. 2. Dynamics of households' net wealth

Indicator	MU	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	T2 2015
Net financial assets	billion. lei	50	60	89	122	178	252	188	126	140	155	207	298	319	338
Real estate assets		121	206	293	431	636	948	835	704	624	554	550	553	560	578
Net wealth		171	266	382	553	814	1200	1023	830	764	709	758	851	879	917
Net financial assets	Annual growth - %	-	20	47	37	46	42	-26	-33	11	11	34	44	7	6
Real estate assets		-	71	42	47	47	49	-12	-16	-11	-11	-1	0	1	3
Net wealth		-	56	43	45	47	48	-15	-19	-8	-7	7	12	3	4
Net financial assets	structure- %	29	23	23	22	22	21	18	15	18	22	27	35	36	37
Real estate assets		71	77	77	78	78	79	82	85	82	78	73	65	64	63
Net wealth		100	100	100	100	100	100	100	100	100	100	100	100	100	100
GDP billion. lei		153	199	249	290	347	418	524	511	534	565	595	637	668	713
Net financial assets	Share inGDP %	33	30	36	42	51	60	36	25	26	27	35	47	48	47
Real estate assets		79	104	118	149	183	227	159	138	117	98	92	87	84	81
Net wealth		112	134	154	190	234	287	195	163	143	125	127	133	132	129
Annual average rate lei/euro		3,13	3,76	4,05	3,62	3,52	3,34	3,68	4,24	4,21	4,24	4,46	4,42	4,44	4,45
Net financial assets	Equiv. euro (billion)	16	16	22	34	50	76	51	30	33	37	47	67	72	76
Real estate assets		39	55	72	119	180	284	227	166	148	131	123	125	126	130
Net wealth		55	71	94	153	231	360	278	196	181	167	170	193	198	206
Population mil.		21,7	21,6	21,5	21,4	21,3	21,1	20,6	20,4	20,3	20,2	20,1	20,0	19,9	19,9
Net financial assets	thousand lei	2,3	2,8	4,1	5,7	8,4	11,9	9,1	6,2	6,9	7,7	10,3	14,9	16,0	17,0
Real estate assets		5,6	9,5	13,6	20,2	29,9	44,9	40,5	34,4	30,8	27,4	27,4	27,6	28,1	29,1
Net wealth		7,9	12,3	17,7	25,9	38,3	56,8	49,6	40,6	37,6	35,1	37,7	42,5	44,1	46,1
Net financial assets	equivalent euro (thousand)	0,74	0,74	1,02	1,57	2,38	3,58	2,47	1,46	1,63	1,81	2,31	3,37	3,6	3,83
Real estate assets		1,78	2,54	3,36	5,57	8,49	13,4	11	8,13	7,31	6,47	6,15	6,25	6,32	6,55
Net wealth		2,52	3,28	4,38	7,14	10,9	17	13,5	9,58	8,94	8,28	8,46	9,62	9,92	10,4

Source: National Bank of Romania, Financial Stability Report, April 2016 and author's calculations

Average net wealth per person increases by 5 times, from 8000-46000 lei, between 2002 and 2015, reaching a maximum of 57 thousand in 2007 or in euro from 2,5 thousand euro to over 10 thousand euro. Also an increase of approx. 5 times undergo the real estate assets from 5,6 thousand to 29 thousand lei (or, in euro, from less than 2000 to 6500 euro). Financial net assets grow by about 7.5 times from 2300 to 17000 lei (or in euro, from less than one thousand euro to almost 4000 euro).

The bottom line, in terms of total net assets is that the population has a wealth of high potential of fluctuation, very dependent on phenomena and processes in the economy has a high degree of immobilization, of approximately two thirds and, in time, the liquid component (financial assets) record an improvement.

4. Structure of financial assets

The most important component of financial assets held by the population were and are bank deposits. Although they increased in absolute terms by about 50 billion (from 99 billion to 144 billion lei), as a share of total financial assets they have reduced their share from about 54% to 44%. As a share of GDP, deposit holdings remained at a fifth of it.

Table 3. Dynamics of households' financial wealth

Year	Cash	Deposits	Debt instruments	Insurances	Pensions	Liquid shares	Listed shares	Unlisted shares	Total Financial assets
Absolute values-billion lei									
2009	17,9	98,7	0,9	6,2	2,6	6,8	6,9	43,4	183,5
2010	20,1	105,4	1,7	6,9	4,7	8,2	6,0	73,7	226,8
2011	23,5	114,1	3,8	7,5	6,9	9,2	9,3	75,5	249,7
2012	22,3	123,6	4,3	8,4	10,2	16,2	12,2	92,5	289,7
2013	25,2	132,3	3,6	8,9	14,8	18,9	7,3	85,0	295,9
2014	27,8	139,6	7,5	9,0	20,2	22,1	8,1	76,4	310,5
2015T3	31,1	143,5	8,4	8,3	24,3	21,6	5,1	81,0	323,2
structure-%									
2009	9,8	53,8	0,5	3,4	1,4	3,7	3,8	23,7	100,0
2010	8,9	46,5	0,8	3,0	2,1	3,6	2,7	32,5	100,0
2011	9,4	45,7	1,5	3,0	2,7	3,7	3,7	30,2	100,0
2012	7,7	42,7	1,5	2,9	3,5	5,6	4,2	31,9	100,0
2013	8,5	44,7	1,2	3,0	5,0	6,4	2,5	28,7	100,0
2014	8,9	44,9	2,4	2,9	6,5	7,1	2,6	24,6	100,0
2015T3	9,6	44,4	2,6	2,6	7,5	6,7	1,6	25,0	100,0
Annual growth-%									
2010	12,3	6,7	100,1	10,8	80,0	20,1	-13,1	69,8	23,6
2011	16,8	8,2	121,0	9,0	47,0	11,4	54,0	2,4	10,1
2012	-5,2	8,4	13,2	11,3	49,4	76,8	31,7	22,5	16,0
2013	13,1	7,0	-15,8	6,5	44,1	16,6	-40,5	-8,1	2,1
2014	10,2	5,5	106,7	0,8	36,7	17,4	11,2	-10,1	5,0
2015T3	12,1	2,8	12,2	-7,1	20,3	-2,5	-36,8	6,0	4,1
Share in GDP-%									
2009	3,5	19,3	0,2	1,2	0,5	1,3	1,4	8,5	35,9
2010	3,8	19,7	0,3	1,3	0,9	1,5	1,1	13,8	42,5
2011	4,2	20,2	0,7	1,3	1,2	1,6	1,6	13,4	44,2
2012	3,7	20,8	0,7	1,4	1,7	2,7	2,1	15,5	48,7
2013	4,0	20,8	0,6	1,4	2,3	3,0	1,1	13,3	46,4
2014	4,2	20,9	1,1	1,3	3,0	3,3	1,2	11,4	46,5
2015T3	4,4	20,1	1,2	1,2	3,4	3,0	0,7	11,4	45,3

Source: National Bank, Financial Stability Report, April 2016 and author's calculations

The second component is the financial securities: debt securities (bonds) and stocks. Bonds and stocks owned by the population had a value of about 58 billion lei in 2009 and reach 116 billion in 2015. As a share, in total, growth is much more modest from about 32 to 38%. However, it should be noted that most of the population securities holdings are illiquid, coming in the form of unlisted shares (about 70% of the total). As a share of GDP securities held by the population grow from 11% to 15% of GDP.

The largest increase was registered by the population assets owned by private pension funds as a result of the binding nature which these investments have. Between

2009 and 2015 they increased 10 times, from 2 billion to 24 billion lei, and as a share of financial assets from 1.5% to 7.5%.

Cash, possession with the highest liquidity has increased also, from 18 to 31 billion between 2009 and 2015, although as a share both in total financial assets and GDP were relatively stable (fluctuations around 9% of total financial assets and around 4% to GDP).

Insurance, represented particularly by holdings of securities afferent to mathematical reserves for life insurance, are a negligible component, although they increased by 2 billion from 6 billion lei in 2009 to 8 billion in 2015, yet they represent about 3% of total financial assets and little over 1% of GDP.

The bottom line in terms of financial assets held by the population, is that banks are the main source of liquidity for the population that elements with high liquidity (securities, deposits, liquid stocks) increased from 123 billion lei in 2009 to approx. 200 billion lei, although as a share they reduced from 67% to 60%. So a relatively good liquidity, although declining and relatively low risk, due to banking exposure, basically guaranteed up to levels of 100 thousand euro.

5. The financial liabilities of the population and their structure

In the past decade, population debt to credit institutions and to NBFIs tripled from 40 billion in 2006 to over 120 billion in 2015. However, the largest increases occurred in the boom period of retail loan, before the crisis of 2008. After this year increases were very low (of 0, or, at most, 1%) or even, in two years (2009 and 2012) negative. Larger increases, of 7-8 percent, occurred in 2010 at the debut of the program "First Home", respectively, in 2015, based on the acceleration of lending process due to expectations that with the adoption of the put into payment law, market credit will be blocked.

Most of indebtedness comes from banks. Initially, at the beginning of the review period, banks were the only "official" provider of debt of the population, so that in the last year of the period under review it provided under 88% of the population loans. Since 2007, following the adoption of the legislation allowing NBFIs to function in Romania and their inclusion in the area of supervision of NBR, the credit provided by them measured a maximum of 7-9% of population loans, but the crisis has wiped off a few percentages of this value. Since 2010 in the portfolio of financial liabilities of the population appear also credits divested by banks, and not only, to recovery institutions (with low share of 5% in 2015) and in 2014 and 2015, loans written off by banks, as a result of the loss attribute of this funding.

A significant structure change should be noticed at the level of financial liabilities of the population. Thus, at the beginning of the period under analysis, more than 80% of loans were destined for consumption and less than 20% aimed real estate investments, in 2015 consumer credit falls below 50% and the mortgage exceeds 40%. To be mentioned that after 2008, the beginning of the crisis, mortgage lending was the one who supported the positive dynamics of lending to households, given that consumer credit showed negative dynamics. Interestingly, in the last year, at the level of indebtedness to NBFIs, the situation is different, here consumer credit increasing and mortgage decreasing. The explanation for this evolution (indebtedness of last year to NBFIs) is that lending terms of consumption for the population of NBFIs were more favorable compared to those from banks and for mortgage credit granted by NBFIs, the fact that they did not operate a program like "First Home", or in other words, NBFIs having more restrictive conditions, or without facilities, as the banks.

Structure change has important effects on population wealth. Consumer credit has an almost reduced impact on the wealth of the population and, even under the effects of increasing wealth, it should be noted that non - real estate goods depreciate and get

outdated quickly, that is why they must be replaced, so they disappear from the population wealth. While, the credit for real estate investments, although it affects the balance sheet of the population for much longer periods of time, through indebtedness, it leads to increasing population wealth, because it materializes in real estate assets, which usually have periods of use of several decades. In addition, real estate retain better their value over time (excluding periods of boom) and lead to a flattening of the risks which affect the population, allowing access to indebtedness, an a better supportability of it.

Table. 4. Dynamics of households' financial debt

Year	Consumer loan CI	Mortgage CI	Consumer loan NBFIs	Mortgage NBFIs	Divested loans ballance-consumer	Divested loans ballance - mortgage	Written off loans	Total debt
Absolute values - billion lei								
2006	34,8	8,4	0,0	0,0	0,0	0,0	0,0	43,3
2007	57,3	14,2	5,5	0,6	0,0	0,0	0,0	77,6
2008	78,3	20,9	6,6	1,7	0,0	0,0	0,0	107,5
2009	76,0	24,2	5,7	0,4	0,0	0,0	0,0	106,4
2010	73,2	28,9	5,3	0,4	5,0	2,4	0,0	115,2
2011	70,9	33,4	4,8	0,4	4,5	2,0	0,0	116,0
2012	67,4	37,1	4,8	0,5	4,4	1,9	0,0	115,9
2013	62,4	40,8	5,3	0,5	4,0	1,7	0,0	114,7
2014	57,4	44,7	5,0	0,2	2,6	1,8	3,1	114,8
2015	56,0	52,0	5,2	0,2	2,8	2,6	4,1	122,8
Yearly growths - %								
2007	64,5	68,9	-	-	-	-	-	79,4
2008	36,6	47,2	21,5	169,8	-	-	-	38,6
2009	-3,0	16,0	-13,5	-75,4	-	-	-	-1,1
2010	-3,7	19,4	-8,3	6,1	-	-	-	8,3
2011	-3,1	15,3	-8,1	0,6	-10,5	-17,1	-	0,7
2012	-4,9	11,0	-1,4	3,5	-1,7	-6,3	-	0,0
2013	-7,4	10,2	12,0	6,1	-9,7	-9,2	-	-1,0
2014	-8,1	9,6	-6,8	-55,6	-35,1	9,3	-	0,1
2015	-2,4	16,1	4,4	-13,4	8,0	39,9	32,7	7,0
structure - %								
2006	80,6	19,4	0,0	0,0	0,0	0,0	0,0	100,0
2007	73,9	18,3	7,0	0,8	0,0	0,0	0,0	100,0
2008	72,8	19,4	6,2	1,6	0,0	0,0	0,0	100,0
2009	71,4	22,8	5,4	0,4	0,0	0,0	0,0	100,0
2010	63,5	25,1	4,6	0,4	4,3	2,1	0,0	100,0
2011	61,1	28,8	4,2	0,4	3,9	1,7	0,0	100,0
2012	58,1	32,0	4,1	0,4	3,8	1,6	0,0	100,0
2013	54,4	35,6	4,7	0,4	3,5	1,5	0,0	100,0
2014	50,0	39,0	4,3	0,2	2,2	1,6	2,7	100,0
2015	45,6	42,3	4,2	0,2	2,3	2,1	3,3	100,0
Shares in GDP - %								
2006	10,0	2,4	0,0	0,0	0,0	0,0	0,0	12,5
2007	13,7	3,4	1,3	0,2	0,0	0,0	0,0	18,6
2008	14,9	4,0	1,3	0,3	0,0	0,0	0,0	20,5
2009	14,9	4,7	1,1	0,1	0,0	0,0	0,0	20,8
2010	13,7	5,4	1,0	0,1	0,9	0,4	0,0	21,6
2011	12,5	5,9	0,9	0,1	0,8	0,4	0,0	20,5

Year	Consumer loan CI	Mortgage CI	Consumer loan NBFIs	Mortgage NBFIs	Divested loans ballance-consumer	Divested loans ballance - mortgage	Written off loans	Total debt
2012	11,3	6,2	0,8	0,1	0,7	0,3	0,0	19,5
2013	9,8	6,4	0,8	0,1	0,6	0,3	0,0	18,0
2014	8,6	6,7	0,7	0,0	0,4	0,3	0,5	17,2
2015	7,9	7,3	0,7	0,0	0,4	0,4	0,6	17,2

Source: National Bank, Financial Stability Report, April 2016 and author's calculations

For an economy where in 1990, the population could contract financial loans only from the network of credit unions and the MHH (Mutual Help House), which inherently had, as a total, a very small value, being neglected by statistics, to reach in 26 years a volume of 120 billion lei is a huge progress. However, if we compare households' financial debt to annual GDP, the progress is not so great. Thus, for the period under review, growth of households' financial debt is relatively modest, from 12% in 2006 to 17% in 2015, the maximum value, occurring in 2010, approx. 22%. As a share of GDP, debt to NBFIs does not exceed 1%, and loans transferred to the recovery institutions and those written off from the balance sheet of banks, currently 1.5%.

6. Conclusions

Net wealth of the population has increased from 171 billion lei (current prices) in 2002 to 917 billion lei in mid 2015. So an increase of more than 5 times. Unfortunately, given the structure of populations' net wealth, it has a wealth with a high degree of immobilization, of about two-thirds, although in recent years the liquid component (financial assets) have registered an improvement.

Regarding financial assets held by the population, the conclusion is that elements with high liquidity (securities, deposits, liquid stocks) increased from 123 billion lei in 2009 to around 200 billion lei, although that as a share they reduce from 67% to 60%. So a relatively good liquidity, although declining.

Finally, the financial indebtedness of the population, although consistent as a nominal value, still has a modest share as percentage of GDP. This indebtedness is dominantly debt to banks, so the risk of ill-payment will be mostly borne by banks. If initially population indebtedness was due to consumption, the effects being minor on population wealth, because consumer goods wear out physically and morally quickly, currently in population indebtedness is increasingly the effect of acquisition of real estate, which lead to increased real estate wealth of the population and reduce potential risks attached to the debtor position of the population.

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SIZES OF ROMANIAN ECONOMY'S NON-PERFORMANCE

Marius Gust¹

Abstract: *Although economic and financial indicators show a relatively good situation at national economy level, however there is a number of tensions at microeconomic level. A profoundly negative issue is the size of losses reported by many Romanian enterprises that largely cancel the profits generated by the other economy, namely sound businesses. Losses are distributed in different shares both at corporate and SME levels, both in public and private companies. In recent years, after the onset of the crisis, the total amount of losses has annually exceeded 40 billion, meaning between 7 and 10% of the national GDP. The negative character of losses in more than a third of Romanian companies along with over 10% of companies with zero outcomes, beyond the idea that almost half of the economy "is not working", with such enterprises that have failed the objective which they have entered the market for, that is making profit, also means a reduction of the GDP, a contamination of sound businesses by non-performance, lower budget revenues and expenditures, a lower potential GDP.*

Keywords: *loss, profit, net income, companies.*

JEL Classification: M21, G32, the article is classified according to JEL (Journal of Economic Literature) specifying the relevant category code, the article could be fitted in one category or more (max 3), as applicable.

1. Introduction

In recent years the Romanian economy appears to have regained its exuberance of 2005-2007, and government statistics fully confirm this.

Table no. 1. Key macroeconomic indicators -%

Indicator	2011	2012	2013	2014	2015	2016VI.
GDP- real annual variation -%	1,1	0,6	3,5	3,0	3,8	6,0
Industrial production – annual variation-%	7,5	2,4	7,8	6,1	2,7	1,1
Number of employees in economy-thousand pers.	4.349	4.443	4.444	4.508	4.571	4.702
Registered unemployment - thousand pers.	461	494	512	478	436	411
Average net earnings-%	3,8	4,4	4,8	7,5	9,5	14,3
Consumer price index-%	105,8	103,3	104,0	101,1	99,6	99,3

Source: National Bank of Romania, Monthly Bulletin, January-August. 2016 www.bnr.ro, publish section, subsection periodicals

The indicators in the table. 1 show an almost uninterrupted growth in the past five years, and provisional data for half of 2016 confirms that this year growth will continue at about the same rates. Real GDP grew by more than 3 percent, industrial production registered increases of 6-7 percent, with the mention that it suffered moderation in 2015, the number of employees has exceeded 4.5 million, the number of registered unemployed is reduced, earnings increases move towards pre-crisis values. The only problem seems to be the segment of the consumer price index which went into negative territory, but officials say the central bank is not talking about deflation, but a "negative inflation (!!!)" (Isărescu, 2015., 2015 b.).

As I said it seems that the economic exuberance that I mentioned will continue in the coming year. Thus, the IMF forecasts for 2017, 2018 etc., lists Romania among the countries with the highest economic growth in the European Union (IMF, 2016). Thus, the autumn forecast of the IMF includes Romania in the leader platoon of in EU countries at the chapter of economic growth for the period 2017-2021, with annual rates between 3.4

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and 4%. Sure, there is a sensitive gap between the level of development of founding states of the EU and Romania, which justifies the imperative for our country to register significant increases, so to flatten the development differences.

All these are signs that the Romanian economy is in a fertile period. Unfortunately, these positive signals are not found everywhere and, what is more important, the positive elements are not added together at the macroeconomic level because a number of negative phenomena annihilates, in part, those favorable.

Table no. 2. IMF forecasts regarding annual real growth of GDP in the EU -%

Country	2016	2017	2018	2019	2020	2021
Austria	1,4	1,2	1,2	1,1	1,1	1,1
Belgium	1,4	1,4	1,4	1,4	1,5	1,5
Bulgaria	3,0	2,8	2,5	2,5	2,5	2,5
Croatia	1,9	2,1	2,2	2,3	2,3	2,0
Cyprus	2,8	2,2	2,3	2,2	1,9	2,0
Czech Republic	2,5	2,7	2,4	2,2	2,2	2,2
Denmark	1,0	1,4	1,7	1,8	1,9	1,8
Estonia	1,5	2,5	2,9	3,1	3,2	3,3
Finland	0,9	1,1	1,3	1,5	1,6	1,6
France	1,3	1,3	1,6	1,7	1,8	1,8
Germany	1,7	1,4	1,4	1,3	1,3	1,2
Greece	0,1	2,8	3,1	2,8	2,4	1,8
Hungary	2,0	2,5	2,4	2,2	2,1	2,1
Ireland	4,9	3,2	3,1	2,8	2,8	2,8
Italy	0,8	0,9	1,1	0,9	0,9	0,9
Latvia	2,5	3,4	3,7	3,9	3,9	4,0
Lithuania	2,6	3,0	3,3	3,6	3,6	3,3
Luxembourg	3,5	3,1	3,3	3,2	3,1	3,0
Malta	4,1	3,4	3,1	3,1	3,0	3,0
Netherlands	1,7	1,6	1,8	1,8	1,7	1,6
Poland	3,1	3,4	3,3	3,1	3,0	3,0
Romania	5,0	3,8	3,3	3,3	3,3	3,3
Slovak Republic	3,4	3,3	3,7	3,8	3,7	3,7
Slovenia	2,3	1,8	1,6	1,6	1,6	1,5
Spain	3,1	2,2	1,9	1,9	1,8	1,6
Sweden	3,6	2,6	2,2	2,2	2,0	2,0
United Kingdom	1,8	1,1	1,7	1,8	1,9	1,9

Source: imf.org, section "Data and statistics"

2. Analysis of specialty literature

In a study in mid-2005, first deputy governor of NBR, Mr. Florin Georgescu (Georgescu F., 2015b) called attention to a "paradox of Romanian economy": economic macroeconomic stability under conditions of tensions at the microeconomic level. Thus, although "the macroeconomic situation is very good (the fulfillment of the Maastricht criteria, as well as 10 of the 11 indicators of the European dashboard regarding macroeconomic stability), there is tension at the microeconomic level, because the distribution of GDP in the economy is inappropriate: (1) those who are disciplined are tensioned (individuals and companies who comply with the law) because they do not experience economic growth, many distribution channels of added value are blocked by indiscipline of other legal entities and individuals; (2) the unruly are relaxed because

they acquire an unreasonably large part of the added value produced in the economy". In the same paper was pointed out the high volume of losses registered by many Romanian businesses.

In the paper "After 20 years: structural changes in the Romanian economy in the first post-revolutionary decades," its authors distinguish three major imbalances at the microeconomic level, which they call "atypical". The three types of atypical would be: "(i) companies reporting zero employees (43 percent of all companies in December 2014); (ii) companies reporting a turnover of zero (27 percent of all companies in December 2014) and (iii) companies that have negative equity (almost half of the companies in December 2014). The last category mentioned is the most problematic because they diminish at the aggregate level the added value produced by other companies and there is an increased risk to transfer the difficulties to their partners" (Neagu F., Dragu F., Costeiu A., 2016). In fact, the third "atypia", companies with negative equity, are the effect of recording of negative results and losses, for years.

The issue of losses incurred by Romanian companies is not new, it manifests even before the economic crisis began in Romania in 2007. Thus, in a study of the National Prognosis Commission, entitled "The level of competitiveness of the Romanian economy" (NPC, 2007) the authors point out that "losses of economic agents from 2006 still remain a problem for the Romanian economy" and that "although the total economic losses increased in 2006 only by 3.8%, however, is not encouraging that the number of units with loss increased by 5.8%.". The same study stated that "economic losses of unprofitable economic agents have exceeded the volume of the state budget deficit, being of 1.2 times higher than the budget deficit," but these were declining relative to those recorded in 2005, "when the losses were about 5 times higher than the state budget deficit", but also in relation to those recorded in 2004," when they were about 6 times higher "compared to the budget deficit.

3. The health of Romanian enterprises

To analyze how healthy Romanian companies are, let us look at the evolution of indicators (Table no. 3), which the central bank also uses to diagnose elements of stability in the companies in our country (NBR 2016).

Table no. 3. Indicators of financial health for enterprises from Romanian%

Indicator	Year	Economy	Corporations	SMEs	Average return rate at new bank loans
Return on equity	2011	8,23	8,54	7,69	9,74
	2012	8,39	8,37	8,39	9,76
	2013	10,97	10,09	12,70	6,84
	2014	11,22	9,07	15,32	5,87
	S1 2015	15,14	14,27	16,39	4,36
Operational result / interest expenses	2012	178,53	349,50	91,50	-
	2013	247,28	467,45	134,06	-
	2014	281,64	548,46	161,52	-
The share of debt in total resources (equity and debt)	2012	70,89	55,93	81,90	-
	2013	70,50	53,28	82,82	-
	2014	68,90	51,22	81,59	-
	S1 2015	61,97	51,45	75,42	-
General liquidity (circulating assets/ short term debt)	2012	86,49	84,62	87,62	-
	2013	88,66	90,64	87,60	-
	2014	90,42	88,67	91,38	-
	S1 2015	101,72	92,33	108,58	-

Source: National Bank of Romania, Financial Stability Report, 2015 April 2016 Monthly Bulletin, August 2016

Return on equity has registered increases over the last five years, both in the economy and at the level of large companies and SMEs. If we compare the indicator with the average interest rate on new bank loans, we note that from 2013, financial profitability is superior, reaching, in 2015, to be more than three times higher, which means a easier access to bank financing. Based on reducing interest rates on bank loans and improved profitability, ratio of operating profits and interest expenses increase, the first being on average almost three times higher. At the corporate level the indicator exceeds almost five times the interest. The same improvement is noticed for SMEs, given that in 2012, operating profit was insufficient to cover the cost of loans.

Progress is also noted at the level of indicators of indebtedness, the indebtedness of all companies is reduced by almost 10%, falling below the threshold of 2/3 critical in financial terms, and at the corporate level it approaches the accepted value by banks for the access to funding granted by them. Also at the SMEs level indebtedness flattens, but continues to be very high (75%). Overall, these developments indicate a higher financial autonomy and better capitalization.

The overall liquidity is improving in all companies with more than 15%, passing into the optimal area (over 10%), which means that there are short-term assets of which obligations maturing during the year are to be covered. At the SMEs level progress is greater, about 20%, this category of businesses having with almost 10% more short-term assets of which same nature debt is to be covered. Corporations continue to witness a global liquidity below 100%, but also in their case the indicator improves.

4. Absolute Profitability of businesses

The big problem of previous indicators is that they are average values and this way of calculating them hides many problems, in particular, that many companies have a reduced capacity to make profits. I mean, in other words, many businesses end every year with financial losses.

Table no. 4. Structure of losses based on categories of companies - billion lei

	Year (June)	Net result	Profit	Loss	Loss/Profit (%)
Total economy	2013	10,80	27,88	(17,08)	61,3
	2014	17,48	30,90	(13,42)	43,4
	2015	22,84	36,17	(13,33)	36,9
	Total period	51,12	94,94	(43,83)	46,2
Corporations	2013	8,92	14,71	(5,79)	39,4
	2014	10,28	14,51	(4,23)	29,1
	2015	14,10	17,80	(3,69)	20,7
	Total period	33,31	47,02	(13,71)	29,2
SMEs	2013	1,88	13,16	(11,29)	85,7
	2014	7,20	16,39	(9,19)	56,1
	2015	8,73	18,38	(9,64)	52,5
	Total period	17,81	47,93	-30,12	62,8

Source: National Bank of Romania, Financial Stability Report, 2015 April 2016

Table number 4 shows the situation of all businesses in the economy but also separated at the corporations and SMEs level, in terms of profits respectively losses registered. We note that the level of total net result of all the companies is positive and growing. An increase of almost 2.2 times in three years. However, if we separate the businesses into profitable and unprofitable ones, we note that, in fact, the profits of some companies must cover the losses of others. Thus, in 2013 the losses of 17 billion consumed

60% of the profit of profitable enterprises, in 2014, losses represented 43%, and in 2015, 37%. It is also noted that although the profits of the two categories of enterprises are relatively equal, each contributing about 47 billion lei to the total profit of 94 billion. Losses are especially counted at the level of SMEs, recording a total loss of 30 billion lei, or approx. 70% of the total loss, and corporations around 14 billion, or 30% of the total loss. This mode of distribution of profits determines that SMEs, although several hundred times higher in number compared to corporations contribute only 35% to the net results of enterprises in Romania, while corporations, counting several thousands, to contribute with approx. 65% to total net income.

Table no. 5 concerns the issue of profit, losses and the net result through the owner of the company: private or state and on a relatively long period, 15 ended financial exercises. The finding is repeated, loss-making enterprises are both state and private. Obviously, most of the losses are localized to the private companies, which are higher in numbers, and the state companies losses are reduced in time as a result of reducing the number of state-owned enterprises, losses of private enterprises increasing. For example, in 2000, losses of state enterprises were about 45% and losses of private companies were 55% so that in 2014 losses of state firms to be 7%, and private companies to own 93% of the total loss .

Table no. 5. Dynamics of profits and losses in the economy and correlations with GDP billion lei

Year	Total profit			Total loss			Net result			Nominal GDP	% in GDP for		
	total	of which		total	of which		total	of which			Profit	loss	Net result
		State companies	Private companies		State companies	Private companies		State companies	Private companies				
2000	6,04	1,12	4,93	-8,39	-3,69	-4,70	-2,34	-2,57	0,23	81,3	7,4	-10,3	-2,9
2001	10,08	1,28	8,80	-9,97	-2,94	-7,02	0,11	-1,66	1,77	118,3	8,5	-8,4	0,1
2002	13,55	1,44	12,12	-14,08	-5,06	-9,02	-0,53	-3,62	3,09	152,6	8,9	-9,2	-0,3
2003	19,99	1,71	18,28	-14,72	-3,81	-10,91	5,27	-2,10	7,36	198,8	10,1	-7,4	2,6
2004	30,68	2,39	28,29	-11,37	-2,51	-8,86	19,31	-0,12	19,43	248,7	12,3	-4,6	7,8
2005	34,74	2,13	32,61	-11,93	-1,76	-10,17	22,81	0,37	22,44	290,5	12,0	-4,1	7,9
2006	47,23	2,59	44,65	-12,41	-1,92	-10,49	34,82	0,67	34,15	347,0	13,6	-3,6	10,0
2007	55,03	2,87	52,16	-20,98	-2,09	-18,89	34,05	0,78	33,27	418,3	13,2	-5,0	8,1
2008	53,32	3,21	50,12	-42,21	-5,20	-37,01	11,11	-2,00	13,11	524,4	10,2	-8,1	2,1
2009	40,28	1,81	38,47	-48,05	-5,24	-42,81	-7,77	-3,43	-4,34	510,5	7,9	-9,4	-1,5
2010	42,18	2,59	39,59	-43,53	-5,50	-38,03	-1,35	-2,90	1,55	533,9	7,9	-8,2	-0,3
2011	49,89	4,66	45,23	-45,30	-4,21	-41,09	4,59	0,44	4,15	565,1	8,8	-8,0	0,8
2012	51,48	3,17	48,30	-45,81	-4,58	-41,22	5,67	-1,41	7,08	595,4	8,6	-7,7	1,0
2013	57,74	4,50	53,25	-42,02	-3,22	-38,80	15,72	1,28	14,44	637,5	9,1	-6,6	2,5
2014	62,94	5,41	57,53	-42,08	-2,96	-39,12	20,86	2,45	18,41	667,6	9,4	-6,3	3,1
06. 2015	36,17	6,08	30,09	-13,33	-0,84	-12,50	22,84	5,24	17,59	712,8	5,1	-1,9	3,2

Source: National Bank of Romania, Financial Stability Report, 2015 April 2006

Also to be noted the dynamics of these total losses (seen through the current prices). Thus the first two years, 2000 and 2001, they did not exceed 10 billion lei, since 2002 and until 2006 it fluctuates between 11 - 14 billion in 2007, they exceed 20 billion, so that since 2008, the starting year of the financial and economic crisis, to exceed 40 billion annually and do not descend from this level even after the crisis.

The size of these losses makes it that in four years (2000, 2002, 2009 and 2010) they fully absorb the profits of healthy enterprises, the net outcome being entirely negative. The situation is more common for state companies, those in 9 years of 15 have registered losses larger than profits, which resulted in a negative net result, and much more rare with private companies, this situation manifesting in a single year, 2009, during the crisis.

It is also noted that in 9 years out of 15 the total losses have absorbed between 7.5 and 10% of nominal GDP, several times higher in comparison with Romania's budget deficit.

For 2014, the last year with ended financial exercise from the series of data analyzed, it appears that there is information about the ability to produce profit only for less than 85% of enterprises, the rest not having submitted balance sheets. Approx. 35% of enterprises are profitable, other 37% register losses and 12% recorded null net result.

Table no. 6. Structure of profitable and unprofitable enterprises in 2014

Total companies 747.700					
Companies that did not submit balance sheets	Companies that submitted balance sheets – 600.700 (Net result +16 billion lei)				
	Companies with profit – 268.300 (net profit +58 billion lei)		Companies with null net result (0) 87.500	Companies with loss – 244.900 (net loss -42 billion lei)	
	State companies 580 (net profit +4,5 billion lei)	Private companies 267.720 (net profit +53,5 billion lei)		State companies 380 (net loss -3 billion lei)	Private companies 244.520 (net loss -39 billion lei)
147.000					

Source: F. Georgescu, Capital in Romania of 2015, Bucharest, 2015, www. bnr.ro,

4. Conclusions

Although at the level of national economy, economic and financial indicators show a relatively good situation, however, at the microeconomic level there is a series of tensions. A problem with profoundly negative character is the size of losses registered by a great deal of Romanian enterprises largely canceling profits generated by the other side of economy, healthy businesses.

Losses are distributed in different proportions both at corporate level and at the level of SMEs, both at state companies and the private ones. In recent years, after the onset of the crisis, the total losses exceeded annually 40 billion, meaning between 7 and 10% of national GDP.

The negative character of losses registered by more than a third of Romanian companies, along with over 10% of firms with null result, beyond the significance that almost half of the economy "does not work", these enterprises not meeting their objective for being on the market, that is to produce profit, also means:

- a diminish in the added value to the national level, so a lower GDP;
- a contamination of healthy enterprises with the nonperformance microbe, the latter not receiving compensation of sales to companies with loss and, thus, the worsening of the economic and financial status and of healthy enterprises;
- lower budget incomes, because as a result of the losses, these companies do not pay income tax;
- lower public spending, due to lower budgetary income;
- a lower potential GDP, due to lower public consumption, due to lower public spending.

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ECONOMIC RESULT UNDER THE INFLUENCE OF SPECIFIC ACCOUNTING PRINCIPLES

Gheorghe, Holt¹

Abstract

Under the influence of changes in the economic, accounting has come to turn the road from a primary form to complex one, able to satisfy the diverse increasingly requirements of users of accounting information. In economic theory, the total result registered in the work carried out by operators is the net cash flows generated. Profits or losses should be treated as made in accordance with generally accepted principles when preparing financial statements. In his desire to become stronger, accounting proceeds at cost calculations, comparative analysis and synthetically and analytical forecasting calculations. Used as a measure of performance or as the baseline for a number of indicators such as return on investment or earnings per share, the result can be determined by comparing the two concepts directly related to it, in this case income and expenses. Recognition and measurement of revenue, expenditure and hence the outcome depend on the concepts of capital and maintaining its concepts used by companies in preparing financial statements.

Keywords: *economic result, performance, income, expenses, financial statements, accrual accounting*

JEL Classification: M40, M41, M48

1. Introduction

Used as a measure of performance or as the baseline for a number of indicators such as return on investment or earnings per share, the result can be determined by comparing the two concepts directly related to it, in this case income and expenses. Recognition and measurement of revenue, expenditure and hence the outcome depend on the concepts of capital and maintaining its concepts used by companies in preparing financial statements.

Recognized as increases in economic benefits recorded during the accounting period in the form of inflows or increases in assets or decreases in liabilities, resulting in increases in equity other than those resulting from contributions of shareholders, income is probably one of the most common examples to illustrate the double accounting. Given the impact on earnings revenues were developed a series of accounting principles represents real arguments of the process of recognition, measurement, classification and allocation at a period, the transactions undertaken by a company.

In the economic outlook, the result must be recorded progressively throughout the production cycle, as they advance products and work in progress. In the legal concept, the result must be booked within a point of the cycle, such as the sale, the collection, the expiry of the guarantee given to the beneficiaries. Revenue recognition in the income statement involves simultaneous recording of either the growth of the asset or debt reduction.

In economic theory, the total result recorded over the life of a society is the net cash flow generated. Unfortunately, the necessity of decoupling financial and accounting activity exercises, the realization of the financial statements, generate artificial period for the company performance analysis. The effect of this process is that every time reporting, financial statements appear in a number of incomplete transactions. The competition is between accrual accounting, according to how the effects of transactions and other events are recognized when the transactions and events occur and not as cash or its equivalent is received or paid. Thus, by virtue of accrual accounting, costs are allocated to income in accordance with the principle of linking expenditure to income. When the timing of the expenditure contributes to income generation it is difficult, it is necessary to use a logical

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and systematic method of distribution. If this is not possible, the costs in their entirety, are fully included in the expense category.

2. Economic result - between theory and practice. Specific accounting principles

For a long time, the economic result was and continues to be considered, even today, the main indicator to measure firm performance.

The result can be a subjective indicator, it depending on the interests of managers and other users of financial accounting information, on the economic and political system in which the entity its part, and on the the organization and management type. In some cases, the entity's management may seek to maximize earnings in order to obtain a bank loan or attract investors. Conversely, it can follow to minimize the result for paying low taxes as possible to the state budget. Economic result is considered the main indicator to measure a company's financial performance. By the method of its calculation, the economic result is past oriented, serving as a measure of the progress of an enterprise during a passed time period. However, the economic result could have other uses: guide of dividends and acquiring entity; means of predicting future results in order to make decisions to invest or divest; means of evaluating management's ability to lead the company; means for estimating the value of decisions made by other groups linked to the undertaking concerned; management tool in a number of areas within or outside the enterprise (pricing policy, wage negotiations, credibility with the credit bureau, regulation of prices under monopoly conditions).

In the context of normalization, in which there are several options to reflect the same transaction, there is no objective result. The choice of a standard or an option involving the abandonment of other rules or options consequences on the financial statements and accounting result. The result can vary between certain terminals without having, within this area, a level of result that can be considered more representative than another.

Through the simple difference between revenue and expenditure, the result becomes partially a elected date. Creative accounting allows enterprises obvious outcome modulation in a sensitive manner. When this company belongs to a group, the possibilities of using creative accounting appear even wider. Economic result no longer appears as a pertinent variable in informing financial markets on the value of the company and its activities. The overall result is the pertinent indicator that inform about the company's performance, because it takes into account not only the results of past and present, but also the possibility of obtaining a favorable outcome in the future.

The above statements are found in almost all texts dealing with creative accounting, but it is overlook a fundamental issue: one of the basic principles of accounting is business continuity. The company's performance is no longer evaluated only on the basis of past and present. The future has a role in assessing the ability of the company to be efficient and we can not talk about the future if there is not a concern assumption about the business continuity. The result is one: past, present and future. The second basic concept of accounting, respectively accounting cutoff, is the reason of this result division, from the need for regular reporting. Thus, if a method leads to a result, more or less far, there is a flipside: in future, the result will be the opposite. Overall, the company's performance is the same.

Different methods which lead to different results does not affect the company's performance, but the qualitative aspect of the comparability of accounting information. Comparability of accounting information could be obtained using a single method for solving the same problem. The reason that accounting result lost and still tends to lose "ground" in measuring the financial performance of the company is the emergence of comprehensive income. I consider the transition from the accounting result to the overall

result a switch from the assessment to historical costs to the fair value measurement, and from abandoning the concept of past and current period result to the concept of performance that shows the future perspective of the company.

IASB requests the development of a statement of comprehensive income, with the choice of presenting a situation that reflects all changes in equity. I believe that the effect of both situations is so different that the IASB should not require firms to make a choice. Statement of comprehensive income, the IASB called "gains and losses,, situation is a situation that reflects the overall performance of the enterprise, while the situation of changes in equity, as the title suggests, is a simple presentation of changes in equity, rather bushy in my opinion, to present relevant information.

The result presented in the profit and loss statement, reflect the income and expenses of the period and the one predictable to appear in the near future, as well as gains and losses on financial instruments carried at fair value, or in the distant future, such as provisions for decommissioning the balance.

The specialized literature analyze the result by a double approach:

- enterprise performance approach, going out from the transactions which was achieved during the period, translated by the difference between its income and expenditure;

- patrimonial enrichment approach measured by the difference between its net assets at the beginning and at the end of the considered period.

This double approach aims to answer two types of different needs of users, respectively to measure the performance of activities, current operating concept, and to measure the enrichment, in a patrimonial conception of the enterprise, all inclusive concept.

In conclusion, the result of the year plus the gains and losses recognized directly in equity reflects the performance of the current period and future period, because many of the items included in profit or loss statement (for example, changes in value of financial instruments at fair value) and own capital (eg, changes in value of financial instruments available for sale) reflects the performance that will occur in the near future. However, performance is affected by the effect of changes in accounting policies and by the correction of fundamental errors related to prior periods as a result of going concern principle.

The production of accounting information and, in particular, the achievement of quality characteristics, have the essential premise the establishment and enforcement of appropriate rules and principles. The definition, acceptance by producers and users and their application gives the objectivity for the accounting system.

Accounting principles or conventions literature is very abundant and, therefore, it must be a oversimplification. Also, being the results from practice, the accounting principles changes with the practice and accounting theory. Some new principles are created, others tend to wear out and some of them are even contradictory. Such dynamics reflect that economic reality has multiple issues and that the accounting principles must be applied in relation to the objectives and with the field of action of accounting.

Regarding accounting principles, these are conceptual elements that guide standardizes to develop accounting standards, and there are elements to support the financial information maker for the correct counting of transactions and other events and for a true representation of the financial situation. At the same time, they are very general rules that can be implemented in many ways that give rise to multiple accounting rules. The accounting principles are essentially delineated as a reference system for the construction of accounting information on the situation of assets, financial situation and results.

Generally accepted accounting principles are subordinate to the fundamental objective of accounting, ie, it must present a relevant and reliable situation over the assets and liabilities, financial position and economic result.

Under accounting regulations in Romania are formulated and adopted the following accounting principles: the going concern principle, cut off accounting principle, historical cost principle, prudence principle, substance over form principle and the principle of consistent methods.

Because it is important that everyone who receives accounting reports could interpret them, it was developed a set of rules that form the framework of financial accounting, called generally accepted accounting principles (GAAP - Generally Accounting Principles). Although the term has many meanings in literature, it could be defined as including conventions, rules and procedures necessary to define accepted accounting practice at a given moment.

To achieve its objectives, financial statements are prepared on an accrual basis. Thus, the effects of transactions and other events are recognized when the transactions and events occur (and not as cash or its equivalent is received or paid) and are recorded in the accounting records and reported in the financial statements of the related periods. Financial statements prepared on the basis of this principle not only offers users information about past transactions involving payments and collections, but also of future payment obligations and the resources and future earnings. Thus, they provide the most useful type of information about past transactions and other events that are required of users in making economic decisions.

3. Conclusions

In assessing the financial performance of businesses, the accountant result became a rigid indicator because it only includes items recorded in the profit and loss statement without considering the latent gains and losses recorded directly in equity. It is why, internationally, it has appeared the economic result concept, designed to measure the overall performance of the company.

Economic result is a broad measure of the effects of transactions and other events of an entity, meaning all changes in net assets, excepting those resulting as contributions or distributions to owners.

In other words, the economic result is considered the main indicator to measure a company's financial performance. It can provide a wealth of information required for a wide range of users and becomes a guide to the dividend policy and the storage policy for the enterprise, providing forecasting future results in order to manipulate investment decisions, and can be, at the same time, a standard reference for evaluating the managerial capacity.

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INTERNATIONAL ACCOUNTING HARMONIZATION PROCESS INFLUENCES ON THE EVOLUTION OF ROMANIAN ACCOUNTING SYSTEM

Gheorghe, Holt¹

Abstract

The accounting literature demonstrates that the differences that exist in the sphere of financial reporting is a state of normality and is the result of a combination of specific factors. The existence of these differences in the regulation determines the continued development of a process able to decrease the weaknesses at a particular time, focused towards globalization of the capital markets, increased interest of the financial accounting information users, in achieving a high degree of comparability and quality of information provided through financial reports. In recent years there has been a collaboration between Romania and IFRS, which turns out to be a gradual one and that is developed in parallel with the adaptation of the acquis communautaire and the process of accounting harmonization of national regulations in relation to international reference has not ceased to exist from the first initiatives until now.

Keywords: *international accounting harmonization, accounting information, financial reporting, international accounting regulations*

JEL Classification: M40, M41, M48

1. Introduction

The scientific literature (Riah-Belkaoui, 2002; Elliott 2006) points out that the differences in terminology and the process of getting international accounting regulations in language countries represents a real problem, especially when we referring to the formal harmonization. Within their research, Nobes and Parker (2006) develops a detailed analysis of accounting terminology and concludes that the mere translation of words from one language to another may generate serious problems. On the other hand, the nations who speak and use only their own language are doomed to lose benefits, experience and reasons that characterize other nations (Elliott and Elliott, 2008).

Moreover, in one of the studies developed (Mustata, 2008) in terms of comparability of national accounting in relation to International Financial Reporting Standards (IAS / IFRS) demonstrates that there are some significant differences of the comparability degree if we take into account two distinct approaches, namely: taking international regulations and non literally literature. In this context, international accounting reality, on the one hand and literature are concerned with the existence and manifestation of a separate process, meant to bring national accounting systems to a common denominator (Mustata, 2008). From its inception, this debate has referred constantly to the international harmonization while more recently using the concepts of international convergence, adhesion, and the condorsement.

Harmonization involves a certain extent a reconciliation that leads us to believe that the first step in the process of accounting harmonization is a reconciliation of international accounting regulations by considering the various existing national accounting systems to global levels. In these circumstances, harmonized international accounting standards should be exempt from conflicts of reasoning and contribute alike, the comparability of accounting information. Surely this goal is not easily achieved. On the other hand, the process of harmonization is viewed from a simplistic perspective of international accounting, with the primary objective of financial reporting reducing disparities between different countries.

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International accounting harmonization must be viewed from two different perspectives when it comes to implementation. The first of these relates to accounting regulations, and the second, on the accounting practices, respectively, financial reporting practices.

2. General issues concerning international accounting harmonization process

With the internationalization of trade aspects, financial, social and other relations and with the intensification of globalization on the global and regional plan, prompt and quality information are increasingly required by a wide range of users, elaborate through a common code of communication, accessible to those interested, regardless of the economic or geographical area where they are situated. This interest imposed, increasingly, the usefulness of accounting information system, which thus became "the language of business communication" and a key pillar in social dialogue between actors of economic, financial and social fields.

The status that accounting has created in the social life fully justifies the efforts for an continuous improvement of the process of preparing and publishing information sheets. Are relevant, in this respect, the efforts of the international organizations, regional and national resort organizations, made to optimize the norms and rules of drafting and presenting the accounting information.

The need of adequate and competitive accounting information is influenced by the progressive globalization of financial markets. So, financial markets, in different parts of the world are becoming more integrated, so that the mechanism of determining the conditions under which the capital is invested and obtained tend to internationalize more quickly.

Competition and the growing level of market centers caused considerable progress in communications, technology, and, not least, the economy, interest for adequate financial and accounting information being increasingly higher.

Harmonization is the term enshrined in international accounting, to designate the act of reducing the differences between international accounting rules. It must be delimited by normalization, which assume a full uniformisation of rules.

International accounting harmonization can be defined as a political process aimed to reduce the differences between worldwide accounting practices and to ensure their compatibility and comparability.

The pressures for international accounting harmonization were generated by the national accountancy bodies, members of I.A.S.B., but also by the international capital market players and stock regulators, regrouped within the International Organization of Securities Commissions (I.O.S.C.O.). Beyond their national interests, regulators, institutional investors and large businesses, members of the international financial community have some common interests: greater efficiency of capital markets, a better worldwide allocation of resources and a reduction in transaction costs specific to the mobility of the capital.

Given the trends toward increasing globalization, companies prefer to use a uniform accounting system and aspire to an effective economical function. Where enterprises are obliged to prepare financial statements according to several accounting referential, certainly different, in order to inform investors on the various financial markets in which they operate or for other national purposes, this state is in their detriment, penalize them from a financial standpoint, managers having the feeling that they waste their resources. Evolving in a multinational framework, it appears an evident desire of the enterprises to increase their capital in several countries.

Capital markets competition influence the national supervisory authorities to make a change in the attitudes, favorable to appeal to international accounting rules.

Globally, the most powerful financial markets considers the use of international accounting standards as an embodiment of effective competition, knowing that the need for additional accounts preparation for entering into a foreign market constitutes a brake.

The internationalization has generated International Accounting, which has become nowadays by his international harmonization of rules and accounting practices concerns, seeking to define "boundaries" and his content based on international accounting normalization.

International accounting harmonization must be viewed from two different perspectives when it comes to implementation. The first of these relates to accounting regulations, and the second, to accounting practices, respectively, financial reporting practices. It is in fact a reference to what the literature calls the formal accounting harmonization and material accounting harmonization. (Mustata, 2008)

3. International accounting harmonization and the evolution of Romanian accounting system

The first year after the revolution was a benchmark point in winning, besides political, social and cultural freedom, also the economic freedom, these changes acutely imposing reform in the Romanian accounting system. The problems that were required at that time referred to the need for rapid implementation of a new accounting system and the option for an existing one.

An important step in defining the Romanian accounting system was the publication of Order no. 403/1999 for the approval of accounting regulations harmonized with the 4th European Economic Community (EEC) and the International Accounting Standards. The basis of this regulation have been linked to: uncertainties regarding international policy options of our country; experiencing a steady economic growth since 1995; the national companies desire to gain access to international markets; the need for investment in the national economy, etc.

We can observe that both the name and the content of those rules prove an uncertainty targeting option of romanian accounting system to one of two accounting referential. But the declared intention of Romania to become Eropean Union member state has removed that uncertainty. Even so, we can consider this period of the romanian accounting reform as one of uncertainty in accounting harmonization (Mustata, 2008), characterized by a high level of inconsistency in the implementation process of accounting harmonization.

The effects of the new regulations can be observed actually in the coming period, since 2000, when the Romanian accounting system is committed to achieve the major objective of harmonization of accounting regulations in relation to two distinct referential. This is demonstrated by the fact that the Romanian Government in the mentioned period decided to adopt IAS/IFRS, by financial reasons, while continuing targeting to achieve the desire to harmonize with European Union directives, due to the political objective assumed by the accession to the European Union (Ionaşcu et al., 2007). In other words, throughout this period, national accounting regulators attempted to harmonize the two referential accounting which seemed incompatible at the time, while the European Union only investigate the possibility of adopting IFRS for consolidated financial statements of companies listed on the European capital market (Ionaşcu et al., 2007).

The period 2003-2007 can be considered as one of harmonizing financial reporting system, significant influenced by the specific processes of European Union pre-accession period. In these years most of the negotiation chapters with the European Union were

closed, but still, when we refer to accounting regulations issued in 2005 and 2006 years, we can emphasize that they are characterized by a strong compliance with certain accounting referential.

In the next period, they were issued two other regulations for compliance with European Directives, ie Order no. 1752/2005 based on which all entities will apply compliant regulations with effect from 1 January 2006 and Order no. 1121/2006 according to which, starting on 1 January 2007, all listed companies that must present consolidated financial regulations must comply with IFRS. Other listed companies can apply, under this bill, IFRS optionally.

It becomes interesting to note how the desire of romanian regulatory in the accounting field to comply with IFRS it proves to be a gradual one and was developed in line with the *acquis communautaire*, both from the position of candidate and member state of the European Union This allows us to consider that the harmonization process of national accounting regulations in relation to the international referential not ceased to exist since the first initiatives in this regard until now, although the changes in regulatory accounting were the less numerous in the period to which we refer. The period that followed European Union accession is one which restores the orientation for Anglo-Saxon accounting system and everything that involves IFRS. When we refer to the national accounting regulations and their connection to European directives, we must not forget that the process of accession to IFRS at European Union level involves other significant amendments, according to the acceptance existing in the international referential.

4. Conclusions

International accounting harmonization is a result of the globalization of national economies, especially the financial markets. In this conditions, the development and use of harmonized accounting standards was more than a necessity. This has been reinforced by factors such as increased reliability of accounting data, insurance of better conditions for comparability of accounting statements of companies that search for public loans and to facilitate business access to financial markets.

The sphere of international accounting harmonization is an area where the diversity easily demonstrate their capabilities and the consequences that may cause. On the one hand, this situation is due to a significant variety of national accounting, which is based both on the distinctive individuality of each state, as well as on its economic development.

Achieving the international accounting harmonization can not be performed without difficulties. The obstacles are generated, on the one hand, by the fact that at international level still exist differences between the various accounting systems as a result of the manifestation of the factors that maintain them, on the other hand, the difficulties in implementing the International Financial Reporting Standards in countries with different accounting traditions (for example: the complexity of international standards, the difficulties of language, terminology, interpretation, etc.). Regardless of the factors that generate, the differences between accounting standards reduces the quality and relevance of accounting information. Measuring the differences remained between international accounting standards and national accounting standards allow assessing the level of progress made by the international accounting convergence process. Some of the obstacles to achieve international accounting harmonization are the complex nature of IFRSs, the dependence of national accounting systems of the fiscal policy, the disagreement with certain International Financial Reporting Standards, limited support provided by the IASB in applying for first time IFRS experience.

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UNION OF CAPITAL MARKETS - AN INITIATIVE OF THE EUROPEAN UNION

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Abstract

The economic- financial crisis triggered in 2008 has shown the vulnerability of the banking system and also the impact that financial innovations have on globalized economies. In this context, the European Union has aimed at achieving a sustainable economy that can provide jobs for its citizens. A step in this respect is the new project of the European Union to make up an integrated stock market that can provide the supply and demand representatives new funding and diverse investment opportunities.

Key words: stock market, SME, accounting harmonization, financial instruments

JEL Classification: G12, M41, O16

1. Introduction

A capital market is an important part in everyone's life, it is the means by which companies increase their capital in order to expand their business, it is the solution that can the state and local authorities can resort to in order to finance their deficits or various investment projects, it is solution to earn more or to protect your savings from the negative impact of inflation (Panoiu L, 2008).

Capital markets are an attraction for an investor, whether legal or natural persons, due to the gains they can offer in the form of various investment instruments as compared to the banking system. Furthermore, capital markets are attractive for companies, public institutions and governments to the extent that they are regarded as financing sources others than those offered still by the banking sector.

Besides these benefits at microeconomic level, there are also macroeconomic benefits, namely: diversification of external financing sources, lowering the cost of capital, stimulating domestic enterprise management through private financing sources, assistance in the development and growth of the domestic capital market efficiency (Tudor C.).

The benefits provided by a capital market and also the impact of falls in this market on overall savings draw one's attention to the manner of operation and regulation.

The use of financial instruments has been growing particularly due to changes in the world economy. The instability of interest rates and foreign exchange rates worldwide as well as the US abandoning the gold standard have led to high volatility in global commodity and financial markets. Entities have had to face certain risks:

- interest rate risk - the risk that profit, assets and liabilities of an entity might be adversely affected by changes in interest rates;
- foreign currency risk - the risk that profit, assets and liabilities of an entity might be adversely affected by changes in exchange rates.

Additionally, the economic - financial crisis triggered in the banking system has also affected the sector of capital markets: thus, in the end of 2007, the value of financial assets globally reached a peak of 194 trillion US dollars representing 343% of global domestic product total and then in 2008, the value of global financial assets reached only 178 trillion US dollars (Lupu I, Horobet A. Dumitrescu D.G.).

World economy globalization has generated an unfavourable impact in the European Union, too, with European capital markets going down in terms of liquidity (e.g. the

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average daily value traded) and have become increasingly fragmented (instruments traded simultaneously in multiple trading venues, weaker operation of interconnections, increasing the number of certificates of deposit certificate type instruments, certificates of stake etc.) (Panait I.).

These elements have been the basis of the European Union’s decision of establishing capital markets.

2. Union of Capital Markets

In February 2015, the European Commission launched a public consultation in the form of a Green Paper on the issue of creating a Union of Capital Markets. Supporting this idea was based on the economic and financial crisis and its impact upon the economy’s financing and investment opportunities.

The goals of the Union of Capital Markets goals come together around three axes (Commission Staff Working Document, Economic Analysis-Accompanying the document, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Action Plan on Building a Capital Markets Union):

- A) expanding financing sources namely increasing the use of capital markets as financing sources by shifting from the banking sector;
- B) ensuring a more competitive and more liquid capital market;
- C) ensuring financial stability and economic growth by increasing the access of companies especially SMEs to financing, as this will help achieve the strategic goal of economic growth, of providing new jobs.

The European Commission seeks diversification of financing sources regarded as elements complementary to financing by the banking sector as there are opinions according to which the markets that are based on bank financing benefit from slightly lower economic growth rates than on markets where stock exchange financing plays an important role (Dăncilă M, 2016).

Appreciating the importance that financial sector elements: banks or stock exchange institutions have upon the economy can be achieved by analyzing the share of bank loans in GDP, respectively the stock exchange capitalization/transaction value in GDP (Tables 1, 2 and 3).

I have chosen for illustration only EU Member States as the Union of Capital Markets is Europe’s project.

Table 1 Share of Bank Loans in GDP (%)

	2010	2011	2012	2013
Euro Area	103.36	101.61	99.62	96.68
EU	114.66	111.15	109.12	105.10
France	95.70	96.75	96.63	96.03
Germany	88.09	84.72	83.67	82.15
Romania	39.51	39.49	38.02	34.02

Source: World Development Indicators 2016

Table 2 Stock exchanges Transaction Value in GDP

	2010	2011	2012	2013	2014
Euro Area	46.32	42.29	37.16	37.46	47.94
EU	57.16	51.34	44.46	39.36	50.76
France	51.00	46.46	40.07	39.36	41.30
Germany	43.73	41.87	35.31	35.04	32.80
Romania	0.99	1.58	1.16	0.56	0.11

Source: World Development Indicators 2016

Table 3 Stock Exchange Capitalization in GDP (%)

	2010	2011	2012	2013	2014
Euro Area	52.30	40.74	49.94	60.15	54.16
EU	50.79	39.37	49.04	58.88	52.79
France	72.21	54.28	67.43	81.93	73.72
Germany	41.83	31.52	41.99	51.59	44.94
Romania	8.45	7.56			

World Development Indicators 2016

It can be seen that the data highlight major differences in the development of financial markets, that is why it is believed that a union of capital markets will have to seek the harmonization of elements related to work organization and standardization of financial reporting.

The Action Plan by which an attractive European capital market is being sought targets the following action directions: (European Financial Stability and Integration Review, 2016):

- financing innovative activities, start-ups/ s and unlisted companies,
- increasing companies' capacity of establishing or increasing their capital through capital markets,
- promoting long term investments by sustainable projects and infrastructure projects,
- stimulating the bank capacity of supporting wider economy,
- facility of cross/border type investment.

It is evident that these goals are subordinated to the objective of ensuring financial stability of the European Union.

The European Union wants the Union of Capital Markets to generate many financing opportunities to investors, to provide a viable connection between financing arrangements and economic development through a more viable, safer, more integrated financial system.

Achieving this goal of creating the Union of Capital Markets has imposed several steps aimed at legislative issues, too, for example: securitization and normalization of prospectus wording.

The European Commission defines securitization as a process by which a lender such as a bank repackages the loans they hold (e.g. mortgages) into securities that can be sold to investors. Subsequently, investors receive profits generated by underlying loans.

In Romania, securitization is defined by Regulation No.18/16/2010 as a transaction or scheme whereby the loan risk associated with an exposure or an exposure portfolio is segmented into installments having the following characteristics: the payments under a transaction or scheme are dependent on the performance related to the exposure or

exposure portfolio; the subordination of installments determines the allocation of losses throughout the life of a transaction or scheme.

The Regulation distinguishes between traditional and synthetic securitizations. Thus, *traditional securitization* is defined as a technique by which the economic transfer of exposures subject to securitization is performed to an entity specially designed for securitization, issuing securities. This is achieved by transferring ownership of securitized exposures from the originator loan institution or by the sub-participation technique. The securities issued are not payment obligations of the originator loan institution;

Synthetic securitization is securitization in which segmenting a loan risk into installments is achieved by using loan financial derivatives or guarantees, where an exposure portfolio remains in the balance of the originator loan institution;

Banking units can use this technique as a source of ensuring financing capital.

Accessing financing through a capital market requires an issuer of financial instruments to ensure increased capitalization, multiplication of financing sources, national and international visibility (Ene S., 2010). Issuers', companies' or public institutions' accessing a capital market involves the development of public offer perspectives including sufficient information about an issuer, issued securities, so that an investor could make the right decision being informed. Due to the diversity of achieving issue perspectives in terms of their content, the Union of Capital Markets aims at harmonizing the content of issue perspectives and market access conditions.

It is also noted there is a need for accounting harmonization of financial instruments, so as to generate financial statements that can be objectively interpreted by people concerned.

3. Normalization of Financial Instruments Accounting

The main economic data to investors and other people concerned are provided by accounting through financial reporting.

The goal of financial reporting provided by IFRS is to provide financial information about a reporting entity, so that to be useful to accounting information users. Obviously, it is important that investors and other stakeholders should understand entity activities relating to financial instruments.

International rules referring to financial instruments are:

- IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION" AND
- IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT"

IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION"

IAS 32 "Financial Instruments: Presentation" requires the presentation of information to:

- increase understanding of the impact that financial instruments have upon an entity's financial status and performance and upon its cash flows and
- help measure the size, timing and certainty of future cash flows associated with these instruments.

Apart from providing specific information regarding the balances of certain financial instruments and transactions with such instruments, entities are encouraged to disclose the extent to which they use financial instruments, related risks and the purpose for using such instruments. The types of risks covered are price risk (foreign currency risk, interest rate risk and market risk), loan risk, liquidity risk and cash flow risk. A discussion of control management policies for risks related to financial instruments offers interested users additional information and a vision independent of the specific instruments used by an entity at a certain time.

A **financial instrument** is any contract that simultaneously gives rise to a financial asset for one entity and a financial liability or own capital instrument for another entity. **Classic examples** of financial instruments are: cash, receivables and financial liabilities, demand and term deposits, commercial papers, debt instruments (bonds), capital instruments (shares), finance leases, rights and obligations of an employer in pension agreements, related assets (guarantees in loan agreements).

Financial instruments include primary instruments and derivatives.

Primary instruments: they are receivables or debts (bonds) or equity (shares).

Derivatives: are securities of risk transfer between two parties through the exchange of a financial instrument.

A derivative is a financial instrument whose fair value varies inversely with changes in fair value of a host instrument to be settled at a later date.

An entity should make the distinction between a derivative and a host instrument. It can therefore be stated that derivatives are a special type of financial instruments with the following characteristics:

- their value changes depending on the evolution of a specified interest rate, a price of a security, foreign exchange rate or any other similar variable element (sometimes called “base”);
- they require no initial net investment or they require an initial net investment of a small amount compared to other types of contracts that have a similar response to changes in market conditions; and
- they are settled on a date set in the future.

The main difference between derivatives and other financial instruments is that when it comes to derivatives, the buyer pays only part of the value of an underlying asset, but they can take full advantage of this asset price variation.

For example, **forward contracts** (which allow companies to set the future prices of goods); **options** (which give a holder the right not the obligation to buy or sell something); **futures contracts** - forward contracts traded on the stock exchange.

IAS 32 also refers to disclosing financial instruments in the balance sheet of an issuer. The prevalence of business substance of a financial instrument, rather than its legal form, underlies its classification in an issuer’s balance sheet. Although business substance is generally consistent with legal form, there are exceptions. For example, certain financial instruments have the legal form of own capital but, in fact, they are debts and others may combine features of own capital instruments with some features of financial debts. If a financial instrument includes both elements of financial liability and elements of own capital, each component must be classified separately in accordance with its nature and the value of the two components must be determined in a reasonable manner. Subsequently, such classification of components will not be revised until maturity of an instrument.

In accordance with IAS 32, the essential feature which distinguishes between a financial liability and an own capital instrument is the existence of a contract obligation of an issuer either:

- to deliver cash or another financial asset to another entity (to the holder of the instrument); or
- to exchange financial instruments with another entity (the holder of the instrument) under conditions that are potentially unfavourable to the issuing entity.

If such a contract obligation exists, the instrument meets the definition of a financial liability, irrespective of the manner of the obligation being settled. If the financial instrument does not generate a contract obligation for an issuer to deliver cash or another

financial asset or to exchange financial instruments with another entity under conditions that are potentially unfavourable to them, then this is an own capital instrument.

IAS 32 was issued in 1995, three years before IAS 39 “Financial Instruments: Recognition and Measurement”. IAS 39 sets standards for the recognition, measurement and disclosure of information on the financial assets and liabilities of an entity.

IAS 39 “FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT”

Initial recognition

IAS 39 provides the recognition of all assets and financial liabilities, including all derivatives in a balance sheet. Recognition is achieved only when an entity becomes a party to the contract related to a financial instrument.

Financial instruments are initially measured at their cost which is:

- *for assets*, the fair value of consideration transferred (**including transaction costs paid**) to purchase a financial asset
- *for liabilities*, the fair value of consideration received to purchase a financial liability (**less transaction costs paid**).

In general, fair value is best reflected by published price quotations set on an active market.

Subsequent recognition

After initial recognition, all financial assets will be revalued at their fair value, except for the following items that must be reported at their depreciated cost:

- *loans and receivables generated by an entity which are not held for the purpose of trading;*
- *other fixed maturity investments such as securities and mandatorily redeemable preferred shares which an entity intends to and is able to hold to maturity; and*
- *financial assets whose fair value cannot be reliably measured.*

After acquisition, most financial assets will be revalued at their initially reported value minus principal payments and depreciation. Only derivatives and liabilities held for trading will be revalued at their fair value.

As to those assets and financial liabilities that are revalued at their fair value, an entity will have only one option:

- either fully recognize adjusting in net income or net loss for the period,
- or recognize in net income or in net loss for the period only those changes in the fair value corresponding to the assets and financial liabilities held for trading and include changes in the value of instruments in their own capital that are not held for trading until that financial asset is sold, when a gain or loss performed is to be included the net profit or net loss. To this end, one always believes that derivatives are held for trading unless they are part of risk coverage to which the accounting of risk coverage operations is added.

An entity shall derecognise a financial asset or an element of a financial asset only when an entity loses control of the contract rights generated by a financial asset (or an element thereof).

Conclusions

Creating a Union of Capital Markets can be a viable solution for ensuring a viable harmonized market to provide investors and issuers some adequate financial instruments to meet the needs of investment or financing.

The authorities supervising and regulating the capital market must be concerned with providing market participants with products, markets and regulations that meet various needs.

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MONETARY POLICY OF EUROPEAN CENTRAL BANK AFTER BREXIT

Valentin Mihai Leoveanu¹

Abstract: *The result of the referendum on Great Britain leaving the European Union have led to major disturbances in European and international financial markets, which made necessary the intervention of central banks in European countries. Responsible for price stability and financial stability in the euro area, the European Central Bank has acted and acts in order to limit the negative effects that such an event has and will have in the future. In this respect, the present study aims to highlight the causes that led to Brexit, the economic, financial and monetary effects of this decision on the countries in the euro area and the EU, the implications for the conduct of monetary policy of the ECB, in particular on the monetary tools used and their effect, and the answer of the ECB to Brexit concerning the trend of Euroarea economy. The results of research underline the importance of ECB measures regarding the support of a healthy economic growth in Euro area and a sustainable macroeconomic stability in European Union.*

Keywords: *unconventional measures, accomodative monetary policy, transmission mechanism, forward guidance, SWOT analysis*

JEL Classification: E42, E52, E58, O23

1. INTRODUCTION

The result of the referendum on Great Britain leaving the European Union have led to major disturbances in European and international financial markets, which made necessary the intervention of central banks in European countries. Responsible for price stability and financial stability in the euro area, the European Central Bank has acted and acts in order to limit the negative effects that such an event has and will have in the future. In this respect, the present study aims to highlight the causes that led to Brexit, the economic, financial and monetary effects of this decision on the countries in the euro area and the EU, the implications for the conduct of monetary policy of the ECB and the ESCB, in particular on the monetary tools used and their effect, and the answer of the ECB to Brexit concerning the trend of Eurozone economy. The results of research underline the importance of ECB measures regarding the support of a healthy economic growth in Euro area and a sustainable macroeconomic stability in European Union.

United Kingdom is not a part of the Eurozone, it is not using the euro as single currency and therefore it is not subject to the regulations of the ECB's monetary policy. Thus, keeping the national currency in transactions in its own economy, the UK, by the Bank of England, has its own monetary policy which includes all the advantages and disadvantages arising from this attribute of national sovereignty.

At the same time, however, Britain is (still) in the European Union, an integrating economic organization in Europe with strong social and political overtones, which is a free-association consented to European democratic countries with market economies. The European Union is the second largest economy in the world in 2016, considered globally after the US, with a GDP of \$ 16.5 trillion in nominal terms and a GDP of \$ 19.7 trillion in real terms, this time in second place after China, according to the International Monetary Fund (IMF, 2016a).

With a nominal GDP of 2,577.3 bn. Euro 2015, UK is the second largest economy integrated EU after Germany, and other important economic indicators are: nominal GDP per capita of 39,600 euro, GDP (PPP) per capita of 31,600 euro, public debt of 89.2% of

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GDP, budget deficit of -4.4% of GDP, the annual inflation rate 0%, and unemployment rate 5.3% (Eurostat, 2016).

The EU referendum took place on 23 June 2016 and 51.9% of the people of the United Kingdom voted to leave the European Union. Once British citizens voted to exit the EU, this is affecting and will affect both the UK economy, and the EU economy, and at the same time, but – it is seen - to what extent, will affect the monetary policy of both the BoE and the ECB.

This paper attempts to highlight some possible threats to the economies of EU countries (still including UK among them) in the sense that central banks, through their monetary policies and exchange rate will have to face these threats and, in particular, other economic and financial effects resulting from the exit of Britain economy from the EU.

2. LITERATURE REVIEW

The scientific literature on monetary economics tries to highlight three competing models that describe the economy at the macro level. The models try to represent economic structures that constrain monetary authority in choosing its monetary policy. According to the neoclassical model, long-term monetary policy can only affect inflation. According to post-Keynesian model, monetary policy can affect inflation, unemployment, income distribution and growth. In the Keynesian model, monetary policy affects, too, inflation, unemployment and real wages, but uses an economic logic very different from other models (Palley, 2007, p.4-5).

In the book “Monetary Theory and Policy” (Walsh E.C., 2010, p.31-32) the author shows that there is a general consensus regarding the long-term relationship between money, prices and output namely that there is a correlation between money growth and inflation of 1. Instead, the correlation between money growth and inflation and real growth of the output is considered to be close to zero, although it can range from slightly positive to low inflation rates to negative at high inflation rates.

Theory and practice of monetary economics is based on several scientific principles (Mishkin, 2010, p.2-3) derived from economic theory and practice that has guided the thinking and the decisions of the vast majority of central banks in setting monetary policy, such as: a) inflation is always and everywhere a monetary phenomenon; b) price stability has important benefits for economy; c) there is no long-term trade between unemployment and inflation; d) expectations play a crucial role in determining inflation and the transmission mechanism of monetary policy in the economy; e) financial frictions play an important role in business cycles and so on.

Taxonomy of monetary policy regimes is evidenced by Manolescu (Manolescu, 2009, p. 268) and has the following types: based on monetary targeting regime; exchange rate targeting regime; the inflation targeting regime; regime implicit nominal anchor.

The advantages of inflation targeting as a monetary policy regime are highlighted by some economists as Svensson (Svensson 2009) by the following characteristics: provides transparency of communication with the economic environment; focus on price stability; giving up futile chase after optimality in particular idealized models.

Regarding the monetary policy run by the European Central Bank, the practitioners have stressed that the financial structure of the euro area differs from that of other major economies such as the US, the fact that banks play a crucial role in financing the economy and the transmission mechanism policy monetary (Delivorias 2015). ECB operations consist mainly of refinancing operations, which contrasts with the US Federal Reserve system where operations mainly consist of purchases and sales of assets on the open market, as greater emphasis in the US economy on the capital markets.

European economist Delivorias (Delivorias 2015 p.11-19) highlighted the staging actions taken by the ECB after the international financial crisis as follows: I) First phase of the crisis (2008-2010): the banking crisis; II) Second phase named The first phase of the sovereign debt crisis (2010-2011): Program on securities markets; III) The third stage of the crisis (2012-2014): final monetary transactions (OMT) and further orientation (forward guidance); IV) Current and future trends (2014-present).

3. BREXIT: CAUSES AND EFFECTS

The causes that led to the exit of The United Kingdom from the EU were primarily political and social, but depended also by the British culture and people psychology, with fewer roots of economic nature as several survey agencies of public opinion revealed. Thus, the campaign in favor of exiting the EU was based on issues like sovereignty and migration and less on economic issues, as a survey of Ipsos MORI reveals among the main causes; the status of UK in the EU (32%) and migration (48%) and only after the economic situation (27%) (Ipsos Mori, 2016).

In other polls taken, among the answers received in favor of leaving the EU the voters have brought as motivations: “the principle that decisions about the UK should be taken in the UK” and “offered the best chance for the UK to regain control over immigration and its own borders.” (Lord Ashcroft Polls, 2016).

Demographic and cultural factors have weighed much in the vote cast in the referendum, so that the older population (over 65 years) participated in voting in greater numbers compared to the young (18-24 years) (90% versus 64%) along with other British in category “older, white, socially conservative voters in more economically marginal neighborhoods” which felt less integrated with the EU than other European citizens.

The main fears and complaints of British people are related to the fact that EU institutions will not reform to de-bureaucratization and limit their interventions in most aspects of economic, social and political, but on the contrary, they will increase their interference more pronounced than nowadays thus registering increasingly higher costs for the population. Also in terms of costs, it highlights that as they make strides towards achieving the monetary union, fiscal and political costs will be increasingly higher for UK.

Regarding the effects, vote for the exit from the EU led to major political changes in the UK, generating a shock wave in the administrative, political and economic structures of EU and had and still has major repercussions by the uncertainty and the risks posed by the future process of separation that will impose future economic, social and political UK relations with the EU.

A study made by IMF specialists (IMF, 2016b) highlights the short and long-term effects of Brexit on UK and global economy:

- the global outlook for 2016-17 has worsened, despite the better-than-expected performance in early 2016;
- there was an initial financial market turbulence, reflected by a pound weakening of about 10 percent; a lower equity prices in some economic areas, like European banks; and an yields decline on safe assets;
- the forecasts for UK economy have been revisioned downward, with growth revised down by about 0.2 percentage points for 2016 and by close to 1 percentage point in 2017;
- in spite of a strong domestic demand with a rebound in investment in the euro area, the 2016 growth projections continue to be slightly higher, but the 2017 growth was revised down by 0.2 percentage points relative to April 2016 and unresolved issues in the European banking system could conduct to an intensification of bank distress in vulnerable economies like Italy or Portugal;

- in this respect, „policy makers in the United Kingdom and the European Union have a key role to play in helping to reduce uncertainty. Of primary importance is a smooth and predictable transition to a new set of post-exit trading and financial relationships that as much as possible preserves gains from trade between the United Kingdom and the European Union” (IMF, 2016b);

- major central banks must be prepared to provide both domestic currency and foreign exchange liquidity, so that they must support investors confidence in market resilience.

Also an IMF brief information from July 19, 2016 about the policy conduct they say that a “combination of near-term demand support and structural reforms to reinvigorate medium-term growth remain essential” for advanced developed countries, that manifest “significant economic slack and a weak inflation outlook.” (IMF, 2016c). The IMF indications to central banks are to avoid relying too much on monetary policy instruments to stimulate domestic economies.

As for UK and its monetary policy implications, the Financial Stability Report of the Bank of England from July, 2016 shows that “The [Financial Policy] Committee had identified the following channels through which the referendum could increase risks to financial stability:

- the financing of the United Kingdom’s large current account deficit [...];
- the UK commercial real estate (CRE) market [...];
- the high level of UK household indebtedness, the vulnerability to higher unemployment and borrowing costs of the capacity of some households to service debts [...];
- subdued growth in the global economy, including the euro area [...]; and
- fragilities in financial market functioning [...]” (BoA, 2016).

4. PERSPECTIVE OF ECB MONETARY POLICY AFTER BREXIT

In ensuring functionality and fulfill its objectives for any central bank it is important the transmission mechanism of monetary policy to the economy. In this regard, considering the three major global central banks - the Federal Reserve, the European Central Bank and the Bank of England – they are highlighted differences between them like:

- the monetary transmission mechanism is specific for each central bank considering financial markets development, as is the case of the BoE and the FED which MTM is mainly done through financial markets in contrast to the ECB which MTM is mainly done through banks;

- there is a single Treasury and a single sovereign debt for the FED and the BoE to deal with in spite of the ECB that have to deal with nineteen Treasuries and sovereign debts;

- there are more than one primary objective for monetary policy for the FED and the BoE, while the ECB has only one: price stability;

- there are limits regarding the ECB function of lender of last resort, in contrast with the FED and the BoE;

- there is a more complex process for decision making at the ECB than at the FED or at the BoE;

- there is less transparent process of decision making at the ECB than at the FED or at the BoE due to the failure to publish the minutes of its Governing Council meetings;

- there are a lot of differences in using “unconventional or non conventional measures” (as the case for the FED and the BoE) or “non standard measures” (as for the ECB) (Dehesa, 2012).

After the global financial crisis in 2008 and with the aftermath of a combined banking and debt crisis in 2009-2010, the ECB policy measures were primarily focused on the difficulties in the transmission process.

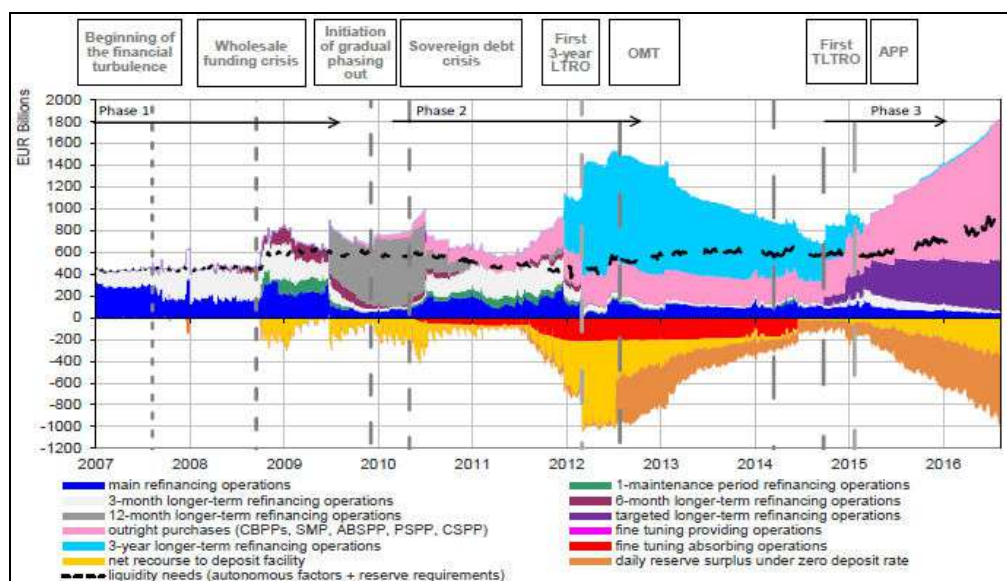


Fig. 1 Eurosystem balance sheet composition (EUR billions)

(Source: Praet, 2016)

Nowadays, the ECB is conducting its accommodative monetary policy through a set of complementary instruments like: targeted longer-term lending operations (TLTROs), asset purchase programme of public and private securities (APP), a policy of a negative rate on excess reserves, and charging zero interest rate on main refinancing operations.

The policy package is strengthened by the policy of forward guidance, having the following targets: the duration of asset purchases will be subject to a sustained adjustment in the inflation trajectory, and interest rates will remain low for a longer period of time (Praet, 2016).

There are three channels of transmission for these instruments: direct pass-through, portfolio rebalancing and signalling, which reinforce each other.

1. Using the „credit easing” tools, such as TLTROs and APP, the banks will be stimulated to create more loans simply by re-packaging the asset-backed securities (ABS), selling them on and collecting the cash as the spread between the interest rate at which the securities are sold to the ECB and the interest rate charged on the underlying credit. „This “credit easing” mechanism is expected to compress the spread between the financing conditions set in the capital market and the borrowing conditions faced by the individual borrowers in the bespoke market for individual loans.”(Praet, 2016)

2. In terms of portfolio rebalancing, investors are forced to change their investment decisions from low-yielding assets to the asset with greater yields and maturity, to the assets with yield adjusted for risk. In this regard, banks are a major player in the chain of transmission in this market, by lowering their monetary reserves and orienting them by purchasing assets on the market, this process being amplified by ECB through a negative policy rate.

3. The signalling channel is intended to influence the expectations by both ECB purchases and rate of forward guidance. (Praet, 2016)

Table 1 SWOT Analysis regarding ECB monetary policy after Brexit

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. ECB monetary policy operates by steering short-term interest rates, thereby trying to influence long-term interest rates and economic developments, in order to maintain price stability for the euro area over the medium term 2. the monetary policy measures in place since June 2014 are filtering through to borrowing conditions for firms and households and are supporting credit flows across the euro area 3. the monetary accommodation and a reduction in the pace of fiscal consolidation should help to support economic activity 4. the euro overnight index average (EONIA) remained stable during the review period (from 2 June to 7 September), while the EONIA forward curve flattened, mainly in the wake of the UK referendum 5. broad money continued to grow at a robust pace and Loan dynamics continued to recover gradually 	<ol style="list-style-type: none"> 1. transmission mechanism is still weak but records improvment 2. the outcome of the UK referendum on EU membership surprised financial markets, but volatility has been short-lived–contained, in part, by expectations of countercyclical policy responses in major advanced economies 3. weak connection between monetary policy and fiscal policy 4. low interest rates environment 5. Quantitative Easing means an excess of domestic liquidity in UK and Eurozone, and thus ECB could use LTRO policy and for US funding ECB could borrow from Fed using swap lines 6. ECB only accepts collateral from European Economic Area (EEA) issuers if bonds are settled in the Eurozone
Opportunities	Threats
<ol style="list-style-type: none"> 1. the euro area economy is relatively open, particularly when compared with other major economies, such as the United States, China or Japan 2. the recovery in euro area activity is expected to continue 3. business and residential investment is expected to continue its recovery 4. Euro area labour market conditions should continue to improve over the projection horizon 5. HICP inflation is projected to average 0.2% in 2016 and to rise noticeably to 1.2% and 1.6% in 2017 and 2018 respectively. 6. external price pressures will contribute to a pick-up in inflation, with import price inflation expected to turn positive in 2017 following a prolonged period of four years of negative annual rates of change 7. over the projection horizon 2017-2018, the general government budget deficit and debt ratios are projected to be on a downward path in the 	<ol style="list-style-type: none"> 1. structure of the euro area economy (the world’s third-largest economy after US and China; one of the world’s largest economies in terms of population) 2. the need for fiscal discipline is even stronger in a monetary union, such as the euro area, which is made of sovereign states that retain responsibility for their fiscal policies. 3. economic structures vary across the euro area countries, causing differentials in economic performance between them; economic structures display limited fluctuations over the business cycle, but otherwise they change very gradually over time 4. some member states have current account imbalances after the start of the monetary union, which are in the process of being corrected 5. Euro area activity is expected to be negatively affected mostly through lower exports 6. there are significant Brexit-related downside risks to the euro area projections 7. global trade remains weak

eurozone

8. cross-border financial business with UK and other countries are made possible by EU legislation (investment services, payments, deposit taking and clearing) through MiFID

8. global equity markets reacted strongly to the outcome of the UK referendum, with euro area banks being most affected

9. UK access to internal market and contribution to EU budget remain important issues

Sources: ECB, Economic Bulletin, Issue 6/2016, September 2016; Motte F., Further aspects from the UK referendum on EU membership, HSBC France, June 2016

5. CONCLUSIONS

After the international financial crisis, in achieving its primary objective of price stability, the ECB resorted to policy instruments using both conventional and especially unconventional measures in order to ensure liquidity and regain market confidence, to reduce financial risks and to ensure the resumption of growth by stimulating lending.

In order to mitigate the negative effects of Brexit on Eurozone economy, the ECB must act taking into account the strengths and the weaknesses manifested in its decisional and operational activity, but also the opportunities and the threats concerning the external financial and economic environment.

In this respect, the ECB will continue the accommodative policy based on instruments like: targeted longer-term lending operations (TLTROs), asset purchase programme of public and private securities (APP), a negative rate on excess reserves, and charging zero interest rate on main refinancing operations.

In the same time, the ECB will use complementary the policy of forward guidance, having the following targets: the duration of asset purchases will be subject to a sustained adjustment in the inflation trajectory, and interest rates will remain low for a longer period of time.

To the extent that policy makers in the EU and the UK will be able to make a reasonable transition to the exit of UK in order to bring multiple benefits to both sides and minimize the disadvantages, the ECB policy makers will have to fulfill tasks less difficult in regarding calming financial markets, maintaining investor confidence and improving economic conditions.

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IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ON AN ENTITY'S FINANCIAL STATUS AND PERFORMANCE

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Abstract: *International Financial Reporting Standards - IFRS aim at harmonizing accounting principles, procedures and treatments used for the preparation and presentation of annual financial statements in order to meet the information needs of all the social partners of an entity.*

In this article the authors intend to analyze some of the regulations included in a series of international accounting standards - IAS 38 "Intangible Assets", IAS 16 "Property, Plant and Equipment", IAS 36 "Impairment of Assets"- in order to assess how their application influences the presentation of a financial status and the level and method for measuring the performance of entities.

Key Words: *accounting regulations, IAS, financial status, performance, assets, impairment.*

JEL Classification: M41

1. Introduction

The role and purpose of accounting information have led in most countries to the need for accounting normalization. **Accounting normalization** is defining *accounting principles and rules* based on a precise terminology identical for all producers and users of accounting information, as well as *practically applying them* in order to ensure comparability, relevance and credibility of accounting information. International financial reporting standards (IFRS) aim at *harmonizing* entities' accounting principles, procedures and treatments of annual accounts.

The need for accounting harmonization is based on: accelerating the globalization phenomenon; the need for unrestricted access to international capital markets; access to international funding sources; possibility for relevant performance measurement and decision-making; work and influence of multinational accounting firms and financial and tax advice firms; connection with tax authorities as users of accounting information which control the activity of multinational companies. In other words, accounting normalization involves developing a unitary conceptual model on annual financial statements.

The "Framework for Preparation and Presentation of Financial Statements" is an instrument of accounting normalization comprising the basic concepts and principles that underlie the preparation and presentation of financial statements for external users. The objective of financial reporting prescribed by IFRS is to provide accounting information about financial status, effects of transactions and other events that change the economic resources and performance of a reporting entity.

The paper herein is intended to analyze the regulations contained in a series of international accounting rules to see how their application affects the financial status, the performance level measurement manner of economic entities.

2. Content

International Standard **IAS 38 "Intangible Assets"** refers to intangible assets. These are fixed non-monetary assets, identifiable but not embodied in physical form, used in the production process; the supply of goods or services for rental or administrative purposes. Such intangible assets are: patents; brands; licenses; know-how; softwares; goodwill.

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According to the standard, the following elements are not recognized as intangible assets: entity formation costs; research costs; expenditure on advertising. These expenses are reported as running costs at the time of their occurrence.

Additionally, Standard IAS 38 requires recognition as running costs of expenses after acquisition of intangible assets, except when they are capitalized on those intangibles:

- subsequent expenses which lead to enhanced performance, higher than the initial level of intangible assets related to which they have been incurred;
- subsequent expenses can be assessed and assigned to a type of intangible asset.

Given the characteristics of intangible assets, it is often difficult to determine whether a subsequent expense maintains or increases the level of initial performance. It is also difficult to assign such expenses to a single intangible asset because division normally envisages the entire entity business.

Therefore, in practice subsequent expenditure incurred after the initial recognition of an intangible asset are reported in the balance of running.

Recognizing and measuring intangible assets as required by IAS 38 Standard and achieving the distinction between intangible assets and charges for the year is very important in terms of the implications on the financial status and economic performance of an entity:

- an element that does not meet the conditions for recognition of intangible assets is treated as an expense and therefore increases the running costs of a year, diminishes the result and thus reduces the performance of an entity in terms of profitability, solvency, capacity for self-financing and financial autonomy.
- an item that meets the conditions for recognition of intangible assets is reported as an intangible asset in the balance sheet and determines both the increase in the share of this asset category in the total balance sheet and increased expenses on depreciation, namely of running costs for the year in the profit and loss account .

The influences on economic performance of an entity by reporting as current expense in the profit and loss account or as intangible asset in the balance sheet are the same as those discussed above. One notices, however, that in practice clearly setting whether a subsequent expense maintains or increases the initial performance level of an intangible asset is subjective. Therefore, if present tax implications involve reducing taxable gross profit at the expense of economic performance, then subsequent expenses are maintained in the profit and loss account even when they could be reported in the balance sheet as an intangible asset.

International Standard IAS 16 “Property, Plant and Equipment” sets the accounting treatment of tangible assets. These are resources controlled by an entity arising from past events and generating future economic benefits for the entity, measurable in cash flows that may occur in one of the following circumstances: the use of property and equipment in the production or service flow; the use of property and equipment to extinguish a debt; the exchange of assets; etc. Tangible assets are used by an entity for a period longer than one financial year which generally means more than one year and they are intended for production, provision of services, recovery leasing, or use for purposes other than productive ones. Evaluation, depreciation and revaluation of property, plant and equipment are issues addressed in Standard IAS 16 having influence on an entity’s financial status and performance.

- The **initial assessment** of tangible assets is made at the cost. Standard IAS 16 requires not including administrative costs and production preparation costs in the price of property and equipment unless they have occurred in strict connection with the acquisition or commissioning of property and equipment. In this situation, a professional accountant has little scope for information manipulation because one cannot artificially include

massive administrative expenses in the cost of property and equipment, at most, one can forcefully “attach” some administrative costs to the purchasing and commissioning of property and equipment. During a first stage, it had do with increasing the value of property and equipment and subsequently with increasing annual depreciation expenses for the duration of using the property and equipment. Thus, economic performance is influenced by decreasing a year’s profit and a tax implication reducing the tax base.

- **Assessment** of tangible assets incoming via **exchange of assets**. If a tangible asset given by an entity is similar in nature and value to that obtained via exchange of assets, a newly incoming tangible asset in the entity shall be accounted for at the net book value of the asset given; in this case, the entity’s economic performance is not influenced. If the net book value of property and equipment transferred exceeds the net book value of the tangible asset received, accounting for shall be done at the value of new entry property and equipment; In this situation, there is a decrease in the balance sheet of tangible assets, that implicitly reduces their share in total assets. Simultaneously, in the profit and loss account there is a reduction in depreciation expense, which affects the tax base and corporate tax accordingly, that is in a positive way.

- **Subsequent expenses** after commissioning of property, plant and equipment. Standard IAS 16 recommends tangible capitalization only of those expenses which result in the reporting of economic benefits higher than initially foreseen. It is obviously difficult and subjective to delimitate of expenses that contribute only in keeping the normal production capacity of a tangible asset from expenses that may increase its performance above normal levels or extend its lifetime. Under the pretext of improving the technical and economic characteristics of property, plant and equipment, there will be in most cases the tendency to over-capitalize expenses that typically are aimed only at maintaining the production capacity of property, plant and equipment. As a result, the book value of tangible assets will increase and their share in total assets. At the same time, annual operating expenses on depreciation will increase current year expenses and reduce profit, negatively affecting the economic performance of an entity, but diminishing the tax burden by reducing the tax base.

- **Reassessment** of tangible assets. Different causes determine the initial value of a tangible asset (its cost) should no longer correspond to the current value. In such cases, one proceeds to reassessment of tangible assets. Reassessment is designed to provide information for reporting their real value in the accounts in order to eliminate large differences between the net book value and fair value (real value) of property and equipment. The need for reassessments is determined based on professional judgment, but it is recommended every 3-5 years, in order not to report large differences between the net book value of tangible assets and their fair value. It is obvious that the frequency of judgment occurrence is subjective and adapts according to the current needs of an entity and the fluctuations in market values of such property, plant and equipment regarding the increase in equity value with reassessment differences. Entities typically increase their economic performance desiring to reassess the property, plant and equipment that lead to reporting positive reassessment differences, in order to increase equity, and thus to deleveraging. Accordingly, although Standard IAS 16 recommends the simultaneous reassessment of all tangible assets that belong to the same category; in the absence of statements on the definition of “category of tangible assets”, it is possible to have a selective reassessment by taking into account only tangible assets that will release positive reassessment differences and neglecting those which generate negative differences.

In practice, the reassessment of tangible assets generates positive differences in most cases leading to increasing their balance in the balance sheet and consequently to the increase in operating expenses of depreciation. Following the reassessment of tangible

assets, a financial status is influenced in terms of increasing assets and simultaneously it is influenced in terms of equity increase based on positive reassessment differences. The entity receives the tax benefit of the decrease in taxable income due to the increase in operating expenses of depreciation. Whereas from tax perspective, decreased profit generates advantages, in terms of economic performance it is a disadvantage. That is why some entities try to reassess only non-depreciable tangible assets such as land in order to eliminate the disadvantage of increasing operating costs of depreciation and reducing year profit; this solution is *viable*, especially that the provisions of Standard IAS 16 are complied with, meaning that land is a distinct category of property.

- **Depreciation** of tangible assets when coming out of an entity. According to Standard IAS 16, the depreciable value of property and equipment is determined by subtracting the residual value from the initial cost representing the amount that an entity estimates to earn from the sale of property and equipment at the end of their service life, less expenses incurred by their sale. Estimating the residual value can be subjective and can serve the momentary interests of an entity. That is why, depreciation of tangible assets influences an entity's performance at least regarding the following aspects:

- estimating a lower residual value, that is undervaluing it, meets the principle of prudence but increases the depreciable value of property and equipment and therefore operating costs. This reduces the taxable income, yielding a tax advantage and a disadvantage on performance, except for land which cannot be depreciated. Overvaluing the residual value leads to lower annual depreciation costs and increased taxable income, thus a higher corporate tax. Higher or lower profit influences in terms of increase or decrease the profitability and solvency indicators, and the ability for self-financing.

- choosing the depreciation methods of tangible assets according to their technical characteristics and the specific use in an entity is marked by subjectivity. According to the criterion chosen, the depreciation duration differs and annual depreciation expenses differ, too. According to the vision of Standard IAS 16, a depreciation method should be reviewed at least at each financial year end. If the expected pace of economic advantages of an asset has experienced a significant change, the depreciation method must be changed in order to reflect the new pace.

Theory and practice recommend that a depreciation regime used should be logical and systematic. In other words, the cost of entry must not be arbitrarily assigned to years, without taking into account the manner of an asset's losing its use value over the years. The depreciation regime selected must reflect the service reduction capacity of property and equipment. When asked "*which depreciation regime is better?*", the answer is: according to an entity's objectives, an entity's "aggressiveness" when it wants to address fiscal management and, of course, according to the decision of the general meeting of shareholders or members. It is known that choosing a depreciation regime is a matter of appreciation. If an entity has a choice regarding depreciation, interest is related to investment, an interest that competes with the state's tax one. The choice of a digressive system or accelerated system is conducive for entities that are recipients or are about to become such in the first years after the investment. Since rapid depreciation is digressive, they can defer the date of payment of a tax part, thus benefiting from currency impairment. If they are deficient in terms of outcomes in the coming years, entities are able to "escape" from paying taxes permanently. Initially establishing the criterion of depreciation and its substitution following the "professional judgment" which justifies the disparity between the previously established criterion and current use of property and equipment, is a direct method of influencing an entity's performance namely decreasing or increasing it.

- **Tangible assets' coming out** of an entity through sale causes the generation of revenue and the year's profit growth, while their coming out through scrapping generates

both expenses incurred for scrapping and revenues from recovered material recovery. If a tangible asset sold has previously been reassessed, the reassessment differences are taken directly upon reserves and increase equity, increasing the solvency ratio and the self-financing ability, but diminishing return on equity.

International Standard IAS 36 “Impairment of Assets” provides clarifications regarding the recognition and measurement of an impairment loss and specific accounting treatments. Recognition of impairment can also be treated as information in making a decision to revise the remaining life, the residual value and/or depreciation method.

According to Standard IAS 36, the book value of an asset must be brought to its recoverable amount if and only if its recoverable amount is less than its book value. This reduction represents an impairment loss and consequently it must be immediately recognized as an expense in the profit and loss account. If in following years the recoverable amount of an impaired asset has increased, the difference is scrapped by the resumption in income, except for the reassessment of assets, when it must be treated as an increase in the reassessed value; in this case, the asset value will rise to the new recoverable value, without exceeding the current net book value calculated if the asset had not been impaired in previous years.

Applying Standard IAS 36 affects the financial status and performance of an entity due to resizing the tangible assets' value. These influences are to be analyzed according to two possible scenarios: finding the loss of value of an asset and minimizing the loss of value previously found.

1) Finding the loss of value of an asset

When an asset's recoverable amount is less than the amount reported in the accounts, it results that the asset has been impaired and the entity must report the loss of value. Reporting an asset at its recoverable amount in the accounts, obviously lower than its old book value, influences the financial status by decreasing the share of tangible assets and their performance by subtracting annual depreciation expenses. Keeping the hypothesis of a depreciable tangible asset it is noted that its loss of value determines an increase in the year's expenses when it has been found, which is higher than the reduction of depreciation expense resulting only in subsequent months by dividing the new book value of a fixed asset during the remaining utility duration. As a result, in the month an impairment of depreciable assets is found, one deals with an increase in expenses which influences the monthly outcome namely decreases it and favours a lower tax burden.

In terms of revalued assets, the loss of value found is still part of the charges for the year but is deducted directly from the revaluation difference of an asset, provided it is not higher than the revaluation difference. In this case, there will be a decrease in the entity's equity due to lower revaluation differences, which will influence the entity's economic performance in a manner similar to that shown above.

2) Minimizing an asset's loss of value

On the occasion of reducing the loss of value of an asset, there is income reported in the profit and loss account which influences a benefit, that is increasing it. If, however, the loss of value of a revalued asset has previously been reported an expense, its minimization will be reported as income, which influences the economic performance of the entity through profit growth in a manner similar to that shown for minimizing the loss of value of an asset. Regarding a depreciable asset, after minimizing the loss of value and along with increasing its value, the depreciation expense must be rescaled namely increasing it during the remaining service life, which affects profit for the year on the downside and the economic performance of the entity on this basis, just like when finding the loss of value of an asset, previously analyzed.

3. Conclusions

Applying international financial reporting standards by economic entities involves changes in the manner of recognition, measurement, impairment, etc., in structures of financial statements. Additionally, in the practice of various countries, depending on the relationship between accounting and taxation, such changes have fiscal implications.

In pursuit of objectives, the management of an entity must apply accounting policies so that their financial statements should comply with all provisions of each applicable international accounting standard and each applicable interpretation. In the absence of an explicit standard and an interpretation, entity management appeals to professional judgment in view of developing an accounting policy that may lead to the most useful information to the users of financial information.

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CHANGES IN THE REPORTING SYSTEM IN THE ROMANIAN PUBLIC INSTITUTIONS: FROM FINANCIAL TO STATISTICAL REPORTING

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Abstract: *Starting with September 2014, all the Member States of the European Union have the obligation to publish national account data according to the methodology of the European Accounts System 2010 (SEC 2010), approved by the (EU) Regulation no. 549/2013 of the European Parliament and of the Council / 21 May 2013. By the passage to the new system of national accounts it is pursued to reflect the new economic realities and, at the same time, to meet the users' informational needs, SEC 2010 being in agreement with the norms of the National Accounts System established internationally (SCN 2008). The present material approaches the new types of statistical reports that Romania must realize via the National Statistics Institute, as a consequence of the adoption of the European legislation on a national level.*

Keywords: *public sector, European Accounts System, Romanian public accounting, the budgetary execution.*

JEL Classification: H83.

1. Introduction

The reviewed European Account System includes a methodology and a transmission program defining the accounts and tables that must be provided by all the Member States according to the deadlines specified. The review concerns the annual, trimestrial and regional national accounts and the statistics of the governmental finance. SEC 2010 concepts are harmonized with those from other economic and social statistics. Seeing that SEC 2010 uses concepts and classifications [1], for example, the Statistical Classification of the Economic Activities in the European Union *NACE Rev.2* [2] which are used for the elaboration of other social and economic statistics of the Member States, for example industrial statistics, external trade statistics or labor force statistics, the conceptual differences are minimal. Moreover, these SEC 2010 concepts and classifications are harmonized with those of UN. This harmonization with economic and social statistics helps correlate and compare these figures, so that the quality of the figures in the national accounts may be assured. At the same time, the information contained by these specific statistics can be better correlated with the general statistics related on the national economy.

SEC 2010 is to gradually replace all the other systems and manuals, such as the Payments Balance Manual and the Debt and Deficit Manual, being a reference framework of standards, definitions, classifications and common accounting norms for the drafting by the Member States of the national accounts, so as to obtain results comparable as support to meet the European Union objectives.

The implementation of SEC 2010 supposes the retroactive revision of the time series of the annual, trimestrial and regional national accounts. In the case of Romania, this revision covers the period 1995-2013.

2. Implementation of the new European System of Accounts (SEC 2010)

To assure the balance between the data requirements and the collection possibilities, the concepts used in SEC 2010 present some important features. These features of the accounts are [3]:

- ✓ international compatibility;

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- ✓ harmonization with other economic and social statistical systems;
- ✓ consistency;
- ✓ operational character in the sense of the possibility of practical measurement;
- ✓ difference compared to most of the administrative concepts;
- ✓ stability during a long period of time;
- ✓ focus on the description of the economic process in monetary terms;
- ✓ capacity to apply in various situations and with different aims.

The data obtained in the framework of SEC are essential for defining and checking the economic and social policies of the EU and of the Member States.

The following examples illustrate the use of SEC framework [4]:

- ✓ monitoring and orientation of the process of elaboration of the monetary and macroeconomic policy in the euro zone and definition of convergence criteria for the Economic and Monetary Union (EMU) based on the numbers in the national accounts (for example, GDP increase rates);
- ✓ definition of the criteria for the excessive deficit procedure: measuring the public deficit and the public debt;
- ✓ granting financial support to the EU regions: allotting funds for expenses to the regions calls for the use of statistics concerning the regional accounts;
- ✓ calculation of own resources of the EU budget.

The calculation of the own resources of the EU budget depends on the data in the national accounts in three ways:

- ✓ the total of the EU resources is calculated as percentage of the GNR (Gross National Revenue) summed up of the Member States;
- ✓ the third own resource of the EU is its own resource based on VAT. The contributions of the Member States to this resource are established largely depending on the data in the national accounts, because these numbers are used to calculate an average VAT rate; RO L 174/36 Official Journal of the European Union 26.6.2013
- ✓ the relative contribution of each Member State to the fourth own resource of the EU is based on the estimate of the gross national revenue of the Member States. These estimates are the basis for most of the payments made by the Member States.

3. Methodological differences between SEC 2010 and SEC 95

SEC 2010 differs from SEC 95 both as application domain and as concepts. The main differences consist in [5]:

- ✓ recognizing the research and development as capital formation triggering intellectual ownership assets. This change will be recorded in a satellite account and will be included in the main set of accounts the moment when a sufficient solidity and harmonization degree of the Member States has been noticed;
- ✓ the expenses for armament systems corresponding to the assets' general definition have been classified as fixed capital formation, instead of intermediate expenses;
- ✓ the analytical concept of capital services has been introduced for the market production, so that a supplementary table can be produced, where they figure as added value component;
- ✓ the financial assets have been extended to cover to a larger extent the contracts for derived financial instruments;
- ✓ new norms for the recording of the rights on pension funds. In the accounts, a supplementary table has been introduced to permit the recording of estimates for all the social insurance rights, be they funded or non-funded. The whole array of information needed for a comprehensive analysis is presented in this table, where there appear the

rights and flows associated for all the private and public pension systems, be they funded or non-funded, including in the domain of social security pension systems;

✓ application of the norms of property exchange on goods has become universal, which triggered changes regarding the recording of the acquisition and resale activities internationally and of the goods sent to be processed, both abroad and in the framework of the national economy. Thus, the goods sent abroad to be processed are recorded at their net value, unlike SCN 1993 and SEC 95, where they were recorded at their gross value. This change has important implications on the recording of such activities in the framework of resources and uses;

✓ more orientations are offered regarding the financial companies in general and regarding the entities having a special purpose. The regime of these entities abroad, controlled by the public administrations, has been changed to guarantee the fact that their liabilities figure in the public administration accounts;

✓ the regime of the super dividends paid by the public companies was clarified, namely they need to be dealt with as exceptional payments and capital withdrawal;

✓ the principles for the regime of public-private partnerships were established, and the regime of the agencies under restructuring was extended;

✓ the operations between public administrations and public companies and those with securitizing tools were clarified to improve the registering of elements that could affect the public debt significantly;

✓ the credit guarantees regime was clarified and a new treatment has been introduced for standardized credit guarantees, such as export credit guarantees and student credit guarantees. The new regime consists in the fact that, to the extent to which a guarantee execution is possible, financial assets and liabilities need to be recorded in accounts.

The modifications in SEC 2010 compared to SEC 95 are not limited to conceptual changes. There are major differences on coverage degree and new chapters on satellite accounts, public administration accounts and the accounts of the rest of the world. At the same time, the chapters on trimestrial accounts and regional accounts have been extended considerably.

4. Transposition of the European legislation in Romania

The European Directive 2011/85/UE, foreseeing rules applicable to the budgetary accounting systems and rules of statistical reporting was transposed in the Romanian legislation by:

a) the passage to the accounts system COFOG 3, the normative act emitted in this sense being *OMFP no. 2021/2013 for the modification and completion of the Methodological norms regarding the organization and management of public institutions accounting, the Plan of accounts for public institutions and the instructions regarding its application, approved via OMFP no. 1917/2005*;

b) Passage of the revenues and expenses budget execution into the COFOG 3 system, the normative act emitted in this sense being *OMFP no. 720/2014 concerning the Methodological norms regarding the execution of the budgets of public institutions, later on updated by Order no. 271/2015*;

c) Holding the certificate attesting the knowledge on the European Accounts System of the heads of the financial-accounting departments;

d) Realization of an informatics system for reporting budgetary execution and financial statements.

a) By the passage to the COFOG 3 account system and the approval of OMFP no. 2021/2013, in the entire content of the Methodological Norms on the Organization and

Management of Public Institutions Accounting, the analytical accounting in the accounts was completed by the information: sector code, funding source and revenue classification (chapter, sub-chapter, paragraph), functional classification of the expenses (chapter, sub-chapter, paragraph) and economic classification of the expenses (title, article, paragraph), according to "Development of the Synthetic Accounts into Analytical Accounts in order to Report the Check Balance at the Public Finance Minister".

b) The realization of the revenues and expenses budget in the COFOG 3 system and the emission of OMFP no. 720/2014 implemented the Methodological Norms regarding the Execution of the Revenues and Expenses Budgets of autonomous public institutions, of public institutions funded integrally or partially from own revenues and of the activities funded integrally from own revenues, including internal credit budgets, external credit budgets, external non-reimbursable fund budgets, risk fund budgets and budgets concerning the privatization activity, managed by public institutions, regardless of their manner of organization and funding.

c) Certification of the knowledge acquired in ESA 2010 - European System of Accounts constitutes the specific condition obligatory for filling in the position of head of the financial-accounting department of a public institution. The legal framework in the national legislation is given by:

- ✓ Law no. 500/2002 on public finance, with its subsequent changes and completions - Law no. 270/2013 (Art. 19 Let. b2) and b3));

- ✓ OMFP no. 496/2014 for approval of the Methodological Norms on the withdrawal of the certificate attesting the knowledge acquired in the European Account System;

- ✓ Mentions of the Public Finance Minister on the application of OMFP no. 496/2014 – Certification of knowledge in the domain of the European System of Accounts.

The Certificate emitted by the Public Finance Ministry attests that the person has acquired the necessary knowledge to meet the specific obligatory condition required to fill in the position of head of the financial-accounting department or to be maintained in this position. The certification of the knowledge in the domain of European System of Accounts supposes a check of the knowledge acquired in this domain, in order to secure a position of head of a financial-accounting department. The evidence of the promotion of the exam attesting this knowledge is realized by having obtained the respective certificate. For the heads of financial-accounting departments in position, the courses and the certificate are free of charge.

The certificate is valid for a period of five years since the deliverance moment. The withdrawal of this certificate takes place automatically, when the five-year period expired, if the maintaining of this validity was not demanded anymore. If the holder of the certificate was sanctioned by a control organ for serious deviations in relation to the correctness of the financial statements drafted and signed or sanctioned, he shall notify the head of the public institution on the situation noticed, according to the skills set in agreement to the law, in order to analyze the opportuneness of a new knowledge check. In such situations, the validity of this certificate is maintained under the reserve of his covering the certification procedures, on the invitation of the head of the public institution, and paying personally the costs involved.

The public institutions have the obligation to fill in the job description for the vacancies of the financial-accounting departments, in the sense of the introduction of the specific obligatory condition of acquisition and maintaining of this certificate.

d) Regarding the realization of an informatics system reporting the budgetary execution and the financial statements, as a Member State of the European Union, Romania committed to apply the economic classification standards for governmental activities COFOG level 2, standards calling for much more detailed information from

public institutions. Moreover, in the framework of the relations with international financial institutions –Monetary Fund and World Bank – the Public Finance is asked for detailed information on the financial situation of the public institutions. In this context, it is necessary to know, on the level of the Public Finance Ministry, the budgetary execution and the budgetary commitments on the primary level, functionally and economically, of all the 15,000 public institutions and economic operators, to consolidate these pieces of information in a database accessible to the Public Finance Ministry and other stakeholders.

Thus, the platform <http://www.transparenta-bugetara.gov.ro/> has been launched, the largest database in open format, which can be consulted online by any citizen, with the help of a computer or a mobile device. On the platform launched by the Public Finance Minister, is available information (in .pdf .xlsx .xml format) on the financial-budgetary activity (revenues and expenses) of over 13,700 public entities. The information in the platform is taken over automatically from the **FOREXEBUG** system – the national system for checking, monitoring, reporting and controlling financial statements, legal commitments and budgets of the public entities of Romania.

5. Is the Romanian public administration ready to take over the novelties?

In order to increase the efficiency of the central and local public administration, respectively administrative transparency by making available modern, standardized tools to the public institutions to report financial statements and publish detailed information on the use of public funds, in agreement with the budget classification, in January 2012, the Public Finance Ministry implemented the project "Creșterea responsabilizării administrației publice prin modernizarea sistemului informatic pentru raportarea situațiilor financiare ale instituțiilor publice" (Increasing the responsibility of the public administration by modernizing the informatics system to report the financial statements of the public institutions), cofunded from the European Social Fund by the Operational Program Administrative Development Capacity 2007 - 2013, cod SMIS 34952.

The aim of the project is to realize a set of forms for reporting the financial statements handed over by each reporting entity, in electronic, standardized format, and to increase the degree of trust of the data collected.

According to MFP [6], by implementing the project the following results have been obtained:

- ✓ a set of electronic forms for reporting the financial situations developed to be used by the reporting entities. The number of financial-accounting reports was reduced from 43 forms in physical format, to 15 electronic forms, in order to normalize and increase the data efficiency.

- ✓ aggregation, centralization, consolidation, and automatic reconciliation of the data collected by means of electronic forms for reporting financial statements;

- ✓ automatic generation of synthesis reports (standard and ad-hoc) depending on the data collected by means of electronic forms for reporting financial statements;

- ✓ automatic validation of the data regarding the budgetary execution of the revenues and expenses with approved budgets and updated programs of the reporting entities;

- ✓ automatic validation of the data regarding the payments realized by public institutions in TREZOR system with approved budgets and their updated programs (reporting entities);

- ✓ developed and functional application to control the budgetary employments of the reporting entities;

- ✓ training 220 trainers in ForExeBug, instructing 100 final users, instructing 60 IT specialists.

The implementation of the project was substantiated in an informatic platform (an informatic program) online (with internet access) with the help of which public institutions will report electronically the financial statements pertaining to patrimonial and budgetary accounting.

FOREXEBUG functions on the site of the Public Finance Ministry (Unique Access Point) where the users:

- a) transmit the information electronically using special forms (sheet of the entity, budget forms);
- b) introduce information using the Budgetary Employment Control application;
- c) transmit information using the State Treasury (payment order, paying slip, bank check);
- d) visualize information by the reports emitted by the Forexebug reporting system.

The first stage of the recording of the economic information regarding the budgetary execution supposes the completion of a budget form (pdf file with xml attached) with the help of which the public institution records the initial budgetary conditions and subsequent budget modifications. In the second stage, the budgetary employments are introduced, using the application Budgetary Employment Control in the framework of FOREXEBUG (*Employment*). The third stage requires the introduction of the receptions pertaining to the budgetary employments (*Liquidation, Authorisation*). In the last stage is completed the budgetary execution in the FOREXEBUG reporting system and are transmitted the payment orders and checks for liquidities to the State Treasury (*Payment*) bearing the unique identification code of the budgetary employments drafted in the application Budgetary Employments Control.

Forexebug will function in the year 2016 only for: a) way of data transmission; b) way of reporting budgetary accounting (budgetary execution) operating based on the ALOP principle; c) way of visualizing notifications emitted by the system (confirmations of status of the forms transmitted, reports, account statements). Starting with the year 2017 the public institutions will hand over the balances sheet only electronically in the Forexebug system in order to realize trimestrial and annual financial reports.

The legal regulations concerning the Forexebug national reporting system are: OMFP 88/2013 regarding the adoption of fiscal-budgetary measures to accomplish some commitments agreed upon by the international organism and OMFP 517/2016 for the approval of procedures pertaining to modules that are part of the operation procedure of the Forexebug national reporting system.

6. Instead of conclusions ...

The EU Member States need to avail themselves of national public accounting systems covering coherently and exhaustively all the public administration subsectors. The respective accounting systems allow the EU Member States to assure the periodical publication of the budgetary data specific of the public administration in agreement with the ESA 2010 stipulations. The Romanian public accounting has recorded notable progresses in this sense, being part of the trend of drafting not just financial reports, useful to microeconomic analyses and decision-making (on the level of public institutions), but also statistical reports, useful to macroeconomic analyses and decision making (State, government).

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THE RELEVANCE OF THE APPLICATION IN THE REPORTING OF COMPREHENSIVE INCOME OF IFRS

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Abstract: *A premise of the normalization accounting, the globalization is characterized by the interaction of financial, material and human resources at international level. It develops and diversifies the transactions produced by economic entities, which influences the opportunity of processing and communication of information. A normalization of the synthesis situation (financial reporting) concerning the comprehensive income which would replace or complete the traditional format of the income statement has become a permanent joint project initiated by IASB and FASB to achieve convergence between the standards of IFRS and USA GAAP.*

Keywords: *global result, IFRS, US GAAP, the IASB accounting normalization, fair value.*

JEL CODES: M41

1. Definition and general positions

Since not all the changes in IFRS fair value of assets and liabilities are reported in the income statement of the period in which these changes are recognized, it was gradually considered that the net result can not be seen as a complete measure of financial performance, prompting - it thus focusing efforts towards the normalization of reporting comprehensive income.

From a conceptual point of view, the determination and the report of comprehensive income serves to the presentation of a single size (integrated) of all items of income, expenses, gains and losses, aiming at increasing transparency of financial relations. Replacing or supplementing the traditional income statement with a global format which integrates in the current result including all the operations which transited directly in the equity is based on the fact that the proper size of the performance is not given by the indicative of the net result but of that value which measures the variation of equity (assessed in market values) or otherwise said, the enrichment of the shareholders.

Previously this approach of the normalization, in the accounting theory there were often made critics on the practice according to which, certain elements of the nature of the outcome passed the account of profit and losses impacting the equity and which became thereby amorphous elements yet potentially information. The attitudes towards these practices are different as there are different interested users. Most points in using the presentation of the global outcome were expressed as a result of what FASB and SFAS 130- issued. The reporting of the global result, a standard became mandatory starting with the subsequent reporting date of December 15, 1997.

The authors O' Hanlon and Pope[1] and Dhaliwal[2] have emphasized the fact that regarding the assessing of stock returns, the global outcome provides rarely information in addition to those already presented in the net accounting.

On the contrary, Hirst and Hopkins[3], Maines and McDaniel[4], Biddle and Choi[5] have sustained empirically the relevant decisional part of the global result. Meanwhile it is not excluded the fear that some elements, which currently are not part of the income

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statement, by including them in the overall result it would be given an informational value much higher than their real significance.

After releasing SFAS 130, both at the level IASB, but also as FASB, the issue of an evolved global result, being closely related to the treatment's differences from the evaluating at a fair value (e.g. fixed assets revaluation result IAS 16, the accounting gains and losses from investments in foreign entities - SFAS 52, IAS 21, unrealized gains and losses of the financial instruments available for sale - SFAS 115, IAS 39).

In this context, the fair value becomes a fundamental means of assessing the financial performance, considering that by the use of it are corrected some difficulties of accounting in historical costs, often incriminated for the differences between the reported values and their economic reality. In this case, an asset can generate income by increasing its fair value; since the decision to hold an asset has economic consequences that financial statements should disclose the profit thus generated would be relevant in assessing management. From this perspective, new concerns about performance and presentation of comprehensive income reflects the difficulty of dissociating income flows from operating activities, income flows resulting from changes in balance sheet values[6].

We conclude that the overall performance of the entity, as its main shareholder information, resulting from combining equally two factors: the performance of the operation and performance of investment alternatives in the choice made by the entity.

2. Literature review.

The comprehensive income of the enterprise, in a global way represents the main indicator that describes best its performance and the managerial teams' performance. The result represents the primary information given by financial reporting.

The use of accounting standards and concepts provided by it influenced directly the outcome of the company. To this respect, in the past, the result of the enterprise was identified with the accounting result which was considered the main indicator for measuring the company's performance. In the context of International Financial Reporting Standards, the concept of result of the enterprise has its counterpart in the concept of comprehensive income (*comprehensive income*). The term comprehensive income is not defined by the general framework of IFRS, but is used by IAS 1 *Presentation of Financial Statements* as "the change in equity during the period arising from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners".

The interest behind approaching the topic addressed and the premises that initiated the research result from the frequency of approaching the subject in literature. A documentary consult of the prestigious international databases (Science Direct, Springer Link, IDEAS-RePec) reflect the actuality of the topic addressed (Table. 1).

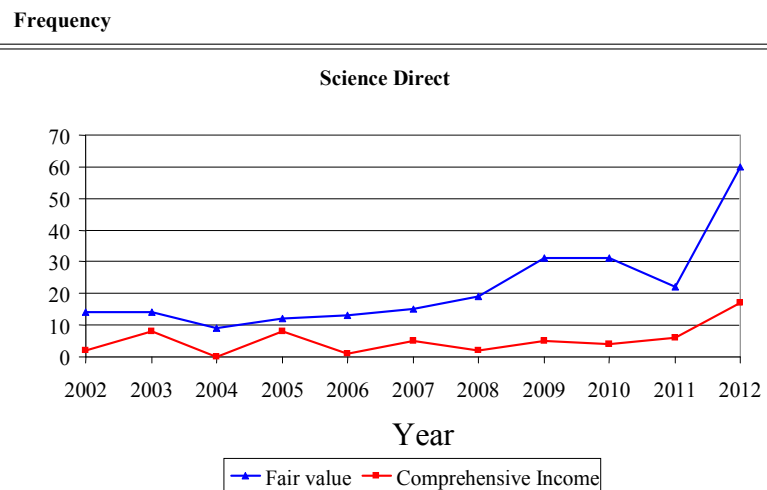
Table no. 1 - Number of articles / papers published on the Global outcome/ fair value (*Comprehensive Income/Fair Value*) during 2002-2012

Year	Science Direct		Springer Link		IDEAS-REPEC	
	Fair value	Comprehensive Income	Fair value	Comprehensive Income	Fair value	Comprehensive Income
2002	14	2	6	2	9	7
2003	14	8	9	4	6	1
2004	9	0	11	5	7	4
2005	12	8	10	2	20	2
2006	13	1	20	3	19	2

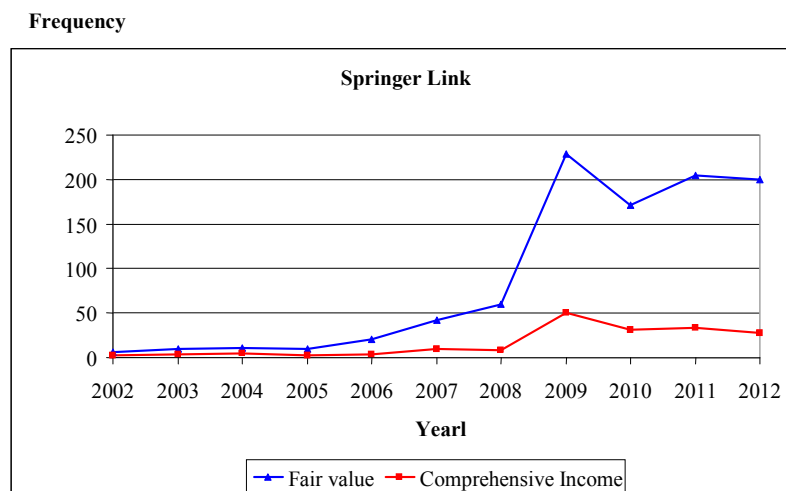
Year	Science Direct		Springer Link		IDEAS-REPEC	
	Fair value	Comprehensive Income	Fair value	Comprehensive Income	Fair value	Comprehensive Income
2007	15	5	42	9	17	5
2008	19	2	60	8	32	4
2009	31	5	228	50	19	6
2010	31	4	171	31	35	10
2011	22	6	205	33	65	7
2012	60	17	200	28	55	5

Analyzing the data presented in Table. 1 and in graphical format (Fig. 1a, b, c) we notice the upward trend in the frequency of publication of the research on the concept of fair value respectively comprehensive income specific to International Financial Reporting Standards that have a significant financial impact on company's earnings.

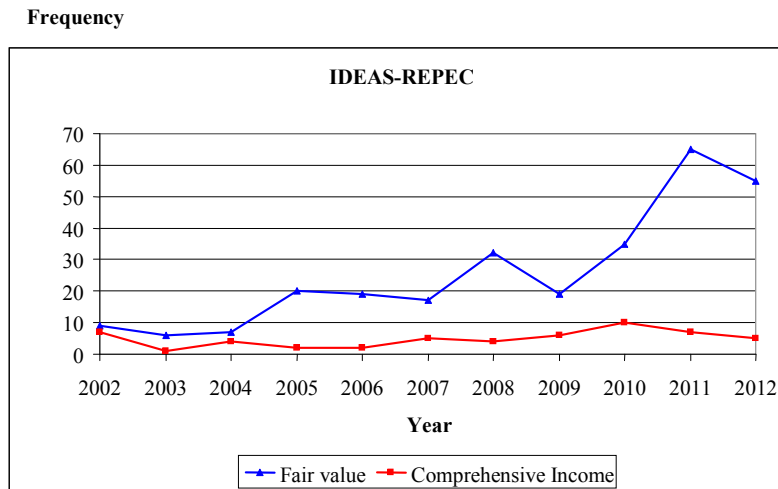
From the data presented we notice an increase in the frequency of publications from the years 2008/2009 when there were numerous revisions of content standards. Also, we notice that this high frequency was recorded during the onset of the global economic crisis that began in 2010.



a) indexed by Science Direct



b) indexed by Springer Link



c) Indexed by IDEAS-REPEC

Figure no. 1 – The frequency of articles / papers published on the Global Outcome/ fair value (*Comprehensive Income/Fair Value*) during 2002-2012

3. Research methodology.

The starting point of the research was that of theoretical documentation through the literature and developments specific to accounting regulations which allowed formulating opinions, clear structuring elements on the outcome of the company and its reporting. This was achieved across different accounting referential: international, European and national level. Such an approach aimed to understanding the conceptual ensemble reporting on the outcome of the company through financial statements.

Bibliographic documentation was performed using the sources represented by research papers carried out on both national and international literature, and normative institutions of national and international accounting regulations. The study involved the creation of bibliographic records to synthesize information, translations of literature (mainly the French language), data processing synthesized using specific software tools (Microsoft Excel). Databases were consulted by the indexation of research in the field.

The theoretical approach was supplemented by an empirical research carried out at a representative enterprise. In the empirical research was pursued the objective regarding the influence of relevant accounting treatments on the outcome.

4. The Expression of the Comprehensive Income

The comprehensive income as an expression in terms of performance variation incumbent shareholders equity (net assets balance sheet value) can be expressed by the equation:

$$R_{gt} = (VB_t - VB_{t-1}) - Dt - OC, \text{ where:}$$

R_{gt} – comprehensive income at the end of period t ; VB_t – equity (at book value) at the end of period t ; Dt – the dividends at the end of period t ; OC – capital transactions with owners in period t .

The outcome is determined by the net asset variations over a period. Balance sheet approach is based on neoclassical economic theory, according to which company management aims at maximizing major business value.

A formula developed from the perspective of an approach by income expenditure proposed by teachers Jeopardy C. and M. Dumitru:[7]

Profit / loss for the period recognized (a) profit or loss:

- (+/-) Income / expenses, gains / losses recognized directly in equity;
- (+/-) Profit / loss effect of changes in accounting policies;
- (+/-) Profit / loss effect correction of fundamental errors;
- = **The comprehensive income**

The two approaches differ in the way different accounting firm transactions. In Table no. 2 are presented some comparative elements on the two approaches result:

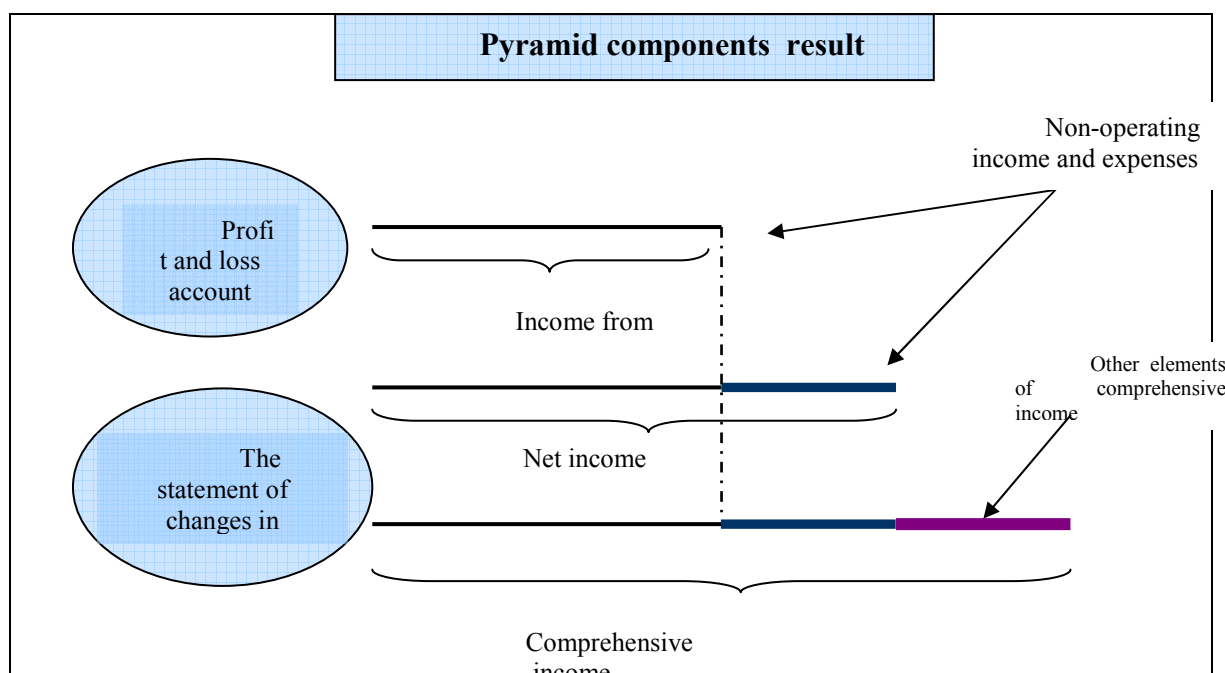
Table no. 2 - Double approach to outcome; comparative items

Active approach – liabilities (balance sheet)	Addressing expenses – income (income statement)
<ul style="list-style-type: none"> • transactions are accounted for according to their impact on the assets and liabilities • income and expenses are accounted for by the rules of assets or liabilities; • highlights the accounting rules and accounting rules for valuing assets and liabilities; • main financial document is balance; • outturn account is of secondary importance. 	<ul style="list-style-type: none"> • transactions are recorded as income or expenses by the fundamental principles: the precautionary principle, the principle of independence exercises; • attach minor variations of assets and liabilities; • main financial document of the results; • balance is of secondary importance

Source: own processing.

Following representation (Fig. 2) combines the two perspectives:

Figure no. 2: Pyramid components result[8] (own processing)



The accumulated accounting adjustments and the changing elements of the net situation and unassigned to shareholders are combined under the name of other *elements of comprehensive income*. They form, together with net income, comprehensive income and asset values corresponding to variation and liabilities recognized directly in equity and especially attributable to the application of specific rules on fair value accounting . If the theoretical evaluation of all balance sheet items at fair value, the result per share would correspond to the overall variation of the stock exchange.

Generally, according to the conceptual framework both revenue and profit are included in the category of positive results, as both expenditure and losses are negative[9], which sustain the image of an account of comprehensive income or transparent surplus (*clear*

accounting surplus). However, in practice of the standards previously issued by the IASB, especially those in the fair value, we can find numerous accounting rules that reflect patterns of net earnings or stale surplus (*dirty surplus accounting*), the fair value adjustments are recorded in net income, but transferred directly to equity, the model away from the Conceptual framework rules (*e.g. changes in fair value of financial instruments available for sale - IAS 39, the changes in value of tangible assets held at fair value - IAS 16 etc.*).

5. The Relevance of the Comprehensive Income Reporting

The concepts concerning the result have represented a point of controversy. In the US the concept of normalization comprehensive income in the general accounting principles (US GAAP) was achieved only after 15 years since its introduction to the theory and practice of accounting. This discrepancy is mainly due to the fact that the presentation of performance is not only a matter of outcome reporting in one format or another, but involves issues in the assessment and recognition of items in the financial statements.

The suggestion of introducing a new concept is determined by the fact that the Group's net profit was one of the causes of fraud and stock market overvaluation that has characterized recent years[10]. Many financial scandals of the last decade were due to net earnings manipulation. The new financial situation has distinct categories on economic operations, financial activities, investing activities and taxes payment.

The concept of **comprehensive income** is placed at the intersection of controversial perspectives. On the one hand, in terms of accounting theory, but also of the empirical behavioral studies it requires a separate presentation. On the other hand, accounting research positions has not appeared harmonized yet in terms of relevance and impact of information on the comprehensive income by its presentation on decision making behavior of investors in capital markets. The construction of an accounting model in accordance with the objective of supporting investment decisions in capital markets justifies the considerable importance which the normalizers offer to the studies based on real data of capital markets concerning the relevance levels that the information contained in comprehensive income and its components gains during the evaluation processes. According to their setters, each entity will need to consider the content, the sequencing and the format of the presentation and the descriptions used for line items to achieve a fair presentation in the specific circumstances of that entity.

Since the results of these studies will be the relevance that will lead to a final form of performance reporting, in this section we will analyze these issues, highlighting both the variety of approaches and also how the proposals can be found in normalizing the disclosure of the comprehensive income.

The current accounting standards allow entities to report the comprehensive income either in a format similar to the profit and loss account, as part of a performance situation, or in a situation which changes in that equity. In the traditional models, in which investors have a rational character and take into account all the relevant information equally, regardless of their position in the financial reporting, it is considered that the place or situation in which is presented the comprehensive income and its components do not have a special importance. Others authors [11] think that there weighs considerably the positioning of the comprehensive recovery mode in the accounting information in decision-making processes, preferring a comprehensive presentation of all elements in a different situation on financial performance. The opponents of the concept of the comprehensive income make two key criticisms in recent IASB proposals on performance reporting:

- elements which fall within other comprehensive income can mislead the performance measurement and value accounting entity [12] and can facilitate handling by management;

- could reduce the capacity and quality of information carrying amounts.[13]

These conflicting opinions stress the importance of the way in which the new reporting format of performance will be achieved, it will have consequences for the efficiency of capital markets, and hence the use of accounting information to determine the market value of an entity and exchange rate. Oliver Ramond, Jean Francois Casta, Stephen Lin [14] identify the following main themes that mark the debates around the IASB-FASB joint project:

1. To what extent is relevant the comprehensive income and its components in the context of specific investment decisions of capital markets?

2. At the aggregate level, the overall result is a quantity that provides relevant information in addition to those provided by the net result and the result of exploitation?

3. At the individual level, other comprehensive income provides relevant information for determining the amount, in addition to those obtained by analysing the net result?

4. In terms of relevance to the evaluation can there be observed differences in perception between other comprehensive incomes reported and unreported separately in this manner?

6. The influence of the accounting treatment of income recognition on the outcome.

Special attention should be paid to the accounting policies adopted by the enterprise for revenue recognition during the course of a contract. The methods used to determine the contract revenue and stage of completion of contracts in progress influences the outcome obtained by the enterprise. Revenue recognition according to the stage of completion of the work is called the method of percentage of completion of the contract. Under this method revenue is recognized in the financial years in which the services are provided. A particular case of this method is the income from construction work.

If a construction company at 31.03.N closed a contract regarding the construction of an office building, the main stages of completion of the contract are as follow:

- at 31.03.N the construction contract was signed;
- at 31.12. N the cost of work in progress is 675.000 lei;
- at 31.12.N+1 the cost of work in progress is 2.150.000 lei;
- at 31.12. N+2 takes place the delivery and invoicing, billing price is 3.72 million lei, the actual cost of production is 3.055.000 lei

To the above information is added the following:

- at 31.03.N, the time the contract was signed a selling reviewable price was set at 3,100,000 lei, estimating a total cost of production of 2.420.000 lei;
- at 31.12. N+1, the selling price was revised to 3.325.000 lei, the cost of production being 2.650.000 lei

The recognition of income was achieved by percentage of completion method of contract. The company has an effective internal financial budgeting and reporting, which allows both the contract costs to completion of the contract and the stage of its execution reflected at the end of the reporting period so that it can be measured reliably.

Financial exercise N:

⇒ the cost of work in progress is: 675.000 lei

⇒ at 31.12.N – The total estimated result = 3.100.000 lei – 2.420.000 m.u. = 680.000 lei

⇒ completion of works = $675.000 / 2.420.000 \times 100 = 27,89\%$

⇒ the result for the year N depending on the degree of completion of works = 680.000 m.u. x 27,89% = 189.669 lei

⇒ Income of the stocked production costs = 675.000 m.u. + 189.669 lei = 864.669

Layout of the profit and loss for the year N:

Income of the stocked production:	864.669 lei
expenses:	675.000 lei
Result (N):	189.669 lei

Financial exercise N+1:

⇒ the cost of work in progress = 2.150.000 lei – 675.000 lei = 1.475.000 lei

⇒ at 31.12. N+1 – total estimated result = 3.325.000 lei – 2.650.000 lei = 675.000 lei

⇒ completion of works = 2.150.000 / 2.650.000 x 100 = 81,13 %

⇒ the result for the year N+1 = 675.000 lei x 81,13% - 189.669 lei = 357.959 lei

⇒ Income of the stocked production costs = 1.475.000 lei + 357.959 lei = 1.832.959 lei

Layout of the profit and loss for the year N + 1:

Income of the stocked production:	1.832.959 lei
expenses:	1.475.000 lei
Result (N+1):	357.959 lei

Financial exercise N+2:

⇒ the cost of work in progress = 3.055.000 lei – 2.150.000 lei = 905.000 lei

⇒ at 31.12. N+2 – actual result of contract = 3.720.000 lei – 3.055.000 lei = 665.000 lei

⇒ the result for the year N+2 = 665.000 lei – 189.669 lei – 357.959 = 117.372 lei

⇒ Income of the stocked production costs = 905.000 lei + 117.372 lei = 1.022.372

Layout of the profit and loss for the year N:

sales income:	3.720.000 lei
income from production stored (*):	-2.697.628 lei
expenses:	905.000 lei
Result (N+2):	117.372 lei

(*) 1.022.372 lei – 3.720.000 lei (at the time of works, billing occurs and unloading of management related revenues which involves debiting the amount of the stocked production costs 3.720.000 lei)

The evolution of results between N – N+2 is:

Result N	Result N + 1	Result N + 2	Contract result
189.669	357.959	117.372	665.000

Applying the percentage of completion method led to the following conclusions:

- Method reflects the economic reality of transactions conducted by the company because it recognizes the profit as it is formed, thus achieving a better connection expenses to revenue.

- Timing of income recognition in accounting significantly influences the outcome. In the example above it is noted that the end result of the construction contract is the same with the cumulative period of three years (189.669 lei + 357.959 lei + 117.372 lei = 665.000 lei). Decisions of users who use the result at the end of each financial year can be significantly affected.

- The accounting treatment recommended by the international accounting standards (IAS 11 Construction Contracts) is correct because, otherwise, the recognition of revenue in the amount invoiced can be influenced by management's decision to charge the amount required by the intention to obtain a certain result.

The accounting treatment of the same economic transactions above, where the method of completion of works (pending completion of the contract to reflect the outcome of economic operation) is as follows:

Financial year N:

- ⇒ the cost of work in progress: 675.000 lei
- ⇒ revenues related to works in progress: 675.000 lei

Layout of the profit and loss for the year N:

income from production stored:	675.000 lei
expenses:	675.000 lei
Result (N):	0 lei

Financial year N + 1:

- ⇒ the cost of work in progress: 2.150.000 lei – 675.000 lei = 1.475.000 lei
- ⇒ revenues related to works in progress: 1.475.000 lei

Layout of the profit and loss for the year N+1:

income from production stored:	1.475.000 lei
expenses:	1.475.000 lei
Result (N + 1):	0 lei

Financial year N + 2:

- ⇒ the cost of work in progress: 3.055.000 lei – 2.150.000 lei = 905.000 lei
- ⇒ revenues related to works in progress: 905.000 lei
- ⇒ sold production revenue (invoicing works): 3.720.000 lei
- ⇒ downloading of management work performed 3.055.000 lei

Layout of the profit and loss for the year N+2:

income from the sold production:	3.720.000 lei
income from production stored (*):	- 2.150.000 lei
expenses:	905.000 lei
Result (N + 2):	665.000 lei

(*) 905.000 lei – 3.055.000 lei (along with billing of works occurs downloading of account management which involves cutting production costs Income from 3.055.000 lei to the amount stored)

The evolution of results between N – N+2 is:

Result N	Result N + 1	Result N + 2	Contract result
0	0	665.000	665.000

Termination method works only to recognize profits realized upon completion of the contract. This significantly influences the outcome of the company during the period N - N + 2.

From the comparative analysis of the outcome of the company over the period N - N + 2, results that the accounting treatment of income recognition has a significant influence on the outcome the company. For users of financial statements revenue is important information for making economic decisions and assessing current and future performance of the company. M. Ristea, L. Olimid, D. A. Calu *appreciate that certain conditions relating to revenue recognition, under IAS 18 Revenue and IAS 11 Construction Contracts, creates prerequisites for a high probability of obtaining economic benefits associated with such transactions prior to sale* (Ristea; Olimid; Calu, 2006).

IASB and FASB currently have initiated a joint project that aims to clarify revenue recognition principles. The basic premise consists in recognizing revenue only to the extent obligations and transfer of goods or services to customers. Starting from this premise,

revenue recognition during the course of a contract will only be possible if the contract clearly states the execution stages. Otherwise, revenue recognition based on the degree of achievement would not be possible; recognition will only end when the contract will be completely fulfilled.

6. Conclusions.

The introduction of *a new concept of comprehensive income* and the concerns to create a dedicated synthesis situation happened as a result of expanding the usage of fair value as the evaluation basis, a determined modification, in its turn, by the changing perspectives of the objectives of financial reporting, namely the primacy of providing useful information for decision making assessment of interests in entities the shareholders owned at the expense of exclusive assessment process resource administration by management.

In the Anglo-Saxon opinion the purpose of accounting is to inform investors. The central indicator should reflect market fluctuations. Ordering the measurement at a fair value of certain assets and liabilities (especially the financial ones) the referential IFRS adopts a broad of a financial performance. The criteria in measuring the performance are not limited only to an operational dimension. The entity's ability to optimize the management of its assets and liabilities is exhaustively surprised.

Therefore, the relevant amount in terms of performance is given by changing the size of investor's wealth, in other words changing its interest in the net assets of the entity marked at a fair value. The result can be a measure of performance only to the extent that incorporates all the changes in net asset size, independent of their nature, changes due to exploitation as well as changes due to market conditions, especially the ones of the fair value.

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PUBLIC DEBT SUSTENABILITY ANALYSIS

Mariana Paja¹

Abstract

Assessing public debt sustainability has always been in the now and required an analysis of public debt management within the current macroeconomic environment along with the significant public debt increase in Romania.

In the analysis of public debt sustainability performance are used the indicators that assess the risk that might arise due to the impact of economic conditions on debt.

Romania's public debt according to EU methodology was located at a sustainable level of 38.2% of GDP at end-June 2016, well below the 60% ceiling set by the Maastricht Treaty. Moreover, throughout the period, including the financial and economic crisis, Romania was situated among EU Member States least indebted.

It is important to note that annual funding requirement during 2010-2015, which is represented by the budget deficit and public debt refinancing, had a decreasing trend.

Keywords: Sustainability, public debt, GDP, external public debt

JEL Classification: H63, H68

Introduction

Assessing public debt sustainability has always been in the now and required an analysis of public debt management within the current macroeconomic environment along with the significant public debt increase in Romania.

"Public debt sustainability is the degree to which a government can maintain existing programs and fulfill the creditor's requirements without increasing public debt burden on the economy."

Public debt sustainability is a concept that is interrelated with sustainable public finances.

Sustainability of public finances is a major challenge to public policy because of the high level of public debt and the possible risks of budgetary pressure.

According to Art.4 (3) of Law no. 69/2010 on fiscal responsibility "the sustainability of public finance implies that on medium and long term, the Government should be able to manage risks or contingencies without having to make significant adjustments to expenses, income oreconomically or socially destabilizing effects of budget deficit."

The analyses itself is a complex exercise and with multiple implications which must take into account the trend indicator public debt reported to gross domestic product (GDP) and public debt structure that can increase the likelihood of negative circumstances over it.

Sustainability analysis allows the government to assess the possibility of keeping the fiscal position or whether adjustments are needed to maintain a constant public debt as a proportion of GDP.

In the analysis of public debt sustainability performance we used the indicators that assess the risk that might arise due to the impact of economic conditions on debt.

Analysis indicators of public debt sustainability are designed to measure the indebtedness of public debt, the repayment capacity, and the capacity of payment and refinancing.

1. Measurement of the indebtedness of public debt

The indicator public debt/GDP is the most important in the measure of indebtedness, highlighting the country's solvency. It is recognized as the most widely used indicator for measuring the level of debt in relation to the country's economic activity.

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The measurement of the indebtedness of public debt means analyzing the evolution of public debt compared to the country's economy and way of covering solvency risk. The indicator used is public debt / GDP.

Public debt reported at gross domestic product and exports of goods and services during 2010 - 2016

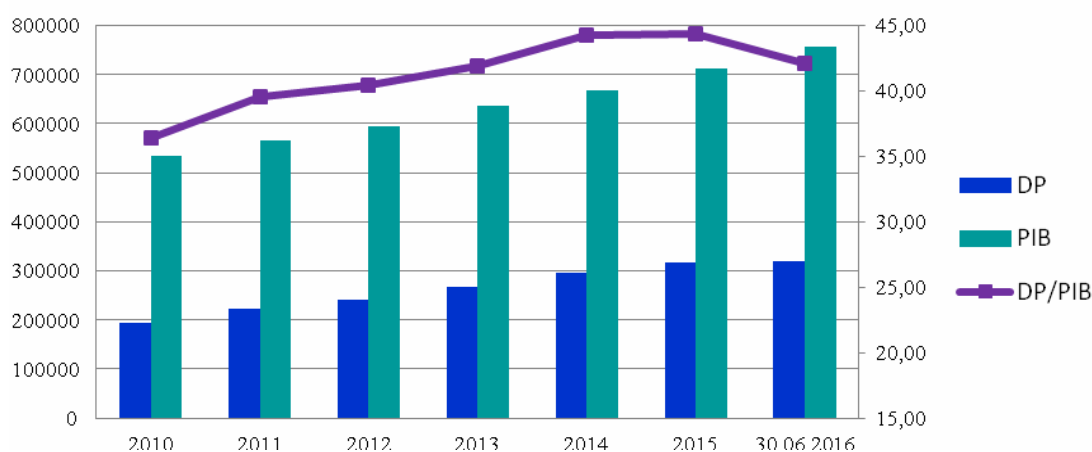
Year	Public debt (mill. lei)	Public debt (mill. Euro)	GDP * (mill. lei)	Public Debt, percent from GDP (%)	Exports of goods and services during(mill. Euro)**	Public Debt percent from Exports of goods and services during (mill. Euro)**
1	2	3	4	5	6	7
2010	194459.2	45383.5	533881.0	36,4	43982	103.2
2011	223268.0	51686.0	565097.2	39,5	52545	98.4
2012	240842.6	54382.2	595367.3	40,5	53472	101.7
2013	267150.9	59569.4	637456.0	41,9	57306	103.9
2014	295655.5	65963.6	667577.0	44,3	61908	106.6
2015	315833.7	69805.2	712832.3	44,3	65899	105.9
30.06.2016	318471.8	70442.8	757000.0	42,1	68520	102.8

The ratio of public debt to GDP is an assessment element of sustainability of public finances. During the analyzed period has been observed a deterioration of its reaching 44.3% in 2015.

Increasing the volume of public debt relative to the size of 36.4% of GDP in 2010 to 41.9% in 2013, while in 2015 to reach 44.3% is explained not only by borrowing the budget deficit, but the currency depreciation and strengthening liquidity reserves of the State Treasury.

National Bank of Romania [Financial Stability Department] highlights that for reasons of sustainability in the group of emerging economies, and to moderate interest expenses and their impact on primary deficit, fiscal consolidation must ceiling public debt to shares under 40% of GDP.

Evolution of Public Debt , GDP



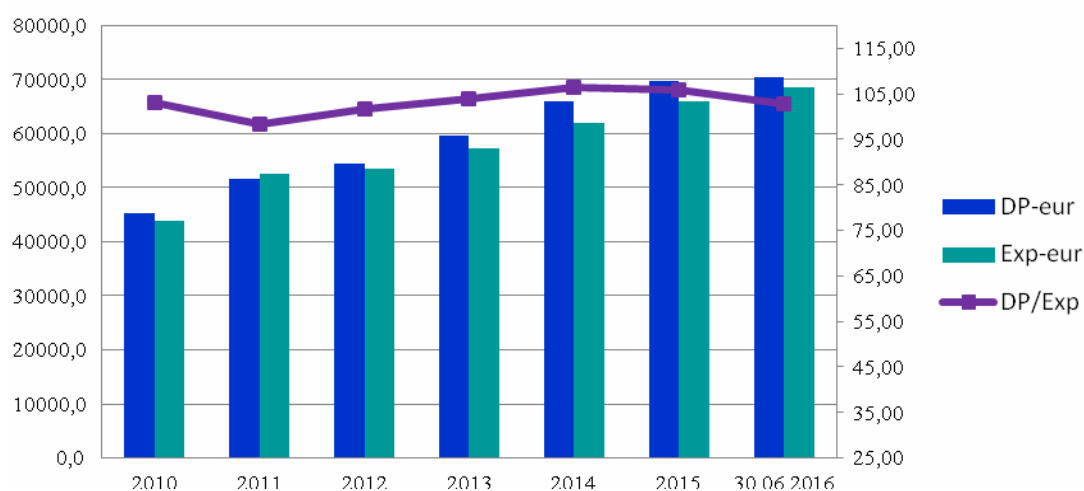
2. Measuring repayment capacitance

The indicator **Public debt/Exports** can be defined as the ratio of public debt balance of outstanding loans at the end of the year and exports of goods and services in the financial year. This indicator is used as a measure of sustainability as an increase of the

indicator at an interest rate of time involves increasing public debt at a faster pace than revenue external, indicating that it could record problems regarding fulfillment of payment obligations at maturity.

Analysis indicator - the ratio of public debt to the level of exports of goods and services indicates to what extent is the size of public debt to income from exports of goods and services. This indicator is useful in analyzing the repayment capacity of the country.

Evolution of Public Debt - Export of goods and services



As shown in the above graphic representation between 2010-2011 and 2014-2015 analyzed indicator representing the public debt to exports of goods and services was down slightly due to lower volume of exports reaching 119.5% and 106.4% while public debt has reached about 131.9% and 105.8%.

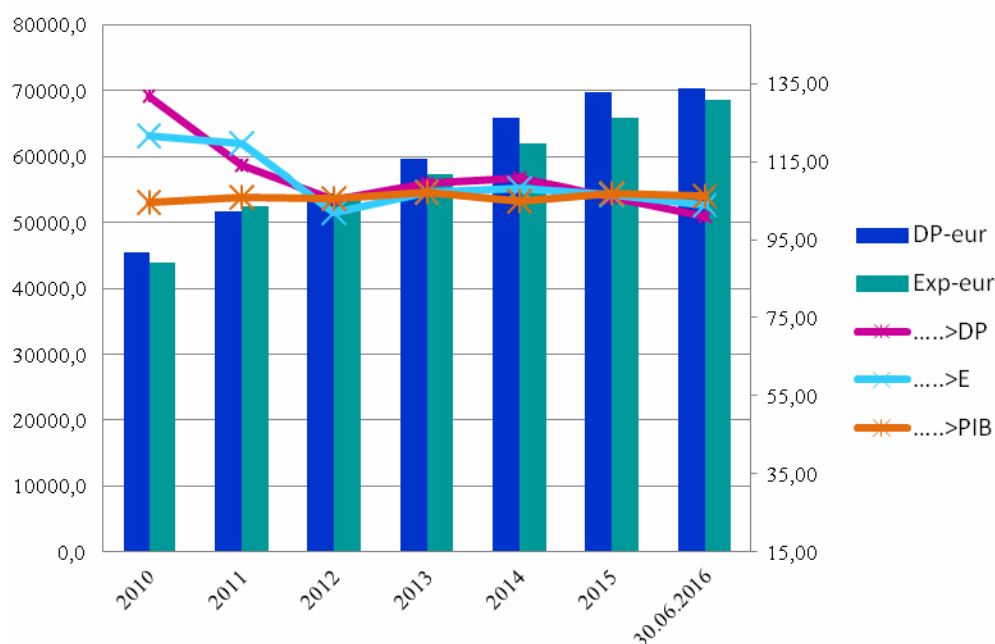
The evolution of public debt growth rate, exports of goods and services and GDP during 2010 - 2016

Year	Public Debt (Mill. Lei)	Public Debt (Mill. Euro)	GDP (mill. Lei)	Exports of goods and services (mill. Euro)	Public debt rate %	Exports of goods and services rate (mill. Euro)	GDP rate %
1	2	3	4	5	6	7	8
2010	194459.2	45383.5	533881.0	43982	131.9	121.7	104.5
2011	223268.0	51686.0	565097.2	52545	131.9	119.5	104.5
2012	240842.6	54382.2	595367.3	53472	105.2	101.8	105.4
2013	267150.9	59569.4	637456.0	57306	109.5	107.2	107.1
2014	295655.5	65963.6	667577.0	61908	110.7	108.0	104.7
2015	315833.7	69805.2	712832.3	65899	105.8	106.4	106.8
30.06.2016*	318471.8	70442.8	757000.0	68520	100.9	104.0	106.2

From 2012 to 2014 the analyzed indicator representing the public debt to exports of goods and services had a slightly increasing trend due to increase in export volumes by about 108.0% and increase of public debt by approximately 110.7%.

From the data presented above in 2010 the growth rate of public debt was higher than the growth rate of exports of goods and services.

Evolution of growth rate of public debt, exports and GDP



In 2011 the growth rate of public debt was below the growth rate of exports of goods and services, this reflected positively on the ratio of government debt to exports, which registered a downward trend

From 2012 to 2014 the growth rate of public debt exceeded the growth rate of exports of goods and services, this reflected negatively on the ratio of government debt to exports.

In 2015 the growth rate of public debt was below the growth rate of exports of goods and services, this reflected positively on the ratio of government debt to exports, which registered a downward trend.

Regarding the growth of public debt versus GDP level it can be mentioned that in the period 2010 - 2014 the growth rate of public debt has surpassed that of GDP, in other words the level of debt relative to economic activity Romania has increased from year to year.

Maintaining a growth rate of public debt ahead of economic growth, solvency risk will increase. Solvency risk is not having sufficient own funds for absorption of potential losses.

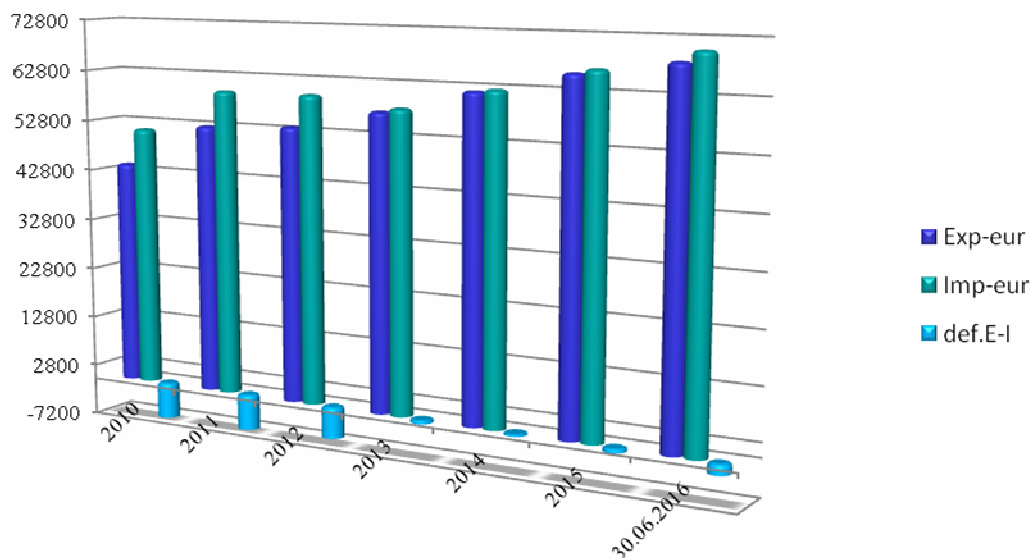
Exports and imports of goods and services during 2010 – 2016

Yearl	Exports of goods and services* (mill. Euro)	Imports of goods and services (mill. Euro)	Goods and services deficit (mill. euro)
1	2	3	4
2010	43982	51155	-7173
2011	52545	59599	-7054
2012	53472	59721	-6249
2013	57306	58049	-743
2014	61908	62379	-471
2015	65899	66739	-840
30.06.2016	68520	70600	-2080

In 2015 compared to 2014 are no longer maintained the upward trend of public debt growth rate registering 105.8%, while GDP in 2015 recorded 106.8% (a decrease of -2.1 points percentage compared to the previous year).

This rate of decay is kept in 2016 so we can say, in the period from 2015 to 2016 the growth rate of public debt not outrun the growth of the economy, so solvency risk decreases.

Exports and imports of goods and services during 2010 - 2016



From the data presented in the above table there results that Romania consumes more than it produces, which is reflected negatively in the balance of goods and services respectively in the current account of balance of payments.

Deficit of goods and services is determined by the volume of exports which is much lower than the volume of imports, leading to the need to contract loans.

3. Measuring the capacity of payment and refinancing

External public debt/GDP indicator is defined as the ratio of external public debt balance of outstanding loans at the end of GDP and is useful for determining the ability to pay.

External public debt/exports indicator is a useful indicator of the evolution of external public debt, reflecting its ability to refinance.

Measuring the capacity payment and refinancing means analyzing the proportion of foreign debt and the amount of revenue coming from exports of goods and services and how influences this indicator the Romanian repayment ability.

In terms of exchange rate changes, this indicator has the advantage of being a less volatile indicator than the **external public debt/GDP** as it allows significant conclusions on external public debt developments.

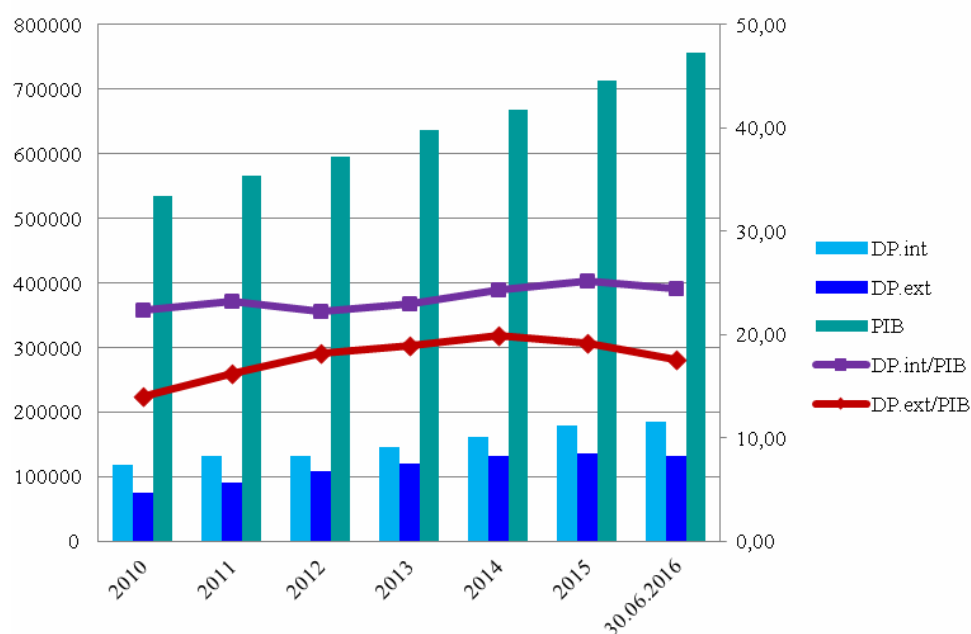
In the period under review, internal and external public debt of Romania has the following increase:

The evolution of internal and external public debt of Romania, the internal public debt ratio to GDP and public external debt to GDP ratio in exports of goods and services during the period 2010 – 2016

Year	Public debt (mill. Lei)	Internal Public debt (mill. Lei)	External Public debt (mill. Lei)	Public debt (mill. Euro)	Internal Public debt (mill. Euro)	External Public debt (mill. Euro)	GDP (mil. lei)	Internal Public debt percent from GDP (%)	External Public debt percent from GDP (%)	Exports of goods and services (mill. Euro)	External public debt percent from export of goods and services (%)
1	2	3	4	5	6	7	8	9	10	11	12
2010	194459.2	119460.9	74998.3	45383.5	27880.2	17503.3	533881.0	22.38	14.05	43982	39.80
2011	223268	131606.2	91661.8	51686.0	30466.5	21219.5	565097.2	23.29	16.22	52545	40.38
2012	240842.6	132641.8	108200.8	54382.2	29950.5	24431.7	595367.3	22.28	18.17	53472	45.69
2013	267150.9	146366.4	120784.6	59569.4	32636.8	26932.6	637456.0	22.96	18.95	57306	47.00
2014	295655.5	162602	133053.5	65963.6	36278.1	29685.5	667577.0	24.36	19.93	61908	47.95
2015	315833.7	179158.1	136675.2	69805.2	39597.3	30207.8	712832.3	25.13	19.17	65899	45.84
30.06.2016	318471.8	185359.5	133112.3	70442.8	40999.7	29443.1	757000.0	24.49	17.58	68520	42.97

During the analyzed period, the total public debt accounted for about 56.3% from internal public debt, while foreign debt accounted for about 43.7%. In other words, the Romanian state has appealed in a higher proportion to internal resources, especially through issuance of benchmark bonds with maturity term and medium term.

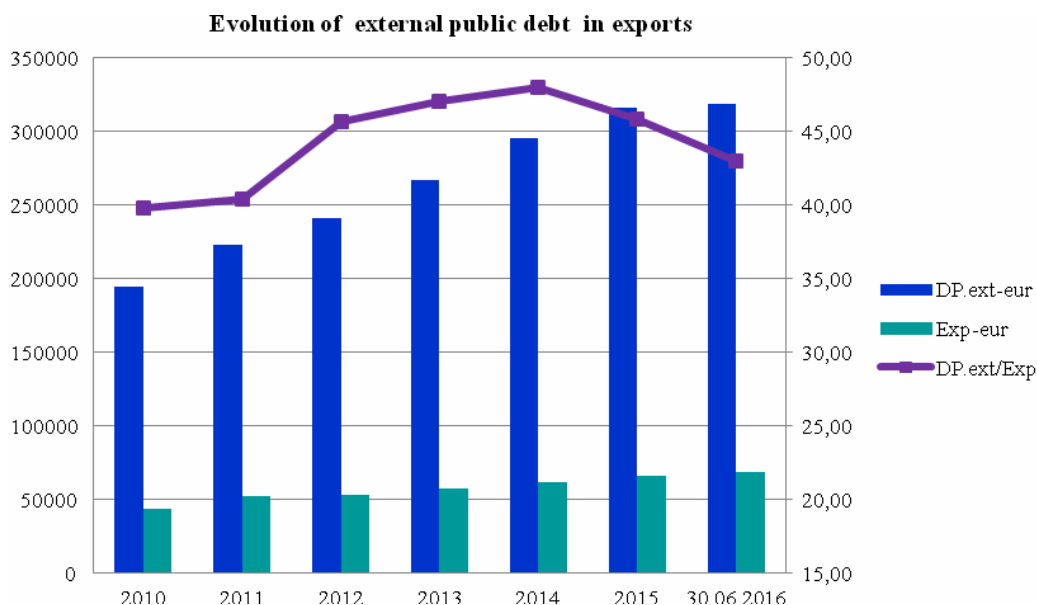
Evolution of GDP, internal and external public debt



Internal/external indebtedness indicators defined as the ratio of internal/external public debt balance outstanding loans at the end of GDP and are useful for assessing the ability to pay.

These indicators of public debt sustainability analysis reflect how much is sacrificed in one year of GDP to fully repay the debt in that year.

From 2010 to 2016 the internal public debt development in relation to GDP varies between 22.3% and 25.13%, with a peak of 25.13% in the year 2015. The evolution ratio indicates a slight increase in since 2011 and since 2014 the growth rate of internal debt growth ahead of GDP.



In 2012 the economic growth rate is faster than the pace of internal debt, which leads to the ability to repay loans.

From 2010 to 2016 the external public debt developments in relation to gross domestic product registered a growth trend continues, reaching a peak of 19.9% in the year 2014.

This is explained by the fact that the growth rate of external debt growth far ahead of GDP. The analysis of data submitted shows that the evolution of external public debt in relation to exports of goods and services recorded a growth trend continues, reaching a peak of 47.9% in 2014. The growth rate of foreign public debt well ahead of pace growth of exports, this reflected negatively on repayment capacity.

Conclusions

Romania's public debt according to EU methodology was located at a sustainable level of 38.2% of GDP at end-June 2016, well below the 60% ceiling set by the Maastricht Treaty. Moreover, throughout the period, including the financial and economic crisis, Romania was situated among EU Member States least indebted. Thus, in the member states of the European Union in late 2015, Romania ranked No. 5 among EU member states with the lowest level of indebtedness by Estonia (9.7%), Luxembourg (21.4%), Bulgaria (26.7%) and Latvia (36.4%). And all at the end of 2015, the average of the 28 EU countries amounted to 85.2%.

It is important to note that the budget deficit and public debt refinancing, the annual funding requirements during 2010-2015 had a decreasing trend. In fact, 2014 was the first time below 10% of GDP (9% of GDP) at the beginning of the financial and economic crisis, and in 2015 represented 8.8% of GDP. And medium-term financing needs will continue the downward trend from 9% of GDP as estimated for 2016 to 6% of GDP in 2019. In this context, the estimated level of gross government debt is sustainable for the end of 2016 39.1% of GDP, while in the medium term is expected to be below 40% of GDP.

Annual growth of public debt is due to the debt incurred to finance the budget deficit and public debt refinancing, and since 2010 for the creation and strengthening financial reserve (buffer) in foreign currency to the State Treasury, which constitutes a safeguard against possible external shocks..

Moreover, amid a climate of recovery in European sovereign debt crisis and a period of calm in financial markets, financing conditions have improved significantly Romania. Also in the month of March 2016 the rating agency JCRA has improved the rating of Romania's country at BBB - BBB confirming prospects for sustainable economic growth and low public debt.

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<http://www.mfinante.gov.ro/strategiatrez.html?pagina=domenii>
 - Total public debt - in monthly reports "Report on Public Debt" public debt in domestic currency held by non-residents - the document "Evolution of government debt according to EU methodology" page
<http://www.mfinante.ro/rapoarteMFP.html?page=ID>, where government debt is presented in greater detail: total debt, internal, external

THE PERFORMANCE MEASUREMENT FRAMEWORK OF THE IN SUPREME AUDIT INSTITUTIONS

Ilidor Tiberiu, Pleșa¹

Summary

This article aims to analyze the performance of supreme audit institutions through various instruments that are currently used in international practice.

It also analyzes the overall performance measurement framework in the supreme audit institutions members of INTOSAI (SAI PMF) and identifies the main methods used to measure the performance in these institutions.

There are also provided a number of performance indicators currently used by the Romanian Court of Accounts and other similar supreme audit institutions in order to measure the performance in the course of their control / audit activity.

Keywords: SAI PMF, Romanian Court of Accounts, performance indicators, supreme audit institution, INTOSAI.

JEL Clasification: M12, M40.

Introduction

Supreme Audit Institutions (SAIs, Supreme Audit Institutions) represents public authorities of the State conducting external auditing activity at the highest level in the state. The role of these institutions is extremely important in the functioning of democratic states.

The importance of the Supreme Audit Institutions is recognized at the United Nations, being adopted at the 69th General Assembly a new resolution that clearly defines the necessary conditions for the effective functioning of these institutions in order to promote sustainable development of public administration internationally (the UN Resolution A/69/228 *Promote and encourage efficiency, accountability and transparency of administration by strengthening supreme audit institutions*, adopted in December 2014, which complements the UN Resolution A / 66/209 *on the independence of Supreme Audit Institutions*, adopted in 2011) which clearly defines the conditions necessary for the effective functioning of these institutions in order to promote sustainable development of public administration internationally.

In recent years was paid an increasing attention to the performance of Supreme Audit Institutions. It was noted that these institutions use a variety of mechanisms, including reports on their activities and developments, assessments according to the ISSAI (*International Standards of external audit for the public sector* developed by INTOSAI, which is a framework of standards implemented in each SAI depending on the national features) and assessment tools developed at regional and international level, some of which include **performance indicators**. The adoption of the complete set of ISSAI in 2010 gave greater attention to performance evaluation, because it is assumed that the INTOSAI community now has a common reference point to measure performance.

Continuous performance is the goal of any organization, because only through performance the organizations have the opportunity to grow and progress. In the general sense, the performance represents a significant achievement in a field. This definition leads us to conclude that „ *performance is not a finding, it is built* " (A. Bourguignon).

Why is it so important the performance measurement of the supreme audit institutions? A supreme audit institution provides a strong and independent climate of stability, especially in conditions of economic crisis, as was the case of the recent economic and financial crisis that started in 2008 and which affected all of Europe.

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2. Supreme Audit Institutions Performance Measurement Framework. SAI PMF

Until now, there is no common framework at the international level in terms of performance measurement of the supreme audit institutions, but there are more ways that most of SAIs members of INTOSAI measure their own performance, ways that I will present in this paper.

Although there still isn't a final common framework for performance measurement of the SAIs, INTOSAI has initiated, through a working group, a project which proposes to develop such a framework. This project is called **SAI PMF (Supreme Audit Institutions Performance Measurement Framework)**.

By this performance measurement framework, it is proposed that this framework to be a global public good, available to all SAIs, but without constraint regarding its use. It may be used in various ways for different purposes.

SAIs may choose to use this performance measurement framework only if this would help to meet a part of their own targets. This should enable a better performance management, time performance monitoring and an evaluation that should conduct to learning the lessons.

The benefits of such a framework come from improving the capacity of individual SAIs to enhance their own performance, to increase the integrity of SAIs to external stakeholders (citizens, Parliament, public authorities, mass media, etc.) and to maintain the external support for the development of these institutions.

The reasons for which INTOSAI aims to develop a performance measurement framework for Supreme Audit Institutions are the following:

- Identifying opportunities to strengthen the SAIs performance
- Improving the SAIs' approaches for capacity development, by using performance management
- Promoting transparency and accountability, through public credible reporting of SAIs performance
- Allows a better mutual learning (developing a system of standardized indicators can provide a basis for smart comparison, dialogue and understanding between SAIs, allows the identification of performance trends and common needs for capacity building in the regions of INTOSAI and the INTOSAI globally, can identify the elements which contribute to strong or weak performance and the factors contributing to the successful development of the capacity of these SAIs).
- Demonstrating the changes of SAIs' performance to stakeholders (Parliament, citizens, the media and other stakeholders)
- Disclosure of performance weaknesses (can be a good reason for a supreme audit institutions to seek additional support for institutional capacity development initiatives and to address the identified weaknesses)
- Using performance tables (efficiency if a SAI wants to compare their own performance with those of other similar SAI)

SAI PMF has set four levels of supreme audit institutions development, namely:

Level 0 - the concept of a supreme audit institution is not established or not functioning. This concept does not exist or exist only in name but not functions.

Level 1 – the Founding level. The concept of a supreme audit institution exist, but everything is at the founding level. The supreme audit institution can be part of the Government (which can seriously affect its independence), having limited financial and operational independence. Also on this level, there are not developed strategies, human resources and communication strategies. There are performing compliance audits (controls) and financial audits, but are not used auditing standards or modern auditing

techniques. The performance audit is missing or barely developed. There is a little communication with the public and poor results of the audit reporting to stakeholders.

Level 2 – The Development level: the supreme audit institution provides a basis for government accountability on use of public resources. The concept of a supreme audit institution exists and the institution began developing and implementing relevant strategies and policies. It also has strategic action plans, development strategy and for human resources and communications strategy, but they are weak or are only partially implemented. Regarding the independence, it has some legal provisions for independence, but they are not complete and are regularly hampered in practice. At the same time, compliance and financial audits are conducted following standards of level 3 of ISSAIs and there is a good audit coverage. There is a limited number of performance audits, but not at level 4 of ISSAIs standards. The audit reports provide an overview of the use of public money by the entity and an opinion on the financial statements. Audit reports are submitted to Parliament, although channels of communication with Parliament may be weak. There is a form of public disclosure of the SAI annual report.

Level 3 – the Established level: SAI provides a basis for government performance. Supreme audit institution operates. Its independence is enshrined in law and is financially and operationally independent of the executive power, in all aspect. It also has strategic action plan, a development strategy and a strategy for human resources and communication, that are implemented largely as planned. All compliance, financial and performance audit are performed under the level 4 standards of ISSAI or equivalent level standards in detail. The audit reports provide an overview on the use of all public resources and on the performance of audited bodies. Audit reports are submitted to Parliament and Parliament channels of communication are robust. Most audit reports are published in a format that is suitable for the intended audience.

Level 4 – Success level: the supreme audit institution is an enabler for improved governance performance. Supreme audit institution operates and implements activities in a way that allows evaluation and continuous improvement of its performance. Its independence is enshrined in law and is financially and operationally independent of the executive power in all aspects. The institution is perceived in society as an independent pillar of responsibility and is evaluated by the Executive as an enabler for improved governance performance. It also has strategic action plans and development strategy and strategies for human resources and communication that are implemented as planned, monitored and evaluated to contribute to organizational learning. All compliance, financial and performance audits are performed under the level 4 of ISSAI standards and are seen as an added value to stakeholders. Audit reports are submitted to Parliament, as part of an ongoing and constructive dialogue between the institution and the Parliament. All the audit reports and summaries appropriately adapted are published and disseminated proactively to the stakeholders, using a variety of media channels. The institution engages in a dialogue with all stakeholders and uses the information collected to improve selection, planning and implementation of audits. SAI has a prominent public profile and communicates the value and benefits to society in that country.

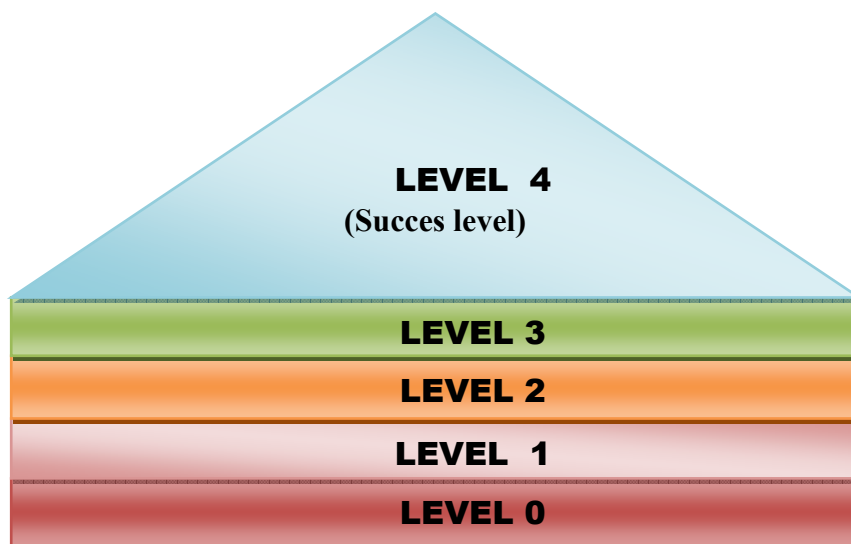


Figure 1. Levels of development of Supreme Audit Institutions, according to SAI PMF

Regarding the SAI PMF, in the year 2014 was launched a pilot version of the performance measurement framework, being tested in several SAIs, some of which are already completed the testing period in that year (SAI Slovakia SAI SAI Guatemala and SAI Brazil).

Currently, the SAI PMF project is completed and will be launched at the INTOSAI Congress in December 2016, congress that will take place in the United Arab Emirates.

3. Models of individual indicators used by some supreme audit institutions member of INTOSAI

The method of management by objectives is one of the systems of planning and control the most widely used in organizations, both in the public and private sectors. This method consists in setting objectives at all levels (organizational, operational, individual), activity planning to achieve them. It is a process of self-control and a system of periodic review, followed by a performance evaluation. In order to measure the level of objectives achievement, there are designed performance indicators to measure the performance of the organization.

Performance evaluation can be very useful. A periodic review of the performance provides information on the state of play and the level at which the organization is, in terms of achieving its objectives. This assessment of the organization must inform the management about what works properly, while being required to communicate also the areas needing improvement, to take the necessary corrective measures.

Although SAI PMF has not been released yet, being launched in December 2016, however, supreme audit institutions have developed a series of performance indicators, to measure their individual performance.

In this article we analyze the performance indicators used by the Romanian Court of Accounts, Court of Accounts of Moldova, the Court of Accounts of France and the United States of America Government Accountability Office (GAO).

The Romanian Court of Accounts uses **14 performance indicators for external use** (quantitative and qualitative) and **26 performance indicators for internal use**. Much of the 14 performance indicators for external use are found in the public reports of the

Romanian Court of Accounts, which are issued annually and are presented to Parliament and other stakeholders. These indicators are shown in the table below:

Table no. 1 Performance indicators (external use) used by the Romanian Court of Accounts

Indicator	Name of the performance indicator
IP1	The share of public entities annually audited by the Romanian Court of Accounts in all of those attributed to the Romanian Court of Accounts audit (included those described at point 260 from <i>Regulation on the organization and conduct of the Court of Accounts' specific activities as well as on the resulting documents follow up</i>)
IP2	The total number of control/audit reports issued following the actions annually carried out by the Romanian Court of Accounts (exclusively the audit activities related to the way of implementing the measures provided in decisions issued);
IP3	Total number of reports issued by the institution and that are submitted to Parliament, to deliberative public authorities of the administrative territorial units and to other authorities, following the audit actions under the Annual Activity Programme of the Romanian Court of Accounts;
IP4	The amounts estimated by the external public auditors at the entities audited by the Romanian Court of Accounts representing additional revenue due to public budgets (established in addition to those highlighted and reported in the financial statements and / or the amounts representing accessories related to liabilities)
IP5	Amount of damages estimated by external public auditors following the audits carried out under the Annual Activity Programme of the Romanian Court of Accounts
IP6	The total number of irregularities (financial-accounting, budgeting and other irregularities) detected during audits annually conducted by the structures of the Romanian Court of Accounts, in which: - Number of deviations quantifiable and their value - Number of deviations unquantifiable
IP7	The share in total measures ordered by decisions issued annually by the specialized structures of the measures: - Under implementation by the audited entities; - Implemented by the audited entities - Not implemented by the audited entities.
IP8	The share of accounts that have been issued compliance certificates in the total of execution budget accounts audited annually by the structures of the Romanian Court of Accounts.
IP9	The number of proposals amending and completing the legislative framework formulated by the Romanian Court of Accounts in Annual Public Report, following the audits performed annually, of which: - Implemented through the adoption of amendments/additions to the legislative framework.
IP10	The share of intimations, petitions and complaints that were verified in the institution in the total of these addressed to the Romanian Court of Accounts (to the specialized central and territorial structures) in a year by the state institutions or other legal entities and individuals.

Indicator	Name of the performance indicator
IP11	The number and frequency of the Romanian Court of Accounts' appearances in the mass-media and presentation of these
IP12	The number of opinions requested to the Romanian Court of Accounts, in accordance with Art. 41 of Law no. 94/1992, republished, of which: - The number of favorable opinions granted.
IP13	The number of days allocated annually to the training courses organized at the Court, incumbent per external public auditor.
IP14	The assessment by the audited entities of some ethical aspects and of audit quality carried out by the Romanian Court of Auditors and its impact on their business (questionnaires that are completed by the entities checked).

Source: Journal nr. 9 of the Romanian Court of Accounts of 2015

The most of the information used to calculate these indicators are provided by the two systems used by the Court of Accounts, respectively INFOPAC and INFOTEAM, but for more accuracy are used also other sources (studies, reports, summaries of the institution or data from other institutions).

The Court of Accounts of Moldova has established a set of indicators on the evaluation of the audit activity, including the monitoring of implementation of recommendations issued by the institution. These indicators are presented in a Guide, being presented in the table below:

Table no. 2 Performance indicators used by the Court of Accounts of Moldova

Indicator	Name of the performance indicator
1	The total number of audits carried out, under the Court's program of audit activity, including: - planned by the Court of Accounts; - at the request of parliamentary factions; - in accordance with international commitments (Policies Matrix).
2	The number of decisions taken as a result of the audits
3	The total number of audit reports prepared as a result of audits carried out, including: - number of regularity audit reports; - number of performance audit reports - number of IT audit reports - other types
4	The average number of auditor/days per mission (report) audit (total), including: - the average number of auditor/days per mission (report) of compliance audit - the average number of auditor/days per report of performance audit and IT
5	Coverage of entities under the Court's audit, including: - the auditing of CPA (compliance audit).
6	Number of requirements and recommendations submitted, of which: - implemented; - in the process of implementation; - with the period for implementation expired
7	Audit materials submitted to law enforcement agencies, including: - number of cases filed; - number of ordinances for not to prosecute.
8. The indicators for the classification of irregularities in the activity of the Court of	

Indicator	Name of the performance indicator
Accounts:	
8.1	Deviations and errors admitted in the preparation and budget planning
8.2	Legislative-regulatory violations generating damages in / from: - administration of budget revenues; - revenue administration by public self-financing entities; - revenue management by entities with wholly/majority state social capital; - the use of budget resources; - use of by public self-financing entities; - the spending / consumption of the entities with integral / majority state social capital. - damages caused by the lack of material goods / damage of fixed assets etc.
8.3	Deficiencies, including legislative and regulatory framework related to the use of funds and public property without respecting the principles of economy, efficiency and effectiveness, including in the work: - budgetary institutions; - public self-financing institutions; - entities with integral/ majority state social capital.
8.4	Legislative and regulatory violations that can not be quantified the impact value, including findings from / in: - administration budget revenues; - revenues administration by public self-financing entities; - revenues management by entities with integral / majority state social capital; - use of budgetary resources, including: - public procurement activities; - use of means by public self-financing entities, including: - public procurement activities; - the spending/consumption of the entities with integral/ majority state social capital; - public property management
8.5	Financial-accounting irregularities, which determined: - errors in reporting accounting data and financial statements; - failure to adequately record public property and other material goods in the accounting records.
8.6	Other violations that have not been indicated in other sections
8.7	The number of normative-legislative acts proposed for development/ adjustment, including: - the number of legislative and regulatory acts adopted.

Source: Guidance on key indicators established to evaluate the audit work, including monitoring the implementation of requirements and recommendations of the Court of Accounts

For the calculation of these indicators, the Court of Accounts of Moldova has developed a methodology, that must be applied by all employees of the Court of Accounts involved in audit/control activity, in order to have an uniform approach of them and to be able to properly monitor developments of this supreme audit institution.

The Court of Accounts of France presented at the Conference AISCCUF (International Association of Supreme Audit Institutions using French language) organized in 2013 in Morocco, a series of performance indicators developed in the institution. These indicators are shown in the table below:

Table no. 3 Performance indicators used by the Court of Accounts of France

No.	Objective	No.	Indicator
1	Ensuring the quality of public accounts	1.1	The share of public accounts controlled
		1.2	Effect on accounts regarding their certification
2	The contribution to improving public management and public policy	2.1	Follow-up of the Court of Accounts and the Regional and Territorial Chambers of Accounts recommendations
		2.2	The timely examination of accounts
3	Assistance to public authorities	3.1	Tasks required by public authorities under timing aspect (%)
		3.2	Number of appearances in front of Parliament
4	Informing citizens	4.1	The number of appearances in mass-media
		4.2	Number of visits on internet webpage
5	Sanctioning irregularities and financial mismanagement	5.1	Trial time
6	Improving the functioning of financial jurisdictions	6.1	Human resources management efficiency

Source: The Presentation of the Court of Accounts of France on AISCCUF Conference in 2013 (Rabat, Morocco)

For each type of non-jurisdictional control (financial audit, performance audit and compliance audit) the performance measurement framework of the French institution focuses on:

- volume of the controls and the reports produced
- delays in the performing controls
- dissemination of controls results
- follow-up of recommendations

The supreme audit institution of France issues every year an Annual Performance Report (APR Annual Performance Report). These reports measure the results for each of the indicators defined in Annual Performance Plan (APP) established.

Regarding the performance indicators used by the supreme audit institution of the United States of America (GAO), they are presented in the table below, in development for 5 years, since 2010:

Table no. 4 Performance indicators used by GAO for the year 2015

Performance measure	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual	2015 Target	2015 Actual	Met/ not met	Target 2016
Results									
Financial benefits (dollars in billions)	\$49.9	\$45.7	\$55.8	\$51.5	\$54.4	\$46.0	\$74.7	Met	\$50.0
Other benefits	1,361	1,318	1,440	1,314	1,288	1,200	1,286	Met	1,200
Past recommendations implemented	82%	80%	80%	79%	78%	80%	79%	Not met	80%
New products with recommendations	61%	68%	67%	63%	64%	60%	66%	Met	60%
Client									
Testimonies	192	174	159	114	129	130	109	Not met	120
Timeliness	95%	95%	95%	94%	95%	90%	98%	Met	90%
People									
New hire rate	95%	84%	76%	66%	88%	80%	83%	Met	80%
Retention rate									
With retirements	94%	92%	93%	93%	94%	90%	94%	Met	92%
Without retirements	96%	96%	96%	96%	97%	94%	96%	Met	96%
Staff development	79%	79%	80%	80%	83%	80%	84%	Met	80%
Staff utilization	77%	78%	76%	75%	77%	76%	79%	Met	76%
Effective leadership by supervisors	83%	83%	82%	83%	83%	82%	83%	Met	82%
Organizational climate	79%	80%	78%	77%	79%	76%	80%	Met	76%
Internal operations									
Help get job done	3.94	80% (3.9)	N/A	82%	82%	80%	N/A	N/A	80%
Quality of work life	3.94	80% (3.9)	N/A	78%	78%	80%	N/A	N/A	80%
IT Tools	N/A	N/A	N/A	68%	65%	80%	N/A	N/A	80%

Source: GAO. | GAO-16-3SP

As can be seen from the table above, the US Supreme Audit Institution (GAO), uses a range of indicators, divided into 4 main areas namely:

- results
- client
- people
- internal operations.

All four components are reviewed annually by the GAO in order to obtain not only an overview of the performance of the institution but also to be able to easily track these indicators over time.

4. Conclusions

Establishing performance of an organization is not an easy thing, and even more for a public organization, as public sector encompasses a number of tasks that modern Western societies can not leave only to the market mechanism. It's about collective goods (public) and individual goods involving externalities (important external effects, which manifests itself with individual consumption of goods such as education, health etc.). This is why the state is responsible for important social functions, such as public administration, education, healthcare and social services, social protection, security and public order.

In this architecture of state institutions, the supreme audit institution plays an extremely important role because it is the only empowered to conduct external audit of all public resources and therefore the only one that can bring added value through recommendations issued as a result of audit activity in the activity of the entities that it audits.

The performance indicators systems are the cornerstone of performance management processes. These systems facilitate the measurement and improvement of the activities in the organization and this applies also to the Supreme Audit Institutions.

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ECONOMETRIC STUDY OF THE CORRELATION BETWEEN FOREIGN DIRECT INVESTMENTS AND GROSS DOMESTIC PRODUCT IN ROMANIA

Podașcă Raluca¹

Abstract

Economic freedom and friendly taxation are essential aspects of Romanian business environment for entrepreneurs and especially for foreign investors. There is a close competition among world's developed countries to create favorable conditions for attracting foreign direct investments. The global experience has shown that the main condition for attracting foreign investors is improving the investment climate. When referring to the dynamics of foreign direct investment in Romania, it is noticed that since 2003 until present they have recorded a positive trend. This is explained primarily due to increased foreign direct investment flow from the European Union to Romania (it is noticed that in 2006 which is the year that preceded Romania's integration in the European Union, the FDI registered the highest growth of 57.7%), but also due to economic performance of our country. This increase can be explained by the fact that foreign investors have viewed the profit opportunities, relatively high in the Romanian economy, either as Greenfield investments and either through buying, mergers and acquisitions.

Key Words: *foreign direct investments, gross domestic product, correlation, ANOVA method*

JEL Classification: C10, G00

1. Introduction

Foreign direct investment is a long term investment relationship between a resident entity and a non-resident entity. It usually implies that the investor exerts a significant influence in the company in which he invested. There are considered foreign direct investments (FDI) the registered capital and reserves related to a foreign investor who owns at least 10% of the votes or capital subscribed of a resident company, credits between the investor or the group to which it belongs and the resident company in which he invested and also the reinvested profit.

There are also considered FDI, the equity investments and loans from non-resident companies whose voting power or share is below 10%, but belong to a direct investor group of the resident company. Another FDI are considered the resident companies on which the non-resident investor has a significant influence on indirect route, namely certain subsidiaries and resident associations of the resident enterprise, where the non-resident investor holds at least 10% of the subscribed share capital (FDI enterprises grade II).

By the contribution of foreign equity holdings in foreign direct investment enterprises, there are the following types of FDI: greenfield (establishment of enterprises by or together with foreign investors), mergers and acquisitions (partial or full takeovers of enterprises by foreign investors from residents), development of enterprises (increase in the capital of foreign investors in direct investment enterprises), restructuring of enterprises (financing by foreign investors through intake equity and direct investment enterprises with losses to their cost effectiveness).

2. The econometric analysis

A large number of main and secondary factors, of essential and nonessential factors, act on socio-economic phenomena, which are found in connectivity. Econometrics, using a variety procedures and methods available can study the concrete manifestation of these connections, can express them quantitatively and measure the intensity with which they occur. Starting from the fact that statistics study mass phenomena within which act

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statistical laws, whose main feature is the fact that they manifest as a tendency, it is required the interpretation of causal relationships still as a tendency. Meanwhile, statistical practice proves that in the process of producing mass socio- economic phenomena, not all phenomena manifest with the same intensity and in the same sense.

Table no.1. Calculation of FDI dynamic indicators in Romania between 2003-2014

Year	FDI (mil. Euro)	$\Delta_{t/0}$	$\Delta_{t/t-1}$	$I_{t/0}$ (%)	$I_{t/t-1}$ (%)	$R_{t/0}$ (%)	$R_{t/t-1}$ (%)
2003	9662	0	-	100.00	-	0.00	-
2004	15040	5378	5378	155.66	155.66	55.66	55.66
2005	21885	12223	6845	226.51	145.51	126.51	45.51
2006	34512	24850	12627	357.19	157.70	257.19	57.70
2007	42770	33108	8258	442.66	123.93	342.66	23.93
2008	48798	39136	6028	505.05	114.09	405.05	14.09
2009	49984	40322	1186	517.33	102.43	417.33	2.43
2010	52585	42923	2601	544.25	105.20	444.25	5.20
2011	55139	45477	2554	570.68	104.86	470.68	4.86
2012	59126	49464	3987	611.94	107.23	511.94	7.23
2013	59958	50296	832	620.55	101.41	520.55	1.41
2014	60198	50536	240	623.04	100.40	523.04	0.40

Source: own calculation based on official data available at <http://www.bnr.ro/Publicatii-periodice-204.aspx>

Throughout the analyzed period 2003-2014 there is a continuous increase in foreign direct investment balance, but since 2008, when the economic and financial crisis was felt on the Romanian economy, it is noticed cumulative balance of foreign direct investment with very small increases. Also, we can notice that the value of the credits grew during the whole period, indicating a negative situation, leading to the idea that foreign firms have significantly reduced or even suspended investments realized from net incomes, some of the companies being significantly impacted by losses.

Table no. 2. Distribution by region of development of Romanian FDI

Development region	2014		2013	
	FDI (mil euro)	Share (%)	FDI (mil.euro)	Share (%)
Bucharest-Ilfov	35665	59.2	36808	61.4
Center	5833	9.7	5179	8.6
West	4646	7.7	4599	7.7
South-Muntenia	4194	7	4581	7.6
North-West	3384	5.6	2665	4.5
South-East	2898	4.8	2529	4.2
South-West-Oltenia	1954	3.3	1912	3.2
North-East	1624	2.7	1685	2.8
Total	60198	100	59958	100

Source: own calculation based on official data

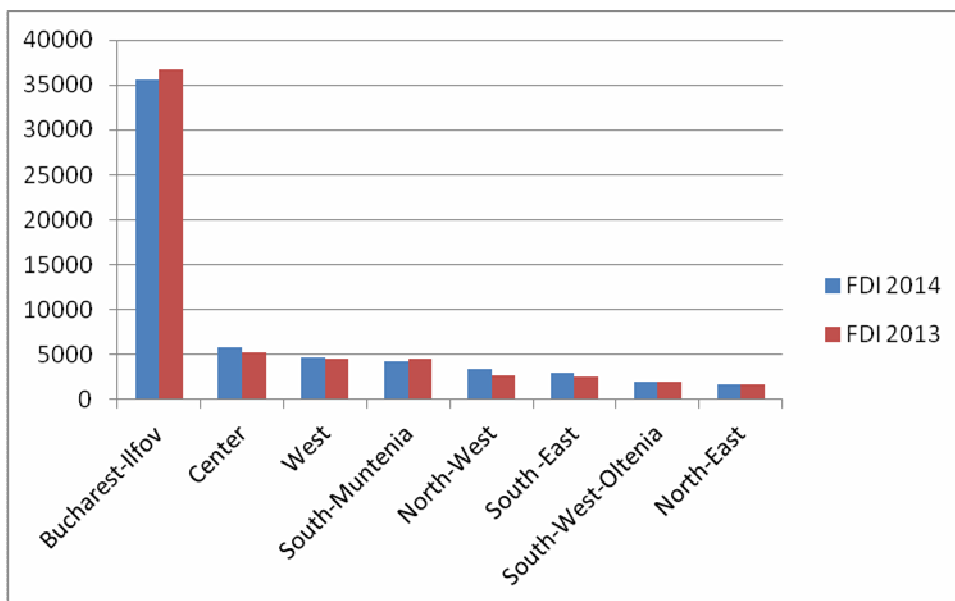


Figure no.1. The evolution of FDI by regions of development

From the territorial point of view, in 2014 compared to 2013 there aren't major changes in the share of FDI by regions of development. Bucharest-Ilfov has the largest share of FDI in 2014 (59.2%), followed by Center region (9.7%), West region (7.7%) and South-Muntenia (7%). It is important to specify that FDI were territorially located by registered office of enterprises, which does not always correspond to the place of business.

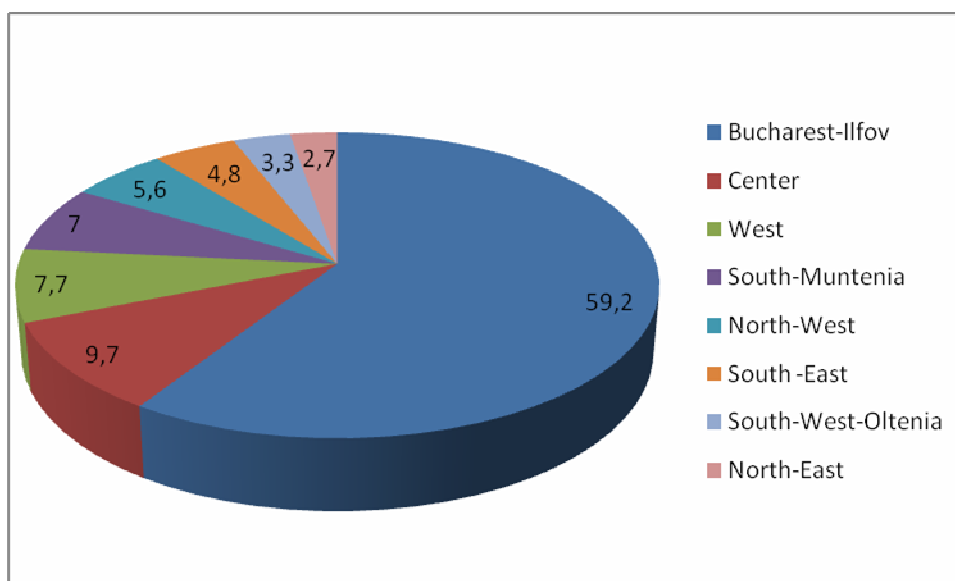


Figure no.2. The share of FDI by regions of development in 2014

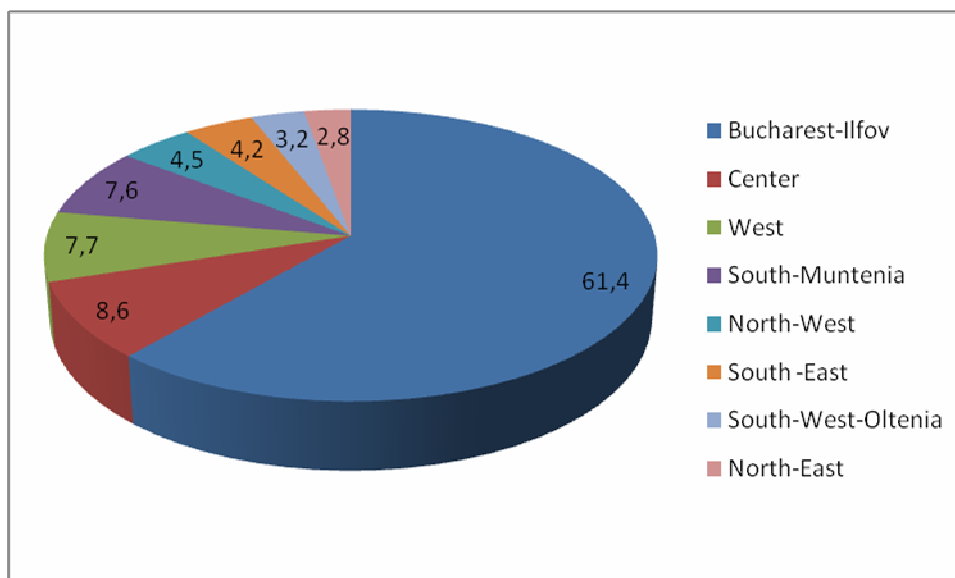


Figure no.3. The share of FDI by regions of development in 2013

Regarding the content of economic growth, there is a variety of reviews leading to a number of definitions. Economic growth expresses the changes that occur in a given time horizon and a certain space materialized in increasing dimensions of macroeconomic results, closely related to factors influencing its size, including economic and social environment in which occurs. These results can be measured through indices that are significant in assessing a country's economic dynamics. The best measure of economic growth is gross domestic product.

Table no.3. Calculation of GDP dynamic indicators in Romania between 2003-2014

Year	GDP (mil. Euro)	$\Delta_{t/0}$	$\Delta_{t/t-1}$	$I_{t/0}$ (%)	$I_{t/t-1}$ (%)	$R_{t/0}$ (%)	$R_{t/t-1}$ (%)
2003	52931	0	-	100.00	-	0.00	-
2004	61404	8473	8473	116.01	116.01	16.01	16.01
2005	80225	27294	18821	151.57	130.65	51.57	30.65
2006	98418	45487	18193	185.94	122.68	85.94	22.68
2007	125403	72472	26985	236.92	127.42	136.92	27.42
2008	142396	89465	16993	269.02	113.55	169.02	13.55
2009	120409	67478	-21987	227.48	84.56	127.48	-15.44
2010	126746	73815	6337	239.46	105.26	139.46	5.26
2011	133305	80374	6559	251.85	105.17	151.85	5.17
2012	133511	80580	206	252.24	100.15	152.24	0.15
2013	144253	91322	10742	272.53	108.05	172.53	8.05
2014	150018	97087	5765	283.42	104.00	183.42	4.00

Source: own calculation based on official data available at <http://ec.europa.eu/eurostat>

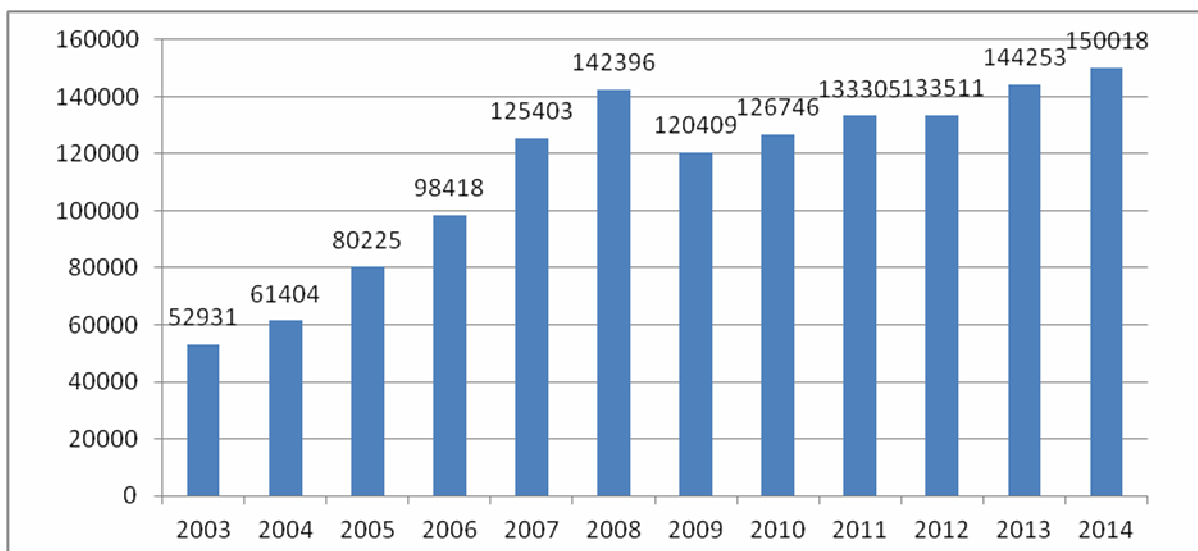


Figure no.4. The evolution of Romanian GDP between 2003 and 2014

Gross Domestic Product has seen an impressive growth during 2003-2008, in 2008 reaching a value of 142396 mil. euro, a period that coincided with increasing levels of foreign direct investment. Between 2009 and 2012, Gross Domestic product decreased significantly, due to the effects of the financial crisis that affected the entire world. Since 2013 it is noticed an ascendant trend of the indicator, which is mainly due to industry, exports and agriculture.

In order to analyze the influence of FDI on economic growth in the period 2003-2014, it is used the statistical method of linear regression. Thus, the FDI represents the independent variable and GDP the dependent variable.

Table no.4. Indicators used for the statistical correlation

Year	x_i (FDI)	y_i (GDP)	x_i^2	$x_i \cdot y_i$
2003	9662	52931	93354244	511419322
2004	15040	61404	226201600	923516160
2005	21885	80225	478953225	1755724125
2006	34512	98418	1191078144	3396602016
2007	42770	125403	1829272900	5363486310
2008	48798	142396	2381244804	6948640008
2009	49984	120409	2498400256	6018523456
2010	52585	126746	2765182225	6664938410
2011	55139	133305	3040309321	7350304395
2012	59126	133511	3495883876	7893971386
2013	59958	144253	3594961764	8649121374
2014	60198	150018	3623799204	9030783564
Total	509657	1369019	25218641563	64507030526

Source: own calculation based on official data

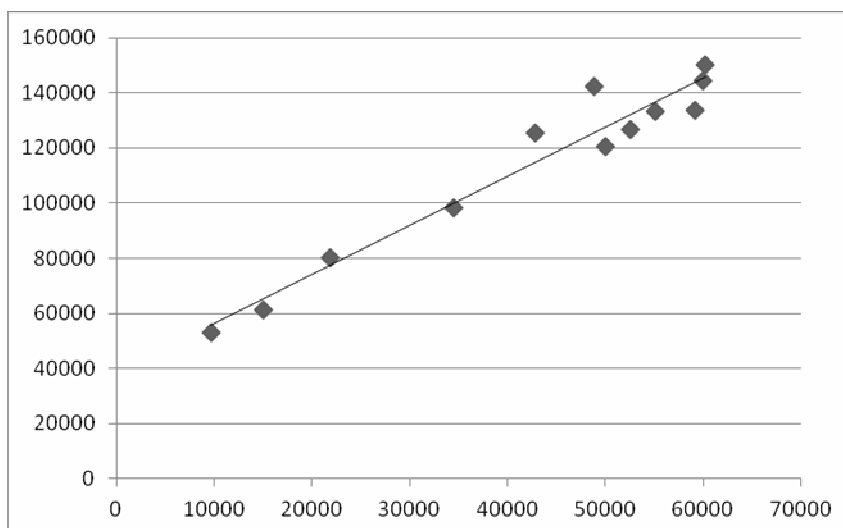


Figure no.5. The graphical representation of the connection between FDI and GDP

The equation characterizing the linear regression is:

$$\hat{y}_i = a + b \cdot x_i$$

The normal equation system is:

$$\begin{cases} n \cdot a + b \sum x_i = \sum y_i \\ a \cdot \sum x_i + b \cdot \sum x_i^2 = \sum x_i \cdot y_i \end{cases}$$

Considering the causal variable (X) as the foreign direct investments and the resultative variable (Y) as the gross domestic product, the graphical representation indicates a direct linear connection between these variables. This assumption will be demonstrated further through econometric methods (ANOVA method).

Variance analysis method, through its components enables determining the representativeness of a sample in the relation to the hypothesis that the average or dispersion does not differ significantly from one sample to another. Establishing the representativeness of the sample is actually the result of testing the significance of the difference between averages or dispersions of the groups and the general collectivity.

The coefficients estimation of a linear model by least squares method and calculating the required indicators associated with statistical tests are performed through Regression procedure, one of the most complex statistical processing of Excel package. The procedure allows the construction of graphs needed to assess visual matching linear model.

Applying this method to study the relationship between the population employed in agriculture, forestry, fishing and the agricultural production, there are obtained data presented in the following tables.

Table no.5. The variables' value synthesis

Regression Statistics	
Multiple R	0.972
R Square	0.945
Adjusted R Square	0.940
Standard Error	8082.561
Observations	12

Source: made by the author

The value of correlation coefficient (0.972) indicates a strong connection between the two variables. The determination coefficient (0.945) indicates the proportion of the dependent variable variance caused by the independent variable variance (94.5% of the variance of the GDP is caused FDI).

Adjusted R Square (0.94) represents the corrected value of the determination coefficient (it is introduced to counter the effect of the mechanical increase of the determination coefficient along with the number of independent variables). Standard error of the estimation is calculated as the standard deviation of residues (for the degrees of freedom used, refer to the following ANOVA table) and standard deviation estimation error ϵ (assuming their normality).

Table no.6.The ANOVA method

Source of variation	df	SS	MS	F	Significance F
Regression	1	11331746252	11331746252.105	173.46	0.00000012
Residual	10	653278044.8	65327804.48		
Total	11	11985024297			

Source: made by the author

Source of variation indicates the decomposing of total variation in variation caused by regression (explained) and residual variation (unexplained). The “df” column indicates the number of degrees of freedom, “SS” represents the sums of squares according the following decomposition: the global sum of squares=sum of squares caused by regression+the residual sum of squares. The “MS” column indicates the mean sums of squares (sum of squares divided to number of freedom degrees). The computed value of the F test is 173.46 and its theoretical value is 0.00000012 which is smaller than 0.05 (the materiality threshold) meaning that the linear model is valid.

The following panel contains the estimated values for the coefficients’ model and statistics needed to verify the usual assumptions on coefficients. It is worth mentioning that, unlike F-test, the coefficients are tested individually.

Table no.7.The variables’ value synthesis

Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
38446.640	6198.915	6.202	0.0001	24634.596	52258.685
1.780	0.135	13.170	0.0000001	1.479	2.082

Source: made by the author

Table lines refer to the variables of the model, including the constant term. The table columns are:

1) first column: the displaying names from the dashboard existing or automatically created for independent variables involved; intercept is the name for the free term (constant) model;

2) coefficients column contains the estimated values of coefficients.; the values show that the equation for the linear model is : $y_i=38446.64+1.78 \cdot x_i$; in the distributional

assumption of the linear model, the calculated values of coefficients derived from normal distribution, making possible statistical verification of the coefficients;

3) standard error represents the standard deviation of the distribution coefficient;

4) t stat and p-value columns represents the statistic to verify the validity of “a” and “b” parameters; the hypothesis for testing their validity are:

The value 0.0001 is smaller than 0.05 which means that parameter “a” is statistically significant. The value 0.0000001 is also smaller than 0.05 which means that “b” parameter is statistically significant.

5) Lower 95% and upper 95% indicates the inferior and superior limits for “a” and “b” parameters. The limits of the 0.05 threshold are calculated automatically, regardless the initialization of Regression procedure. Therefore, it can be interpreted as the linear model parameters are included in the following intervals:

$$24637.596 < a < 52258.685$$

$$1.479 < b < 2.082$$

3. Conclusions

Given appropriate policies and a basic level of development, foreign direct investments have an important contribution on creating a better economic environment. There are also disadvantages created by the foreign direct investments such as the deterioration of the payments balance, as profits are repatriated, having a negative effect on national market competitiveness. However, it cannot be denied the positive association between foreign direct investments inflow and economic growth, provided that beneficiary countries have reached a minimum level of education, technological and/or infrastructure development.

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FINANCIAL RISK INSURANCE

Văduva Maria¹

Abstract:

Insuring financial risks is part of the sphere of property insurance being generated by the economic and financial relations that develop between the economic agents domestically and internationally and by the debtor's ability to cope with his obligations at due settling date in the relations with the creditor.

In conducting the commercial transactions, the risks are inevitable being higher in the external transactions. The financial risk is the potential prejudice to which are subject the interests and entrepreneurial activity in the commercial transactions of sales and purchase, execution of works or provision of services.

The insurance system for financial risks contains more products: credit insurance, financial risk insurance form, destined to protect the bankers for the borrowed amounts to customers and the traders and producers against financial damage resulting from the insolvency of buyers who have purchased goods on credit, guarantee insurance by which the insurer joins the insured to warrant towards the creditor the fulfillment by the insured of his contractual obligations, fidelity insurance, this offers the insured protection against certain damages generated by the confidence granted to the insured personnel that administrates the company assets.

Keywords: *insurance, financial risk, commercial transactions, external transactions*

JEL Classifications: *I13, I15*

1. INTRODUCTION

The commercial activity is by definition subject to various risks. Each year tens or hundreds of thousands of companies worldwide turn bankrupt remaining with large debts to the partners; quite often this is due to the insolvency of buyers, making it impossible to recover the concerned amounts and therefore the series of problems continues and overflows on others.

Most traders conclude and run commercial transactions without protecting against this real threat: not to charge the value of the sold goods or provided services from buyers. In the current period, talking about international markets, we refer to “global markets”, uncertainty receives new dimensions and forms of manifestation. In a highly competitive business environment, success is largely conditioned by the customers' solvency.

Natural persons, companies and even countries resort to loans, scrolling transactions or investments using credit, which largely explains even the economic development itself.

Although credit primarily means trust, it is however necessary to protect creditors for the risk of not recovering the amounts lent. This is made by a form of insurance of financial losses. Insurances related to business, influenced by the economic situation and the possibility of the buyer to acquit the payment obligations at maturity, are known as financial and political risk insurance. The name comes from the fact that losses of money are covered, and not the property damage or liability. Due to the characteristics of risks and specific assessment methods, these types of insurance are not usually part the objects of activity of the ordinary insurance companies, but practiced by the specialized companies.[5]

The failure to pay the amounts owed by the public importers can also be considered of political nature.

Currency risk arises when performing an export with deadline payment there are used two currencies: e.g. the contract is concluded in the currency of the supplier's country

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(or the currency of a third country) and the payment of delivery by the external buyer is paid in the currency of his country.

Changing the relationship between the two currencies in the time between signing the contract and until paying the supplies, can result in losses for the supplier and gain for the buyer or vice versa..

2. THE IMPORTANCE FOR INSURANCE IN ECONOMY

To counteract the risks of the export on credit, providers do extensive investigations on the potential customers' solvency before signing up the contract and then use various tools and financial and legal work techniques. Suppliers cannot be safe of all the export risks and they call upon protection by insurance.

In some cases, not even the classical insurance can provide full protection to suppliers engaged in exports with dead line payment or to the banks that grant loans to external buyers. This is the case of political risks arising from the measures taken by the public authorities of the importing country and that are of insurable nature. The same insurable character bears the risk of non-payment posed by the public debtors and against whom no coercive measures may be taken to make them meet their obligations.

When the classical insurance cannot take the political risks that threaten the national providers, the state intervenes in addition to or in lieu thereof. The institutions acting by the power of attorney and for the State take various legal forms of state administration departments, public institutions, insurance companies with status of private law.

In our country, for ensuring and guaranteeing the export credits there has been created the Export Import Bank of Romania (EXMINBANK) which began the activity in 1992.

In terms of how state intervenes in the export credit insurance, the international practice knows different solutions.

Financial insurances are a relatively new form of insurance issued as a consequence of the process of narrowing the distinction between the financial institutions and the insurance ones. It is a new concept by which the insured eliminates the risk of financial loss that may occur in his/her activity, transferring them to an insurer.

The commercial credit represents both the value transferred to the buyer by a seller on trust and the time before the reimbursement of the value by the purchaser as payment.

Financial insurances are different from bank guarantees. By financial insurances the risks are taken over only under certain conditions, while the bank guarantees involve unconditionally assuming all obligations.

The commercial guarantees that come from the need of the persons responsible to offer guarantees against non-payments have begun to be used thousands of years ago. Such a guarantee was provided through one or more private guarantees, who assumed responsibility for the risk of non-payment. Such a system was considered inadequate and even convicted for the guarantor.

The guarantees offered by the companies acting as guarantor have multiple advantages. The first company in England who practiced this system has been Guarantee Society in 1840. Subsequently, other insurers have started practicing or have been established in various forms of association to practice this type of insurance, using different kinds of policies, either individually or in groups.

Based on the Civil Code of Switzerland, in 1934 there was established the International Association of Credit and Investment, known as the Berne Union, aimed at accelerating the free exchange of information on country risk and establishing certain healthy principles and rules and discipline in international trade and in the export credit insurance and foreign investment.

Credit insurance is a special insurance because it has a much different purpose than other types of general insurances. The credit insurances are undoubtedly a characteristic of the contemporary business world.

The credit insurance protects traders and manufacturers against the risk of non-payment by customers purchasing or renting goods or receiving similar credit facilities. It appeared as a necessity stemming from the fact that the vast majority of trade contracts concluded in the circumstances in which payment is made partially or totally after the delivery of the goods or services covered by the agreement, so with deferred payment, i.e. "credit sale". Thus, credit insurance comes to eliminate the seller's fear on non-payment by the buyer of the amounts due to him, providing security for the risk of -payment. The reason may be the financial situation of the buyer or, if the sale takes place in a country other than that in which the seller is, causes related to the situation of the importing country. The credit insurance appears as direct protection of sellers against the risk of not collecting and at the same time as a guarantee to the bank, being a possibility of access the financing.

The insurance can be done on a single credit or turnover.

The purpose of the credit insurance is to protect against financial losses resulting from non-payment, default payment or insolvency of the buyers who purchased goods on credit or insolvency of credit beneficiaries. Through credit insurance policies there are protected the cashing from the commercial activities in terms of transferring the risks of not collecting on the insurer and, consequently, it can increase turnover.

Insuring the credits is considered a luxury insurance, it is characteristic and properly operating within the market economies, with a stable and well developed credit system. Globally, most credit insurances are practiced in the developed countries.[4]

Credit insurers typically provide a wide range of services along with the insurance ones, such as: market researches, consulting, technical assistance, feasibility studies, investigation and supervision of loans. Among the risks insured there may also be encountered some less accepted in the market, such as: currency risk, expropriation risk, restrictions for fund transfer, etc.

Although insurances against such risks are available in the national and international insurance markets, only a relatively small number of traders worldwide appeal to them.

It is important to note that regardless of the size of the risk, there are three requirements for insured persons:[2]

1. Prevention by collecting, processing and interpreting the information on customers in order to minimize the risk of non-payment;
2. Debt collection, namely the ability to recover the debts anywhere in the world, regardless of their language, culture or legal system;
3. Insurance, namely the payment of compensation in case of non-payment of the debtor to the insured.

The insurable risks can be grouped into two categories:

1. Commercial risks, which are related to the purchaser's financial situation and covers: [1]

a) non-payment due to insolvency of the buyer

The insolvency may be determined by various causes, such as: bankruptcy; any measure of enforcement on the debtor's property that has not led to full payment of the invoiced amounts in favor of the insured; enforcement of a court decision for approval of the arrangement between the debtor and his/her creditors; concordat without judicial proceedings with all creditors or the majority of them; suspension or official moratorium on payments owed by the debtor or any similar measures under the law of the debtor's country.

b) temporary or permanent impossibility of the buyer to pay for purchased goods or provided services.

c) buyer's refusal to accept the contracted goods for reasons beyond the seller.

2. Political risk, which is a separate category, but very important to correctly assess the possibility of returning the credit and implicitly of the risk of non-payment. This risk occurs only in export credit insurance. It can be determined mainly by the "subjective elements" existing in the importer's country. By producing one of the risks related to that country, the entire contractual relationship between the partners may be damaged. The political risk may result in:

a) difficulties and delays (longer than a certain number of days, usually 180) in the transfer process of money from the buyer's country as a result of a general moratorium, regarding the external debt, declared by the government of buyer's country through which payment is made;

b) the impossibility to transfer those amounts from the importer's country to the exporter's country due to government actions in that country (the buyer's) preventing the performance of the export contract or determining delays in transferring the money;

c) introduction of regulations on export or import licenses into buyer's country, withdrawal or non-renewal of the export license or imposing trade restrictions, after the entry date into risk;

d) war, civil war and other similar events outside the exporter's country, which make it impossible to fulfill the export contract if the damage is not insurable as commercial risk;

e) risks on public buyers; public buyers means those entities that cannot be declared bankrupt;

f) losses resulting from the impossibility to institute legal proceedings in the buyer's country because of the lack or poor functioning of the legal system in that country

In particular, for the export credit insurance, the insurable risks are dangers resulting from selling goods or providing services on credit abroad.

Prolonged non-payment is a risk that can affect the financial situation of the insured. It is considered an event of late payment when the debtor or guarantor did not pay part of the debt in a certain aggregated period, usually 6 months from the maturity specified in the agreement. The force majeure care, difficulties in transferring money, insufficiency of convertible estimates or other political reasons, natural disasters, epidemics or any form of violence in society are in principle exempt.

Together with the protection necessary to exporters for the risks that may affect transactions on medium and long term, the insurance policy facilitates the access to financing, representing a guarantee for the financing bank and removing a significant part of the risk.

The excluded risks for which the insurer will not pay compensation may be:[3]

- complaints in respect of inadequate good delivery or provided services;
- penalties or any other losses related to the non-performance of contractual obligations under the sale and purchase agreement concluded by the seller (insured) with the buyer;

- fines of any kind;

- losses from foreign exchange differences;

- compensation due to political risks;

- compensation following a declared war or undeclared civil war, revolution, rebellion, sabotage etc;

- damages due to natural disasters (cyclone, flood, earthquake, outpouring sea, hurricane, tornado or other similar events with catastrophe character), if the technical means available to fight such disasters have not been used or have been ineffective.

This type of insurance includes mainly the following:

- credit insurances, namely domestic credit insurance, export credit insurance, credit rates insurance and investment credit insurance.

- Loyalty insurance

3. CONCLUSIONS

The credit insurances eliminates in a certain measure the substantial risk of financial loss, especially when dealing with transactions of large amounts or the number of business partners is relatively low; this can cause a difficult situation where one or more debtors cannot acquit their payment obligations. However, not all credit insurances are always profitable, especially if the individual loans are lower and the risks are dispersed on a high turnover.

The credit insurance is compensation insurance, as it involves compensation paid to the insured for the suffered loss due to insolvency or default of the insured's customer, and not the creation of a "physical" event as the case of the other insurances. Therefore, it is a pecuniary insurance, of financial loss and not material.

The differences between ordinary insurance, indemnity insurance and credit risk come from nature of the risk and the stakeholders, namely:

1. There are 3 parts involved in credit insurance, each aware of the other.

2. The responsibility lies on the repayment of the debtor's credit and the liability only if the first does not fulfill his/her payment obligation due to reasons included in the insurance policy.

3. The insurer has no interest in the agreement, than the guarantor for the buyer.

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INSURANCE – PART OF THE FINANCIAL SYSTEM

Văduva Maria¹

Abstract:

Now insurance is based on the formation and use of insurance fund. In the process of formation and its use appears certain economic relationships between participants in insurance. Thus, at the first stage, cash flows in the form of insurance premiums are based on natural and legal persons insured by insurance companies. At the next stage, cash flows form of compensation or insured amounts are based on the insurance fund established at the disposal of specialized companies, the policyholders were affected by phenomena insured. It follows that insurance is a system of relationships designed to protect personal interests and / or assets of the insured by forming cash funds at the expense of insurance premiums paid by the insured in return for which the insurer assumes the obligation to produce the insured risk to them pay the insured amount of insurance or indemnity insurance..

Keywords: *insurance, risk, financial systems, financial cycle, cash funds*

JEL Classifications: *I13, I15*

1. INTRODUCTION

Insurance allows a person or legal entity with risk aversion to transfer risks to which it is subjected to a specific organization, in return for insurance premium payment. As an economic activity, insurances have a number of distinctive features, which give them a special place in the economy and in the financial system.

Insurances emerged and developed because of risks common existence, of which manifestation involves serious damage to both the economy and population. Their existence leads to the formation of community risk, which implies that a large number of individuals and / or legal entities, covered by risks, with aversion to this and interested in covering damages consent to defend jointly, participating in the formation of insurance fund through a specialized organization.

From the existence of risk community derives another feature of the insurances activities – the mutuality. It means that risk management is shared. All the members of the risk community participate in the formation of a common fund, which will benefit only some of its members, those that occurred risk. As a result, there is no equality between the size of the contribution of every insured person to the insurance fund (premium) and the allowance received (compensation or sum insured).

The common fund (insurance fund) is established in a decentralized way of premiums paid by the members of risk community and used in insurance organizations. It has destinations specific to insurance activities: damages and insured sums payment as the main destination; setting up specific reserve funds of the insurer; covering the expenses and profit of the insurance organization; establishment of national funds to protect policyholders.

We believe that some comments are imposed on the use, at present, of the concept of insurance fund. Citation in all cases to a single insurance fund no longer fully meets the realities of the market economy. Before 1990, under the state monopoly in insurance and of a single insurance organizations, could speak of an unique insurance fund, although it constituted a decentralized basis, the premiums paid by policyholders, it was used centralized at the sole insurer.

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2. THE INSURANCE AND FINANCIAL SYSTEMS

The name of insurance fund remains justified, as type of fund from financial funds system in the economy. But now, both the mobilization and use of specific resources place in a decentralized manner, in each insurance company, in ways and techniques of calculating insurance premiums and of use insurance fund of each insurer. In these areas, only works some common restrictions, given the legal regulations derived from public control over the insurance activity. Therefore, it seems justified to refer to multiple insurance funds in formulations as "insurance funds of insurance companies", "management of insurance funds of insurers", "creation and use of insurance funds," etc.

The insurance differs by its characteristics, solidarity and assistance.

Solidarity is helping victims after the contingency (earthquakes, floods) on the basis of public, respectively private, material or financial resources. Compared with solidarity, insurance has three characteristics: it is a contractual operation; it requires prior contributions; it takes place in a community venture. Solidarity, in turn, calls a posteriori to a community constituted ad hoc without any contractual basis. Insurance also involves a greater degree of security than solidarity. Each insured person can count on the guarantee contractually agreed, that a certain commitment to cover losses, while damages through solidarity is uncertain, as both production and size.

In insurance, unlike solidarity, the community of protection beneficiaries is limited, explicitly including only those who have signed the contract and paid the premiums.

Insurance has, however, in its area of action, only as insured named risks. If the damages are caused by new risks unknown to some point or other risks uninsurable, solidarity is intervening to cover, in part or in full damage.

Assistance is an activity that has developed, particularly in the last 10-15 years, practiced by specialized companies, which aims to protect against all risks, but in a distinct form. It offers benefits such as: medical care or repatriation in case of illness and providing car repairs for those traveling around the world; remote monitoring of children, elderly, handicapped patients alone at home contractors. In addition, we believe that the essence of aid societies services is that it has a pronounced sense of urgency, being offered at a very short notice after the event causing injury, which is not characteristic of insurance activity.

The insurance activity implies the existence of an insurer that may be only a legal entity. This feature occurs because, in essence, insurance is an intermediary transaction between the insured persons of risk community. Compensation of damages does not occur directly between community risk members but through the insurance organization that intermediates between them.

Ensuring damage reimbursement is based on the common fund constituted and administered to the insurer as a legal entity. No individual cannot guarantee with its assets a mutuality of risks, unlike other economic transactions, such as various guarantees granted to individuals (i.e. loans).

- As legal entities, insurers are limited liability companies, joint stock companies, and - unlike other economic activities - mutual insurance organizations. The latter have no capital, no shareholders and belong to community contributors. Mutual insurance organizations have developed significant holding a share in the insurance sector in some countries (i.e. France). This structuring of the insurance activity is an opportunity to reflect on the manifestation of mutuality in two types of insurers. To mutual insurance organizations, the realization of mutuality is an end in itself, while the insurance companies, mutuality appears as a means to market insurance products. In the first case, mutuality therefore appear to be a technical guarantee, and secondly, as a way of organizing insurers relations.

On the other hand, mutuality has as a result the risks compensation based on contribution required of each member of the risk community. The size of the contribution (premium) is not uniform, but is linked to a specific risk group, the insurance premium being different depending on the seriousness of the risk.

In addition, between members of a mutuality are relations which arise between customers of other businesses. Solidarity within mutuality lead to sanctions for members who do not comply with collective sanctions that derive from the institutional character of insurance relations and not of contractual nature of these relationships.

Another feature derived from the specific insurance, which is risk based, random phenomenon, is more stricter regulation of this activity than other areas of the economy. In all countries, in forms and with different intensities, it is present the public oversight, from which is regulating the establishment and operation of insurance companies, the size of the share capital subscribed and paid up, formation and management of specific reserves, financial investments, solvency, in order to protect insured people. The insurance can be provided only by companies authorized and supervised by specialized state bodies. On the other hand, insurers cannot carry out other activities of industry, commerce, services. This principle of specialization activity is also meant to protect policyholders against the risk of insolvency that would generate practicing other activities.

3. A SHORT REFLECTION ABOUT INSURANCE SISTEM

A reflection of the specificity of the insurance activity cycle is that it has two manifestations: commercial cycle and financial cycle.

I. The commercial cycle, resulted in fluctuations in premiums revenue, is influenced by several factors:

1) The reversal of the production cycle. Unlike other industries, insurers collect revenue before making expenses, the normal production cycle is reversed. Therefore, they sell their product without knowing in advance the cost, most of it representing costs with damages and insured amounts payments, influenced by the randomness of risk. This phenomenon leads to difficulties in forecasting rates and the size of reserves and cause operating and financial imbalances that affect the insurance activity cycle.

2) The pricing cycle linked to the life cycle of insurance products. Pricing strategy is influenced largely by the product life cycle. Thus, in the expansion phase, increasing the number of insured causes a decrease in tariffs due mutuality and risk spreading. In the downward phase of the cycle, lowering tariffs due to competition between insurers, determine technical losses and deteriorating relationship between compensation and bonuses, forcing insurers to resort to tariff readjustments. Insurance becomes more expensive and often provides less security.

3) The profit cycle, whose evolution has as main endogenous factor the conflict between the objectives of growth and profit targets of the insurers. Growth objectives (winning new market segments and increasing sales) causes a downward trend in tariffs, up to under tariff risks. Profit targets require focusing on profitable branches and insurance products, as well as higher rates. As the gap between the development of technical losses - due to growth objectives - and raising tariffs - as a result of profit targets - is higher, the cycle will be longer.

II. The financial cycle derives from insurance affiliation to the modern financial system, acting as financial intermediary, along with banks, financial companies etc.

The financial cycle of the insurance companies is different from that of other financial intermediaries, for example, at banks. Insurers manages funds primarily offered long term, especially in personal insurance, which deviates from the general trend in the financial market. The main consequence arising here is the difference between an insurer's

financial cycle and the bank insurance. This distinction is embodied in a process of reversal of obtaining results in two sectors:

- when a bank starts selling "over the counter" insurance products, it takes part of the market with very low cost of initialization, the entire infrastructure being already present. Therefore, turnover growth is accompanied by an immediate profit growth and vice versa;

- to insurance companies, the sequence is reversed, the insurer must cover first investment costs, purchase contracts, pay their employees and insurance intermediaries (insurance agents, brokers). Therefore, during the expansion, the financial results are often negative, given that financial income and the reserves brought about by the new contracts are low. On the contrary, during the period of decline, the insurer incurs expenses lower purchase, its financial incomes are higher and thus make profits.

Finally, other features of the insurance activity aim differences between insurance organizations specializing in insurance of persons and social security and social protection organizations, as well as the special position of insurers as financial intermediaries.

Traditionally, since 1990, in the traditional specialty literature the financial system is conceived, defined, structured closely with how to define the finances broadly and narrowly. The financial system is defined as "a set of components interconnected by a common essence and financial phenomena which have relationships of interdependence".

One approach to the concept of the financial system, it is viewed in several ways:

- as a system of economic relations in cash;
- as a system of institutions which is a reflection at institutional level of these relationships;
- as a system of financial reserves funds;
- as a system of balances and budgets, having the role of financial management and control tools.

Within the financial system as a whole regarded financial relations, there are two major subsystems: the public namely, private financial system. Public financial subsystem components are considered: the state budget, local budgets; state social insurance; credit (with the participation of public entities); property, liability and people insurance (by state-owned companies); finance companies and other public entities. Quite rightly, the insurances are found among the four private financial subsystem components: finance businesses and other entities or private companies (including insurance companies); bank credit (private); social security (private); household finances. It is also important to underline the existence of interrelationships and areas of interference between different components of the financial system, including between public namely, private, financial subsystems, where are involving also the insurances. The financial system can be approached as a system of structures or institutions with responsibilities in the organization of financial relations or as a participant in generation, distribution and use of funds, and the development and implementation of financial decisions. From this point of view "insurance and reinsurance companies take from policyholders in exchange for premiums, risks related to the occurrence of damages or injuries etc. to goods and people, and will pay compensation or insured amounts. They manage to mobilize the financial resources from insurance fund, developing financial relationships with several classes of insurance/reinsurance, according to the object of activity established by the company contract and by statute".

On the other hand, the different behavior of economic agents in the circuits of financing the economy leads to a distinction between non-financial agents and financial intermediaries. Non-financial agents are all economic agents whose main activity is

centered on the production, distribution, consumption of goods and services; they perform buy-sell operations, sampling, transfer in their field.

Financial intermediaries, also called financial agents, are, opposed to the first, the all operators whose main activity is based on placement or lending operations. The existence of parallel and complementarity between non-financial agencies, which, outside of self-financing (internal financing) have a surplus or a shortage of financial resources (need external financing) may be direct contact between them (direct external financing) or to the emergence of financial intermediaries (indirect foreign financing). They mediate between the two categories of non-financial agents, serving to facilitate contact between them and reduce the cost of collecting information on the existence of an informational asymmetry between lenders and the borrowers.

Financial intermediaries are classified according to their ability to create or not titles that allow direct and immediate payments, into monetary, respectively non-monetary financial intermediaries in this last category, ranging also the insurance companies.

From economic and financial addressing of the insurance concept means that insurance companies hold both the position of non-financial agent, as well as the financial intermediary.

As non-financial agents, the insurance companies have as primary activity the sale of insurance products to their customers, achieving revenues, expenses and realizing profit or loss from this activity. Compared to other non-financial agents, insurers present the particularity that the appeal to external financing resources from the capital market loan is exceptional in nature. In the structure of external resources required for ongoing operations or development, the loans occupy an insignificant share. As external resources, contributions appear mainly to policyholders who remain shorter or longer available to insurance companies.

As financial intermediaries, insurers mobilize financial resources from non-financial agencies and population and provide economic deficient both in the system of direct foreign financing (providing direct loans or buying shares of other undertakings) and by indirect external funding system (placing deposits with banks, investment financial funds).

In the literature of our country, the approach of insurance affiliation to the financial system concerns the similarity between economic relations from insurances and financial ratios of the other components of the financial system. In summary, it is argued that:

- in the creation and distribution process of insurance funds appear certain economic relations, in cash between insurance participants. These relationships arise between insurance companies as legal entities, on the one hand, and persons or legal entities who are insured, on the other hand. The state participates in these reports either directly - as the owner of capital in the system – or indirectly through relationships between insurance companies, as operators with obligations to the budget and state budget;

- the creation and use of insurance funds essentially express redistribution reports of gross domestic product, in which individuals, different categories of legal entities (state-owned, private, mixed businesses; public institutions; local authorities, political and union organizations etc.) and the state, which makes insurance must be considered a separate component of the financial system;

- insurance expresses, therefore like finance, economic relations, in cash, which appear in the distribution of gross domestic product, through which are formed and assigned specific funds - the insurance funds.

We believe that further clarification is needed on the financial aspect of insurance stemming from the evolution of this activity in recent decades.

Thus, it is generally accepted that the benefits paid by insurance policyholders have only monetary form. In the case of destroying or damaging property, the insurer undertakes to replace or repair them, but offer amounts needed to perform these operations. In life insurance, insurers cannot compensate for the pain of the survivors of the death of a loved one. To accident insurance, the insurer does not compensate for physical or psychological trauma of injured persons nor achieved the return to health and bodily integrity input, but covers the financial consequences of accidents (medical expenses, sick leave).

However, two insurance branches emerging in recent decades partly deviate from this principle. Legal protection insurance provides directly the services of lawyers, and addiction insurance, arising from the accelerating process of aging and narrowing the circle of family and included in life insurance category provides similar services to those of social assistance at home for insured persons.

In addition, the emergence of aid societies, which have the object of providing complementary services to insurance contracts or separate from them, and the services offer (repairs of goods, etc.) by insurance companies that contract obligations, outside the scope of monetary relations strictly traditional insurance.

Insurance funds, although financial funds, have a number of distinctive features compared to others of the same nature:

- the consideration may exist or may be missing, while the insurer pays compensation or sum insured. But there is no equivalence between the size of the insured contribution to fund formation and compensation paid from the insurance fund, and the benefit appearance is linked to certain conditions (contingency, contract compliance);
- the transfer of resources from the insured person to the insurer is final, unless the insured risk occurs;
- the insurance relations satisfy the interests of individuals or legal entities;
- the common, social interest of general interest satisfaction appears only if it is entered into the venture community and mutuality.

Such characteristics give to insurance funds a special place within the system of financial funds.

4. CONCLUSIONS

Along time in the contemporary economy has been a multiplication of loans, which led to the multiplication implicitly assumes credit risks.

But in order to avoid these risks, lenders took their own measures to avoid, and without being able to avoid them altogether. For example, the banks bear risks such as liquidity risk, credit defaults that tries to avoid them by analyzing customers, but however they do not disappear altogether. As a result, one of the most effective tools to transfer the financial effects of these risks is credit insurance. Another significant risk faced by operators today is the fraud, theft, misappropriation, falsification, leading to significant losses.

Cover such risks can be done through specific insurance ie ensuring safeguards. Also through insurance guarantees can stimulate economic activity in various sectors. As an example we can mention providing guarantees for participation in tenders give to the companies participating in the auction amounts that would have been fixed with the release of a letter of guarantee.

It is noteworthy that through insurance of financial risks can support certain loyalty programs that companies reward customer loyalty to build and generate additional revenue. Insurance programs such packages include insurance-related products and services to individual customers of financial institutions (eg credit cards), mobile phone companies, internet service providers or retailers .

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- SECTION MARKETING AND TOURISM -

THE TOURISM PERFORMANCES AT REGIONAL LEVEL IN ROMANIA

Gabriela, Bilevsky ¹

Abstract

After joining the EU, Romania tried to answer the adherence requirements, establishing its cohesion politics basis, in the 8 development regions, each of these having a certain specific task and a development potential which must be capitalized.

In this research paper the evolution of tourism is analyzed at regional level and especially in the South East region, during 1990-2014.

As a whole, Romania has an important tourist potential, a large interest domain, which is evidently an advantage for the South-East region, although the identified tendency is that of overthrowing the leader position of this region, characterized by a seasonal tourism, compared to other regions (Bucuresti-Ilfov, Center), but also in the detriment of other tourism forms (business, cultural, monachal, weekend etc.).

Keywords: tourism, regional tourism of Romania, performances of tourism,

J.E.L. classification: Z30, Z32

1. The impact of tourism

In many countries of the EU, tourism contributes significantly to the creation of national incomes (GDP, GNI, GNN), while having a separate contribution to the realization of added value, training and stimulating production in other annexed domains. The development of tourism can act as a „more dynamic element of the global economic system”[1], but, in the actual condition of globalization and pronounced natural resources impoverishment, we must take account of durable development principles and respecting the environment conditions.

The economical effects of tourism are also represented by its contribution to liquidity and currency flow, based on internal and international tourism. The importance of tourism is diverse, because it can represent, at the same time, a way of educating, of instructing, of culture and human civilization.

The International Organization of Tourism created one of the most complete definitions of tourism, being represented „activities deployed by people while on trips and staying outside of their living environment for a consecutive period which does not amount to more than a year, for spending free time, business or other reasons unrelated to doing a remunerated activity at the visited spot” [2].

For our country, tourism represents a domain with large possibilities of growth based on some unexploited touristic resources or insufficiently valued and represent an activity sphere which can absorb a part of the work force which remains available from the economical restructuring. Tourism acts in the economic system of the national economy, which generates specific goods and services, demand which trains a growth in their sphere.

The specialized activities done for satisfying the necessity of goods and services of tourists during trips, as they were defined by the International Organization of Tourism, make tourism a distinct branch of economy, a real industry which interacts with other economical branches.

Tourism needs, for deploying its activity, goods from the transport services, booking, alimentation, divertisment, health, culture and public safety spheres. Also, in tourism goods and services from connected branches are consumed, such as agriculture, food industry, construction and transports, which positively influence work force.[3]

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We can say that tourism contributes not only to satisfying material needs but also to satisfying the spiritual needs of people. „Each step of a trip becomes a knowledge adventure; the novel rejuvenates you, nature uplifts you on the pedestal of each day, witness of your own miracle”.[4]

By virtue of regenerating the work force of people by its resting and recreation shapes, as well as balneary-medical treatments, tourism represents an education method of uplifting instruction level, culture and civilization of people.

2. The Evolution of Tourism in Romania at a Regional Level

The analysis of the principal indicators which define the evolution of the tourism sector has as its base dates given by the National Institute of Statistics of Romania.

2.1. Establishment of touristic reception with functions of tourists accommodation

The structure of touristic income which include hotels for teens, hostels, apartment hotels, motels, mansions and tourist cabins, touristic and aggro-touristic guest houses, campings, vacation villages, bungalows, students and pre-students camps and booking spaces on ships start from a national number of 3213 in 1990. This number has met in its progress a growth of approximately 0.7% yearly, but with two important moments of tendency modification: one at the start of the period (1991-1992), right after the liberalization of romanian economy, when a growth of private incentive was registered, followed by a decrease in 1993 with approximately 1,8% due to the specific economic conditions of that year (fulminant inflation). The second distorting moment was during 2010-2011, being strongly influenced by crisis, when a sudden decrease of 4,3% was registered, amounting to a total of 5003 tourist structures.

These two moments are experienced especially in the South-Eastern region (fig.n.1)

In 1993 it registered a massive decrease in the number of tourist accommodation in the South East region of 62.9% from 1414 in 1992 to 890.

In 2011 there was a sudden decrease of 29,67% until the level of 1999 by approximately 985 tourist units, but followed by growth in 2014 to 1100 units.

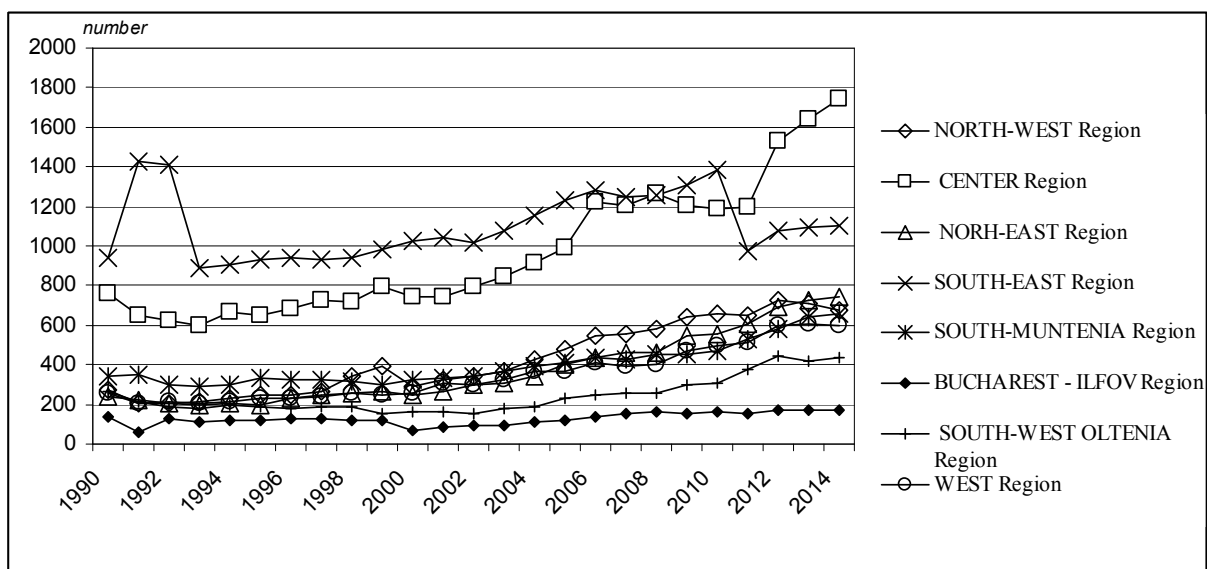


Fig. no. 1. Establishment of touristic reception with functions of tourists accommodation [6]

The other regions have passed easier over these two moments, 5 out of the 8 regions continuing the growth tendency. Today, the indicator presents a redressing tendency after the economic crisis, registered values reaching 6130 in 2014 nationally, almost double compared to 1990.

In this context, starting with 2012, there is are massive growths for the Central Region, of 27% compared to 2011 (fig.no.1), reaching the highest number of tourist structures owned by a region. In 2014 there were 1745 tourist structures, which is 28,4% of the total booking structures of Romania, of 6130.

2.2. Existing touristic accomodation capacity (Booking capacity)

Romania had in 1990 a number of 353.236 tourist booking places. In structure, the hotels hold the biggest share in the booking capacities with a number of 167.979 places, representing 47,6% of the total, followed by tourist mansions with 46.757 (13,2%), student and pre-student camps with 46.598 places (13,2%), campings with 46.473 places (13,1%) and others.

Approximately 46,1 % of the tourist booking capacity of Romania from 1990 is in the South-Eastern Region, especially Black Sea seaside stations (fig.no.2), followed by the Central Region, with a 12,5% share, the other regions holding a 32,4% share, followed at a great distance by the Central Region with a 19,5% share, the other Regions having an under 10% share, the smallest being in South-Eastern Oltenia (6,1%).

In 2014, there are changes in the distribution of the booking places regionally, the South-Eastern Region continuing to have the first place nationally, with a 32,4% share, followed at a great distance by the Central Region with a 19,5% share, the other regions each having shares which are under 10%, South-Eastern Oltenia having the lowest, 6,1% (fig no.2).

In dynamic, in the South-Eastern Region, there is a decreasing tendency during 1990-1995, then a reasonably big interval follows with very small variations from a year to another. During the crisis, in 2011 there is a significant decrease of 136.875 places in 2010 to 95.587 places in 2011, which is a 30,2% contraction. Starting with 2012, there is a slow redressing, but the level of 2011 and before is never reached again, with a booking capacity of 100.888 in 2014.

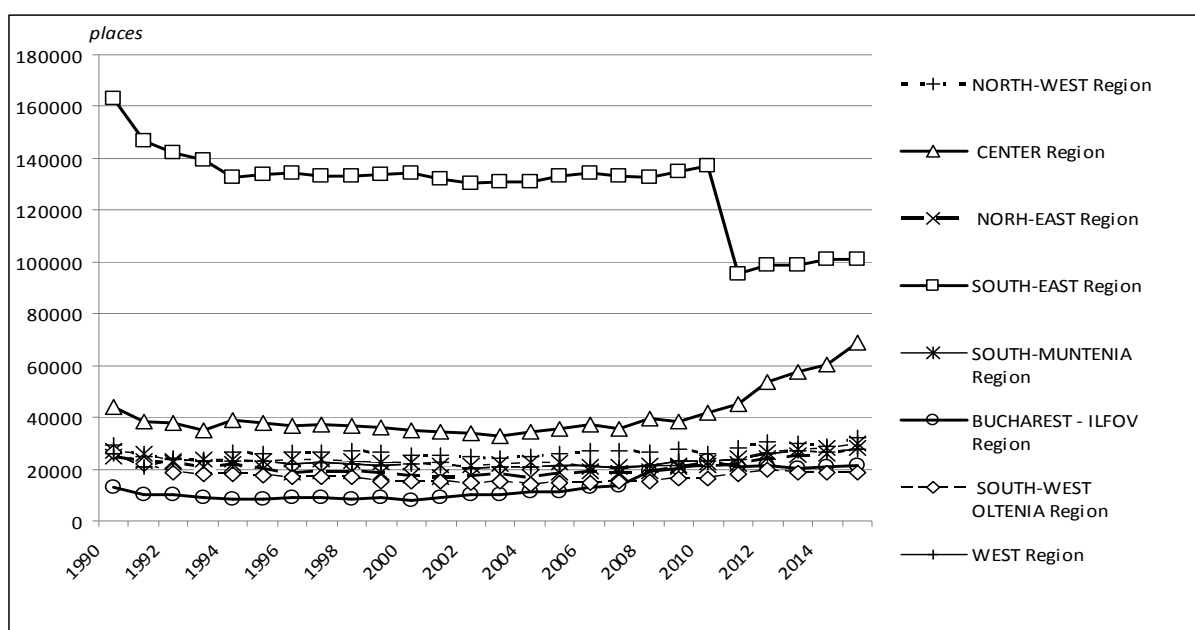


Fig.no.2.- Existing touristic accomodation capacity (places)[6]

2.3. The Evolution of the Tourist Arrival Indicator

The tourist activity measured with the help of the Tourist Arrival indicator registered at a national level a tendency of massive decrease during 1990-2004, followed by a growing period, with fluctuations and notable differences from one region to another. (fig.no.3),

Between 1995 and 2001 the number of arrivals in the booking units decreased by over 31%. This negative tendency continued without stopping since 1991, especially because of the decadence of the romanian infrastructure competitiveness, in the context of the growing capacity of travelling of the romanian tourists for tourist activities, following the liberalization of entering EU countries. But, in Romania approximately 8,5 million tourists were registered, out of which 2 millions were foreigners.

If until 2005, the first place in the Tourist Arrivals was held by the South-Eastern region, with over 1 milion tourists, due to its seaside tourist potential as well as seasonal, after this year, the first place is held by the Central Region, with over 1,2 million tourist arrivals, due to the massive investitions in tourist structures.

In 2014 the highest number of arrivals was registered in the Central Region, with over 1.9 million tourist arrivals, but the number was 2,4% smaller than the one registered in 1990.

We should remark that starting with 2012, the second place is taken by the Bucharest-Ilfov Region, which attracts tourists, because of the fact that there is an important business service sector [5] (it is also the region which registered a 13,4% growth in 2014 compared to 2013, as well as a significant 45,6% growth compared to 1990).

The least attractive region from the tourist arrivals point of view is South-West Oltenia in the analyzed period (fig.no.3), which also registered the highest decline (-52,7% in 2014 compared to 1990) .

In the South-Eastern Region the decrease in 2014 compared to 1990 was approximately 50% (fig.no.3).

In 2014, there is a turnaround in the regional arrival distribution, when there was a 23,1% share registered in total for the Central Region, followed by Bucharest-Ilfov with a 19,3% share, and the South-Eastern Region on the third place, with a 13,9% share.

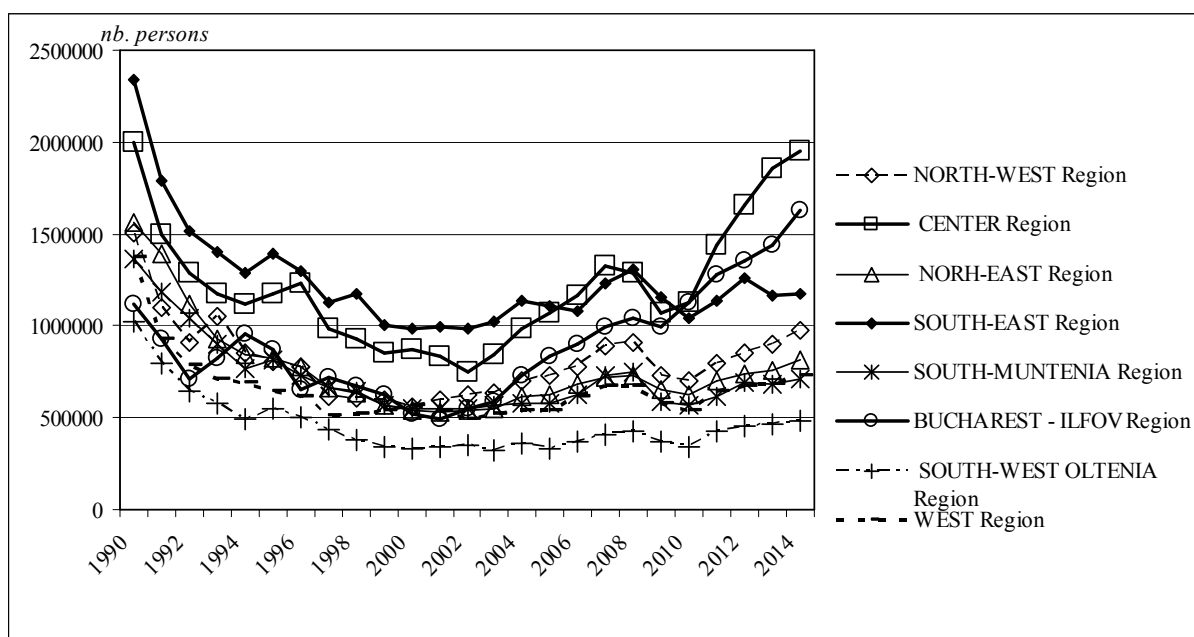


Fig. no. 3. Arrivals of tourists [6]

If we also study the content of these arrivals on romanian and foreign tourists, we can see that the share of foreign tourists recovers to 22,6% in 2014 (1915000 arrivals) after unfavorable fluctuations, like in 2009 with a 20,6% share (1276 thousand arrivals) compared to 2006 when there were 22,2% (1.380 thousand arrivals).

The indicator for foreign tourist arrivals, though, registered a constant increase of foreign tourist arrivals during 2006-2014, of 38,7% in 2014 compared to 2006.

Approximately half of these arrivals (48,1%) are in the Bucharest-Ilfov Region, following the promotion of weekend, cultural and business tourism (increasing from 37,3%).

The main reason of foreign tourist visits are the spending of free time, followed by transit travels, business-related or one-day trips.

The favorite destination of Englishmen in Romania are: the Danube Delta, the Black Sea, Maramureş and balneary treatments. Americans prefer the medieval cities from Transilvania, Bucharest rural tourism and the Bran Castle. The main destination for Germans are the seashore and balneary treatments, Italians prefer Northern Moldavia, Bucharest, the Black Sea, the Danube Delta and the Prahova Valley [7].

2.4. Index of net using the touristic accommodation capacity in function

This indicator which shows the occupancy at the touristic accommodation capacity in function, only available nationally, starts from 43,1% in 1993. This year, the index of net using is 48% for hotels, with the highest usage degree among the touristic accommodation capacity in function booking capacities.

The decrease tendency remains continuous during the studied period (1993-2015), reaching 35,2% in 2000 and 25% in 2010, while being interrupted in 2011 when it surpasses 26%, and continuing to rise until 28,7% in 2015 (fig.no.4).

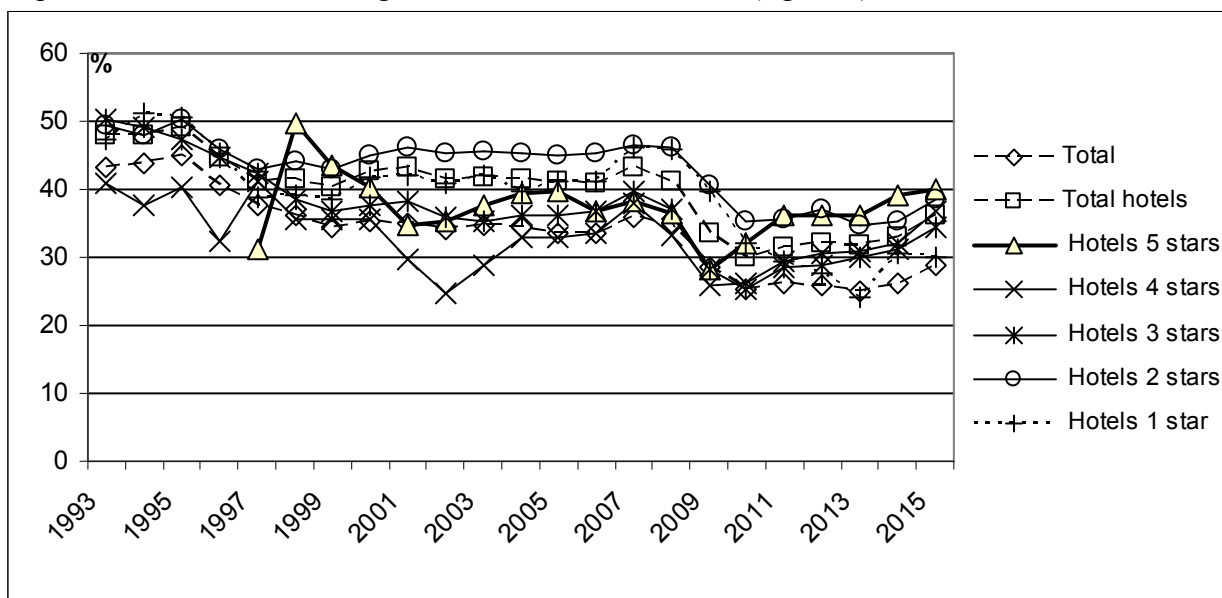


Fig. no.4. Index of net using the touristic accommodation capacity in function [6]

It is interesting to observe the evolution of the 5 star hotel index of net using which have increased their occupancy degree starting with 2009 from 28,3%, which is the lowest registered degree for this category, to 40,1% in 2015 (Fig. no.4.) The tendency of tourist preference change is obvious during the years, the highest index of net using for hotels in 1993 being 3 star hotels, with 50,4%, until 34,5% usage for this category.

Because of the fact that mass tourism was practised, the 1-2 star hotels share surpasses 80%, while 3 star hotels have a very small share.

Balneary stations are on the first place in the booking capacity usage indicator (50,8%) as well as the length of tourist sejours, with an average of 8,9 days. Due to the contribution of the so-called social tourism, in Romania the state gives subventioned treatment tickets for pensioners, which cover a big share of the booking and food costs[8].

Conclusions

The litoral region represents an important source of economic and social growth regional growth.

The South-Eastern Region has a remarkable tourist potential, especially due to the Black Sea romanian seashore, with a 70km coast between Năvodari, Mangalia and the Danube Delta. Thus, Romania's opening to the Black Sea created conditions for the developing of seashore tourism, the 13 existing stations concentrating almost half of their booking, treatment and recreation capacities nationally (42,7%).

Booking structures at the Black Sea seaside are concentrated especially in the seashore side, having limited expansion opportunities.

Starting with 2012, there are massive growths of the number of touristic structures for the Central Region of 27% compared to 2011, reaching the highest number of tourist structures held by a region. In 2014 it has a number of 1745 tourist structures, representing 28,4% of the total booking structures of Romania, which is 6130.

Because of mass tourism practices, the 1-2 star hotels share surpasses 80% while 3 star hotels have a very small share. Thus, investments should focus on the reorientation of actual structures. The usage indicator for 5 star hotels has increased compared to the other categories, increasing the demand for this type of comfort.

In the distribution of tourist arrivals from the last few years, accentuated in 2014, there is a turnaround in regions which register most tourists in the Central Region, followed by the Bucharest-Ilfov Region, and the South-Eastern Region on the third place.

The rehabilitation and modernization of the romanian seaside and aligning it to the calitative degree of european seaside offers continues to be a specifical objective for seaside tourism.

With an adequate management, with the implications of local organs, tourism represents an education method, of raising the instruction, culture and civilization levels.

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IMPACT OF TOURISM ON ECONOMIC GROWTH AND EMPLOYMENT IN ROMANIA'S COASTAL AREA

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Abstract

Despite current difficulties, tourism remains an economic sector with economic growth and development potential at global level. The contribution of tourism to economic and social life is different from one country to another, depending on the development level and the policies promoted regarding these activities.

Nowadays, Romania's tourism sector, according to the data of the World Tourism and Travel Council registered relative progress as compared with previous years, so that in 2014 this sector had a total contribution to GDP of 33.1 billion RON, representing 4.8% of the GDP.

In this context, the direct contribution to employment was of 2.4% from total employment meaning that the sector supported directly 205000 jobs. At the same time, the contribution of this sector and of the industries and services supported by it, including indirectly based on induced effects was of 467500 jobs.

The paper presents a brief analysis about the evolution of Romanian tourism in the post-crisis period and about the impact of the sector on the economic growth in the coastal area of Romania. At the same time, the links between the tourist accommodation capacity and the number of incoming tourists in tourism structures of the considered area are analyzed by statistical methods.

Key words: tourism, performance, economic turnaround, *correlation, tourism capacity*

JEL Classification: C10, C42, E24, J21, L83

Introduction

Tourism is one of the main engines in the economy of any nation, and the national and regional capacity of providing attractive tourism products plays an important role at the level of the national economy. As an industrial-scale activity, it generates governmental incomes from various direct and indirect taxes and duties, and jobs within the tourism industry (hotel personnel, guides, tour operators, etc.), as well as indirect jobs in services and industries supplying the necessary products for tourism (constructions, food products, transportation means, infrastructure, etc.).

The importance of tourism for national economies is acknowledged by international and European experts for various categories of countries, from the less developed and developing countries to developed and industrialised countries.

Tourism is still an insufficiently valorised resource in Romania, even recording massive losses with respect to fixed, mobile capital, and human capital during the entire period after 1989. Such losses continue in the current period of post-transition and post-crisis. Among the reasons at the root of this situation might be counted: the conditions with which our country was faced before 1989; the strategies and policies aimed to the liberalisation and privatisation of the domestic market as of the nineties; the often confuse strategies, policies and measures that did not allow for developing this sector.

Moreover, also a certain lack of training of the Romanian entrepreneurs could be noticed, and of the whole human capital working in the tourism industry, both being translated into a difficult to recover decrease in the numbers of tourists from inland and from abroad, despite sustained efforts of recovering and increasing competitiveness, in particular after the years 2000.

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Currently, the post-crisis period is remarkable due to the considerable efforts of rebuilding the image and attractiveness of the Romanian tourism, as there are some significant and decisive advantages in the current European context.

1. Specialised literature

Tourism entered into the attention of researchers as economic-social phenomenon already in the first half of the 20th century, as its many facets were approached by Hunziker (Hunziker, 1940) and Krapf (Krapf, 1963) both characterising and defining tourism as “the assembly of relationships and phenomena resulting from the travel and stay of individuals somewhere else than their residence, as long as the stay and travel are not motivated by the intention of permanently settling in the respective location, or by any other lucrative activity”.

The second half of the 20th century was a period when mass-tourism flourished, and technological progress pushed forward for the modern men new ideas about spending leisure time and developing touristic activities. As result, the interest of experts increased for this economic sector, as it was noticed its contribution to several other economic fields either directly, indirectly, and induced. Economists began to deepen knowledge and insights about the field, and to its contribution to national and global economy. For instance, tourism was noticed for its capacity to attract foreign direct investments, necessary for economies in transition, in particular for those of Central and Eastern Europe (Hall, D.R. (ed), 1991). Moreover, it was one of the sectors with a good potential for encouraging entrepreneurial spirit and the development of SME activities.

Currently, tourism is one of the largest industries of the world, and has one of the swiftest increases among the economic sectors. For several countries, tourism is seen as main instrument for regional development, because it stimulates new economic activities. It can have a positive economic impact on the balance of payments, for labour force employment, for gross incomes and output, but it might also trigger negative effects, in particular for the environment (Mihalache, 2009; Le Tellier, et al., 2012).

Due to its economic potential, and for the employment of labour force and because of its social and environmental implications, tourism plays a very important role within the EU. Statistics regarding tourism are not used only for monitoring tourism policies in the European Union, but also for the monitoring of regional policies and of the sustainable development policy. Sustainable tourism must fulfil social, cultural, environmental, and economic requirements (Turcu, et. al., 2008).

During the last decades, the role played by tourism, both for the business sector, and for individuals increased considerably (Soteriou et al., 2010). According to the specialised literature, the role of tourism in eco-sustainable development is highlighted also by the fact that it has an important driving effect, stimulating production in other fields as well as outcome of its character of an interference and synthesis activity (Okazaki, 2008).

2. Tourism in the 21st century –contributions to increasing the insertion degree on labour market

Nowadays, it is estimated that tourism generates over 5% from the GDP at EU-28 level, based on the about 1.8 million tourism enterprises that ensure approximately 9.7 million jobs or, otherwise expressed, it ensures employment for 5.2% from total labour force at European Union level. If sectors supplying directly or indirectly the tourism sector are taken into account, then the estimated contribution to the European Union GDP is higher than 10%, with implicit increases of the contribution to ensuring employment of up to 12% from total EU-28 labour force.

The analysis of the statistics regarding the development of this sector highlight that in 2014 the arrivals of international tourists increased to 15 million individuals, which means an increase by 3%, respectively 582 million tourist for the respective year. In the same year, revenues increased by 4% to 383 billion Euros. Another interpretation of these figures is that Europe attracts 51% of international tourism and 41% of the revenues. The most attractive regions for tourists were those in northern and southern Europe respectively +6% and +7%, with Greece and Spain gaining 4 million international arrivals in 2014. At the same time, Central and Eastern Europe was the only European region recording decreases in international arrivals, save for Romania (+12%), Hungary (+14%) and Latvia (+20%) (World Tourism Organization, *Tourism Highlights*, Edition 2015, p. 7).

This last year taken into account ascertains the trend which could be noticed already in 1990, respectively the intensive increase of the tourism industry in Europe. If, in 1990, these arrivals were of 261.5 million tourists in 2000 the arrivals reached 386.4 millions, and in 2010 they were of 488.9 millions (table no. 1).

Table no. 1 Dynamics of international tourist arrivals, in the period 1990-2014, selected years

<i>Regions</i>	<i>International tourist arrivals (millions)</i>							<i>Market share (%)</i>
	1990	1995	2000	2005	2010	2013	2014	
Europe	261.5	304.7	386.4	453.0	488.9	566.4	581.8	51.4
Northern Europe	28.7	36.4	44.8	59.9	62.8	67.4	71.3	6.3
Western Europe	108.6	112.2	139.7	141.7	154.4	170.8	174.5	15.4
Central and Eastern Europe	39.9	58.1	69.3	95.1	98.4	127.3	121.1	10.7
Southern and Mediterranean Europe	90.3	98.0	132.6	156.4	173.3	201.0	214.9	19.0
From which EU-28	230.1	268.0	330.5	367.9	384.3	433.8	455.1	40.2

Data source: Tourism Highlights, 2015, p. 4, from World Tourism Organisation

In Romania, in 2005, was recorded a number of 5805 thousand tourists and in 2014 their numbers reached 8444 thousand (an increase by 25 %). Regarding foreign tourists, their numbers decreased from 1430 thousands in 2005 to 1192 thousands in 2014, a decrease of almost 17 pp.

In the same period, revenues from tourism in Romania increased from 849 million Euros in 2005 to 1379 million Euros in 2014, which represents an increase of about 62.42% (according to Eurostat data).

At national level, organised tourism benefitted from increased interest for sea coast area, this tourism area having the highest share (50%). At the same time is emphasised the necessity for higher efforts in promoting and investing in the new activities shaping 21st century tourism, respectively cultural tourism (3%), but also eco-tourism considering the most remarkable areas in the national patrimony, respectively the Danube Delta (1%) (fig.no 1).

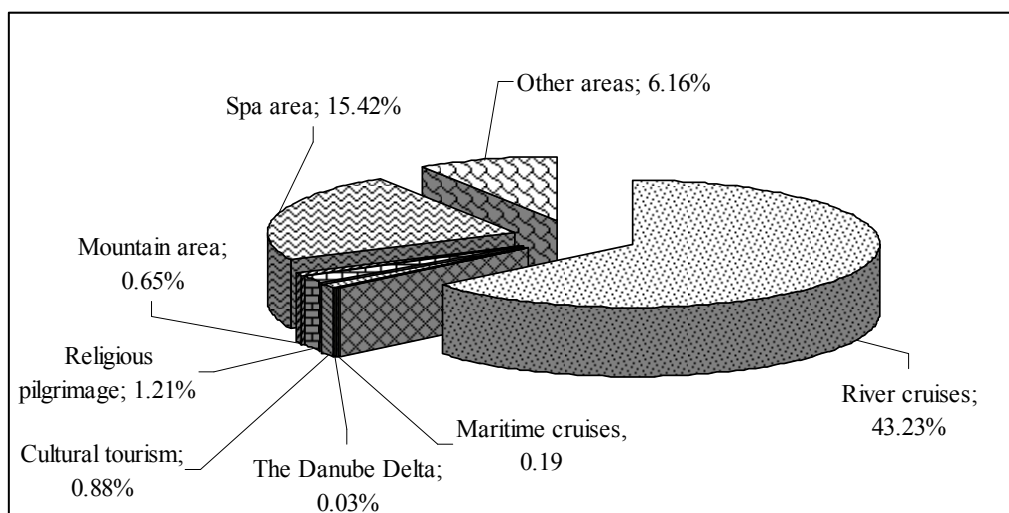


Figure no. 1 Number of Romanian tourists taking part in domestic tourist actions, by tourist areas, 2013

Source: Romanian Tourism, Statistical Abstract, 2014, National Institute of Statistics, www.insse.ro

The destinations chosen by incoming tourists to Romania reveal a considerable change of this model, as is shown by the statistical data that might provide information about the reasons for giving preference to the respective destinations. Thus, among the most visited destinations is Bucharest and county municipalities, which might mean, possibly, that these tourists are more in the “business interest” tourist category, than tourists interested in vacation, health care, exploration and rest and leisure trips.

The increased competitiveness at international level in attracting tourists, technological progresses contributing to disseminating new ideas and approaches regarding free time spending, but also health care, including concerns for climatic change and, last but not least, “business tourism” contributed all to change the shape of tourism from simple leisure to health care tourism, ecologic tourism, cultural tourism, and creative tourism.

Regarding the contribution of tourism to economic development and labour force employment at EU-28 level, this contribution increased constantly, even in the period of crisis.

Due to the recent known developments in the sector of tourism, in services and industry supplying this sector either directly or indirectly, and even by induced means, this sector requires a wide and varied range of experts, professionals, employees, public and private employers all involved in the mechanism of delivering tourism services of high quality, if the final pursued objective is a tourism of high quality in all its ways of unfolding.

Thus, other industries that are not exclusively based on tourism employ about 12 million individuals in the EU, and about 7 million are employed in the food and (alcoholic and non-alcoholic) beverages industry, with another 2 million in transportation. At the same time, in the accommodation sector are involved yet another 2.4 million individuals, while tourism agencies and tour operators ensure one half-million jobs (World Tourism Organisation, *Tourism Highlights*, Edition 2015).

Statistical data highlight, as well, that during the entire period of the crisis, tourism showed considerable resilience, and the accommodation sector recorded even yearly increases of employment by about 0.9% in the period 2008-2015.

In Romania, in 2008, were recorded 43900 individuals employed in the accommodation sector, and increases continued also in 2009 (46300 employed), followed

by a sudden decrease of 4400 employed individuals in the year 2010, respectively the year in which the effects of the crisis were most significant at the level of our country, when wage-cuts and other measures determined a slowdown of activities in all economic sectors, triggering both personnel layoffs and other adjustments. After this year, a recovery is seen for the number of persons employed in this sector, peaking at 52200 employed individuals in 2014, again followed by a decrease in 2015 which was even more significant than the one of the year 2010, respectively 41100 employed individuals, that is a decrease in the numbers of employed of about 11000 persons.

Among the employment opportunities generated by tourism (direct, indirect and induced), according to the three major initiatives of the European Union of a smart, sustainable and inclusive Europe, can be mentioned:

- *smart tourism*, which by its generated positive direct and indirect effects includes also improvement in the field of research-development dedicated to tourism, including innovation. First, it allows for deepening the expertise in the field of tourism because in order to reach these objectives it is necessary to establish immediate links and interaction between various types of organisations with various specialisations, but which cooperate and collaborate with respect to a wide range of topics, from those dedicated to providing expertise in the field of tourism, to those providing expertise about the new types of management that fit best tourism activity. The effects of this type of cooperation are gaining shape by stimulating and supporting the creation and development of innovative SMEs in tourism;

- *sustainable tourism*, which by its pursued objectives of balancing environmental protection, protecting natural areas and tourism development ensures long-term benefits for economy and social life;

- *inclusive tourism* is the type of tourism with the highest potential as it addresses directly the human capital of all ages: young, working-age individuals, and elderly. By promoting social tourism, as one of the main facets of inclusive tourism, is ensured, first, the increase in the accessibility degree for several categories and vulnerable groups of the society (young and elderly). This measure brings with it also the creation of new jobs in the tourism industry;

- *tourism for individuals with special needs*, in particular for those with motor disabilities. The wide range of jobs that this category might generate covers the entire range, exceeding the framework of usual tourism activities, and requiring even the creation of special teams (including medical trained staff) for providing assistance to this type of tourism consumers.

An important factor in generating jobs and, implicitly, in economic, competitiveness and innovativeness development within the tourism sector is represented by the *business environment*, especially by SMEs. However, the SME sector from the *hotel and restaurant services* registered a value added by 19% lower than the one of 2008 (World Tourism Organisation, *Tourism Highlights*, Edition 2015). This fact is due to the lacking national strategy in the field of tourism, but also to the deficiencies created by the ‘dissipation’ of attributions and responsibilities between several structures, authorities, and administrative state agencies.

3. Tourism impact on economic growth and labour force employment in Romania’s coastal area

Nowadays, the tourism sector from Romania, according to the data of the World Travel and Tourism Council registered relative progress as compared with the previous years, so that in 2014 this sector had a direct contribution to GDP of 10.7 billion RON,

representing 1.6 % of total GDP total, and its total contribution to GDP was of 33.1 billion RON, representing 4.8% from GDP.

In this context, the direct contribution to employment was of 2.4% in total employment, which means that the sector supported directly 205000 jobs. At the same time, the contribution of this sector and of the industries and services supported, inclusively indirectly and by induced effects, by it was of 467500 jobs.

However, the last report, respectively *Economic Impact Romania 2016* of the Council and which presents the evolutions of the preceding year, shows that the estimates as such were optimistic because in 2015 tourism did not register any growth regarding the direct contribution to GDP, but a (apparently insignificant) decrease of 0.3 pp, participating to GDP with 9.3 billion RON, respectively 1.4 billion less than in 2014.

The diminishment by 0.3 percentage points of the direct contribution to GDP is reflected also in the evolution of employment in the sector, this sector contributing directly to ensuring only 190000 jobs, representing 2.2% from total employment.

The privatisation of tourism resorts in the coastal are of Romania was fragmented, based on pieces, that is hotel units and complexes while, for instance, in Bulgaria, the approach was more daring. The immediate effect of these way of selling to private investor, without the explicit co-involvement of the managers and employees of the respective entities, nor the former owners of the lands before the nationalization of the fifties, or the local councils and other organisations at the level of the respective municipalities was reflected in the more severe dilapidation and, likely more irreversible, of several accommodation facilities, tourism objectives, or even of some historical and cultural sites which have/had a real tourism potential.

For Romania, the issues are reflected in particular by the institutional level where, the absence of a unitary law of tourism triggered an entire chain of negative effects, which are most visible in the case of coastal area tourism. Moreover, the absence of clear, concise policies and measures for attracting international tour-operators with impact in determining and influencing tourists also had a contribution to the relatively low competitiveness of tourism in Romania at regional and global level.

Located at the confluence of several pan-European transportation corridors, and benefiting from the generous proximity of the Black Sea, the Metropolitan Area Constanta developed an entire series of tourism products such as: cultural tourism, leisure, treatment and rejuvenating tourism, business tourism nautical and sports tourism, cruise and itinerant tourism.

The majority of tourists visiting the Metropolitan Area Constanta are Romanian, the share of foreigners being, however, negligible (20%). The geographical area of origin for foreign tourists comprises the majority of European countries, as well as some extra European countries (USA, Canada, and Israel). Most incoming foreigners are from countries in the geographical proximity (Hungary, Austria, Poland, Czech R., Slovakia), but also a considerable number of incoming tourists are from countries located at a greater geographical distance (Western Europe, Israel, and USA).

The growth potential in the numbers of foreign tourists is high, especially on the segment of cultural tourism. Another segment of significant potential is health and wellness tourism for the foreign tourism market, currently this type of segment being exploited under its actual potential.

The expansion and development of tourism locations along the coastal area of the Black Sea, south of Constanta, the existence of urban centres at the outskirts of the town (Navodari, Medgidia, Murfatlar, Ovidiu, Techirghiol and Eforie) and the intermodal transport convergence centres (the international airport Mihail Kogălniceanu, the seaports Midia – Năvodari and Constanța Sud, the railway nodes from Constanța – Palas and Valul

lui Traian) led to the shaping of a quasi-continuous urban axis between Navodari and Mangalia, changing the seaport into an industrial and, at the same time, tourism dock.

Out of the total number of tourism accommodation units existing at national level in 2014, the county Constanta has 28.1%, county Brasov 8.4%, followed by the Bucharest Municipality with 6.1%, Prahova with 3.7%, county Valcea with 3.6%, and Bihor with 3.3%, etc.

The tourism basis from the Constanta Metropolitan area is partly obsolete lacking the modernisation and thus affecting the quality of services provided to tourists. A feature of this area is the fact that the network of tourist accommodation units is not evenly distributed, the highest concentration being recorded in the Constanta municipality, including the resort Mamaia.

In 2014, in the county Constanta were operational 746 accommodation structures that represent a decrease of almost 32% in the numbers of accommodation units recorded in the year 2010. In the Tulcea county if in 2009 were registered 144 structures of tourist accommodation, in 2011 their number decreased to 111 and thereafter their number began increasing again, to 141 in 2014.

From the viewpoint of the tourist accommodation capacity in the localities constituting the Growth Pole Constanta the same trend of diminishment was registered in the time interval 2009-2014, from 121723 places in 2009 to 87496 places in 2014. In the county Tulcea, the number of accommodation places the number of accommodation places had an oscillating evolution, for the same period of analysis, the highest value being registered in 2009 (5054 places), and the lowest in 2011 (3656 places).

Tourism, next to other sectors of the domestic economy, contributes to the fact that within the Coastal Area the county Constanta has the highest contribution to increasing the GDP level. In the period, 2008-2012, both counties Constanta and Tulcea, had an ascending evolution from the viewpoint of GDP. Thus, in accordance with the statistics, it results that for the time-interval of the analysis, the GDP of Tulcea registered an increase of almost 18%, while for the county Constanta the indicator registered an increase of almost 29.7%.

At the level of the communities building up the Growth Pole Constanta in 2014, the number of employees increased by 2.3%, up to an absolute value of 169065 individuals. The number of employees increased significantly in particular in education, administrative activities, and support services, entertainment, scientific cultural and professional activities, real estate, IT, hotels and restaurants, that is +2705 employees.

In 2008, in the hotel and restaurant structures of the county Constanta din were working 7614 individuals. Even though for the last 4 years (2011-2015), the number of employees in the tourism sector increased yearly, against the value of the year 2010, in the year 2014, the number of employees in this activity diminished by 28.89%. In the Tulcea County after a decrease of almost 5% in the number of employees of the sector in 2010 against 2008, an increase takes place yearly, so that in 2014, an increase was noticed by 62.09 %.

Finally, as a **conclusion to this chapter** we present a brief SWOT analysis of the coastal area tourism for Romania.

SWOT Analysis – Coastal tourism in Romania

<p>Strengths:</p> <ul style="list-style-type: none"> • passengers' services: Seaport for tourists (2010/2011 investment) in the Port Constanta North, adapted to river and sea cruises placed in the historical area of the old town of Constanta and of the tourist port Tomis associated to the archaeological site with the same name. Operational capacity: 10000 passengers/year; • coastal tourism as second contributor to GVA due to touristic diversity: the Danube Delta, possibilities for weekend-tourism, hunting/fishing/bird-watching and therapy, scientific and rural tourism. • the unique biosphere of the Danube Delta Reservation not only for Romania, but also at international level. 	<p>Opportunities:</p> <ul style="list-style-type: none"> • the Tomis Seaport provides for increased potential due to location for nautical tourism, sport activities, entertainment, as dock for sports' yachts, small vessels, yachts, etc.; • this activity is developed also in the Mangalia Port; • rehabilitation of the navigation channels on the Danube and for access in the Danube Delta; • the new dock opened with a terminal for passengers in North Constanta has optimum conditions for stimulating river, coast and sea cruises; • huge resources for stimulating and diversifying the types of tourism, the creation of integrated or combined packages that would provide simultaneous opportunities for leisure and entertainment, treatment or cultural tourism; • coastal tourism allows for the development of several horizontal industries and has multiplication effects; • financing available based on national programmes and, especially, financing by European structural funds within the operational programmes (ESF, ERDF, EARDF); • setting-up maritime clusters.
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<p>Weaknesses:</p> <ul style="list-style-type: none"> • diminished economic and social impact due to lacking consistent involvement of SMEs; • low investments in developing the infrastructure for passenger transportation and cruises; • absent development vision with respect to the most recent trends of coastal tourism; • innovation, research-development in coastal tourism development much too less represented; • numerically diminished tertiary level education and training labour force, inconsistency of training and continuing improvement, emigration of skilled staff. 	<p>Threats:</p> <ul style="list-style-type: none"> • locale lack of an integrated approach, that would provide for tourist cruises and passenger transportation on the coast and the navigable Danube corridors, on the sea, including the Danube Delta, organised by entrepreneurs in tourism and tourism agencies; • innovative maintaining the traditional, seasonal character, the absence of innovative initiatives; • neglect of coastal tourism and provided opportunities in favour of too much focus on sea resorts; • diminished access to public financing due to bureaucracy and to credits because of the economic-financial crisis; • low motivation for involved stakeholders in setting-up innovative tourism clusters.
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Source: Studies to support the development of sea basin cooperation in the Mediterranean, Adriatic and Ionian, and Black Sea, Country Fiche Romania, 2014

Conclusions

Romania has a rich tourism capital and potential with roots created since the end of the nineteenth century, enriched during the entire 20th century, even in the period preceding the collapse of the communist bloc.

Romania avails itself of competitive advantages regarding coastal tourism, and the interactions and the integration of various tourism activities could be much more increased because it benefits also of connections to a unique area, respectively the Danube Delta biosphere.

Moreover, there is a sound potential for cruise tourism and for developing innovative packages that would combine several forms of tourism – from simple mass-tourism to the particularised one, associated with cultural, adventure, and health tourism, etc.

At the same time, Romania disposes of wide experience and good-practices database gathered with respect to cultural and entertainment tourism that could be extended and valorised, as well for coastal tourism.

At national, regional and local level, including in the coastal area is necessary for the entire economy, including the SME sector from tourism and selected industries to encourage innovativeness, and for coastal tourism specifically it should be encouraged the creation of maritime and tourism clusters that play an important role in developing horizontal industries and in increasing regional and local employment with impact in total employment at national level.

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BREXIT IMPACTS ON BRITISH TOURISM

Claudia, Sima¹

Abstract:

The paper examines current debates on the impacts of Brexit on tourism in Britain. Brexit is a source of much concern and anxiety for British government, industry and tourists alike. The paper outlines and analyses some of the major impacts expected from the United Kingdom's departure from the European Union on the British inbound, outbound and domestic tourism. The methodology used is content analysis of secondary data in the form of government and industry surveys and reports and media articles on the expected and projected short and long-term impacts of Brexit. Results argue that although reducing EU-based regulations could have some positive implications for the British tourism industry, major areas of concern exist. Reduced access to EU programmes and funding is likely to impact domestic tourism heavily and limit participation and collaboration in international projects. Withdrawal of the UK from EU travel agreements is expected to have major consequences especially in terms of freedom of movement and security. As UK British hospitality and catering industries employ a considerable amount of EU nationals, a potential staff shortage is likely to impact service quality. Britain's tourism destination image is also likely to be negatively impacted requiring increased marketing efforts.

Keywords: Brexit, outbound tourism, inbound tourism, domestic tourism, European Union.

JEL Classification: L83, Q01, R10.

1. Introduction

The article explores some of the major impacts Brexit is having and is likely to have on inbound, outbound and domestic British tourism. Britain's departure from the European Union (EU) is viewed with great anxiety. Although the referendum is followed by a couple of years of uncertainty and a long process of negotiation needs to take place between United Kingdom (UK) and European Union (EU), the imminent separation has already produced tangible and intangible impacts on tourism. Complex discussions are underway on the short and long-term impacts of Brexit. The article summarises some of the main debates around the Brexit impacts. The paper explores Brexit impacts on access to visitors, costs to consumers, staff skills, business regulations, funding, perceptions of the UK as a Destination, types of tourism and trends (such as visiting friends and relations – VFR; business tourism).

2. Areas of impact from Brexit on UK tourism

Lack of agreement exists on how Brexit is likely to impact British inbound, outbound and domestic tourism in the short and long term. Travel associations ABTA and Tourism Alliance both conducted pre-referendum and post-referendum research to identify the biggest areas of impact as well as the feelings and opinions of industry members and experts. Mass-media and social media also started collecting opinions and perceptions. Some argue that Brexit is likely to cause major disruptions to the British tourism industry. Others argue we live in a globalised society facilitating global services, making use of global supply chains, and a highly mobile population. Any gaps in work force or business as a result of Britain's departure from the EU will be simply filled by other regions of the world.

Most Brexit debates focus around what EU rules and regulations will have to be renegotiated or replaced and how these are likely to impact on customers and businesses. ABTA identifies four areas of impact and outline the most visible potential impacts (Table no. 1).

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Table 1. Summary of impacts according to ABTA

Impact areas	Impact categories
Consumer impacts	Roaming fees
	Package Travel Directive
	Freedom of movement – visa restrictions
	European Health Insurance Card
	Consumer Rights Directive
	Passenger rights
Impacts on tourism, hospitality, aviation, and events industry employment	Service quality
	Skills shortage
Impacts on investment and currency	Unstable pound
	High risk investment factor
Impacts on business and consumer confidence	Negative impacts on business confidence
	Higher production costs leading to higher selling prices
	Negative impacts on consumer spending

Source: ABTA (2016)

The Tourism Alliance on the other hand argues that there are nine main areas of impact:

- “Introduction of tariffs and custom charges;
- Introduction of non-tariff barriers;
- Divergence from European Union on regulations and standards;
- Reduced access to EU programmes;
- Tightening of UK immigration policy for EU nationals;
- Withdrawal of the UK from EU travel agreements;
- Changes to border controls;
- Divergence from EU on consumer protection;
- Restrictions on UK nationals working in the EU” (Janson, 2016a).

Research conducted between 25th August and 5th September 2016 on 61 Tourism Alliance members and associated businesses on these nine areas of impact on UK tourism seem to suggest that one of the biggest issues of concern is changes to border controls (Table no. 2).

Table 2. Tourism Alliance’s main areas of impact of Brexit on tourism survey results

	Very negative impact	Some negative impact	No impact	Some positive impact	Very positive impact
Introduction of tariffs and custom charges	32.79%	32.79%	34.43%	0.00%	0.00%
Introduction of non-tariff barriers	27.87%	31.15%	36.07%	3.28%	1.64%
Divergence from European Union (EU) on regulations and standards	22.95%	31.15%	19.67%	18.03%	8.20%
Reduced access to EU programmes	40.98%	34.43%	24.59%	0.00%	0.00%

	Very negative impact	Some negative impact	No impact	Some positive impact	Very positive impact
Tightening of UK immigration policy for EU nationals	27.87%	45.90%	21.31%	1.64%	3.28%
Withdrawal of the UK from EU travel agreements	37.70%	36.07%	21.31%	3.28%	1.64%
Changes to border controls	42.62%	21.31%	31.15%	1.64%	3.28%
Divergence from EU on consumer protection	22.95%	32.79%	32.79%	8.20%	3.28%
Restrictions on UK nationals working in the EU	26.23%	24.59%	47.54%	1.64%	0.00%

Source: Janson (2016a) / Tourism Alliance survey - <http://www.tourismalliance.com>

42.62% of respondents argue that changes to border controls are likely to have very negative impacts on tourism (Janson, 2016a). Visas, a new security policy, border controls, intelligence sharing, and the role of European courts in Britain's security are going to be high on the Brexit negotiation agenda. The likelihood of having UK visas for EU residents, and vice versa - EU travel visas for UK travellers, is a big area of concern for tourism. Having to apply for a UK visa might discourage EU nationals from visiting the UK. This would be a major blow for inbound tourism to the UK. Morris (2016a) argues that out of the top 10 nationalities visiting Britain, eight of them are members of the European Union (Figure no. 1). 67% of the UK's 36.1 million total number of visitors are from EU states; each visitor to the UK spending on average £611 per visit in 2015 alone (Morris, 2016a).

Country of residence	Visits (000s)	Visits Rank	Nights (000s)	Nights Rank	Spend (£m)	Spend Rank
France	4,171	1	22,540	2	£1,493	2
USA	3,266	2	27,239	1	£3,010	1
Germany	3,249	3	18,742	3	£1,378	3
Irish Republic	2,632	4	9,875	8	£934	6
Spain	2,197	5	17,098	4	£999	5
Netherlands	1,897	6	8,370	10	£676	8
Italy	1,794	7	13,094	7	£890	7
Poland	1,707	8	13,865	6	£438	15
Belgium	1,175	9	3,940	17	£371	18
Australia	1,043	10	14,245	5	£1,113	4
Switzerland	872	11	4,478	13	£516	11
Sweden	850	12	3,914	19	£510	12
Norway	771	13	3,552	20	£426	17
Denmark	758	14	3,514	21	£356	19
Canada	708	15	6,837	12	£506	13
Romania	693	16	6,876	11	£215	27
Czech Republic	465	17	3,987	16	£140	36
India	422	18	9,224	9	£433	16
Portugal	392	19	3,028	22	£174	31
United Arab Emirates	347	20	4,107	14	£487	14
Hungary	328	21	1,620	38	£68	46
Brazil	324	22	2,786	25	£256	24
Austria	277	23	1,734	36	£164	33
Lithuania	271	24	1,768	35	£55	50
China	270	25	3,929	18	£586	9

Figure 1. Top 25 markets by volume of visits (2015)

Source: <https://www.visitbritain.org/inbound-tourism-trends>

Another issue of concern is the immigrant workforce. 45.90% of respondents identified the tightening of UK immigration policy for EU nationals as having some negative impacts on inbound and domestic tourism in Britain. Even with an open immigration policy the unemployment rate in the UK has been steadily dropping and demand for qualified tourism, hospitality, events and aviation staff has been increasing as the industry has been experiencing a nation-wide post-Olympic boom. Tourism Alliance (2016) argues that there is already a staff shortage in the sector with 10,000 jobs needing qualified staff. The British hospitality and catering industries rely heavily on EU workforce therefore an increased tightening of immigration policy for EU nationals could lead to staff shortages and poor service quality (Tourism Alliance, 2016).

Calder (2016) writes “many of the people working in UK tourism are from the EU, in particular Eastern Europe. If travel and hospitality businesses are unable easily to employ staff from such countries, they will not have such a big pool of talent from which to recruit, and may have to raise wages. While higher pay will be popular among workers in a traditionally low-paid industry, it will push up prices for tourists”. Higher prices may impact on inbound tourism by reducing it. In addition, more than a quarter of inbound arrivals and £5bn per year are attributed to the VFR market – “visiting friends and relations” of EU nationals working and living in the UK (Calder, 2016). A decline in immigration is likely to lead to a loss in income to accommodation, travel, attractions, food and drink sectors, taxes, etc. as a result of fewer Europeans having to visit their loved ones living in Britain.

On the other hand, Tourism Alliance’s results also revealed that a big majority (47.54%) believe that any restrictions on UK nationals living and working in the EU will have no impact whatsoever on tourism (Janson, 2016a). That may not be necessarily the case as Brexit is likely to impact second-home tourism and second-home owners. Palmer (2016) argues that UK holiday-home owners will be faced with a number of issues: needing a visa to enter the country, having difficulties securing a mortgage from EU banks, having to pay higher taxes, having to buy expensive health care, more expensive flights to visit the second homes. Not to mention that any fluctuations in the value of the pound would impact on the value of the property.

Access to European Union funds is another issue of concern with more than 40% of Tourism Alliance interviewees stressing very negative impacts (Janson, 2016a). European Union funding has been used in the development and promotional efforts of many British tourism destinations, attractions, museums, organisations and programmes. Leaving the European Union means less available funds for tourism sectors. Dana Andrew (2016) warned that “The UK leaving the EU would remove funding sources for museums working internationally”. The UK would not be able to access programmes such as Creative Europe, for example. Creative Europe is the only EU programme dedicated to funding European Union projects focused on cultural co-operation. “Creative Europe is the European Union's programme to support the cultural, creative and audio-visual sectors. From 2014-2020, €1.46 billion is available to support European projects with the potential to travel, reach new audiences and encourage skill sharing and development” (Creative Europe Desk UK, 2016). In today’s global society, reaching a global audience and knowledge sharing are vital. The UK has been very successful in accessing these funds. According to Andrew (2016) “The UK has a fantastic track record when it comes to successfully applying for EU funding. For Creative Europe’s Culture Co-operation Projects, UK-based organisations are involved in just over 50 per cent of successful applications, accounting for some €6.5 million of funding for projects with UK-based lead partners. With 48 organisations from across the UK benefitting from funding, this makes the UK the best networked and most involved of all EU countries”.

The withdrawal of the UK from EU travel agreements is also perceived in a negative light by more than 70% of Tourism Alliance respondents (Janson, 2016a). In the short term, ABTA argues “the European Health Insurance Card is still valid and Air Passenger Rights remain in place”, the same for EU flight compensation regulations, and duty free; essentially “holidaymakers will not see immediate changes until the UK has negotiating the conditions of its trade deals with the EU” (Morris, 2016b). However, these are up for renegotiation. If a favourable deal is not made with the EU the repercussions are likely to be negative.

From a business perspective, inbound, outbound and domestic tourism are negatively impacted. Most businesses working in tourism, hospitality, events and aviation were openly ‘remain’. Morris (2016b) summarises the opinions of a number of businesses post-vote:

- The aviation industry will be heavily hit if the UK is no longer part of the Common Aviation Area. EasyJet is heavily lobbying for UK to remain in the single EU aviation market. The company is anxious and warns ticket prices will go up. Ryanair confirmed similar plans to increase prices as a result of increased costs due to Brexit. Monarch warns in the long term even relatively small issues such as exchange rates, access to health services abroad, Roaming and mobile charges will impact consumer confidence heavily.
- Tourism, events and hospitality intermediaries and suppliers such as Snowsport Industries of Great Britain (SIGB) also identified higher prices as the biggest issue driving prices up and in turn putting visitors off. Costs will rise as a result of increased import prices and taxes, as well as added bureaucracy.

Business travel is also likely to be affected. Investments are expected to decline as foreign investors will approach the situation with caution (Tourism Alliance, 2016). As a result fewer business trips are likely to take place. In addition, it is not just tangible impacts that need to be considered but also intangible. Uncertainty, anger, negative destination images are just some of the issues circulated in the press, mass-media, and social media immediately after the vote results were revealed. The impacts of Brexit on Britain’s destination image require further analysis and increased marketing efforts may be required.

3. Short and long-term impacts perceptions

Tourism Alliance’s research on 61 interviewees revealed that perceptions of the positive or negative short-term impacts of Brexit on inbound tourism were evenly matched (Janson, 2016a) (Table no. 3). Brexit had a favourable short term impact on British tourism. Immediately after the referendum the pound collapsed making it cheaper to travel to or within the UK for UE travellers. As a result more EU travellers booked trips to the UK: “A survey of over 500 tourism businesses shows a rise in tourism bookings and investment resulting from the Referendum” (Janson, 2016b). A weaker pound is likely to encourage inbound and domestic tourism but discourage outbound tourism as overseas travel becomes more expensive: “In the short term Britain’s tourism industry looks set to benefit from the weak pound as staycations increase and international tourists make the most of the exchange rate” (Chapman, 2016).

Table 3. Perceptions on the long and short term impacts of Brexit

	Inbound		Domestic	
	Positive	Negative	Positive	Negative
Short-term	34%	32%	37%	33%
Long-term	18%	52%	16%	48%

Source: Janson (2016a) / Tourism Alliance - <http://www.tourismalliance.com>

In the long term, however, it is generally perceived that Brexit will have negative impacts on inbound tourism as EU travellers have to submit to visa regulations, higher costs, and the rest of the impacts on customers as outlined by ABTA (2016) (Table no. 1 and Table 3). In terms of domestic tourism, the general opinion is that although in the short term some negative impacts might be perceived, the full negative impacts will become evident once the Brexit process has terminated and prices and service quality adjust to post-EU Britain (Table no. 3).

4. ‘Managing’ impacts

The Brexit agenda was constructed around escaping ‘evil’ EU legislations and no longer being under the ‘control’ of the EU influence; in other words the ‘freedom’ of setting UK rules and regulations. Yet, a successful Brexit is defined by many as ‘keeping the good, managing the bad’. Tourism Alliance research has argued successful impact management should focus on:

- clarifying UKs position in relation to EU funding: ideally the UK could both contribute and benefit from shared financial and know-how resources;
- consolidating the roles of EU workers while at the same time discouraging mass immigration;
- increasing promotional activities overseas to minimise negative destination images caused by the referendum and maintain or increase number of visitors;
- clarifying “what deal the UK wants with Europe so business can plan” (Janson, 2016a).

According to the Tourism Alliance’s research on 61 respondents, the four most important EU regulations or directives which should be prioritised at the negotiation table are: freedom of movement, VAT rules, package travel directive, working time directive (Janson, 2016a). Agreement on what exactly these mean or how they would look like in a post-EU Britain does not exist. Some experts prioritise tourist numbers while others prioritise tourism businesses. From a tourist number perspective, introducing travel visas for tourists or non-participation in the European Health Insurance Card scheme directly and negatively impacts inbound and outbound tourism; but it impacts domestic tourism positively encouraging Britons to take their holiday in the UK.

Regardless, Post-EU Britain will still function in a globalised world, where a major business partner will be the European Union. Therefore, debates around the long-term impacts go beyond the pound value fluctuations, the price of holidays or the ease with which travellers can cross borders, it is about building long-term relationships with EU-based business partners and navigating new UK legislations and regulations, as well as managing old EU legislations and regulations.

5. Conclusions

In conclusion, this paper looked at the impacts of Brexit on outbound, inbound and domestic tourism in the short and long-term. An agreement on these impacts does not exist. Uncertainty and anticipation are words that best describe the current state of mind of British and EU tourism entities. The immediate effect of Brexit has been an increase in inbound and domestic tourism as a weak pound meant EU nationals could have more value for money and UK tourists less. However, in the long term, both sides appear to lose, together with tourism, hospitality, events and aviation industry on both sides of the Channel.

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MICRO MOMENTS MARKETING – TENDENCIES IN THE BRANDS MARKETING

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Abstract:

To succeed in the highly competitive actual environment, every minute needs innovation. The innovation communication as the innovation in communication does not imply, necessarily, up to date technology, but it can start from a simple idea with strong impact, implemented using the offline and online media, each one holding a well-established role. In an innovation era, just a few organizations seem to integrate the communication management in innovation processes. Thus, there is missing the central premise to move from the position of information about innovation to the strategic approach, absolutely indispensable in any endeavor of innovation communication. If the television is undoubtedly the most effective in generating awareness and familiarity with the brand, the online space is the place of strategies application, where we are encouraged to act, spurring the purchase intent.

Keywords: consumer, brand, behavior, online, mobile, micro moments

JEL Classification: M31

1. The current consumer behavior

Even if the current customer is behind the brand, he wishes to transpose himself into a character of the "story" transmitted by him, to interrupt when he considers it necessary to do so, but also to contribute to it. In turn, the companies that have strong brands and manage to find their purpose in their consumers' life will benefit in the long term.

Although they seem eager for new and different, the consumers do not change their behavior unless they motivate themselves, unless they consider that what they do is good. In general, people are worried about change, then they ask themselves what they gain or lose if they change something and overstrain causes them not to wish for more. But, as usual, curiosity wins. And so, in order to go further convinced that they made a good decision, they turn to the online media. Here they inform themselves, they make comparisons and ask for advice, while in the offline media they are in direct contact with the product and they possibly test it. If 20 years ago the TV was only available screen to the general public, at this moment, it only matters 25% of the time that people spend in front of various screens (excluding the conversations on the phone or using the PC for office work).

Lately, the purchases made from mobile devices have increased (most of the website visits are recorded on mobile devices with the Android operating system, but most transactions end on mobile devices with the iOS operating system).

And the preference for video content and platforms like YouTube began to increase and the highest rate of involvement and conversion on this segment are registered by the tutorial type materials.

In terms of behavior there are two types of consumers (Spătaru, 2015):

- *a consumer-collector centered on experiences*, who lives in an economy of the same type, while the brands are responsible to mediate its experiences; thus desire to "know" appears;

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- *a consumer who proactively engages*, aiming to influence the group of people he belongs to; the ideas of "transmitting" or "sharing" or expressing emotional and intangible values are expressed.

Those who have such ideas are motivated by personal development, they engage in communities that actually help them to deepen certain levels of personality. Only the brands that offer consumers these new values, that manage to involve them in the daily life and to really connect with them, will be able to keep a long-term relationship.

On the other hand, consumers no longer react to elements of the 'unique selling proposition' type, because differentiation becomes more important, thus it is sought. In this context, marketers are obliged to make the product available and easy to remember, to make it physically and mentally accessible (Bădoiu, 2015a).

Thus, it can be said that the communication strategies today have the consumer as their central element, and numerous contact points that he has with the brand forces the latter to build a special approach, to be quick, in order to encourage the interaction with the customer in the online media.

2. Orientations and reorientations of the brand content

The current consumer is no longer content only when he listens, but he also wants to get into the story, to be one of its characters, to be able to stop it if he wishes, but also to contribute to the brand story. For brands to be relevant, the story they transmit must also be adapted to each platform.

Innovation in communication should not necessarily involve the latest technology, but it can start from a simple idea with a great impact. The brand generates social impact, respectively a combination between the utility dimension in the consumer's life and the importance of that significance (Bădoiu, 2015b).

Orientation to finding a purpose has been initiated by the consumer, as the "engine" behind the brand, and those companies that manage to find purpose in his life will be those which he will remember. This means that the brands' stories should be well-created and that the brand content should be used to change the consumers' perception and to get them to have a certain behavior, the ultimate objective being the sales.

Content marketing has become, therefore, an important component in the purchase decision. Content helps companies train communities and keep them close, and, this way, users receive information and get the feeling of belonging to the group.

There are three types of content brand (Bădoiu, 2015c):

- *of conversion* - created at the brand request or even by the brand itself. This kind of content must assist a transaction and it promotes evergreen ideas, which means that it influences the purchase decision and it promotes some lasting values;

- *of campaign* – created on the brand culture in order to generate a peak for a certain period of time. The objective does not need to be transactional, but the consumption of content on different channels (views, shares, etc.);

- *journalistic* - content which creates brand relevance on certain territories. When a brand chooses a territory, it is good that relevant and coherent content should be built for all channels held.

Today's consumers no longer prefer uncomfortable advertising messages, therefore, a better strategy is that they should be allowed to come towards the brand, and not the other way round. What people want to know has become more important, not what the brand transmits. In this regard, content delivery contexts can be:

- *everyday moments* (routine events) - that can be felt and exploited, because consumers want to experience, so that some ordinary moments can be valued (eg. the removal of thick clothes when coming winter storage);

- *cultural moments* (exceptional circumstances) – they can be both planned and unplanned (eg. the topic of the refugee crisis).

However, the most important moment is the present, so after it passes, the relevance tends to zero and the message that no longer responds to the consumer's needs does not matter anymore.

3. New Consumer Approaches

There is no universal recipe for all consumers, so that a particular message is suitable only for a particular audience and it is used with a particular purpose. Along with the technological advance, from a consumer approach based on offline it has gone to an online one, and then to an omnichannel (multi-channel) one. Moreover, the offline and online media seem to have divided their roles already: while television is significantly more efficient in generating awareness and even familiarity with the brand, online space appears to be more efficient when it comes to "call to action" - i.e., the intent to purchase. The customer remains the same, but the media of interaction (offline-online) is different.

If we approach our country's case, Romania does not fundamentally differ from the global average on most issues about multiscreening, which means that it is already aligned with global trends dictated by technology. A study conducted by Millward Brown in 2015 in 37 countries show that people in Romania who have smartphones spend about half past six hours in front of one of the 4 screens - TV, laptop / PC, tablet or smartphone, of which, for one and a half hour, watching television overlaps with the use of the Internet on one of the other three screens.

The study also shows that a multiscreening consumer in Romania spends, on average, 127 minutes on the laptop / PC, 118 minutes on the smartphone, 100 minutes watching TV and 54 minutes using the internet tablet (Enescu, 2015).

Besides the clear trend towards mobility, we see another interesting trend - using overlapping screens. Both worldwide (35% of the time) and in Romania (30% of the time), we see that people tend to use multiple screens simultaneously, fact which considerably changes the level of attention given to various channels and to television, in particular.

In Romania, as in most countries in Central and Eastern Europe, we are witnesses to the predominant use of PCs / laptops for surfing the internet, while globally, smartphones prevail. Moreover, the Millward Brown study also shows that smartphones, compared to the other screens, are a more efficient environment for the ads which target differentiation.

The opportunity to be exposed to advertising on smartphone and PC extends throughout the day, since the morning - when we wake up and use our smartphones for information throughout the day - when browsing on the PC significantly increases without the decrease of the use of smartphones - until the evening when communication opportunities arise on multiple screens - TV, PC or smartphone.

Moreover, the mobile has changed the rules of the game, and marketers must change themselves too. Firstly, consumers are not mobile; they tend to become only mobile. And just as they wish, their expectations, behaviors and preferences are changing.

This small electronic device located on our side is transforming our lives, whether we notice this or not, it opens up new ways of doing and learning things, it helps us discover new ideas and new businesses, it helps us tackle the problems and it inspires our plans.

Top 10 Emerging Trends is an annual report that highlights key trends which influence the interaction between brands and consumers, and the opportunities brought by them in the communication process (www.forbes.ro, 2016). The report stresses that new technologies change the consume behavior, especially of the younger people, who are more avant-garde; it identifies possible new types of personalized interaction between the brand and its consumers, aiming to enrich the relationship between them; it confirms the

ideas which were previously affirmed in the paper, which are also relevant for our country. In short:

- *the video blast*: on-demand content, brand built-in content - many consumers have given up partially or definitively on television, online video will become its mainstream alternative;

- *brand storytelling*: technology changes the subject of the action, many consumers have become integrated characters and storytellers;

- *personalization in the social media* more than the friends' recommendations: more and more consumers will have control over what they recommend;

- *proximity marketing*: transmitters at every step because brands take by storm the cell phone in the hand of the consumer.

4. Micro moments marketing

Marketers get that mobile is important. But it's still largely an additive strategy that's part of an overall digital initiative. Mobile apps, responsive sites and mobile ads are all bringing brands to the smaller screen. But to mobile users, it's all about the lifestyle, not the device. They're learning how to get around existing customer journeys to find and get what they want. And now, the combination of smartphone and tablet traffic exceeds desktop for many brands. This has opened small windows of consumer engagement that Google calls micro-moments. These moments are driven by intent and happen when someone reaches for their smartphone to know, go, do and buy (Brian Solis, 2016a).

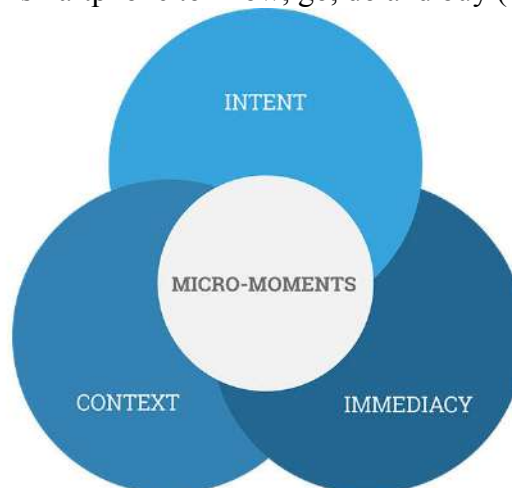


Figure 1. Micro-moments content

Basically, consumers live online, all the time. Whatever, whenever, these moments are changing the game for marketers. The expectations of connected consumers are through the roof. They want to take instant action and they want instant gratification based on personal agendas and goals. Their movements are comprised of mini-moments and their decisions at each is more unscripted and unpredictable than ever. In fact, Google found that consumers are often more loyal to their need in the moment than a particular brand or product. At the same time, they're attracted to those brands that best address their needs in-the-moment. Immediacy and relevance trump loyalty nowadays.

In short, micro-moments open windows of "in the moment" opportunities when someone searches for something top-of-mind using the closest device to them. It's what happens in these short bursts of actions that shape the impressions or next steps of the consumers.

Mobile search behavior is a good reflection of our growing reliance: in many countries, including the U.S., more searches take place on mobile devices than on

computers. Mobile is quickly becoming our go-to. When we want or need something, we tune in via convenient, self-initiated bursts of digital activity. Take the oft-quoted stat that we check our phones 150 times a day (Google Research, 2016).

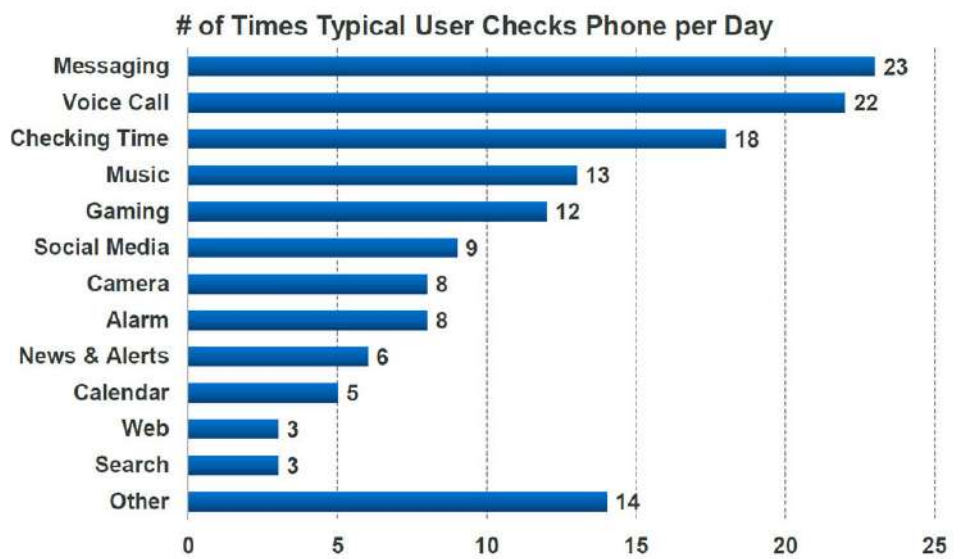


Figure 2. Daily phone checks reasons

Pair it with another that says we spend 177 minutes on our phones per day, you get a pretty fascinating reality: mobile sessions that average a mere 1 minute and 10 seconds long, dozens and dozens of times per day. It's like we're speed dating with our phones.

Behind these mobile bursts are countless interactions, like texting, updating data or installed programs, or posting a vacation photo. These types of moments are a common part of life, but they're not moments when we're necessarily looking to engage with brands. In other moments, we're very open to the influence of brands. These are the moments when we want help informing our choices or making decisions. For marketers, these moments are an open invitation to engage. And they're the moments when people have to be ready for.

They're the moments when we turn to a device - often a smartphone - to take action on whatever we need or want right now. These I-want-to-know, I-want-to-go, I-want-to-buy, and I-want-to-do moments are loaded with intent, context, and immediacy. 82% of smartphone users say they consult their phones on purchases they're about to make in a store; 91% of them turn to their phones for ideas in the middle of a task. These micro-moments are critical touch-points within today's consumer journey, and when added together, they ultimately determine how that journey ends.

When consumers reach for their devices to search in those moments, it's typically done on a smartphone, and navigated through swipes, zooms and clicks. Formats are inherently mobile, real-time and friendly. For the most part, users are not jumping to websites, they aren't looking to chat with salespeople or experts, and they definitely aren't willing to drop everything they're doing to visit a physical location or get in front of a PC.

That consumer journey looks a lot different than it did when a predecessor sat at his desk. And it's not just a story of more mobile usage. Since we can take action on any need or curiosity at any time, the consumer decision journey has been fractured into hundreds of tiny decision-making moments at every stage of the "funnel" - from inspiring vacation plans to buying a new blender or to learning how to install that new shelf.

Consumers are spending plenty of time on their phones, but these can be fleeting moments. Time spent on websites by mobile users fell by 18% per visit in 2015 in the

U.S., according to the Google report. Marketers can still take advantage of those precious moments if they know whom to target, when and with what information (Sarah Steimer, 2016).

An increase in mobile sessions and a decrease in time spent might lead to conclude that consumers aren't finding what they want on mobile. But actually, mobile conversion rates have shot up by 29% in the last year alone. It doesn't just rely on long sit-down sessions at the keyboards to make purchases anymore. People reach their devices and make informed decisions faster than ever before. And though mobile is driving this change, this phenomenon has implications far beyond mobile. It affects the entire consumer journey across screens, devices, and channels. In the retail stores today, foot traffic has declined, yet consumers are spending more when they do visit—because they've done their research and made decisions before ever walking in. A similar thing is happening when consumers visit websites using a desktop or laptop. They typically spend less time per visit but convert more often. In many ways, micro-moments have become the footsteps that lead people to the store or desktop site.

Here are three essential strategies that can help people to win micro-moments: Be There. They've got to anticipate the micro-moments for users, and then commit to being there to help when those moments occur. Be Useful. They've got to be relevant to consumers' needs in the moment and connect people to the answers they're looking for. Be Quick. They're called micro-moments for a reason. Mobile users want to know, go, and buy swiftly.

5. Conclusions

That brands that learn, adapt and practice will earn relevance and loyalty. All it takes is connecting, adding value to each micro-moment (Brian Solis, 2016b):

1. Identify key micro-moments and what happens in them: Why, where and how people search for information.
2. Understand their goals and aspirations for doing so.
3. Use search insights to identify new trends.
4. Surface the context of the search, the moment in which it takes place and the behaviors and expectations that define it.
5. Run an audit of the current media efforts. Are people present in the right places with the right information in the right context?
6. Learn how information is presented in each moment and understand which content formats would be ideal (and optimized) for easy discovery and consumption on the right device at the right time, every time.
7. Discover ways to meet or exceed consumer expectations through technology, content and engagement.
8. Orient a single view of the customer and all of the moments you need to guide their journey.
9. Empower teams to test using new approaches and methodologies.
10. Commit to being there in the moment -- comprehensively and consistently.

Winning micro-moments deliver a better experience for consumers and real business results for brands. Enterprising marketers who focus on micro-moments, human-centered behaviors and expectations and related tech, will naturally sustain a new level of meaningful consumer engagement.

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COMPLEX MARKET ANALYSIS MODEL BASED ON COMPLEX SYSTEM OF STRATEGIC DECISION NEEDS FOR BUSINESS COMPANY

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Abstract

The strategic decision system used inside the company consists of a set of decisions about the market position, the structure of their offer, business behavior and coordinating operations. In the management practice, in order to create a competitive strategic system of business, for each level of decision will be used those strategic combinations and alternatives that are consistent with the company's interests and possibilities and with current conditions each market. For it there is continuous process consisting of analysis in various aspects of the market based on its size and continuing with structure, sensitivity and its dynamics, a process that allow having enough data to determine business objectives, specify options for actions and establish implementing measures.

Through this study we analyze a correlation between the needs of business decision on several levels and aspects of characterizing a market so as to be made a correct substantiation in strategic decision. At the same time with utilitarian identification for each type of business market analysis we propose a concise analysis model that is easy to deploy for companies that do not have marketing departments and market studies very extensive.

Keywords: *decision, strategy, market, analysis, system*

JEL Classification: L19, M10, M30

1. Introduction

Market, as aggregate of demand and supply is characterized by several elements of characterization. Many authors propose models for analyzing market generally without taking into account that each element of characterization make the companies take decisions only in one aspect of their work. For instance structural aspects of the market regarding both areal sales structure and assortments sales structure will determine the company's decision regarding its portfolio. Thus firm's business portfolio can be thought of as specialized one or diversified at the same time as a multiple markets portfolio or a focused portfolio on a particular market.

Part of the marketing studies focused on the analysis of market size and form the authors considering that fundamental in formulating company strategy is market volume and its potential (Mann et. al, 1979; Lieberman, 1987). Another part of the studies found that the trends of the market are more important than the size of the market on the assumption that any strategy will consider a future activity and operating period of company in that business market and trend is decisive in making decision (Pelham, 2000; Nobleet, 2002).

A highlight in the literature has been market structure analysis and the impact this has on strategy and organization structure of companies (Pelham, 1995). And a fourth group of studies is placed in a middle area of market research aiming that important functional aspects of the market relating to how the market works and what factors determine certain consumer behaviors but also business competitors behaviors (Narver and Slater, 1990; Morgan and Strong, 1998).

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Therefore we considered it important to propose a complex model analysis of markets that satisfies all decision needs of a firm.

However, in this study we aim to highlight a correlation between the various decision-making needs of the company and the various features that can be analyzed at a market. Because it is obvious that not all information obtained about the business market are relevant for strategic action. Starting from this premise we explain why aspects of functional qualitative analysis of the market will not be useful in decision making concerning sizing production capacity or commercial network together with the necessary logistics. Instead functioning of market identification and description of consumer's sensitivity in one market can be useful in product design decisions, determining how to promote the offer and distribution systems (from exclusive distribution to multilevel-type distribution).

The companies take strategic decisions on several aspects of the business. Each of these matters that concern business are influenced by market characteristics and will impact economic indicators of the company and whose values will indicate the degree of health of the business (Neamtu & Neamtu, 2011).

In this study we inventoried the following four decision-making needs of the firm in relation to markets:

- market position which will set alternatives to strategic business approach, size of the business, capital investment and volume of activity;
- business portfolio that will determine the alternatives regarding firm or corporate strategy;
- selection mode of market segments and business behavior which will determine solutions for business strategy and policy of the company and its diverse strategic business units;
- how to enter and evolving on the market that will determine strategic and functional planning and will take into account the dynamic of product and his functionality in relation to different stages of its life cycle.

2. Analysis of market capacity for establishing a strategic approach regarding company position on the market

Offer and demand capacity analysis is the starting point in market research and base of firm's strategic approaches formulation in its business market. No other feature of the market becomes more important from a business development perspective. A business cannot exist without a market. Because it cannot establish a corporate or a business strategy outside a market size estimates. The accuracy of market supply and demand estimation will determine the strategic approaches accuracy and level of business development.

Taking into account the main trends to estimate the capacity we propose the following four main elements to characterize the market capacity (Neamtu & Neamtu, 2011):

A. Market Volume: synthetic expressed as the amount of product that has been sold in a certain period, usually a year in an area of business. Also estimation can be made as average unit consumption per client. In the case of services estimate of volume can be made in units of measurement such as the number of hours/days of services performed in the field, or the average time to access the service by clients. For example tourism activity can be estimate by indicators such as the average duration of the tourist package or day-tourist. A higher quantity shows a greater presence of the product/service in the shopping cart and so the market is either very extensive (effective market) or a niche market where

buyers are specialized but very interested in the product and they purchase large amount of product.

B. Market area: considered as the territorial extent of the market targeted by the company represented by geographical area. But always through the concept of the market area we must understand in fact the number of buyers that they cover the market, because it is not important the physical surface of this market. The best markets are those that involve a large number of consumers in a physical limited space such as a large metropolitan urban market. Also market area express buyers gravity and space around a store or place of business. Whatever form area of the market is understood, it is important that it is expressed as the number of buyers who purchase or even those who intend to purchase any particular product from an industry.

C. Market extent (depth): we could say it represent the number of segments that compose the whole market or population segments defined by various criteria and acquiring a certain type of product. The more diversified as consumption trends market is the more extension so we can say that it has. The question is to be expressed in value or market depth this extension. So the numbers of products or services the consumers buy in a market it is the market extension. If consumers will have diverse preferences and industry will come up with more choice, the more products will be purchased to the detriment of the quantity of a particular product.



Figure no. 1 Forms/levels of the market

D. Market intensity: describing the qualitative nature of the market in that it expresses the size of a market as monetary-value. A high value market is the market in which the total amount of transactions reaches impressive turnovers. The bigger intensity of consumption is the more customers will be willing to pay a higher price on the product or service purchased. Two markets with the same volume (quantity) can be distinguished by the intensity of consumption so that the one with higher intensity will ultimately have greater capacity.

The market capacity is dynamic because it is subject to constant changes due to needs mobility of consumers, which is reflected in the size, structure and products

physiognomy, and the global market and products trends .On the other hand, any company wants to expand its market, while passing from one market level to another .

The practical activity revealed thus four possible paths of company market capacity development: market area growth and increased consumer segments that forms extensive market development; and increased consumption forms of use and increased number of alternative products as well as intensive ways of market growth.

3. Market structure analysis for determining firm's portfolio strategy

Analysis of market structure and segmentation play a key role in defining a products and markets portfolio of the company with effect in increasing the effectiveness of business (Hirschey, 1985). Structurally there are four major types of markets in relation to the two main characteristics: the degree of diversification and concentration levels (Neamtu & Neamtu, 2009).

A. Diversification degree. First we have to define markets with diversified demand by the undiversified demand markets. If one with undiversified demand we are dealing with a homogeneous oriented market type, generally characterized by basic consumption products. Diversified demand characterizes heterogeneous markets based on diverse consumption preferences in relation to many different products and industries.

Markets are diversifying during their evolvment. They evolve with economic and technological developments that facilitate the emergence of new products but also allow consumers to accumulate income with which may diversify their preferences. Another quality level of market is registered under the demographic categories diversification in terms of occupational aspects, family and life style so there are more experiences and new needs inside market. At the same time the new social experiences develop new micro cultures or subcultures and diverse social groups that will turn into groups of consumption independent of each other.

At the same time the markets may be affected by certain setbacks or homogenization with the increasing role and importance of institutional factors such as: opinion leaders, consumer associations, policies on various industries, business domains or products (ex. tobacco), group cultures, consumption habits, etc. All these factors effects a certain group preferences as happens in evolved societies from institutional point of view. In time it can get a new homogenization of the market while all social categories and groups are mixed and the market reaches a new stage. All products meet high technological standards, consumers generally choosing in relation to the price. This results in gradual elimination of less competitive offer and the emergence of competitive and technological monopolies that homogenizes markets.

B. Clustering degree. Secondly a defining characteristic of the market is the distribution of buyers targeted by different lines of product according business approach of the firm. In this regard we distinguish: integrated markets with a demand homogeneously diffused and distributed throughout the entire market area; or on the contrary structured markets with a clustered demand on various areas of the market.

Market as blend of consumer and locations will be composed of several divisions that make up a structured aggregate of need over which the company's business portfolio folds. The degree of market concentration around consumption preferences and around some consumption locations is calculated as the coefficient of market concentration (Gini - Struck). Its result expresses uniform or uneven distribution between market segments either buying groups or market subdivisions.

$$c_G = \sqrt{\frac{n * \sum_{i=1}^n p_i^2 - 1}{n - 1}}$$

where: n = number of segments

p_i = share of each segment in the overall market

C_G coefficient can range between 0 and 1. More his value is close to 1, more the concentration of market is higher:

- if it belongs to the range 0-0.3 then concentration degree of the market is low;
- if it belongs to the range 0.3-0.7 then concentration degree of the market is average;
- if it is above than 0.7 then concentration degree of the market is high.

4. Market sensitivity analysis for setting the policy/business behavior of the company

The most important analysis of the market is the correct estimation of functional parameters of the market or the so-called functional/sensitivity analysis. Market sensitivity analysis will describe way of working of market exchange processes (Neamtu & Neamtu, 2009). Analysis of functional type on the market can substantiate aspects of business policy of the company. Functional analysis attempts to show the relationships governing the supply and demand in a market. Fundamental indicator that highlights relations between supply and demand and their relations with other functional elements of the market (revenue, cost, cost) is elasticity. In relation to the parameters of this indicator there is some regularity in supply and demand movements on market.

The general function of the market is a complex one, illustrated by a graph of multiple evolutions, consisting of a set of graphs of increasing demand, both in terms of price and available income and assigned income, but also the supply's developments in relation to cost and price. Thus, there is obtained a graphic model of evolution, consisting of a complex of several functional graphs, corresponding to future demand and supply (see Figure no. 2).

This model of market development also certifies that the demand evolves gradually, under the influence of several factors, including directly influenced by the supply, contradicting the general pattern approach of the demand, in addition making arguments to the paradoxes governing the laws of the demand. The evolution during a life cycle of a product, industry or technology describes a closed circuit of the demand market level, with four stages of evolution. The same evolution is valid for the supply. On **the combined pattern of demand and supply** there is also explained the evolution of these market components on a medium term, offering the link between the business' policies of the firms. Thus, the demand evolves in the clockwise, while the supply evolves in reverse.

In conclusion, we should note the following key phenomena (see Figure no. 2):

1. In the 1-st moment, the demand is perfectly inelastic, which makes the buyer to be little influenced by the price, being in search of a truly innovative and superior quality product. Also, at this time the supply is perfectly elastic in relation to costs, which certifies that the costs exceeded the critical threshold, which leads firms to focus on innovation and radical technological solutions. Thus, the 1-st moment is the perfect moment when it is applicable the differentiation policy.

2. In the 2-nd moment, the demand is perfectly elastic in relation to the income, being the moment when the consumer purchases in relation to the attractiveness of the product that can convince the consumers to allocate additional income. At the same time, the supply is perfectly inelastic in relation to price due to the fact that prices reach high levels, the demand has reached the maximum level and the supply tends to be directed to areas where the competition is relatively weak. The 2-nd moment, by its functional specific, becomes that moment in which the application of a policy of positioning becomes inevitable.

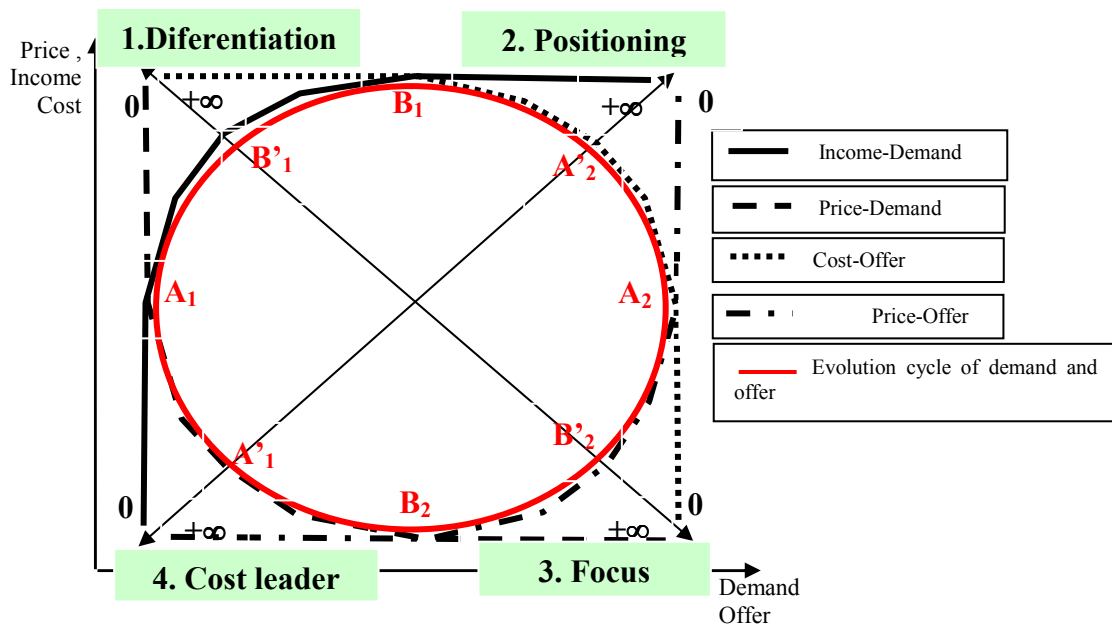


Figure no. 2. Combined model of supply and demand functioning

3. In the 3-rd moment, the demand is perfectly elastic in relation to price, which shows that there are many alternatives on the market, alternatives to choose from. Generally, the consumers migrate, which is a frequent reason for the one who reaches faster to the consumer that will be the main competitor on the market. At the same time, the supply is perfectly inelastic in relation to cost, given that the cost is very low, companies are willing to make additional costs for a better product placement. At this point, it is obviously that if they do not want to enter in a price war, companies should opt for a focus policy that relies on a very good distribution.

4. In the 4-th moment, the demand is perfectly inelastic in relation to income, which means that in the market there are income classes among the consumers, thus being also a certain price reference for each class of consumers. Also, the supply is perfectly elastic in relation to price, being sensitive to any decline in the price, so it is necessary to drastically reduce production costs. In the 4-th moment, the firms have as the main option leader cost policy, aiming to reduce costs and identify main price levels for classes of consumers in the market.

5. Analysis of market dynamics for establishing the strategic plan of action (penetration and evolution) in business domain

If we analyze the functionality and economic efficiency of a product, it is characterized by a period of viability, a certain life cycle in several stages: launch, growth, maturity, decline, and stabilization/fragmentation. According to evolutionary phases of a product it is carried out life cycle of a business field. Business sector and implicit underlying market will be successively in one or another evolution stage and thus will fall under one of the types of industries: young industries, growing industries, mature industries, declining industries/fragmented industries. Major differences between these stages require different and successful business plans model for each stage of development of the field of business (industry).

The temporal transposition of the cyclical evolution of the demand and supply can be described as stages. This transposition allows the correlation of the two models of

analysis (functional and dynamic), reflecting a fundamental and permanent link between the market's functionality and dynamics. (see Figure no. 3).

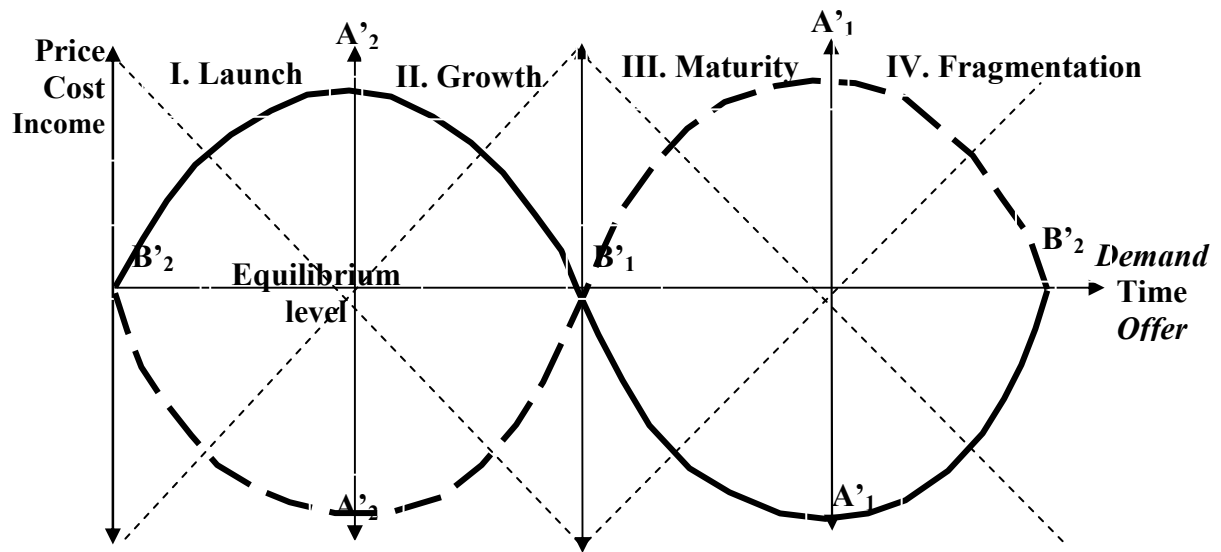


Figure no. 3. The model of demand and supply dynamics

6. Conclusions

Companies develop and adopt business approaches (strategic vision), corporate strategies, business policies, strategic and functional plans, work programs and process design. All these above enumerated component must be developed in an integrated manner within a strategic system targeted towards guiding objectives or otherwise a oriented strategic system. Any change in one level of this well strategic oriented system determines strategic adjustments at all other levels either over or under them.

There is a permanent connection between the two parts of the business: the market environment and internal environment of the company. Both systems are characterized by the same levels of development: dimensions, structure, functional relationships, functional interactions (evolution), dynamic processes and phenomena (factors) of manifestation, these levels having certain parameters status. In an ideal firm-market couple there is a perfect correlation between each level of the two entities of the business domain.

An analysis of the market from one of its levels can theoretically designate the way ahead for the company and its management-marketing levels. However a fair an complete analysis should be conducted at all levels of the market, this analysis having both complex exploratory role and for verification an control use.

We believe that companies generally perform analysis on one or maximum two levels from the four characterization levels of the market. Therefore analysis of supply and demand has never been a complex and complete. But for a complete image of the market it requires a multilevel analysis in the report that it will establish the lines of action of the company, as shown in the figure below (Figure. no. 4).

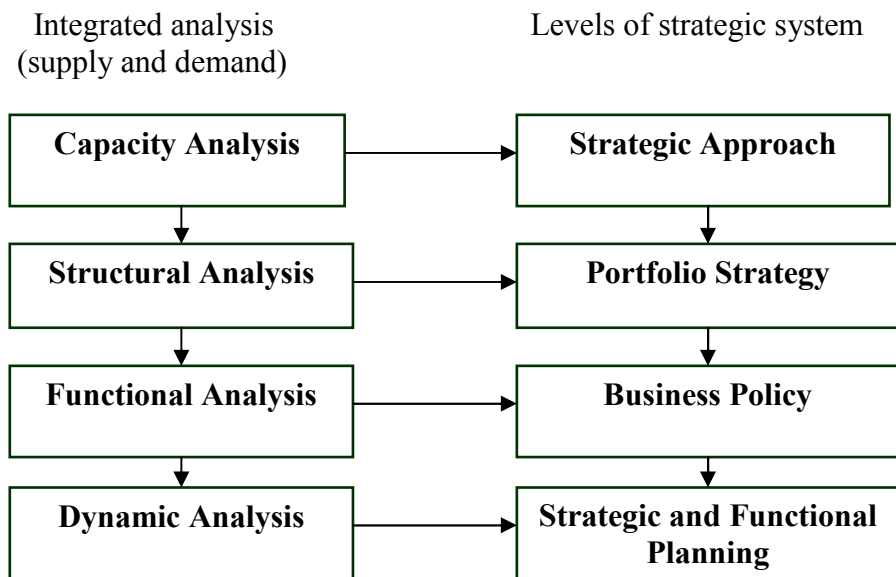


Figure no. 4 Model of complex analysis of supply and demand

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ASPECTS OF THE TOURISM MARKET DEVELOPMENT WITHIN THE EUROPEAN RURAL SPACE

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Abstract:

The paper makes an analysis of rural tourism market development with the presentation of the main players in the European rural tourism. The methodology used is based on the synthesis of information from articles and studies published in specialty journals, in Government documents as well as in other development strategies on tourism and rural space. The results of this scientific research study reconfirm that rural tourism promotion and development are based on the existing tourism potential and also on the involvement of governmental and non governmental institutions.

Keywords: tourism market, rural space, development strategy, European Union.

JEL Classification: L83, Q01, R10.

1. Introduction

Rural tourism, agro-tourism and ecotourism are economic activities that significantly developed in the last years, which denotes that they have not been affected by the economic crisis to the same extent as other sectors, like the production sector. Ecotourism development supplies the necessary incomes for the protection of natural areas, which cannot be obtained from other sources.

This ascending trend is due to the growing awareness of the tourism potential generated by a diverse natural and cultural potential, as well as to the utilization of the opportunities provided by the European Funds for investing in tourism infrastructure with accommodation facilities, foodservice, leisure, information and promotion. On the other side, the rural population's migration to towns, the agricultural sector modernization, the changes brought about by competition increase in the rural world through the Community free market enlargement have determined the development of the rural tourism activities, which could relaunch, economically, the villages, could contribute to the infrastructure modernization and could attract different investors, if the inhabitants of the rural areas are adopting a favourable attitude. (Lane and all., 2013)

In the context in which the European states have shown an increasing interest in the positive role that rural tourism could play in their economies through the diversification of the economic activities, job creation, improvement of infrastructure and services for a better life quality in the rural areas, the paper attempts to make an analysis concerning entrepreneurship promotion and development in the European rural tourism.

The methodology used is based on the synthesis of information on the economic and social coordinates of rural tourism in Europe, presenting some of the main players who carry out their activity on this market. For this purpose, articles and studies published in books and specialty journal, in governmental documents have been used, as well as other strategies for entrepreneurship, rural tourism and rural area development. This information is presented under synthetic form.

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2. Common European Programs - support for the rural tourism development

In Europe, *tourism* plays an important role due to its economic and labour employment potential, as well as to its social and environmental implications. The tourism statistics is used in order to monitor not only the tourism policies in the European States, but also in the regional and sustainable development policy. According to a publication of the World Tourism Organization (UNWTO) entitled “Tourism highlights”, 2014, Europe is a main tourism destination, and five EU Member States (France, Italy, Germany, Great Britain, Spain) were among the top ten holiday destinations in the world in 2013. (UNWTO, 2014)

The European tourism has the potential to contribute to labour employment and to economic growth, as well as to the development of peripheral or less developed rural areas. The sustainable tourism presupposes the protection and development of the cultural and natural heritage, from art to local gastronomy and biodiversity conservation, playing a significant role in the development of the European regions. The infrastructure created for tourism purposes contributes to local development, and the created or maintained jobs can contribute to the compensation of the rural or industrial decline.

The *rural tourism* grew in Europe, mainly in the second half of the 20th century. Throughout Europe, week-end getaways or holidays spent in the countryside became a common practice for the lovers of fresh air, nature or green areas.

At European Union level, an important role in the rural tourism development was played by the Common European Programs in support of this field. (Nitescu, 2015)

The program “European Rural Tourism Network”, initiated by EuroGites and Euroter, in association with about 12 rural tourism organizers in 9 European countries, has raised the rural tourism to higher quality standards; this program included three components:

- Providing technical assistance for the design of tourist dwellings networks in the rural areas in Germany, Spain, Hungary, Portugal, Czech Republic and Romania;
- Knowledge of the European market in this field;
- Development of certain information and promotion actions concerning the rural dwellings in each country.

The Program “The Village I love”, organized by Euroter (Tourisme en Europe rurale), which included 51 specific actions from 14 European countries, produced a report in the year 1990, declared “The European Year of Tourism”; the report was published in 2000 copies and was distributed to the administrations and public services, to some European and international institutions, to some tourist organizations and associations and in mass-media; the program elaborated a trilingual publication (English, French, German) presenting the tourism activities that can be developed in the rural areas.

The Program “Rural Lodging” was initiated by “Federation de Eurogites de Wallonic” and had as a scope to persuade the rural owners to renovate and modernize their dwellings and to put them into the service of rural tourism. For this purpose, they created a 9-minute video-clip (“Genese d'un gite”), presenting the positive evolution of a family in the Ardenne area, who, from a modest start, by transforming their old house and practicing tourism activities, evolved into a very modern rural household, providing quality services.

The Program “Interregional Celtic Cooperation” was based on an analysis made in 8 agricultural regions from Spain, France, Iceland and Great Britain, focusing on common history and culture elements; developed in the period 1990-1991, the group who realized this program put into action 49 activities (projects), targeting the promotion of rural and cultural tourism; it had an important role in the initiation of tourism activities in these regions in the period of “dead season” for agriculture and in supporting environment protection.

The program “Data Base on Rural Tourism Services” had as purpose the creation of a computer data bank (Macintosh) to collect data on the quantitative aspects of the tourism services in the rural area, whose organizer was the German Company “Publotechnica SA”; this program included several actions that targeted the harmonization of the available information with the necessary services for the rural tourism, in order to facilitate the relationship between the agricultural land owners and farmers and the tourism agencies (the first pilot region was in Italy, Friuli-Venezia Giulia).

The program “Training Seminar for Rural Tourism Operator” was developed from the initiative of the EU Commission for Agriculture and Rural Tourism, which organized 5 training seminars for the rural operators in the period 1992-1994, where a special focus was laid on women; the seminars presented specific management, marketing, investment planning techniques, for farm equipment and modernization, cost calculation; representatives from Denmark, Ireland, Great Britain, Portugal, Hungary participated in these activities with theoretical and practical role, each developing its own project.

3. The present rural tourism network

All these programs represented a transition from the design phase to practical implementation of many private initiatives. Under these programs, the designed tourism products were correlated to the expectations of potential customers in concordance with the supplier’s economic power. As resultat, *the present rural tourism network has the best organization in France, Austria, Germany and Italy.* (Lane and all., 2013)

France ranks 1st in the EU by the number of farm owners with tourism function due to maximum diversification, organization and promotion of this activity. Since 1970, following the concerns to provide tourism services in the rural area, “Tourisme en espace rural” (TER) emerged, which comprised 4000 tourism villages. The largest part of the French units can be called *country-houses* and are controlled, certified and reserved through the National Federation “Gîtes de France”, as well as other association forms such as: “Logis et Auberges de France”, “Stations Vertes de vacances”, “Relais et Chateau”, “Relais de Silence” etc.

Among the areas where the French rural tourism holds an important position, the following stand out: Haute-Savoie, Herault, Saone, Loire, Cotes d’Armor, Bas-Rhin, Bourgogne, Bretagne, Alsace, etc., where tourists are attracted by the French cuisine (with the butter tartines dipped in the cup of coffee with milk at breakfast, original snail or cheese-based food), by the French wines (white, red, rose or champagne) and mainly by the careful hosts’ hospitality, always ready to do everything to satisfy their visitors. (<http://www.eurogites.org/>)

Furthermore, one should not overlook the price-quality ratio, which is a main concern for each French rural tourism developer. To this, we must also add a “strong attachment to the native region and a certain reluctance to change one region for another”, as well as the authorities’ care to support all these enterprises through loans (agricultural, hotels, village planning) on long term (up to 15years) and small interest (3.5%). All these and some other things (which you can discover only at the respective place) have contributed to the new look of the French tourism in the rural area and to ranking first in tourists’ preferences.

In **Austria**, rural tourism has a long history and it represents an occupation which became profession afterwards, leading to the economic growth of villages.

Growth realised in tourism led to: economic growth of all region, population growth, increased leisure transport and infrastructure development, development of new communication systems, winter sports and not least of urbanization. For practicing rural tourism in Austria there are “resorts” (Erholungsdorfer) for the family holidays. These

types of tourism are attractive also by prices, which are generally small, with differences from one household to another, but observed throughout the year, being reported and entered into “annual supply indicator”. (Ciolac, 2011)

Nowadays, the statistical data place Austria on the second place, after France, by the number of farm owners with tourism function, being supported by the following organizations: the Village Tourism Organizations (VTO) and the Administration Centers of Village Tourism Organizations (ACVTO). (Antonescu and all., 2013)

The Austrian rural tourism units are *the peasant boarding house and the tourism inns*.

The most important position in the rural Austrian tourism is held by the Tyrol Region. The results obtained by the rural tourism in Tyrol area are due to its geographic position, being situated at the crossroad of the North-South and East-West routes, where the traffic is intense, as well as to the Program initiated by the Ministry of Agriculture and Trade, suggestively named “The Green Plan”, by which the Tyrol households were granted loans with a long repayment period (15years) and low interest (3-5%).

In **Germany**, the holidays on the peasant farms are very popular; as a result, in 1980, the project “*From the North Sea to the Alps*” was launched, which had in view building up and equipment of 2000 holiday homes with about 10000 rooms. The most developed regions in the rural tourism activity are Schwartzwald and Messen.

The anti-trust laws, the permanent encouragement of small and medium-sized businesses with family capital and supporting the concept “*kinder, kuche und kirche*” (child, kitchen, church) led to special results and increasing promotion of rural tourism.

At present, the rurall tourism is practiced on more than two-thirds of the German rural area, and the tourism endowments are found from North Rhenania, Westfalia, Hessen, Bavaria, Baden, etc. The tourist stays offered in the German rural area bear the smell of beer fests and the colour of the Danube and Grimm Brothers’ stories. These add to cycling, swimming, riding, creative courses, concerts, museums, open air events. (<http://www.eurogites.org/>)

In **Italy**, rural tourism has been developed under association forms. The local, regional tourism associations are strong and operate on the basis of task books that all the members are respecting. In these books one can find the minimal and maximal rates established with the purpose of no price difference for the same service type. Thus, tourists are no longer obsessed with prices, and they are concerned only with what the region is offering to them, for their physical and spiritual satisfaction, discovering:

- the diversity of the cultural traditions and landscapes,
- the food traditions of the Italian cuisine;
- the famous Italian wines;
- the folk dances and songs or the cultivated music;
- the architecture of the different historical monuments;
- the poetry and legends of each place. (<http://wikitravel.org/en/Italy>)

The following Italian regions are famous for rural tourism activities: Piemonte, Lombardia, Trentino, Veneto, Emilia Romagna, Liguria, Toscana, Lazio, Ambruzzo, Umbria, Campania, Puglia, Calabria, Sicilia and last but not least Alto Adige. It is worth mentioning that Italy is a great receiver of tourist inflows, and at the same time great tourist outflows leave Italy for the rural tourism destinations in Europe.

In the recent years, *through the opportunities provided by the European Funds for investments in tourism infrastructure with accommodation, leisure, information and promotion facilities, the rural tourism has developed on the whole territory of the European Union*, in areas such as:

- Spain (Granada, Almeria, Malaga, Cadiz, Huelva, Sevilla, Cordoba);

- Portugal (Costa de Lisboa, Costa Verde, Costa de Prata, Montanhas, Planicies, Algarve, Azorele and Madeira);
- Great Britain (Kent, Norfolk, Suffolk, Warwickshire, Wales);
- Ireland (Ballyhourra Country near Shannon, Joyce Country, Irishawen, Unabhan and Carlow Country);
- Luxembourg (Porte des Ardennes, Mullerthal, Moselle).

Merry people and always ready for a party, pragmatic and efficient in showing their good host reputation, well-known for their hospitality can be also found in the rural localities from Greece, Belgium, Denmark, Finland, Sweden and Iceland.

Rural tourism also started to grow in the countries from Eastern Europe, in Poland, Hungary, Romania, Bulgaria, Slovakia, ex-Yugoslavia. The experience of Western Europe has been used in promoting non-agricultural activities in the rural area and the diversification of activities through the assimilation of new entrepreneurial skills, in acquiring new skills and in the delivery of new services for the rural population, which proved to be the main factors contributing to the economic growth and implicitly to the change of mentality and increase of the living standard in the rural areas, as well as to the stability of the territorial, social and economic equilibrium. (<http://www.agritourism.eu>)

4. Conclusions

The present research identified some of the European Programs that provided support to the promotion of the entrepreneurial initiatives in the rural tourism of the European Union Member States, as well as the modality in which the present natural and anthropic potential was put into value by the Member States with the highest number of farms with tourism function – France, Austria, Germany and Italy.

The European rural tourism has reached its present standard through the involvement of the following entities:

- governmental and non-governmental institutions,
- cultural institutions,
- airlines offices,
- official offices in the countries with tourist outflows,
- newspapers, journals, radio shows, television programs,
- posters in public places, prospects and fliers,
- firms participating in fairs and exhibitions.

The rural tourism development was based on:

- economic growth of regions,
- spare time increase,
- development of transports and infrastructure necessary for tourism activities,
- development of communication systems,
- development of winter sports and last but not least – increase of living standard in the rural zones.

The support for the entrepreneurial initiatives in the European rural tourism means:

- investments for a continuous improvement of the quality of accommodation and leisure equipment,
- prevalence of association forms, in which the small-sized family units get economic power,
- tourism packages, which should respect the natural, economic and social integrity of the rural space and ensure the rational exploitation of the natural and cultural resources necessary for the next generations.

Rural tourism has the potential to contribute to labour employment and to rural development, to the development of the less-favoured and remote rural areas; at the same time, it plays an important role in the rural economy, where it represents a significant source of additional incomes through the promotion of entrepreneurial and innovation skills.

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THE ECOTOURISM DEVELOPMENT IN DOBRUDGEA

Elena, Sima¹

Abstract:

The objective of this paper is to highlight the ecotourism potential in Dobrudgea. The research methods used are the inventory-type analysis of the usable resources in ecotourism and the cause-effect explanation of the investigated phenomenon. The analysis of the ecotourism potential of Dobrudgea is based on data and information obtained by bibliographic documentation. The investigation of relations that exist between the environmental and social factors, at local level, makes it possible to define the necessary mechanisms for the sustainable development of ecotourism activities that should contribute to the increase of the number of jobs and of alternative incomes, as well as to the increase of Dobrudgea area attractiveness.

Key words: *ecotourism, natural potential, development strategy, Dobrudgea.*

JEL Classification: L83, R10.

1. Introduction

In the last years, tourism has become one of the socio-economic sectors which registered a major transformation, being a diverse and complex activity. Although the mass tourism remains the predominant form, there emerged preferences for other tourism forms, which are satisfying the need to be close to nature, to exercise outdoors, to explore and to learn new things linked to plants and animals.

Green tourism or nature lover tourism is a relatively recent phenomenon and a segment of the tourism industry which is often referred to rural tourism, agro-tourism and ecotourism, the participation of tourism resources ensuring adequate capitalization while maintaining their ecological integrity. (Andrei et al, 2015)

The touristic activities developed under the aegis of ecotourism are offering to tourism industry, the tourists, authorities and the local people the possibility to cooperate for the organization and development of some responsible journeys into the natural areas unaltered by the anthropic activity, in order to admire the ecological richness, to study, to understand and enjoy both nature and the cultural diversity, in a manner which will take into account the impact upon the environment, in the idea of maintaining the viability in the respective area on an indefinite period of time. (Nistoreanu, 2006)

In Romania, activities with ecotouristic character were developed in the last two decades, when a series of national or natural parks started to develop projects having also an ecotourism component. Among the zones in which ecotourism programs are developed there is also Dobrudgea, historical province from the Romania's South-East extremity, with an area divided in two counties from the administrative point of view: Tulcea and Constanța and made of three geographical units: delta, plateau and sea shore. (Sima, 2016)

In this paper we present some aspects of the development stage of the ecotouristic activities within and around of the natural protected areas in Dobrudgea, as well as a set of proposals to orient the efforts of valorification through ecotourism of these destinations, in concordance with the requirements of the national legislation and the international conventions to which Romania adhered. The research methods are of the inventory-type analysis of resources in Dobrudgean ecotourism. The analysis of it is based on data and information taken from documentation and field visits.

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2. Dobrudgea's ecotourism potential

Dobrudgea's ecotourism patrimony is evaluated according to the normative acts. The protected natural area is defined as „the terrestrial, aquatic and/or underground zone in which there are wild plants and animals species, biogeographical elements and formations, of landscape, peisagistice, geological, paleonthological, spealean or any other nature, with a special ecological, scientific or cultural value, which has a special protection and preservation regime, established according to the law provisions”. (<http://www.anpm.ro/>)

To ensure the special protection and preservation in situ measures of the goods of the natural patrimony there is installed a differentiated protection, preservation and utilization regime, according the following categories of protected natural areas:

a) of national interest: scientific reservations, national parks, nature's monuments, natural reservations, natural parks;

b) of natural interest: natural sites of the universal natural patrimony, geoparks, humid zones of international importance, biosphere reservations;

c) of community interest or sites *Nature 2000*: Sites of Community Interest (SCI), Special Protection Areas (SPA);

d) of county interest or local interest: settled only on the public/private area of the administrative-territorial units, if it is the case.

In Romania's ensemble, Dobrudgea represents an extremely important zone from biogeographical point of view, which determined the concentration of a number of flora and fauna species of conservational interest and also the interference of the floristic species in the Central European, Mediterranean and Asian areas.

The territory of the Tulcea and Constanta, from north to south and from east to west, is characterized by an important number of natural and seminatural habitats with a vast diversity:

- aquatic habitats (sweet water aquatic habitats, salt water habitats, marine and coast habitats),

- terrestrial habitats (forests habitats, stepp pastures and bushes, sylvo-stepp habitats, moors and peatery habitats) and

- subterranean habitats (caves habitats).

The main protected areas in Dobrudgea are situated in:

- The *Danube Delta and the lagoon complex Razim-Sinoe*, with a great diversity of aquatic and terrestrial ecosystems, where there are real opportunities for ecotourism activity;

- The *Măcin Mountains National Park*, situated in the North-West of the county Tulcea, with maximum 467 m (the peak Greci-Țuțuiatul) which is fascinating through its unique geo-morphology and bio-geography;

- The *Romanian Black Sea Coast*, with its specific ecotourism potential represented by Sites of Community Interest, as: sea dunes from Agigea and sea zones from Tuzla, Costinesti, Vama Veche;

- The *Northern Dobrudgean Plateau*, with an ecotourism potential, yet totally un-explored (large forests and a rich hunting fund).

Taking into account the floristic and faunistic importance of the Dobrudgean zone, some of the sites of the European Ecological Network Nature 2000 include in their limits more protected areas of national or local importance.

At present, on the lists of Nature 2000 regarding Dobrudgea there is a number of 64 sites, of which 31 are Special Protection Areas (SPA) and 33 are Sites of Community Interest (SCI) (Table 1).

Table 1. Number of Romanian sites Nature 2000, in year 2016

Category of Nature 2000 site	Romania	Dobrudgea	Constanța	Tulcea
Special Protection Areas (SPA)	148	31	22	9
Sites of Community Interest (SCI)	383	32	24	8

Source: Data from the <http://www.anpm.ro/natura-2000/>

The Danube Delta Biosphere Reservation is the protected area with the greatest area in Romania, which has, at present, a triple international status:

- Biosphere Reservation,
- Ramsar site (humid zone of international importance) and
- site of the World Natural and Cultural Patrimony.

The Macinului Mountains National Park is a special and unique territory from Europe in which there are protected the ecosystems characteristics for the Pontic-Balkan steppe, the subMediterranean and Balkanic forests, within some hercynic mountains, oldest in Romania and some of the first formed on the Continent.

3. Touristic infrastructure and the ecotourist's profile in the Dobrudgea' area

In Romania, the ecotourism programs have a relatively recent history. The first touristic packages with ecotouristic character emerged around the year 2000, when a series of national or natural parks started to develop projects having also an ecotourism components. (Mihai, 2013)

Within the ecotouristic activities can be included:

- types of adventure activities(for example rafting, canoeing, on horse tourism on pre-established routes, tour skiing, bicycle trips on settled tracks etc.);
- trips / organized journeys with a guide;
- tours for nature observation (flora, fauna);
- experimentation trips for the nature preservation activities;
- trips to the local communities (visits to cultural objectives, visiting the traditional farms, viewing of traditional cultural manifestations, traditional food products consumption, acquisition of nonfood traditional products etc.).

The touristic accommodation structures are representing the most important component of the specific technical material basis, as it responds to one of the fundamental needs of the tourist, that of rest, and bedding. The lack of such organized spaces can be harmful for the environment.

The protected areas do not have a sufficient number of housing units (for example the Macinului Mountains National Park), though, in majority of cases this thing is compensated by the housing units from the very vicinity of the protected areas. The the Forests National Regie Romsilva considers that there are no problems linked to the reception capacity for the visitors by the parks under its administration and that there are enough places for the controlled increase of their number without endangering the environment.

A special role within the touristic infrastructure of the protected areas in Dobrudgea is held by *the visiting centers and information points*. These have an important role in promoting the management objectives of the protected natural area for the awareness of the large public to the measures of preservation of the natural species/habitats in the context of the sustainable management of the natural resources. In general, at present, protected areas in Dobrudgea are weakly equipped from this point of view.

Within the process of touristic valorification of the protected areas a special role is played by *the access specific infrastructure* (roads, paths, ammended tracks). The access inside the park can be realised, in function of the land area's configuration with varied means, including: walking, private vehicles, boats, small ships and bicycles.

In the category of "ecotourist" can enter also a person who, while the so-journ in a touristic resort buys an ecotouristic program for one day within a national park nearby, even if the activities developed in nature occupy only a small part of his so-journ. But, there not be considered ecotouristic activities the activities which, although are developed in nature, have an obvious negative impact upon thr natural or socio-cultural environment (for example the off-road activities).

The studies made showed that those interested for a real experience in ecotourism are demanding, generally, more than the average of the classical tourists. As result ecotourism is destined, mainly to the tourists with a medium or high incomes' level, with a culture oriented towards nature's knowledge, who are tending to practice a healthy way of living, in order to remake his health and vitality, any tourist needs a better and better quality of the environment in which he chose to spend his holidays: fresh air, unpolluted waters and placesnice landscapes, etc.

Also, tourists have started to appreciate more and more the so-journs in places in which the natural resources are protected in an institutionalized manner, but this is yet an adiacent point of interest and does not constitute a concern of the majority of tourists.

At present, as long as there is no taxation system for the tourists at the parks' entrance, there is no evidence of the visitors' number, this being only estimated. According to the data of the National Institute for Research and Development in Tourism Bucharest, until now, in the Dobrudgean protected areas there were realized systematic actions for monitoring and registration of the visitors only in the Danube Delta Biosphere Reservation and in the National Park Macinului Mountains.

In the Danube Delta Biosphere Reservation, at level of 2008 year, were housed (including in municipality of Tulcea) 96,090 tourists of whom 82% were Romanian tourists and 18% foreign tourists, and among the foreign ones 29.8% are German, 9.6% Italiens, 8.0% Spanish, 7.3% French 6.9% Austrian, 38.4% are of other nationalities; 70.5% are housed in hotels, and 60.4% choose a unit classified at three stars with an average so-journ duration of 1.8 days (both for Romanians and for the foreigners);

In the National Park Macinului Mountains approximately 10,000 de visitors are majority Romanians from the zones near the Park (the local communities or the municipalities of Brăila, Galați, Tulcea, Constanța), with an average duration of the sojourn as for one day (and a minimum economic impact upon the local communities); the main visitors groups are local people in the localities near the park (for a picnic), bird-watchers, rovers in small groups (2-10 persons), organized groups of 20-40 persons who ask for a guide from the park's administration, cycling tourists, climbers, families with caravans and personal cars.

Although the estimated number of visitors within the natural and national parks is high enough, we must have in view that only a small part of them has as motivation the ecotourism's practicing.

4. Factors with implication potential in the Romanian ecotourism development

There are a multitude of actors involved in the development of ecotourism in Romania. Some of them play a role more important than others, but each brings a special contribution in the development of ecotourism.

Key actors involved in the development of ecotourism in can be classified as follows:

- governmental institutions,

- local public administrations,
- administrations of the protected areas,
- members of the private touristic sector,
- nongovernmental organizations,
- local communities,
- financiers,
- university environment,
- tourists.

According to the data of the Romanian Ecotourism Association and the National Institute for Research and Development in Tourism Bucharest, the economic impact produced by the ecotourism programs developed by the tourism operators – members of REA is in an obvious increase. But what is remarkable is the fact that the impact at local level is much over the average of the classical tourism. In the case of the REA members, around 80-90% of the expenses made by tourists are remaining in the zone of the development area of the touristic program, mainly in the rural zone.

The development of ecotouristic activities within the local communities and within the protected areas implies the following socio-economic advantages:

- it generates the emergence of jobs on local plan (directly in the touristic sector or in the connex sectors);
- it stimulates the local economy through infrastructure development and of touristic services (accommodation services, food transport, leisure facilities, crafts products and guidance services, souvenirs;
- it stimulates rural economy through the creation or increase of the demand for agricultural products necessary to ensure the touristic services;
- it gives impulse to infrastructure development, fact which brings benefits also to the local population;
- it stimulates the development of the peripheric regions through capital insertia;
- it stimulates the improvement of the intercultural relationships specific to an ethnographic region, and the host community is thus stimulated to revigorate the folk traditions;
- in the conditions of a normal development, tourism can lead to the self-financing of the development mechanisms of which could benefit the administrators of the protected areas as an instrument for their preservation;
- it supports the preservation activities, by convincing the Governments and the public of the importance of the natural areas.

The management plan of a protected area is the official document for establishing the objectives of it and the management measures which must be enterprised for an efficient, responsible managing of the respective zones. Smaranda This is synthesizing the information existent at the date of the plan making, establishes the major fields and the management objectives, as well as an action plan over a certain time horizon, as a rule of five yars.

The management plan is at the basis of the protected area's activity and is constituted as a reference document for the planning of all the short and medium term activities linked to it for all owners/administrators of lands and all wishing to initiat and develop activities on their territory.

The main management objectives of the plan are grouped by the following themes:

- Bio-diversity preservation;
- Land utilization and utilization of natural resources;
- Preservation and promotion of cultural inheritance;
- Tourism and leisure management;

- Educatio and awareness;
- Park's management;
- Other activities specific to each park.

Another specially useful instrument in the touristic management of the protected areas is *the management plan of the visitors*. This one is directing the proper type of visitor to the proper zone in the park or its vicinity, creating the best oppoprunities for the fulfillment of the experience imagined by the visitor, to spend the leisure time in nature, producing a minimum negative impact upon nature and local communities and creating the best chances for local ecological businesses' development in the tourism sphere.

When we speak about *the financing sources of the ecotourism activity*, we must have in view both the financing capacity of the entities administrating the protected areas, and the possible financing sources of the other involved stakeholders. In the last years, approximately 85% of the financial funds at the disposal of the parks are coming from state sources, but not from the state budget, 12% from different projects and only 3% from own incomes (from access tariffs, sponsorships, trips with guides, housing etc.).

At present and for the next period there are many financing alternatives at hand of the administrations of the protected areas, of local authorities inside or near the protected areas, the economic agents involved in the ecotourism activity and of the NGO-s developing activities in the ecotourism field or environmental protection. We can distinguish the structural funds, one of the instruments with the help of which it is implemented the solidarity and cohesion policy of the EU.

The main operational programs with financing possibilities in the ecotourism activities are:

- The Sectoral Operational Programme for Environment, Priority Axis 4 "Implementation of the adequate systems of environmental protection management" co-financed from European Regional Development Fund (ERDF);
- The Regional Operational Programme ORP – Axis 5 The sustainable development and promotion of tourism co-financed from European Regional Development Fund (ERDF);
- The National Programme for Rural Development – financed/ co-financed from European Agricultural Fund for Rural Development (EAFRD).
- The Sectoral Operational Programme for Human Resources Development will be co-financed through the European Social Fund (ESF) and will have in view the human resources formation and development.
- The Sectoral Operational Programme for Economic Competitiveness Increase – co-financed from European Regional Development Fund (ERDF);
- INTERREG IVC Programme, co-financed through European Regional Development Fund (ERDF). Of this Program will benefit the public authorities and the public equivalent organisms, as partners in the common projects with the other participant states.

Among the investments there are projects regarding biodiversity preservation, protected natural areas administration, education and public awareness for environmental protection.

6. Conclusions

Dobruđea represents an important zone from biogeographical point of view, with valuable ecosystems in scientific reservations, natural reservations, national parks, natural parks and the economic impact produced by the ecotourism programs developed is in an obvious increase.

The main protected areas in Dobruđea are situated in:

- The Danube Delta and the lagoon complex Razim-Sinoe;
- The Măcin Mountains National Park;
- The Romanian Black Sea Coast;

- The Dobrugea's Plateau.

The Danube Delta Biosphere Reservation has, at present, a triple international status:

- Biosphere Reservation,
- Ramsar site (humid zone of international importance) and
- site of the World Natural and Cultural Patrimony.

Ecotourism in Dobrugea is yet a narrow segment of the touristic market, confronted with many problems as:

- the weak cooperation at local level,
- the modest promotion at national and international level,
- existence of a limited supply, weakly diversified,
- the weak development of the infrastructure specific for ecotourism at the level of protected areas,
- labour force migration,
- the reduced training level of those employed in this field etc.

There are a multitude of factors involved in the ecotourism development in Dobrugea. Some of them are playing a more important role than the others, but each brings his special contribution in ecotourism development.

In the present economic conditions, the great majority of tourists (even the wealthier ones), are concerned about the price of touristic services. Tourists have become very attentive to their expenses, the prices of touristic services being the main variable in the consumers' choices.

In majority of the protected areas in Dobrugea there were created networks of touristic routes, in majority homologated or on the way to be homologated. Most of the routes are for camping, but there were settled also cycling routes or on the water routes (in the parks settled in humid zones).

In the Danube Delta Biosphere Reservation, with an old tradition in tourism, there developed along the time also different other variants of access inside it, respectively transport by boats and different size ships.

Though, it is estimated that the internal accessibility in the natural and national parks is reduced (routes in bad conditions) but it should be improved (not so quantitatively, but qualitatively), taking into account the preservation needs, the needs for local development and the quality of touristic experience.

Once acknowledged the importance of this sector for the protection and preservation of the natural and cultural patrimony, for the economic and social development of the local communities in the natural rural zones and for the increase of the touristic experience, all efforts should be made for the efficient valorification of the rich patrimony our country is owning.

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TIMIȘOARA, A EUROPEAN TOURIST DESTINATION

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Abstract

The tourist destination is, for the modern tourist, not only a geographic space but a mixture of natural and anthropogenic elements in which human nature plays a special role. Currently, the tourist, besides his/her expectations regarding infrastructure, tourist resources and services, wants to be integrated into the local community, to become part of that destination.

Located in west Romania, close to the rivers Timiș and Bega, Timișoara has always been the place where people lived in harmony regardless of nationality. In the present European context, its designation, under the brand „Light up your city”, as European Capital of Culture in 2021 is beneficial for the local and national tourism.

In 2015 the number of tourist arrivals in Timișoara was 279.349, which represents a small percentage of barely 2,81% of the total tourist arrivals in Romania. This title compels the local authorities, the private sector, the NGOs and the local community to collaborate in order to support, develop and promote cultural events. All these are necessary to attract a greater number of tourists in Timișoara.

Key words: *cultural tourism, tourist destination, tourist resources, brand, urban environment*

JEL Classification: *L83, Z32*

1. Introduction

Over the years, tourists' motivations have suffered a number of changes, but at the basis there still are those regarding rest and recreation, knowledge and welfare. Once motivations evolved, destinations did too.

According to the WTO, in 1992 the destination was considered the geographical area that provides infrastructure and all necessary services for a tourist to spend at least one night and where to develop a form of tourism. Later on (2003), the same organization defined the tourist destination as “... a physical space in which visitors spend at least one night and is made up of tourism products such as support services and attractions, and tourism resources with physical and administrative boundaries that define its management, images/perceptions of market competitiveness”.

The tourist destination is actually the place a tourist chooses to spend his time, the final point of his journey.

The tourist destination includes in its area several individual tourist attractions, one of which is the main one that actually lead to the development of a technical material facility specific to tourism and its respective services. One may say that the tourist destination is considered to be a complex and utterly important element of tourism.

The main types of tourist destinations are:

- Classical destinations that include big urban settlements, seaside and mountain resorts;
- Natural;
- One night stay;
- Business;
- Short-term stays (e.g. weekend).

Their classification can be done taking into consideration the distance from the tourist's residence, thus resulting close and far away destinations.

The main elements of the tourist destination take into account:

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- Location, climate, natural and anthropogenic resources;
- Surroundings and resident population;
- General infrastructure, infrastructure specific to tourism and its respective services.

An element that tends to become extremely important since it contributes to the development of the destination and the influencing of its potential tourists is its image. This must be real and credible, simple, attractive and distinctive. The tools that can make the image of a tourist destination known are slogans, visual symbols and events.

Currently, the alert lifestyle of the vast population, the daily stress, pollution, the internet and social networks, the culture literacy and access to information are leading to an isolation and alienation from nature and the simple „real world”. That is why the current tendency of tourists is to integrate into the mundane of the local community of their holiday destination. Thus, the tourist relaxes, can get to better know and understand the history and the evolution of the destination, enjoy nature and the local culture, interact with the local population, make new friends, live new experiences and not get bored. All these emphasize the fact that the elements making up the tourist destination become more attractive if the entire population involves more and lives new experiences together with the tourists.

Adapting tourist destinations to the new trend becomes an obligation for them to maintain themselves on the tourist offer market.

2. Cultural Tourism

Cultural tourism is one of the tourism forms attracting a great number of tourists, and that can support a tourist destination.

Cultural tourism is a general term referring to leisure travel motivated by one or more aspects of the culture of a particular area (Dictionary of Travel, Tourism and Hospitality Terms, 1996).

The International Council on Monuments and Sites (2002) considers that “Cultural and cultural-cognitive tourism is that form of tourism, which focuses on the cultural environment and that, in its turn, may include the cultural and historic sights of a destination or the cultural-historic heritage, the values and lifestyle of the local population, arts, crafts, traditions and customs of the local population”.

The World Tourism Organization (WTO Report 2012) considers cultural tourism as “trips whose main or secondary purpose is visiting sites and events whose cultural and historic values have made them part of the cultural heritage of a community”.

The main themes of cultural tourism and the forms of tourist activity it generates were well highlighted by Claude Origet du Cluzeau in her work entitled “Le tourisme culturel”.

Table 1. Cultural tourism – themes and forms

Theme	Form of tourist activity
Religious	Pilgrimage, charismatic meetings
Discovering cities, regions, countries	Circuit, holiday travel
Historic	Circuit, visiting the site
Memorial	Circuit and trip
Ethnic	Circuit, holiday travel
Artistic	Circuit, internship
Crafts / Industry	Theme circuit, trip in industrial sites
Parks and gardens	Circuit, holiday travel, trip
Festivals, cultural events	Holiday travel

Theme	Form of tourist activity
Gastronomic	Holiday travel, circuit, gastronomic internship
Shopping	Holiday travel in a city
Linguistic	Holiday travel with the school of the family
Culture pedagogy	Classes outside school

In the urban environment, cultural tourism can be considered a mass phenomenon, as a result of the permanent demand for different cultural activities. Developing urban cultural tourism has most of times positive effects, but there could also be negative effects as a result of inadequate exploitation of resources.

Table 2. Effects of urban tourism

Positive effects	Negative effects
- increase of the number of accommodation facilities;	- increase of the pollution degree;
- emergence of the belongingness;	- emergence of pressure over equipment and services;
- economic relaunch;	- changes of the traditional life;
- creation of new jobs;	- increase of criminal offence rate;
- enlarging the society's horizons;	- urban agglomeration;
- reduction of inhabitants' immigration.	- inadequate usage of existing spaces.

Big European cities are known destinations appreciated by tourists, which is reflected by the annual tourist arrival numbers. Thus, in 2014 London accounted for 17,4 million foreign tourists, and Paris accounted for 14,97 million foreign tourists.

The European Union has as main objective the harmonious development of tourism in all member states. The European Capital of Culture project comes as an initiative to support and promote European culture and urban tourism. It came into being in 1985, at the initiative of Melina Mercouri, the Greek Minister of Culture back then, and the first city to be awarded this title was Athens.

This project has been successful ever since 1985, and 54 cities have enjoyed the title of European Capital of Culture. Many more cities submit their candidacy for this title.

Timișoara was designated European Capital of Culture in 2021.

3. Timișoara – tourist destination

Timișoara is one of Romania's cities, located in the south-west Pannonian Plain, more precisely in the south of the West Plain, close to the rivers Timiș and Bega, at an average altitude of 90m above the sea, and lies on an area of 130, 5 km².

Regarding the first mention in documents, there are some uncertainties, the specialists say it was in 1212 or 1266, but the archaeological discoveries revealed that the area had been inhabited since the Roman conquest.

The city is located at short distance from four European capital cities, as the journey there takes just a few hours (table 3).

Table 3. Distance from Timișoara to Romania and neighbour countries' capital cities

Capital city	Distance from Timișoara (km)
Bucharest (Romania)	550
Belgrade (Serbia)	170
Budapest (Hungary)	300
Vienna (Austria)	550

The city can be reached by road, rail and air (Traian Vuia International Airport), and this aspect facilitates the circulation of potential tourists from the entire Europe.

According to the Autonomous Transport Company Timișoara, public transportation is provided by 11 tram lines, whose tracks have a total length of 134,3 km, 8 trolleybus lines with a total length of 70,46 km, 11 bus lines that have 118,7 km, and 8 taxi companies. Local authorities have bought seven “vaporetos” that will provide public transportation on the Bega Canal.

The city, also known as “Little Vienna” or the “City of Parks” inherits, from an architectural point of view, a vast heritage of historic monuments (about 14.500), being the largest architectural area in the country, grouped in three districts, Cetate, Iosefin and Fabric. Of all, the most known are:

- Unirii Square with a number of buildings: the Roman-Catholic Dome finished in 1754, the Serbian Orthodox Cathedral, the Serbian Bishopric Palace (1745), the Baroque Palace built in the 18th century, Holy Trinity Monument (1740), Bruck House built in 1910, all in baroque style, some of them showing secession and art nouveau elements;
- Libertății Square with Saint Nepomuk’s statue (1756) made in rococo style, the Former Town hall (1731-1734) that illustrates the provincial baroque style;
- Dicasterial Palace (19th century) and Deschan Palace (1802), the first one built in Renaissance style and the second in neoclassical style;
- the houses: Eugene of Savoy (1817), Mercy (1718-1734), with the iron guilds’ tree (house of workers);
- Maria Theresia Bastion built between 1730-1735 represents parts of the fortress of Timișoara;
- Victoriei Square with the Romanian Opera House and the National Theatre, built in baroque style with classical elements between 1872-1875, whose façade was rebuilt in Brancovenesc style, the statue of Romulus and Remus (1926), copy of the “LupaCapitolina”, a gift from Rome, Lloyd Palace built between 1910-1912 in eclectic style with secession elements, the Metropolitan Orthodox Cathedral built between 1936-1946 in Byzantine style with Romanian influences, Huniade Castle – built by Iancu de Hunedoare between 1443-1447 on the premises of the old castle that belonged to Charles of Anjou. Currently, the castle hosts the collections of the Banat Museum.
- Traian Square also called Crying Square where the Holy Cross is, the Sorrow Bell, St. George Church (1745-1755) in neo-Roman style, the Serbian Community Palace (1895) in eclectic style, Mercury Palace built at the beginning of the 19th century in secession style, Millennium Church built between 1896-1901 in neo-Roman style, the Synagogue that was built between 1885-1889 in neo-Maurish style;
- The Roman-Catholic Church in Iosefin built in 1774 in baroque style;
- The House with the Anchor dates back to 1775 and was built on the premises of the first Port of Timișoara.

Timișoara’s population at the last census (2011) was of 319.279 inhabitants, being the third city of Romania according to the number of inhabitants. The population density is 2.368 inhabitants/km². The city is inhabited by Romanians (81,36%), Hungarians, Serbians, Germans, Roma, Jews, Slovaks, Ukrainians and other ethnic groups. The religious structure is also different, each citizen having the freedom to his own religion (table 4), the orthodox being the majority.

Table 4. Religious denominations of Timișoara's population

Religious denominations	Percentage of population (%)
Orthodox	74,99
Roman-Catholic	7,1
Reformed	1,3
Greek-Catholic	1,14
Pentecostal	2,04
Baptist	1,23
Other religions (mosaic, Islamic, Sabbatarian, evangelic, Jehovah's witnesses etc.)	2,75
Undeclared	9,45

The structure according to ethnic groups and religious denominations highlight the tolerant European spirit and the multiculturalism of this city.

The name of "city of premiers" suits Timișoara since, over time, numerous such events took place here:

- 1718- The first brewery on the territory of present Romania
- 1728 – The Bega Canal – the first navigable canal in our country
- 1745 – construction of the town hospital, the first one in Romania (24 years before the one in Vienna and 34 years before Budapest)
- 1753 – Timișoara, town with permanent theatre season (third town in the Habsburg Empire after Vienna and Budapest)
- 1760 – first town of the Habsburg Empire with street lighting with lamps (with suet and oil)
- 1815 – Josef Klapka's library, the first library in the Habsburg Empire, Kingdom of Hungary and Romanian territories
- 1857 –first town in the Habsburg Empire with street lighting with gas
- 1884 –first European town to have introduced general electrical street lighting, with 731 lamps
- 1938 – first welding machinery for train and tram rails, invention of professor Corneliu Micloși
- 1942 – first trolleybus line in Romania
- 1953 – the only city in the country in which three state theatres in Romanian, Hungarian and German
- 1969 – first alphanumeric computer in Romania;
- 2016 –first city Capital of Youth in Romania.

The city has numerous museums, art galleries and cultural institutions that attract both local people and tourists.

Most of Timișoara's museums are hosted in monument buildings:

- The Banat Museum is hosted by the Huniade Castle;
- The Art Museum is inside the Baroque Palace;
- [Religious Art Collection of the Orthodox Metropolitan Cathedral](#) in the basement of the Cathedral;
- The Religious Art Collection of the Serbian Orthodox Bishopric inside the Serbian Orthodox Bishopric Palace;
- [The Religious Art Collection of the Romano-Catholic Bishopric](#) in the Romano-Catholic Bishopric;
- [Banat Village Museum](#), the Banat folk architecture reserve (open air museum) at the Green Forest;
- „Corneliu Mikloși” Public Transport Museum ;

- Memorial of the Revolution of 1989 Museum.

Several art galleries organize various varnishing days. Some of the cultural institutions in Timișoara are:

- Romanian National Opera House, opened in 1946;
- “Banatul” Philharmonic Timișoara, opened in 1947;
- “Mihai Eminescu” National Theatre, established in 1947;
- “CsikyGergely” Hungarian State Theatre that opened in 1953;
- German State Theatre, opened in 1953;
- “Merlin” Theatre for Children and Youth;
- Timișoara House of Culture;
- Directorate for Culture, Religions and National Cultural Heritage of the Timiș County;
- French Intitute Timișoara;
- German Cultural Centre Timișoara;
- Intercultural Institute Timișoara;
- Students House of Culture;
- Centre for Culture and Arts of the Timiș County ;
- AUĂLEU – garage and court theatre.

The multitude of events annually organised in the city have drawn the attention of Romanian and foreign tourists. Annual festivals are from these categories: music, theatre, cinema, literature, dance, fashion, arts. The most popular festivals are:

- Jazz TMT Timișoara;
- Musical Timișoara;
- Opera and Operetta Festival;
- Vest Fest;
- Timișoara’s „Ruga”;
- Festival of the Hearts;
- Timishort Film Festival;
- FEST-FDR;
- TESZT;
- StudentFest;
- PLAI;
- International literature Festival;
- International Dance Festival.

The city has specific technical-material facilities (accommodation facilities, public food services, leisure facilities) that support tourism development. The number of classified accommodation facilities in 2015, according to the National Institute of Statistics, was of 95, with a capacity of 5.277 beds.

The number of tourists arrived in Timisoara in the past five years has increased, a significant increase taking place in 2015 as compared to 2014 (table 5).

Table 5. Evolution of the number of tourist arrivals in Timișoara

Year	No. of tourists (persons)
2011	210879
2012	227546
2013	224471
2014	235692
2015	279349

Source: www.insse.ro Tempo Online, time series TUR104E, updated 19.04.2016

Counting on all these realities Timișoara submitted its candidacy to the title of European of Culture. This candidacy was supported by a complex project, made of eight chapters: „Introduction – General considerations”, „Contribution to the long-term strategy”, „European Dimension”, „Cultural and artistic content”, „Implementation capacity”, „Range of action”, „Management” and „Additional information”, and the concept they chose for the city was „Light up your city”.

The brand of a tourist destination has a significant importance as, regardless of the chosen form (logo, image, name, concept), it creates an emotional bond destination-tourist.

Taking into consideration the geographic location, the peaceful cohabitation of all inhabitants, regardless of ethnicity and religion, there were many premieres in Timișoara that lead to changes all around Europe, they considered that the message „light up your city” is adequate and of great impact.

Any spark can bring light, something new, can transform a passive mood into an active one, and change is necessary in the present European context. Culture can contribute to the acceleration of changes, it can give people the feeling of belonging to a community and the desire to shape their future.

The cultural programme for 2021 is set up like a journey with „stations – programme/project” and trails along the Bega Canal by connecting ideas, people and places. The necessary budget is 48,5 million euros, of which 20 million will be granted from the local budget of the city, 5 million from the budget of the County Council Timiș, 1,5 million from the European Commission, and the rest from the Ministry of Culture and the Romanian Government.

The designation of European Capital of Culture in 2021 engages the local authorities, the private sector, the NGOs, and especially the citizens to involvement and implementation of the project. Thus, Timișoara will become a well-known European tourist destination, and the benefits will be cultural, social and economic.

4. Conclusions

Tourism has developed annually, and tourists’ desires have changed. Choosing a destination for leisure is done according to personal motivations, but is based on emotion. Currently, tourists want to integrate into the local community and have new experiences.

Culture has always been a common language for all people, and cultural tourism has had a permanent demand, which is why the European Union supports this type of tourism.

The European Capital of Culture title awarded to cities following a competition is the recognition of the tourist potential and a chance for these cities to become well-known tourist destinations.

In 2021 Timișoara will be European Capital of Culture, and the success is due to a well-thought project that has at its core people, places and ideas. The purpose of the programme is the reestablishment of the cultural diversity, dialogue and tolerance, by reintegrating these values of Timișoara in the daily life, values that have been adapted to this century.

We hope Timișoara will become tourist destination appreciated by Romanian and foreign tourists, an example to follow, especially now in the context of the social situation in Europe.

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- SECTION REGIONAL DEVELOPMENT POLICIES –

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**REGIONAL DEVELOPMENT STRATEGIES
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EU COHESION POLICY IN CENTRAL AND EASTERN EUROPE: A COMPARATIVE ANALYSIS

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The purpose of this study is to shed light on the spending patterns and impacts of the EU Funds (2007 – 2013) in Central and Eastern European countries which are also EU Member States: Bulgaria, the Czech Republic, Estonia, Lithuania, Latvia, Hungary, Poland, Romania, Slovakia and Slovenia. With more than half of the total allocations from the European Regional Development Fund (ERDF), Cohesion Fund (CF) and European Social Fund (ESF) going to the CEE countries, the region has made important progresses in supporting development investments throughout the crisis period, but there is much room for improvement in terms of efficiency in the years to come. By far, the most important allocations went to Environment and Transport, for which almost all of the countries spent about a half of their total allocations. The most striking differences in CEE countries spending patterns are those related to the allocations for Research, Development and Innovation (RTD) and Culture and social infrastructure. Policy implications in terms of impacts on economic development and the key lessons for the future are discussed in the final part of the paper.

JEL CODE: O1, R5

Keywords: CEE countries, regional development, European Cohesion Policy, spending patterns, policy evaluation

Introduction

Central and Eastern European (CEE) countries are usually referred in the literature as the group of countries that were part of the Communist Bloc and moved to open market economies after the collapse of the Iron Curtain, in 1989-1990. Mainstream economists consider that "the transition is over" for some of the countries that joined the European Union in 2004 and 2007 and this is reflected in productivity patterns that resemble those of advanced market economies (Alam et al., 2008). The International Monetary Fund (IMF) identifies a number of distinct periods of change for the first 25 years of transition in the CEE region: initial stabilization (1990-1993), market reform (1994-1996), turmoil and recovery (1997 - 2001), the "boom" (2002 - 2007), the crisis (2008 - 2013) and the present (2014 – on-going), when CEE countries are mostly functioning market economies (IMF, 2014). So far, the countries have enjoyed strong economic growth from the reallocation of labour and capital to more productive sectors, have opened their markets to the external world and have attracted substantial flows of foreign direct investments. However, different authors point to the existence of an independent model of capitalism developed by the CEE countries, which is distinguishable by three main aspects: lack of (national) capital, weak civil society and high influence by the European Union and other international institutions (Farkas, 2011); some say the countries adopted uncritically the policies consistent first with the action lines of Washington Consensus and then with the requirements of the European Union memberships, whose effects can be seen in a convergence in growth rates, but not in a catch-up in real income terms (Podkaminer, 2013). The accession to the European Union brought in the region important flows of capital, information, people, technology and trade, but also raised local institutions and legal frameworks towards the EU standards (IMF, 2014); meanwhile, the investments associated with the EU funding in the form of structural funds and agricultural support were providential for the CEE countries in the last decade.

The purpose of our paper is to shed light on the spending patterns and impacts of the EU Funds (2007 - 2013) in 10 Central and Eastern European countries which are also

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EU Member States: Bulgaria, the Czech Republic, Estonia, Lithuania, Latvia, Hungary, Poland, Romania, Slovakia and Slovenia. Croatia was not included in the study – as it entered the EU in 2013, at the end of the programming period. The study considers the European Regional Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund (ESF), whose main objectives were: (a) to speed up the convergence of the least-developed Member States and regions, (b) to strengthen the competitiveness and attractiveness, as well as employment outside the least-developed regions and (c) to strengthen cross-border, transnational, interregional cooperation and exchange of experience (EU, 2007).

Some important remarks should be acknowledged from the very beginning of our study.

First, except from Slovenia and Czech Republic – which are "moderately developed countries", with a GDP per head between 75% and 90% of the EU average, the countries in the CEE region are less developed Member States, with a GDP per head below 75% of the EU average (Dijkstra, 2014). Consequently, since the European Cohesion policy places a particular emphasis on helping the less developed regions across Europe to undertake investment, CEE countries were the main beneficiaries of this policy (1783 euro/capita at the CEE level vs. 683 euro/capita at the EU level), but with large differences between the CEE countries (less than 1000 euro/ capita for Bulgaria and Romania vs. more than 2500 euro/ capita for Czech Republic, Estonia and Hungary). In total, the amounts allocated to the CEE region constituted more than a half of the total EU funds for 2007 - 2013 (*Table no. 1*).

Table no. 1

Basic CEE information and EU Funds 2007 - 2013

Countries (symbol)	Population (million, 2015)	GDP/capita current prices (euro/ capita, 2015)	Cohesion policy allocations (2007 - 2013)	
			(million euro)	(million euro/ capita)
Bulgaria (BG)	7,2	6300	6853	951
Czech Republic (CZ)	10,5	15800	26692	2542
Estonia (EE)	1,3	15400	3456	2658
Latvia (LV)	1,9	12300	4620	2431
Lithuania (LT)	2,9	12800	6885	2374
Hungary (HU)	9,8	11000	25307	2582
Poland (PL)	38	11200	67284	1770
Romania (RO)	19,8	8100	19668	993
Slovenia (SI)	2	18700	4205	2102
Slovakia (SK)	5,4	14500	11588	2145
Central and Eastern Europe (CEE)	99	12610	176558	1783
European Union (EU)	508	28800	347410	683

Source: Eurostat 2016 (demo_pjan), (nama_10_pc); EU (2007)

Second, it should be pointed here the fact the for CEE countries it was no legal obligation to earmark expenditure, so the countries established their logic of intervention through the National Strategic Framework Programmes. The great majority of the regions in the CEE countries were eligible under the Convergence Objective, whose aim was to improve conditions for growth and employment, to increase the quality of investment in physical and human capital, the development of innovation and of the knowledge society, the adaptability to economic and social changes and the quality of environment and administrative efficiency (Council Regulation EC No. 1083/2006). Given their lagging status, CEE countries had multiple choices for investments in the areas of socio-economic weakness, as they all faced – to different degrees - underdeveloped transport infrastructure,

low levels of labour productivity, shrinking populations, low performances in innovation, high energy consumption, high rates of poverty and social exclusion, high regional polarization and uneven development, severe labour shortages etc. (Dijkstra, 2014). Accordingly, CEE countries established their priorities in line with their development needs and set different targets for the investments, as follow:

- to increase GDP growth rate (Bulgaria, Latvia, Slovenia, Romania), the GDP per capita (Poland), to attain the economic level of the EU/ most advanced countries (Czech Republic, Slovakia), to raise the production levels of enterprises (Hungary), to stimulate research investments by companies (Estonia) and to raise research and development expenditure (Lithuania, Latvia, Poland, Czech Republic);
- to create new jobs (Bulgaria, Hungary), increase employment rates (Estonia, Lithuania, Latvia, Poland, Czech Republic, Slovakia, Slovenia, Romania), to lower unemployment rates (Latvia) and to increase participation to education (Latvia);
- to increase the length of motorway and railway infrastructure (Poland), to invest in new or renovated roads (Romania), to raise internet – connected households (Estonia);
- to improve recycling rates of solid waste (Estonia), to increase the proportion of citizens with wastewater management services (Latvia), to keep primary energy consumption at lower levels (Estonia), to increase the share of renewable energy use (Poland).

(Source: EU, 2008)

Third, it is useful to highlight from the start the lack of administrative capacity and experience in dealing with European funds, especially for Romania and Bulgaria, as 2007 - 2013 was their first multi-annual programming period within the European Union. As a result, after the first seven years of implementation (end of 2013), the CEE countries contracted altogether 97% of their budget, but the average payment ratio was of only 63%, the largest differences between contracted and paid grants having been observed in Romania (67%) and Bulgaria (68%) (KPMG, 2014). However, with the n+2/ n+3 extensions from the EU, CEE countries raised their payment ratios to more than 90% by the end of 2015, with Hungary, Lithuania and Slovenia being the best performing countries and Romania and Bulgaria the worst ones (KPMG, 2016).

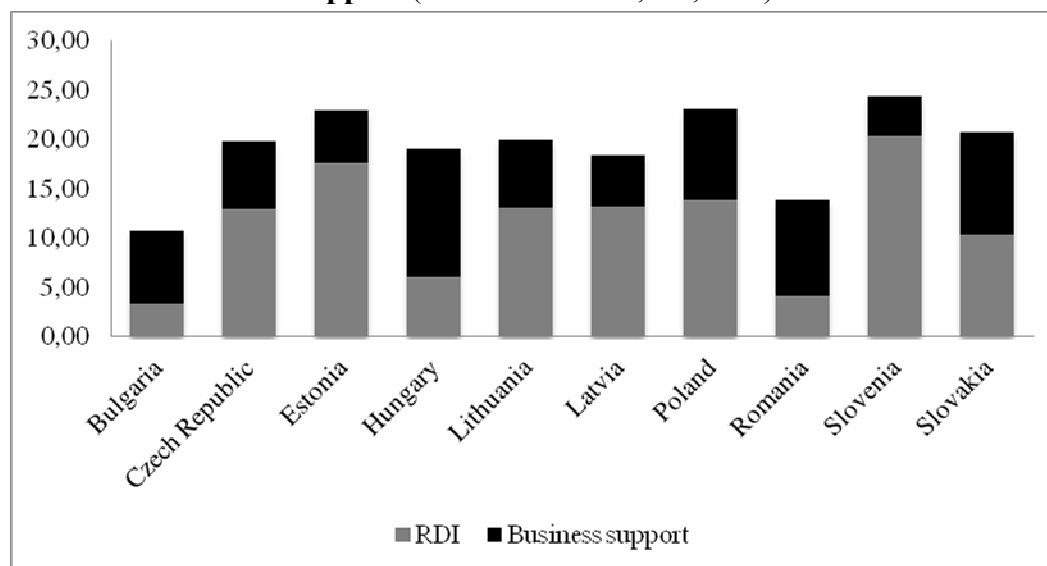
In line with these remarks, our paper goes "beyond the absorption" debate and compares the total spending and results of the EU Cohesion Policy in the CEE region by four broad spending categories, namely: (1) Research, Development & Innovation and Business Support; (2) Environment and Transport; (3) Culture, social infrastructure and urban development; and (4) Human Capital and Institutional Capacity. We are particularly interested in finding out if the intervention logic was significantly different within the CEE region (**Part 2**). Policy implications in terms of impacts on economic development and the key lessons for the future are discussed in the final part of the paper (**Results and Conclusions**).

2. Spending patterns of EU funds in CEE countries (2007 - 2013)

2.1. RDI and Business Support

CEE countries have spent about 20% of their total allocations from ERDF, CF and ESF for support to enterprises and RDI, with large variations between the less developed countries (Bulgaria and Romania) and the moderately developed ones, i.e. Slovenia. At the same time, large variations can also be found between the allocations to RDI and support to enterprises, with Slovenia being the leader for investments in RDI and Hungary for business support (*Figure no. 1*).

Total spending for Research, Development & Innovation (RDI) and Business support (% of total ERDF, CF, ESF)



Source: Own computation based on data from *Ex-post evaluations of ERDF & CF and ESF* (EC, 2016a and 2016b) and Country factsheets (EC, 2016d and EC, 2016e)

These figures should be analysed in a wider context, while taking stock of the characteristics of the productive and innovative environments in the CEE region. We should therefore acknowledge the fact that all the countries face longstanding structural difficulties and have very low performances for innovation: except for the capital regions in Slovenia and Slovakia, all the other parts of the CEE are moderate or modest innovators, according to the Regional Innovation Scoreboard 2016; moreover, the regional performance in innovation follows a decreasing trend, given the preference of CEE countries for adopting technologies developed elsewhere and not by themselves (Hollanders et al., 2016). To this we can add the fact that Structural funds often represented the only source of funding for industrial policies in the EU12 (CEE countries plus Cyprus and Malta), as compared to the EU15 - where the proportion of national state aid was much higher – so that this type of support was also meant to counterbalance the sharp decline in governmental expenditure in a period of severe economic crisis (EC, 2016c, WP2).

In what concerns the support to SMEs, the main achievements reported refer to the creation of about 300000 new jobs and to significant investments in new machinery and equipment - that have lead to improvements in production and labour productivity. SMEs were given a very high priority in Hungary, where the number of new jobs created – more than 100000 – was higher than in any other country in the region; at the other end of the spectrum – Slovenia concentrated its investments in innovation and RDI projects, while encouraging mostly the new and growing businesses. In addition, the support offered through financial instruments (loan guarantees, subsidized interest rates, guarantees, venture capital etc.) had a positive effect on investments, thus reducing the difficulties of SMEs to access finances and to overcome the constraints they faced on the capital markets during the crisis. Among the CEE countries, the Czech Republic, Hungary and Poland also devoted high shares of funds to the large enterprises, be it for technological upgrading, for investments in large-scale projects or for increasing employment in less developed regions and these investments proved to be very successful in increasing employment and stimulating job creation (EC, 2016a; EC, 2016d).

Strengthening the RDI profile of the CEE region was one of the most important targets for Cohesion policy 2007 – 2013, as it was meant to deliver the main objectives of Lisbon Strategy and Europe 2020: to turn Europe into "the most competitive and dynamic knowledge – based economy in the world" or, to transform it into a "smart, sustainable and inclusive" economy. To this end, the CEE countries supported about 10000 new RTD projects (of which about 3900 in Hungary) and created about 15000 new research jobs, of which more than 12000 of in Poland, the Czech Republic and Hungary; these countries were also the leaders in promoting the collaboration between SMEs and research organizations through financing cooperation projects (EC, 2016a; EC, 2016d). Unfortunately, as shown before, the position of CEE countries in the Regional Innovation Scoreboard 2016 did not improve, but deteriorated, and this situation was attributed to a lack of strategic concentration of funds, which reduced the expected effects of investments. On the one hand, we should acknowledge here the very low allocations to RDI and innovation by Romania and Bulgaria, but also some other weaknesses in the implementation of funds in the CEE region, such as the lack of a coherent business strategy at the regional level, a concentration of RDI projects in the most developed regions or the fact the some enterprises were supported multiple times (EC, 2016a; EC, 2016d). However, many of the effects of investments in RDI and innovation are long-termed, so they may become visible in the years to come.

Some best practices in using the funds for business support, RDI and innovation are available all across the CEE region, such as the creation of a state-of-the-art facility for research in the field of nuclear physics (ELI: Extreme Light Infrastructure), which is hosted in the Czech Republic, Hungary and Romania, the establishment of some major research centres that deal with biomedical and health research, advanced materials and nanotechnologies, electronics and supercomputers etc. or the setting up of new pioneering plants and production lines to boost employment and innovation (DG Regio, 2016).

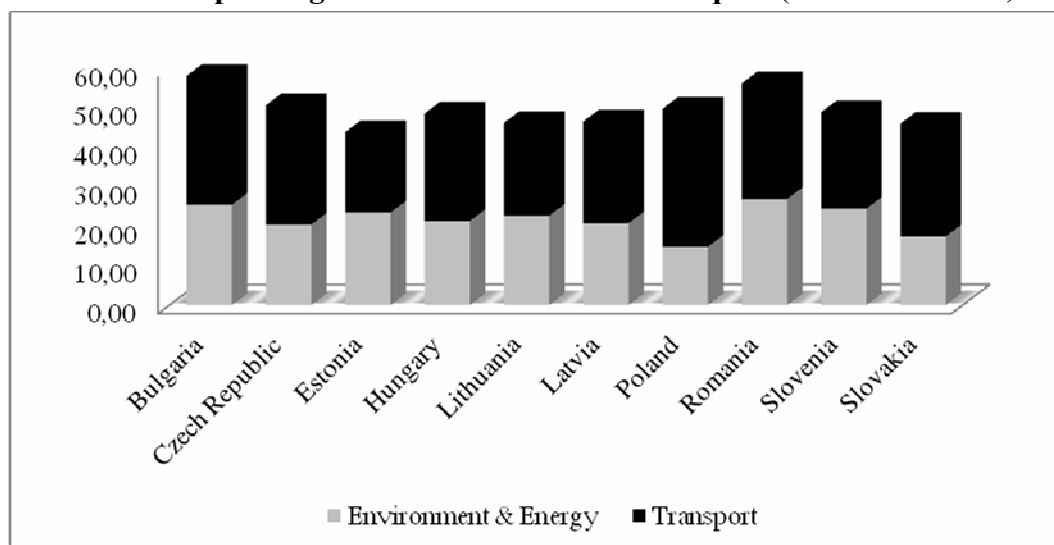
The evaluations carried out so far show there is still much room for improvement to tackle obstacles to growth and innovation through Cohesion Policy funds. On the one hand, the logic of intervention should be more clearly oriented towards final, not intermediary aims – e.g. to increase productivity, sales and export vs. to increase the main production factors: capital, labour, R&D capacity (EC, 2016c, WP2). On the other hand, to improve cost-efficiency, policy-makers are expected to encourage risk-taking attitudes for a larger number of actors and to reinforce behavioural changes, thus eliminating the "deadweight" element in the funding provided (Dijksta, 2014). Not last, concentrating investments on thematic priorities and on cooperative, not individual projects is a condition imposed by the European Union to meet the prerequisites of smart specialization and smart growth for each European place or territory.

2.2. Environment and Transport

The investments in environmental systems and transportation had by far the highest shares in the total allocations of 2007 – 2013 period and they accounted together for more than a half of the total spending from of European Structural Funds in Central and Eastern Europe (*Figure no. 2*).

Figure no. 2

Total spending for Environment and Transport (% of total ERDF, CF, ESF)



Source: Own computation based on data from *Ex-post evaluations of ERDF & CF and ESF* (EC, 2016a and 2016b) and Country factsheets (EC, 2016d and EC, 2016e)

Investments in environment and energy were connected with water supply, water and waste management, air quality, pollution prevention, climate change mitigation, rehabilitation of physical environment, protection of biodiversity, support for sustainable production patterns, improvement of energy efficiency and development of renewable energies etc. (EU, 2007). The most important achievements are those related to a significant shift in the disposal of waste from landfill towards recycling, in line with the EU legislation, especially in the Czech Republic, Hungary, Lithuania, Poland and Slovenia, where the proportion of waste being recycled increased by over 10 percentage points (EC, 2016a). As such, Central and Eastern European Countries have built biological treatment facilities for waste and wastewater, developed waste collection and management centres, upgraded the sewerage capacity, closed the landfills, improved the supply of clean water, improved the energy use in residential and public buildings, created additional capacity for energy production – especially for renewable energy etc. Despite huge investments, the evaluations indicated that many projects were still in progress at the end of the financial framework (EC, 2016d) and the EU objectives for waste management are still far from being realized, especially in the case of Romania and Slovakia, where the percentage of municipal waste recycled is less than 5%. In the case of energy, the allocations were much smaller and the evaluations have pointed to the generalized lack of strategic planning, the weak coordination between the national, regional and local level policy making and to the need of complementing financial support by non-financial measures, such as energy audits, certification schemes and building regulations (EC, 2016c, WP6).

Transport investments were intended to improve the trans-European networks and the links to the TEN-T network, so as to promote the access to and quality of passenger and good services, to achieve a more balanced modal split and to reduce the environmental impacts (EU, 2007). In total, Central and Eastern European Countries have built about 3500 km of new roads – of which more than half in Poland – and about 900 km of new TEN-T railroads, of which about half in Bulgaria and the Czech Republic (EC, 2016c, WP5). The focus was on the road infrastructure and some major success stories in transport systems are those related to the construction of motorways (e.g. Trakia Motorway in Bulgaria, Cernavoda – Constanta and Sibiu - Orastie Motorways in Romania, Torun –

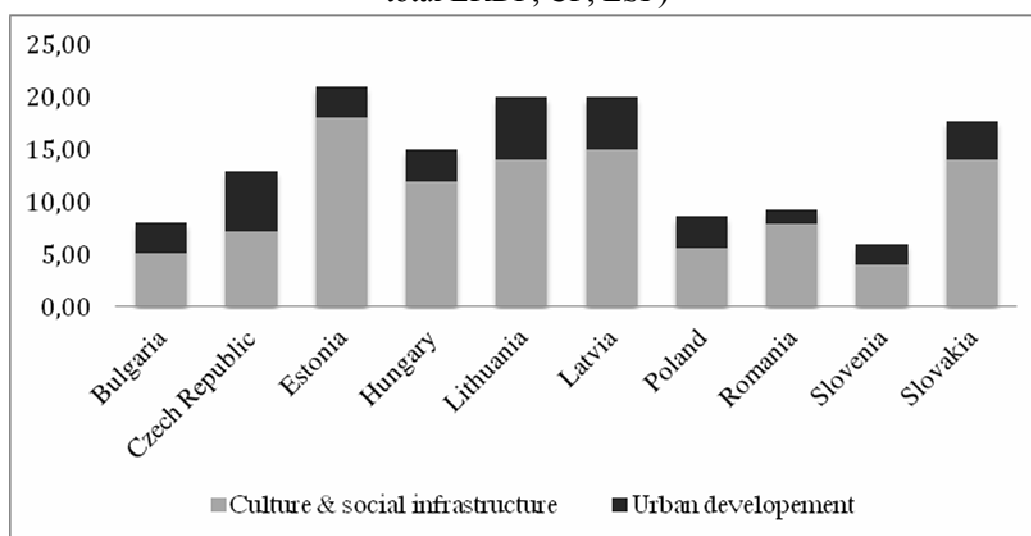
Lodz Motorway in Poland etc.), the modernization and upgrading of urban networks through metro systems, new tramlines etc. or the construction/ improvement of rail connections, airports and ports (DG Regio, 2016). The results were much better in those countries where European investments were complemented by national investments - not only for co-financing and where important savings were made during the tendering process (i.e. Bulgaria, the Czech Republic). At the same time, a number of major weaknesses can be observed that include important delays and difficulties in implementing transport projects, no plans for the coverage of maintenance costs or a low attention paid to regional interconnections due to the focus on TEN-T projects (EC, 2016d). Despite these difficulties, it is certain that without the support offered by the EU Cohesion policy, all these investments would have been impossible, even more as the financial framework for 2007 – 2013 overlapped with the economic crisis and with the dramatic decrease in public investments.

2.3. Culture, social infrastructure and urban development

Figure no. 3 points out that the allocations for culture and social infrastructure in the period 2007-2013 were significant in Baltic countries, Slovakia and Hungary, given the very high investments in healthcare and educational facilities. At the same time, together with the Czech Republic, Baltic countries stand out by allocating more substantial funds to urban development compared to the other countries in the region, i.e. to Romania and Slovenia (Figure no. 3).

Figure no. 3

Total spending for Culture, social infrastructure and Urban development (% of total ERDF, CF, ESF)



Source: Own computation based on data from *Ex-post evaluations of ERDF & CF and ESF* (EC, 2016a and 2016b) and *Country factsheets* (EC, 2016d and EC, 2016e)

Culture and tourism are very complex branches and the EU investments in these areas were meant to support socio-economic development, enhance regional attractiveness and promote social inclusion, especially in Convergence regions (EU, 2007). Preserving the cultural heritage and developing cultural infrastructure were the main rationales for the support offered to the *cultural* field, while improving tourist services, protecting natural assets, developing specialized touristic products and investing in individual hotels and restaurants were the targets for the interventions in the *tourism* field. On the whole, culture and tourism were not accorded high priority in Central and Eastern Europe and only few countries viewed culture and tourism as being interrelated: for example, in Poland, culture

has been viewed as a pull factor for the development of tourism and the investments in the construction of the Opera and Philharmonics in the eastern part of the country were meant to attract new tourists and to increase country's attractiveness; similarly, Baltic countries supported the cultural sector (arts, entertainment etc.) as a mean to improve their touristic offer, which is one of the most important growth factors in the region. As a direct result of ERDF support, Central and Eastern European Countries created new jobs (the Czech Republic, Poland, Lithuania, Slovakia, Slovenia), strengthened social cohesion, reduced regional disparities etc. (EC, 2016d). Unlike the more developed countries, Central and European Countries were primarily concerned with physical investments (given their different initial situation) and addressed more the objectives related to social cohesion than those related to innovation and economic diversification (EC, 2016c, WP9).

Investments in *social infrastructures* (education, health, childcare, housing etc.) were expected to contribute to regional and local development and increasing the quality of life (EU, 2007). In almost all the countries, the bulk of investments went to healthcare facilities (sanitary equipment, medical machinery, purchase of ambulances, development of specialized out-patient care etc.) and education establishments (construction, modernisation and equipping of schools) and to a little extent to children centres and other forms of social infrastructure. Substantial budgets were allocated to social infrastructure by Hungary, which expected a "country-wide renewal of the healthcare" and by Slovakia, whose allocation per capita were around five times higher than the EU average; similarly, in Baltic countries, per capital allocations exceeded 200 euro (EC, 2016d).

ERDF support to *urban development* took the form of integrated territorial investments and was expected to meet the challenges typical of urban areas, but also to create links between urban and rural areas, i.e. through the rehabilitation of physical environment, brownfield development, provision of improved public services, creation of urban networks and urban-rural linkages. The main achievements in Central and Eastern Europe were related to the drafting of integrated plans and strategies for urban development (i.e. the Czech Republic developed *Integrated Plans for Urban Development* for all cities with more than 50000 inhabitants) and to some infrastructure improvements (i.e. creation of sport and leisure facilities, public places etc.) (EC, 2016a). However, the allocations for integrated urban development differed significantly between countries, with Romania and Slovenia having been at the lower end of the spectrum (EC, 2016c, WP10).

When estimating the final outcomes of investments in culture, tourism, social infrastructure and urban development, it is important to note the fact that the evidence on achievements from the investments is scarce: most of the indicators used in practice for these fields were those related to the number of projects carried out, which did not convey the real impact (Dijkstra, 2014). So far, EU Commission's evaluations have acknowledged the weak indicator system, but put forward some "drivers of success" to be considered by the Central and Eastern European Countries in the years to come: to keep the focus on *integrated strategies*, where *integration* is conceptualized as the involvement of local actors and the establishment of target groups and to focus more on softer and more bottom-up interventions, after they have filled in the gaps in physical infrastructure (EC, 2016c, WP10).

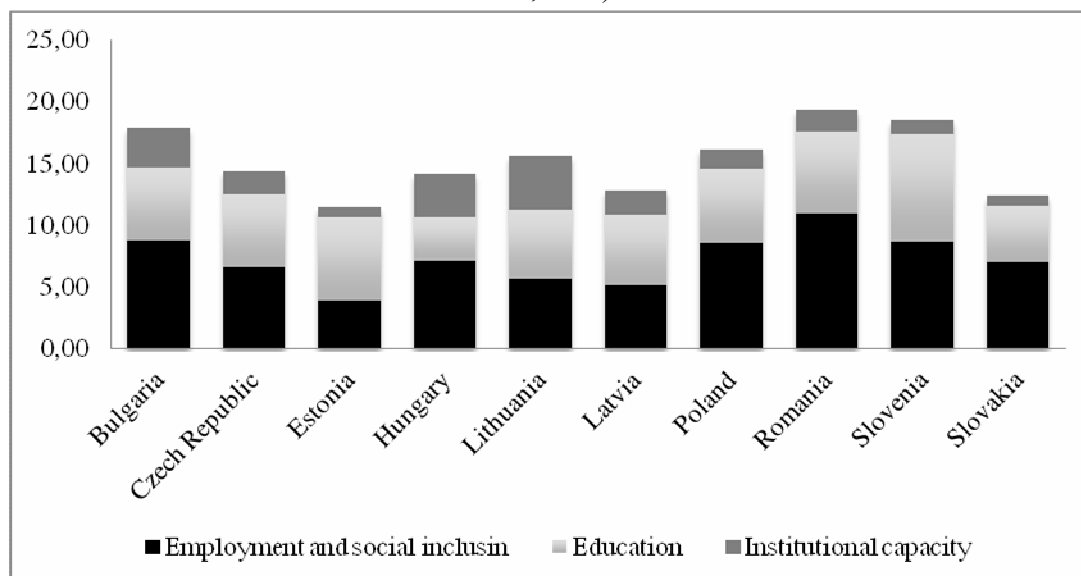
2.4. Human Capital and Institutional Capacity

Unlike the previous categories of expenditure, the investments in human capital and institutional capacity were financed through the European Social Fund, whose objectives for 2007 – 2013 were to support the adaptability/ mobility of workers and enterprises, increase access to employment, reinforce social inclusion, improve investments in education and lifelong learning systems and strengthen the efficiency of administration

(EU, 2007). Within the Central and Eastern European region, Romania, Bulgaria and Slovenia have assigned the highest shares of their total allocation to the purposes mentioned above (*Figure no. 4*).

Figure no. 4

Total spending for Human Capital and Institutional Capacity (% of total ERDF, CF, ESF)



Source: Own computation based on data from *Ex-post evaluations of ERDF & CF and ESF* (EC, 2016a and 2016b) and *Country factsheets* (EC, 2016d and EC, 2016e)

The results of the interventions supported through the European Social Fund are impressive in terms of participation: out of the 33 million participants in ESF in Central and Eastern European countries, about 2 million are reported to be in employment directly or after the intervention and around 4 million received a qualification, of which more than half in the Czech Republic. About 2,8 million persons reported another positive result, such as improving skills and competences or successfully completing the intervention (EC, 2016b). Member States' evaluations show that the ESF was instrumental in reaching new target groups, such as Roma and ethnic minorities, pupils with special education needs and disabilities, people not in employment, education or training (NEETs), young and old people and other vulnerable groups; at the same time, the support offered to entrepreneurship in its many forms (e.g. self-employment, social entrepreneurship) was vital to increasing employment, while the support offered to the educational sector contributed significantly to progress in reforms, introduction of innovative approaches and improved strategies for linking education to the labour market. Nor last, the introduction of new products (e.g. online administrative services), procedures and audits was a strong mean to optimise the work of administration and the fact that the ESF investments represented more than half of the total expenditure on active labour market policies in Central and Eastern Europe offered significant volume effects, but also increases in the range and quality of policy measures (EC, 2016e).

In terms of efficiency, the average cost per participation in ESF interventions varied greatly across the countries and across the interventions, from about 300 euro in the Czech Republic to more than 1200 euro in Romania, with the costs for Access to Employment and Social Inclusion being much higher than those for Human Capital (EC, 2016a). The effectiveness of implementation was largely impacted by the relatively slow implementation of the programmes, the delays due to the lack of adequate legislation, the changes in the external environment or the bureaucratic procedures for application,

evaluation and reporting (EC, 2016e). Despite these drawbacks, the clearest socio-economic effects were at the micro level, as significant parts of the population were reached by the intervention and improved their position on the labour market, but also at the meso-level, where important reforms of the institutions took place during this programming period (better regulation, introduction of quality systems, improved financial management and policy planning etc.). At the macro level, several achievements can be also highlighted, such as an increase in the employment rate through the creation of jobs and the stimulation of entrepreneurship, the improvement of education and labour market indicators or the decrease in the rates of people at risk of poverty (EC, 2016a). However, the evidence is scarce in relation to some important impact indicators for all Central and Eastern European Countries (e.g. the productivity levels of the employees that were trained through ESF programmes, the changes in the attitudes of employers in relation to the disadvantaged groups etc.) and the current system of indicators should be revised and linked more to the long-term strategic goals.

Results and conclusions

From the official position of "Friends of Cohesion", Central and Eastern European countries were the main net beneficiaries of the Cohesion Policy 2007 – 2013 in the European Union and this paper has highlighted the many benefits of investments in R&D, business support, infrastructure and environment, urban development or human capital. Our aim was to compare the spending patterns of European Structural Funds 2007 – 2013 in Central and Eastern European countries and to find out if, in the absence of a legal obligation to earmark expenditure, the logic of intervention was substantially different across the countries. To this end, we computed the standard deviations within each category of expenditure and distinguished the low priority (L) and high priority (H) areas by subtracting, respectively adding standard deviation to the average scores in each area of intervention, in a comparative perspective (*Table no. 2*).

Table no. 2

Spending patterns of European Structural Funds 2007 – 2013 in Central and Eastern Europe

Country	RDI	Business support	Environment & Energy	Transport	Culture and social infrast.	Urban development	Employment & Social incl.	Education	Instit. capacity
Bulgaria	L		H	H	L				H
Czech Republic						H			
Estonia	H			L	H		L		L
Hungary	L	H						L	H
Lithuania				L		H			
Latvia					H	H			
Poland			L	H	L				
Romania	L		H			L	H		
Slovenia	H	L			L			H	L
Slovakia			L					L	
<i>Stdev</i>	<i>5,601</i>	<i>2,742</i>	<i>3,688</i>	<i>4,403</i>	<i>4,897</i>	<i>1,531</i>	<i>2,720</i>	<i>1,349</i>	<i>1,864</i>

L = low priority area (< mean minus standard deviation)

H = high priority area (> mean plus standard deviation)

Source: Own computation based on data from *Ex-post evaluations of ERDF & CF* and *ESF* (EC, 2016a and 2016b) and Country factsheets (EC, 2016d and EC, 2016e)

By far, the most striking differences in the spending patterns are those related to the allocations for RDI (standard deviation = 5,601), culture and social infrastructure (standard deviation = 4,897) and transport (standard deviation = 4,897), while some similarities can be observed in the logic of intervention for education, urban development and institutional capacity. Within the region, Slovenia and Estonia seem to be the countries with the most different profile, as they both invested more in Research, Development and Innovation and thus lowered the allocations for other categories. Further, Bulgaria, Hungary and Romania are all belonging to the group of countries that invested less in RDI, but more in business support, environmental infrastructure and institutional capacity, while Poland preferred the investments in transport more than those in environmental and social infrastructure. The Czech Republic, Slovakia, Latvia and Lithuania are the countries that fit best the median profile of investments in Central and Eastern Europe.

When looking behind the immediate results to impacts in terms of added value or contributions to growth and development, some points should be considered in advance. First, Cohesion Policy in itself has been accused for some major weaknesses such as the deficit in strategic planning in adopting territorial perspectives, a lack of focus on priorities and results and an obsessive attention paid to financial absorption and irregularities (Barca, 2009). Second, the majority of macroeconomic analyses and econometric studies focusing the impact of EU Cohesion Policy found a positive, but small impact on growth in less developed parts of the EU (EC, 2016a), as much as many impacts are expected to be long-termed (not visible yet) and the evaluations do not show if the outcomes might have occurred without the financial support provided (Dijkstra, 2014). Third, when looking for impacts, one should also consider some inherent risks of large-scale financial transfers, such as the crowding-out of productive private investments or the emergence of rent-seeking behaviours (Varga and Veld, 2011).

The macroeconomic models estimating the impact of ERDF and CF on GDP suggest that in 2015, the GDP was around 4,1% higher in Central and Eastern Europe, with the highest values for Hungary (+5,3%), Latvia (+5,1%) and Poland (+4,3%) and that the impact is expected to increase steadily overtime (EC, 2016c, WP14a); in the meantime, based on macroeconomic simulations, the ESF investments are estimated to have had a positive impact on GDP in Central and Eastern European countries (+1,5%), which is much higher than for the EU level (+0,25) (EC, 2016b). Similarly, the estimates of the Rholmo model show that the contribution of cohesion policy was more important to the economies of the less developed regions, considering the fact that they were the main beneficiaries of funding (EC, 2016c, WP14b). Not last, we should also point to the fact that European Structural Funds represented a major source of finance for Central and Eastern Europe, representing about 50% of government capital investments in the region (EC, 2016c, WP1)

Beside the quantitative results, many expected an increase in the influence of local actors in regional development and a change in territorial relations as a result of Cohesion policy, but existing evidence shows that there is no guarantee that the Structural Funds promote regionalisation in the CEE region (Bachtler and McMaster, 2007). This is explained by the fact that the tradition of centralisation still exists across the CEE member states and regional institutions are generally weak and lack capacity and resources. So far, the EU Cohesion Policy brought some changes in policy planning (i.e. regional policy objectives, instruments, territorial focus) and governance (i.e. the principles of partnerships and multi-level governance), but the pre-existing trends of centralization are still influential (Ferry and McMaster, 2013). With a view to the future, Central and Eastern European countries will be required to follow the thematic shifts in funding established through the

Financial Framework 2014 – 2020 and to increase their allocations to RDI, support to enterprises, employment and education, while reducing their infrastructure spending on environmental protection and transport (Gorzela, 2015). To turn their vision for socio-economic development into reality, these countries should go beyond the absorption debate and foster their competitive advantages through more growth-driven investments.

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WP2: Support to SMEs – Increasing research and innovation in SMEs and SME development

WP5: Transport

WP6: Environment

WP9: Culture and tourism

WP10: Urban development and social infrastructure

WP14a: The impact of cohesion policy 2007-2013: model simulations with Quest III

WP14b: The impact of cohesion policy 2007-2013: model simulations with Rhomolo

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REGIONAL DETERMINANTS OF FOREIGN DIRECT INVESTMENTS IN ROMANIA. A SPATIAL ERROR MODEL

Zizi Goschin¹

Abstract

Considering the well documented significance of investments for the regional economic development, this paper explores the underlying factors that drive FDIs' behaviour in Romania, at county level, in the year 2014. The empirical analysis employed a variety of statistical methods, focusing on the detection of the potential spatial dependence among counties and subsequent use of spatial econometric models able to account for such autocorrelation. The analysis revealed that well developed counties, having large innovative potential, stronger entrepreneurial spirit, better human capital and a higher degree of specialization are the most attractive locations for new foreign direct investments.

Keywords: *FDI determinants, spatial model, county, Romania.*

JEL Classification: R19, J21, J64

1. Introduction

Economic theory and empirical research credit foreign direct investments (FDIs) as an essential driver of technological progress, creator of new jobs, source of larger trade flows, and provider of new business opportunities, all translating into increased economic growth. Under these circumstances, it is obvious that all countries and regions make efforts to stimulate the investment inflows. In Romania, despite some temporary downward fluctuations in the context of the recent economic crisis, the overall volume of foreign direct investment stock grew constantly over the past two decades. However, only few regions and even fewer local firms benefited substantially from such FDIs flows. From a territorial perspective, the Romanian FDIs picture is very unbalanced, with Bucharest-Ilfov Region getting above half of these investment stocks.

There is already a wealth of empirical literature on regional determinants and effects of FDIs in Romania (e.g., Danciu et al, 2010, 2011, 2012a and 2012b; Constantin et al, 2012; Nistor, 2012; Popescu, 2012; Goschin et al., 2013; Popa and Gavril, 2014; Dornean and Oanea, 2015; Radulescu et al, 2016, etc.) using various statistical indicators and methods such as multidimensional regional rankings, OLS regressions models, panel data models, etc.

Since empirical investigations on this topic require statistical methods adapted to the regional scale of the analysis, I seek to substantiate the regional picture of FDIs in Romania by using more appropriate spatial analysis tools. Consequently, this paper brings two elements of novelty. Firstly, it captures the post-crisis economic context, which could reveal new factors of influence on the FDIs, given that not all counties have entirely recovered from the economic downfall. Secondly, the empirical analysis is undertaken by means of specific spatial analysis techniques, such as spatial autocorrelation measures and spatial econometric models, never used in previous research on regional investments in Romania.

The rationale for this research is the need to explore the current situation of territorial variation of FDIs in Romania, marked by incomplete recovery of economic activity after crisis, in order to provide new data for policy-makers. By reaching a spatial insight into this actual topic, I fill a gap in the existing literature on regional dimension of FDIs in Romania.

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2. Literature review

Extensive empirical research on FDIs found a large range of determinants, from macroeconomic factors (exchange rates, taxes and tariffs, market size, country risk, trade flows, etc.), knowledge-capital factors (human capital, R&D expenditure and performance, patents), public goods (such as infrastructure, institutions well-functioning and corruption), to location factors such as geographic distance or cultural differences (Blonigen, 2005; Reschenhofer et al, 2012). Research focused on transition economies in CEECs indicated low wages and skilled workforce as main attraction factors, while also pointing to economic reforms, macroeconomic stability, R&D, privatization and trade liberalization as likely determinants (Lansbury et al., 1996; Riker and Brainard, 1997; Garibaldi et al., 2001).

Benacek et al (2000) suggested that market size and growth potential are the primary determinants, while labour costs in a certain country relative to other transition economies are significant when choosing the precise location within the CEEC region. Many studies point to regional market size as a significant factor for the FDI decision because it reflects the local demand (Taylor, 2000; Benacek et al, 2000; Chakrabarti, 2003; Reschenhofer et al, 2012). Most empirical studies are currently using GDP per capita as proxy for market size, a common alternative being population (Bagchi-sen and Wheeler, 1989). The regional enterprise and population density, as proxies of agglomeration economies (He, 2002) represent another potential attraction factor to both domestic and foreign investments (Driffield and Munday, 2000) given the positive externalities and production facilities associated with spatial concentration of economic activities. As expected, profitability is dependent on the existence of a good infrastructure, another significant factor to be considered in the investment decision (Blonigen, 2005; Bagchi-sen and Wheeler, 1989). R&D potential and performance weight heavily in the locational decision of knowledge-seeking foreign investor (Lansbury et al, 1996; Jensen, 2004). R&D indicators are also relevant for the human capital in a region, another important factor of influence for FDI flows.

As regional inequalities became increasingly visible in Romania, studies on the causes, effects and magnitude of the economic disparities begun to emerge, followed relatively recently by empirical research identifying the highly regionally uneven FDIs as one of the main determinants. FDIs territorial distribution in Romania faces the problem of severe imbalance. For instance, Danciu et al (2011) ranked the Romanian regions according to their FDI stocks, showing the domination of the Bucharest-Ifov region, placed on the first position, followed at a long distance by the West and North East regions. The authors stressed that the highly unbalanced regional development, the economic decline of most small and medium size towns, as well as the severe negative impact of economic restructuring upon mono-industrial areas lead to even bigger disparities inside the regions. Moreover, FDI seems to deepen the regional development gaps in Romania (Nistor, 2012; Goschin et al., 2013).

Empirical evidence in Romania suggests that investment incentives such as low labor costs, large human capital, good education and high skills, as well as low income corporate tax may have a powerful influence in attracting FDI inflows (Danciu et al, 2010, 2011, 2012a and 2012b; Constantin et al, 2012; Nistor, 2012; Goschin et al., 2013). Some studies also highlighted factors that hinder investments, such as the low quality of the infrastructure (Radulescu et al, 2016).

Using a panel data analysis at regional level, over a period of constant economic growth (2001-2008), Goschin et al. (2013) showed that the regions that reached a critical investments mass are able to further attract more investments, benefiting from agglomeration economies. In addition, higher market size (measured by GDP/capita), agglomeration (population density) and the technological level of production (proxied by employment in knowledge-intensive services and R&D expenditure of business enterprise sector) are significant factors of attraction for bigger new regional investments in Romania.

Dornean and Oanea (2015) found that human capital and economic stability has had the highest impact on regional FDIs over the period 2006-2012, while Danciu et al. (2010) indicated that the unfolding of privatization process, the economic growth cycle, labor cost, education and infrastructure are the main determinants of regional FDI distribution. Moreover, the minimum level of FDI is recorded in regions where agriculture is predominant.

Several studies pointed to economic growth as a factor bearing strong positive influence on the FDIs level in Romania (Pauna and Dumitrescu 2005; Pelinescu and Rădulescu 2009; Dornean et al., 2012). In the same register, scholars analyzed the downward impact of the recent economic crisis on FDIs inflows in Romania (e.g., Popescu, 2012; Popa and Gavril, 2014).

In sum, past studies on regional FDI patterns in Romania confronted questions of investment incentives, territorial distribution, economic growth effects and decline during the recent economic and financial crisis. This paper aims at bringing new insights on these issues in the post-crisis economic framework.

3. Methodology, variables and data

This paper undertakes a county-level research on FDI stocks in Romania, using specific methods of spatial analysis, in addition to descriptive statistics and classic regression models.

Firstly, a classic regression model is employed for estimating the influence of various likely determinants of regional FDI in Romania (see Table 1 for the list of variables), as follows:

$$FDI_i = a + \sum_k b_k X_{ki} + \varepsilon_i \quad (1)$$

where X_k are the regressors and ε is the error term.

Considering that neighbor regions often tend to share common characteristics, I will test for spatial dependence in FDIs location by employing Moran's I indicator (Anselin and Rey, 1991):

$$MI = \frac{n \sum_{i=1}^n \sum_{j=1}^n w_{ij} (x_i - \bar{x})(x_j - \bar{x})}{(\sum_{i=1}^n \sum_{j=1}^n w_{ij}) \sum_{i=1}^n (x_i - \bar{x})^2} \quad (2)$$

where x_i and x_j represent the FDIs stock per capita in the regions i and j respectively, \bar{x} is the average FDIs stock per capita, and w_{ij} represent spatial weights capturing the "spatial influence" between county j and county i . The spatial matrix used in this paper is a first-order queen contiguity matrix, i.e. $w_{ij} = 1$ if regions i and j are neighbours and $w_{ij} = 0$ otherwise. Moran's I ranges from -1 (perfect dissimilarity among neighbours) to $+1$ (perfect similarity), while the null value corresponds to random spatial distribution of values. The permutation test will be further applied to validate the statistic significance of the Moran's I (Anselin and Rey, 1991).

If spatial dependence is confirmed, it should be corrected using the appropriate spatial model (Anselin, 2005; LeSage and Pace, 2009). To this aim two main types of spatial models are going to be tested: The spatial autoregressive model is including the

spatial lag of the dependent variable ($\rho \sum_j w_{ij} FDI_j$) in the previous classic model specification:

$$FDI_i = a + \sum_k b_k X_{ki} + \rho \sum_j w_{ij} FDI_j + \varepsilon_i \quad (3)$$

while the spatial error model accounts for spatial dependence in the error term, as follows:

$$FDI_i = a + \sum_k b_k X_{ki} + (\lambda \sum_j w_{ij} \varepsilon_j + v_i). \quad (4)$$

I will finally choose the appropriate model for our data according to the value of Lagrange multiplier test.

The selection of the variables is based on theoretical considerations and empirical studies, balancing data requirements with data availability. Since regional official statistics are scarce, the list of regressors is limited to GDP, R&D, Entrepreneurship, Human capital, specialization, urbanization and industrialization rates (see Table 1 for description of the variables). Unfortunately, the last two variables, namely urbanization rate (the share of urban population) and the industrialization rate (employment in industry relative to total employment) didn't provide valid estimations and consequently have been rejected from the final specification of the model. The county FDIs stock, rather than FDIs inflows, has been preferred as dependent variable of the model, based on empirical studies showing that it has a more stable relationship with the investment determinants (Reschenhofer et al, 2012).

Table 1. The variables in the FDIs determinants models

Variable name	Description	Data source
FDIs	The foreign direct investments stock per capita (Euro)	The National Trade Register Office and own computations
GDP	Gross Domestic Product per inhabitant (Euro)	Eurostat database
R&D	Number of R&D employees (full time equivalent) per 1000 inhabitants	Eurostat database and own computations
Entrepreneurship	Number of private entrepreneurs per 1000 inhabitants	National Institute of Statistics and own computations
Human capital	Number of tertiary education graduates per 1000 inhabitants	National Institute of Statistics and own computations
Specialization	Herfindahl index of specialization ¹ based on NACE activities, for each county	National Institute of Statistics and own computations

¹ Herfindahl index is an absolute measure of specialisation, computed as $H_i^S = \sum_{j=1}^m \left(\frac{X_{ij}}{\sum_{j=1}^m X_{ij}} \right)^2$, where X_{ij} is the employment in NACE activity j in county i. The

GDP per capita was included in the model as the appropriate proxy for regional market size and level of development. Well developed counties tend to attract more investments, both domestic and foreign, and I expect a positive influence of this variable. Moreover, the evolution of FDI is believed to be closely interconnected with GDP dynamics.

A potentially major factor in the FDI decision is the knowledge economy, captured by variables such as research and development employees and expenditures. Such factors can be particularly important for the firms activating in high and medium high-tech sectors. I use the variable “R&D employee per 1000 inhabitants” to reflect the innovative potential of a region and its human capital. It is expected to have a plus sign in the model.

The entrepreneurial spirit, captured by the number of private entrepreneurs per 1000 inhabitants, should have a positive impact on the FDI flows into a county.

The human capital is an important catalyst of economic performance and new investments need skilled workforce to function efficiently, therefore the variable “Number of tertiary education graduates per 1000 inhabitants” is introduced in the model as a proxy for human capital.

Finally, the Herfindahl index is used to capture the degree of economic specialization of a county. Since a more specialized county provides the appropriate workforce and capital, the business infrastructure and the production experience for certain industries, it is a more attractive destination for new investments in similar activities.

The analysis of FDIs determinants in this paper relies on newest data accessible, i.e. data for the year 2014, except for GDP for which only 2013 official statistics at regional level are currently available. Data for the analysis come from the Romanian Institute of National Statistics (TEMPO database), Eurostat database and National Trade Register Office, and own computations of per capita values of the variables (for better comparability among counties).

4. Results and discussion

The empirical analysis of the regional determinants of FDIs was preceded by a diagnostic for spatial dependence (Moran index) that indicates if a spatial model is appropriate for our data or not. The results in Table 2 clearly show that all variables, except for Human capital, exhibit significant spatial dependence, i.e. similarity among neighbours, therefore classic regression models are inappropriate and should be replaced by spatial models that allow for spatial autocorrelation to be explicitly included in their specifications.

Table 2. Diagnostics for spatial dependence of FDIs and its potential determinants (Moran index)

Variable	Moran's I			
	Index (pseudo p-value)	Mean	S.D.	Z-Value
FDIs	0.5171 (0.0010)	-0.0222	0.0775	6.9586
GDP	0.2216 (0.0070)	-0.0236	0.0852	2.8768
R&D	0.2999 (0.0070)	-0.0246	0.0897	3.6197
Entrepreneurship	0.3494 (0.0020)	-0.0244	0.0907	4.1028
Human capital	0.0813 (0.2690)	-0.0193	0.0945	-0.6554
Specialisation	0.1389 (0.0460)	-0.0295	0.0962	1.7498

Source: author's computations in Open Geoda

Herfindahl index is increasing with the degree of specialization, reaching its upper limit of 1 if the county *i* is specialized in only one activity.

In the same register, the map in Figure 2 illustrate the values of FDIs by county, in 2014, confirming that low / high values of this indicator tend to cluster. This territorial pattern is specific for positive spatial dependence (neighborhood similarity). The map also reveal strong inequalities between the Bucharest-Ilfov Region, which concentrates the highest FDIs stocks, and the rest of the county. Such disparities exist for other economic indicators as well: R&D, human capita, earnings, etc., reflecting an old economic and social development divide. Empirical research revealed that FDI inflows tend to be considerably higher in the capital city regions of other countries in Central and Eastern Europe as well, driven by the lower factor prices and skilled labour force that compensated for transportation costs and loss of accessibility (Constantin et al, 2012).

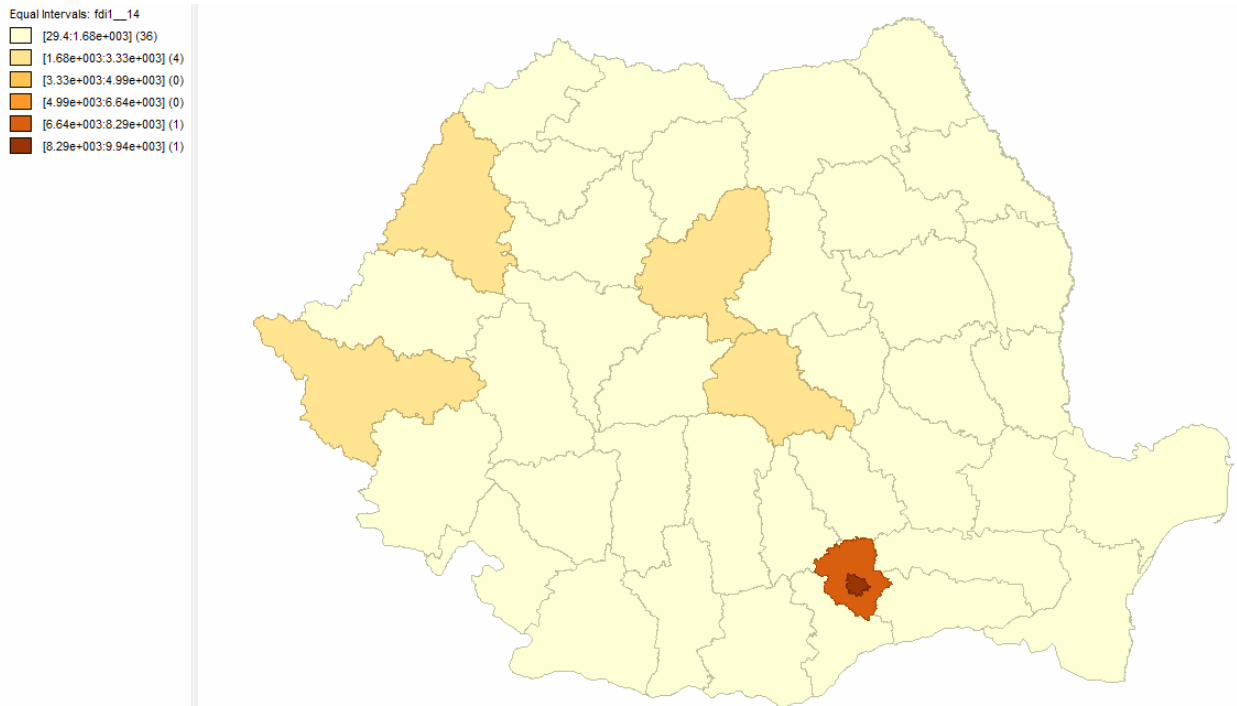


Figure 2. FDIs per capita by county, 2014
Source: own processing in Open Geoda

Most counties (36) belong to the lowest FDIs group (up to 1680 Euro per inhabitant FDIs stock), while a few (Timis, Bihor, Brasov, Mures) own between 1681 and 3330 Euro per inhabitant, compared to 9940 in Bucharest Municipality. These development gaps are the result of systematic deindustrialization in Romania and consequent decline of many small towns depending on a single industry (often relying on a single big company), lost of human capital following internal migration of the population (from rural to urban, from small to big towns) and, especially, external migration. Since investments continue to be attracted particularly to most favorable locations for business, supporting their future rapid development and thus increasing the gaps with less privileged areas, the foreseeable long-run effect is a steady increase in regional development gaps.

The cartogram of FDIs stock per capita in Appendix reinforces the idea of high spatial disparities by displaying the counties as circles sized proportional to their investments. This picture makes more clearly visible and puts into national perspective the high proportion of FDIs in the Bucharest-Ilfov Region.

The results from the regression models on the determinants of FDI stock per capita are largely in accordance with the mainstream empirical literature and our expectations. GDP per capita, proxy for the county's development, has a positive sign in all models and

is highly significant in the classic and spatial error model, supporting the hypothesis that developed counties do attract more investments, taking advantage from their better human and tangible capital. The innovative potential of the county (R&D employee per 1000 inhabitants) also bears a plus sign and is highly significant in all models. This finding confirms previous research indicating that R&D potential and performance weight heavily in the locational decision of knowledge-seeking foreign investor (e.g. Lansbury et al, 1996; Jensen, 2004).

The entrepreneurial spirit, captured by the number of private entrepreneurs per 1000 inhabitants, is positive and statistically significant (except for a lower significance level in the classic model) suggesting that it might be an additional attraction factor for the FDI flows into a county. The human capital has the expected positive sign in all models, but is statistically significant only in the spatial error model, which is the best specification. The new foreign direct investments seem to be drawn more strongly to counties having better educated workforce

Finally, the degree of economic specialization of a county (the Herfindahl index) is significant both in the classic and spatial error model, suggesting that previous production experience makes a county more attractive destination for new investments in similar activities. This finding is supporting previous studies such as Popescu (2012) that found FDIs driven towards Romanian regions having specialized and renowned industries and products.

Table 3. The results from the regression models (dependent variable – FDI stock per capita)

Variables	Classic model*		Spatial lag model**		Spatial error model**	
	Coeff.	Prob.	Coeff.	Prob.	Coeff.	Prob.
W_FDI			0.50272	0.0000		
Constant	954.916	0.3263	-422.927	0.5947	1173.834	0.1014
GDP	5.1670	0.0005	1.5139	0.2273	4.8496	0.0007
R&D	268.415	0.0168	261.7633	0.0018	392.992	0.0000
Entrepreneurship	0.0629	0.0870	0.71366	0.0110	0.05783	0.0190
Human capital	153.410	0.1202	100.877	0.1863	221.222	0.0027
Specialisation	1768.498	0.0425	503.508	0.4743	1566.882	0.0297
LAMBDA					-0.74781	0.0010
Statistics	Value	Prob	Value	Prob	Value	Prob
R-squared	0.8407		0.8702		0.8861	
Log likelihood			-333.9031		-330.166	
F-statistic	38.0135	0.0000				
Spatial dependence: Likelihood Ratio Test			3.9882	0.0458	11.4623	0.0007

*OLS estimation

** Maximum likelihood estimation

In accordance with the significant spatial dependence revealed by Moran's I, spatial regression proved to be a better fit for the data, compared to classic regression. Based on the spatial dependence diagnosis (Likelihood Ratio Test) the spatial error model is the best specification for this empirical research on county determinants of FDIs. The spatial error model is statistically valid and the independent variables explain a high part (88.61%) of the spatial variation in the dependent variable.

5. Conclusions

The territorial determinants of FDI in Romania have been explored in this paper, in the post-crisis economic context, by means of appropriate spatial analysis techniques. In accordance with the literature, the regression models showed that well developed counties, having large innovative potential, stronger entrepreneurial spirit, better human capital and a higher degree of specialization are the most attractive locations for new foreign direct investments. Spatial autocorrelation tests showed a significant spatial dependence in FDI and its main determinants and the spatial error model proved to be a better fit for the data, compared to the classic OLS regression model.

Since investments are systematically drawn to business favorable locations, supporting their more rapid development and thus increasing the gaps with less privileged areas, a foreseeable long-run effect of this phenomenon is the steady increase in regional development gaps. This negative process should be countered by regional development strategies specially designed to support local initiative, entrepreneurship, and capitalization of local resources in order to boost the economy using domestic capital, instead of the foreign one. Such a development strategy should foster local growth and consequently increase the investment attractiveness, which in turn might bring more FDI inflows in the future.

As the ongoing developments in the economic environment are constantly bringing new challenges, further research will be needed to assess the stability of the FDI determinants after the complete recovery of all county economies from the recent economic crisis.

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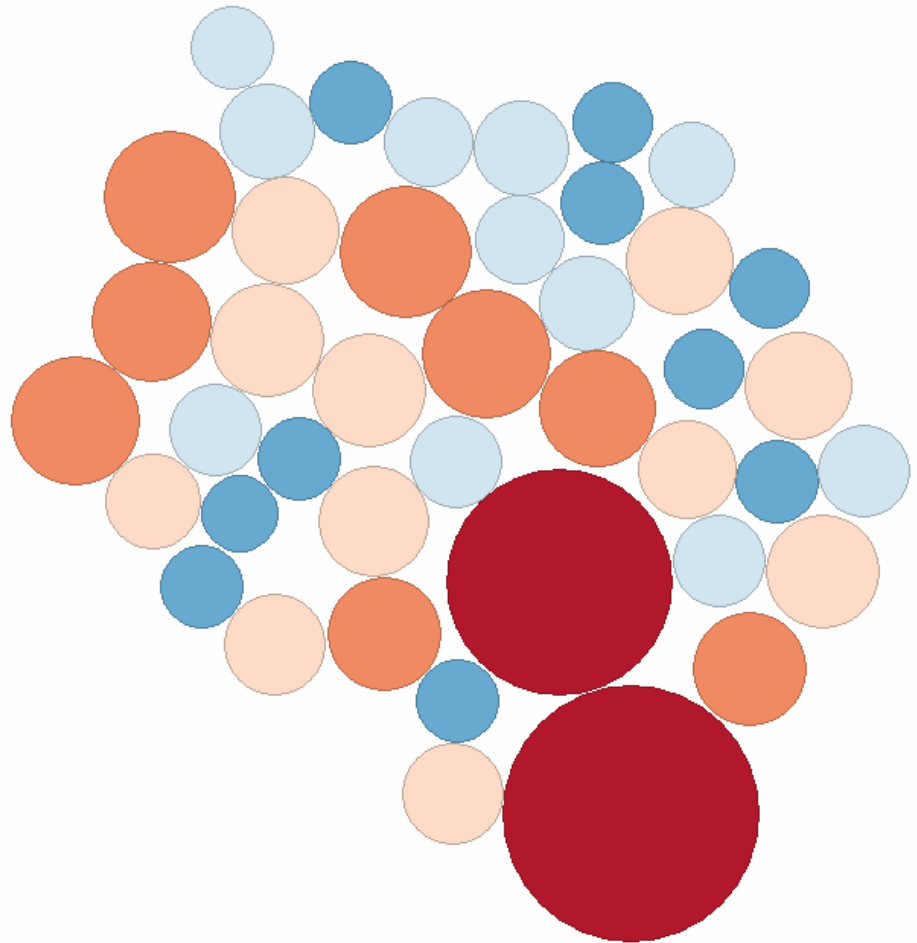
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Appendix. Cartogram of FDIs stock per capita, 2014

Cartogram - size: fdi1_14, Hinge=1.5: fdi1_14

Hinge=1.5: fdi1_14

- Lower outlier (0)
- < 25% (10)
- 25% - 50% (11)
- 50% - 75% (11)
- > 75% (8)
- Upper outlier (2)



Source: own processing in Open Geoda

A STRATEGY FOR DEVELOPMENT OF REGIONS: REGIONAL DEVELOPMENT AGENCIES IN TURKEY

Derya Altunbas¹

Regional Development Agencies is used as a tool for development of the regions for a while in Turkey. According to the development scale there are different size of regions. Regional development issues are related with the population and economic level of the region. In this paper it will be explained the regions in the context of regional development agencies in the historical view to development in Turkey. These agencies and development policies of the regions will be criticized. There are two phases for the regional development in Turkey. In this work, Regional development will be included in comparatively before and after the policy changing to the agencies. Benefits of the regional development agencies will be examined for different regions in Turkey. Also, EU regional policy applications is included that related with the Turkey's regional development policy. Organizational structures, efficiency, funds or other instrument that belongs to the investments will be taken into account.

Keywords: Regional Development Agencies, Regional Development, Development of Turkey, EU regional Policy

JEL Classification: R11, R07

1. Introduction

Regional disparities are most important obstacles to implement social and economic development programmes in the countries. In both, the differences that regional and national levels are determined by sufficient education, capital accumulation, local markets and infrastructure. The important thing here is how could be planned the development of the regions and implementations of the programmes. For this reason, the establishment of the regional development agencies and the statistical regional units are the important steps in Turkey. Because of the development of local areas these units are created for all regions of Turkey. According to the economical and social conditions, production capacities and population rates; the levels of the units were defined. The working conditions, investments and entrepreneurial capacity, job opportunities and other socio-economic factors determined the units of the regions in Turkey. Therefore, some tools are used for incentive rebate to improve the least developed areas in the East and Southeast Anatolia. The Blacksea region is third underdeveloped region of Turkey after the Eastern Anatolia and Southeast Anatolia. The working areas of the plans covered the certain provinces in the beginning of the planning in Turkey. The main objective of the plans were to formulate a development plan for the region to reduce the regional disparities between the region and other regions of Turkey. The regional plans tried to identify priority sectors of the regions. For example, the regional strategy of DOKAP consisted of four elements strengthening of transportation and communication infrastructure, the development and management of multipurpose water resources, improvement of land management and strengthening of local administration. The long term regional projects as ZBK, YESILIRMAK, DAP, GAP was very effective for the National and regional development in Turkey (DPT 2000,1-4)

In regional development planning process, Turkey has two terms to prepare and to implement the regional development programmes that are related with the national development plan. Firstly, preparation and implementation of the projects is made by the central administration. State planning Organization was founded for this aim that was structured by central government in Capital city, Ankara. In the second term, local administrations and regional development agencies is preparing the projects for the regional developments. This second term was determined by the EU accession period for the regional development applications in Turkey.

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2. The State Planning Organization and National and Regional Development Planning in Turkey

The authorization of preparing the regional plans were given to the State Planning Organization to solve the problems that belongs to the regional disparities and evenly distributed regional development all of the country. In this aim, the State Planning Organization was founded in 1960. This organization had been working with the National Development Plans and regional development issues until 2011. State Planning Organization was closed and Regional Development Board and Regional Development Committee were established to change places of the State Planning Organization. In 2011 Ministry of Development was established. Today, Regional Development Board determines the general policies about the regional development issues that related with the regional planning within the organization of Ministry of Development, in Turkey.

Figure1: Regional Projects prepared by the State Planning Organization in Turkey



Source: DPT, 2000, p.55

Regional policy of Turkey had depended on the balanced economic development approaches to eliminate the regional differences until 1980. In this period, central authority supported underdeveloped regions to eliminate the differences of development in the regions in Turkey. After 1980, new regional policies was made to increase the competition power of the regions that targeted developed and underdeveloped regions also coordinated with dynamics of the global economy depend on the endogenous growth theory.(Kumral,2007, 1-7) Studies into decentralization, local governance and participation have been growing rapidly since around 1980. The globalization of socio economic processes and the localization efforts for economic growth have led to a search for an effective division of responsibilities among central, regional, and local governments. This trend however, has expressed itself in different forms according to different historical experiences; that is, the interpretation of participation varies between different countries with different administrative traditions. In Central and Eastern Europe, the trend has been to reform the state and market after the collapse of communism; in the European Union, the emphasis is on European integration and developing new institutional structures. For developing countries, the interpretation of the trend is struggle for economic growth and improvement in the welfare of the poor.(Gedikli, 2009,p.115)

3. Urbanization And Regional Development In Turkey

The rapid urbanization in many developing countries over last half century seems to have accompanied by excessively high level of concentration of the urban population in large cities. In

Turkey, migration from rural to large cities had begun in 1950's. The tendency of the population accumulation has same period of time with other countries of the World. In 1950, one third of the Worlds people lived in cities and just fifty years later, this proportion has risen to one half and will continue to grow to two thirds, and 6 billion people, by 2050.(U.N.2000,p.68) On the other hand, population rate is the important factor for the development of the regions. Especially urbanization rates are basic indicator for the regional development in Turkey. Urbanization rate is lower in Black Sea Region when compared with the Marmara Region and central Anatolia region. Because of the large scale industrial areas stays in Marmara Region the most important activities for development is accumulated in the Region. Therefore, this region is formed as a polarized region in the length of time for the development of Turkey.

In terms of population densities, spatial distribution, economic activity and social attitude the World has become urbanized. Pull and push factors has determined the attitude of the rural population to migrate to large cities. Seeking the better life expectancy for immigrants had emerged the conclusion of the accumulation to urbanized areas by the period of time. In the countries with the largest urban population ordered by the rate of growth of urban population between 1950-2000. Turkey is fifth rank in the World country with the rate 4.85% and it is expected for 2000-2030 1.54% seventeenth rank within the other countries. Turkey's urban percentage is 21.3% in 1950 and 65.8% in 2000. It is really high rate in this period. Urbanization rate is 2.25% between 1950-2000, and it is expected 0.53% between 2000-2030 in Turkey.(U.N.2002,p.63) The whole period from 1935-1965 can be divided into two stages where the first shows almost no increase in percent urban and the second is a period of rapid change. The larger proportion of increase in percent urban, that is 12 percent increase, occurred from 1950-1965. Although the urban growth rates were always higher than the rural rates, the differences has been greater since 1950.Also, the rates of urbanization show rapid increase after 1950. The process of urbanization in Turkey becomes faster as the population of city becomes larger. Although in 1960, urban percent was 25.9 the rate in 1965 that is urban percent was 29.8. So, the rate is higher in five years and in the Metropolitan areas,increased, also.(Karadayı F.,1974, p19)

**Table 1: Natural and Total Growth Rates of Three Metropolitan Areas in Turkey
1935 to 1970**

CITY	NATURAL GROWTH RATE%	TOTAL GROWTH RATE%	ACTUAL DOUBLING TIME (YEARS)
Ankara	2.2	7.8	9
Istanbul	1.2	4.1	17
Izmir	1.5	4.7	15

Source: Karadayı. F. 1974 p.19

**Table 2 : Rate of Urban and Rural Growth and Rate of Urbanization in Turkey
1935 to 1960**

CENSUS YEAR	PERCENT URBAN	URBANGROWTH RATE %	RURAL GROWTH RATE %	RATE OF URBANIZATION%
1935	16.5	4.0	1.3	1.9
1940	18.1	1.5	1.0	0.4
1945	18.5	2.6	2.2	0.3
1950	18.8	7.6	1.9	4.6
1955	22.5	6.5	2.1	4.3
1960	25.9	6.0	1.4	5.2

Source: Karadayı, F, 1974, p.19

Table 3: Bursa Turkey and Marmara Region Urban Population Rate

Years	Bursa%	Turkey%	Marmara Region%
1935-1940	1.09	2.67	2.31
1940-1945	1.83	1.51	1.17
1945-1950	2.92	2.25	1.47
1950-1955	3.70	5.57	5.28
1955-1960	3.94	4.93	3.69
1960-1965	4.89	3.97	3.44
1965-1970	4.36	4.73	4.01
1970-1975	3.93	4.17	-0.47
1975-1980	4.56	3.05	6.64
1980-1985	5.54	6.26	9.75
1985-1990	6.42	4.31	4.28

Source: SIS, 2000,p33-56

In Turkey, the main regional planning studies were prepared between 1957 and 1958. The regional planning efforts were conducted in the pilot regions that selected from regions were Marmara region, Especially, automotive production and industrial areas accumulated in Bursa at Marmara Region. Some other decisions related with the development were taken for East Anatolia Region and South East Anatolia Region to solve the economical problems in the regions in this period. The first regional development plan prepared in Turkey was the Eastern Marmara Region Plan. The project area of this plan covered Balıkesir, Bursa, Çanakkale, Edirne, Kırklareli, Kocaeli, Sakarya and Tekirdağ. The aim of the development plan was the polarized development that from a region to nationwide. As it is seen that the Marmara region of Turkey has an important part of the Turkey's population because of migration after 1950 from agricultural areas to urban areas of the country.

Table 4 : Urbanization Rates in Marmara Region and Turkey (1940-1990)

Years	1940	1950	1960	1970	1980	1990
Marmara	35.1	36.5	43.3	52.4	68.7	75.1
TURKEY	18.0	18.9	25.2	33.5	45.5	55.4

Source: Kongar E.,1999, p.36

4. Regional Development And National Development Plans

After 1960's, it was used National Development Plan that was prepared by State Planning Organization. The work of the State Planning Organization continued until 2011. In this way the periods of planned development were implemented between the dates 1960 and 2011 by State Planning Organization in Turkey.

4.1. The Period of Development Plans prepared by the State planning Organization

In the first five year Development Plan included in the years 1963 and 1967. Until today, Turkey have had 10 five years development plans that have regional development policies and programmes in each of them. Some of these five years plans offer balanced

development. All the development factors distributed equally in all regions vision experienced at the beginning of planned years. This aim was dominant in the first and second year National Development Plan. The development areas were determined all over the Anatolian regions to invest in this period. The plan is second five years plan were implemented between 1968-1972. When compared with the first plan period urbanization rates were higher than 1960's. The stream of emigration from the rural areas to urban areas was high in this period of time in Turkey. Therefore, second development plan had been particular emphasis to the importance of the regional development and urban planning issues to improve the infrastructure in the cities.

Third five years development plan was 1973-1977 and Fourth five years development plan was 1978-1983 and Fifth five years development plan was 1985-1989. From 1970's until 1990 was high urbanization period in large cities, in Turkey. Bursa, Izmir, Istanbul and Ankara faced with the population accumulation and its problems in this period of time.

The Sixth Five-Years Development Plan was 1990-1994. It embraced the idea of the stable development between regions. In addition, it stressed that while establishing and adopting the regional development policies, the regional policies of the European Union must be considered. Seventh Five year plan was 1996-2000. The main idea of the plan was the sustainable development would decrease the regional differences in the country. (SPO,2002,p.26) Eight five year development plan was between 2001 and 2005. The principles of the sustainability implemented to the projects in this period of time. Quality of life and sustainability in the social and economic development were considered effectively. The Ninth Five-Year Development Plan (2007-2013) had a specific importance to regional development. In this plan, it was suggested that the activation of development policies from the local dynamics. Increase the development with internal potential and building the institutional capacity in the rural and local levels. This plan included in the competitiveness and employment issues, try to ensure regional development with strengthening human development and social solidarity increase quality and effectiveness of the services. (DPT, 2006,p. 2)

4.2. The period of Regional Development Agencies

Regional Development Agencies were established 26 Level II Regions the number of Law 5549 in 2006. By work of the State Statistical Institute and State Planning Organization 'Nomenclature of Territorial Units for Statistics (NUTS) were created. In Turkey, there are 12 NUTS I, 26 NUTS II, and 81 NUTS III level regional units. Regional Development Agencies include the local actions which aim to eliminate the economical and social differences in the regions, in Turkey. Agencies are trying to eliminate these differences as a tool within a governance model. In this aspect, the role of the Regional Development Agencies have important role to develop the weak infrastructured parts of the country. In the European Union accession period Turkey has to realize EU regional policy to remove the regional instabilities. To implement the regional policies that realized with the instruments like financial aid and structural funds the accession partnership documents and reports were prepared by the Turkish Government. It was necessary to complete the adoption of Turkish legislative and institutional structures. At the same time, it was a policy change to be targeted the stronger local administration structure in Turkey. Accession partnership documents define the priorities that have short term and medium term. The short term priorities about regional policies was to create NUTS classification with the Community rules and regulations. In the medium term, priority is to develop a National Policy for economic and social cohesion with a view to diminishing the regional

disparities. (DPT,2001,p. 2-5) Regional Development Agencies were based on the frame of systematical hierarchy within the regions of Turkey. Firstly, these agencies have the role between local institutions in economic development at the local level. On the other hand they have the role of linkages between institution and economic development in specific spatial settings at the different spatial scales in the regions. In local economic development, formal institutions encompass the system of government and governance in a particular nation-state and informal institutions include the traditions of co-operative working between public and private sectors these formal and informal institutions are interact. Both are produced by actors and condition and regulate their agency. Such socially produced structures influence rather than determine attitudes, behaviours and decision making in ways that impart stability and predictability and enable their (re)production over time and space. (Gertler2010, p.13) Kumral, insisted that the network has important role that provided by the production, research and public actors will create more liveable city and competition power in a governance model. There are two actors in this network. Development Agency and Regional Science Council.(Kumral N..2007, p.6) In competition, it is important to identify the factors that effect performance measurement. Structural (demographic, geographical etc) and organizational factors have great impact on it and local inhabitant choices have effects on the competititon power of the regions.

5. Conclusion

In Turkey, There are two terms that belong to the regional developments efforts. In the first part of the planning of regional development depended on State Planning Organization work that in the National development plan in a five years. In the second part of the regional development work, The Regional Development Agencies were established, statistical territorial units and priority regions for development put into the force. In the first term of the work, administration was central for the regional development in the geographical regions characterisitcs. Multiple issues were taking into account. The distribution of the sources to the regions from center was dominant. In the second term of the regional development policy that depends on governance system. Partially and divided authority to decision at regional frame, different actors as national international and global scales is worked together in a region to develop its components.

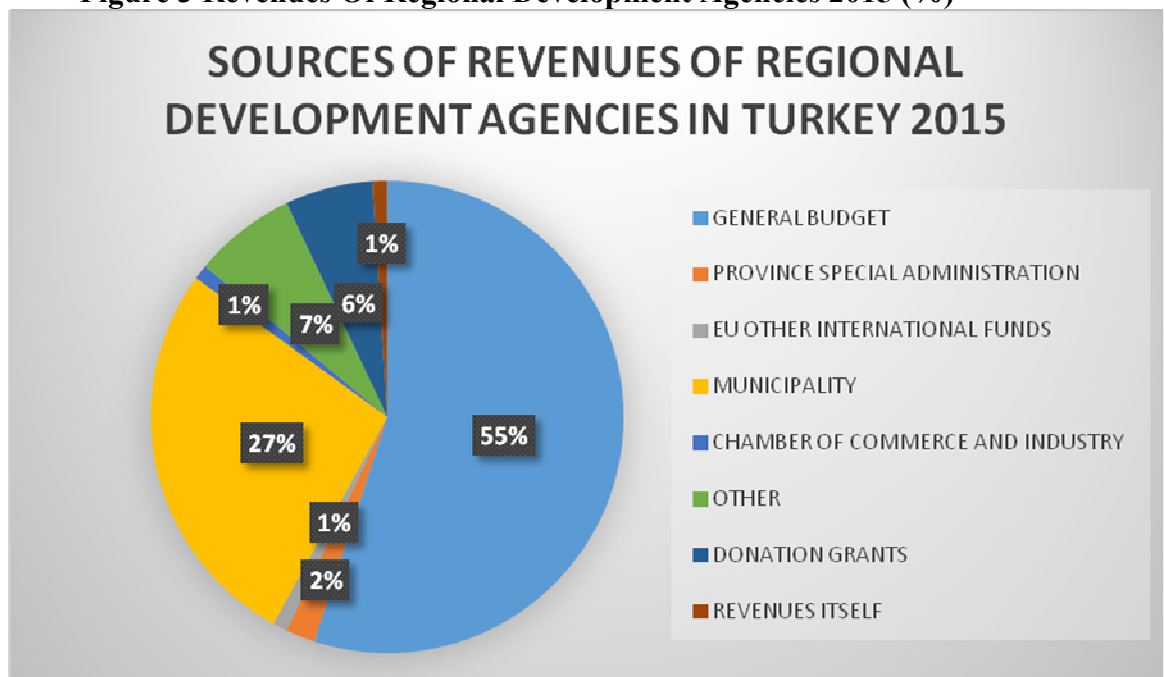
In Turkey, population accumulation was the main factor to have regional disparities between the years 1950-1990.Turkey has many programmes for the regional development in this period. In EU accession process European regional policy made the major contribution to the objectives, especially for underdeveloped regions in Turkey. In there unused economic and investment potential which can be realized through targeted cohesion policy measures, so adding to the economy as a whole. From the policy perspective, for regional development to be sustained requires favorable conditions being established at the national scale in particular a macro economic environment conducive the growth employment and stability regulatory system which encouraged business and job creation. At the regional scale, the conditions need to be satisfied like suitable endowment of the basic infrastructure and labor force with appropriate level of skill and training issues. The idea was important competition in the territorial structure, also. Therefore, structural funds for pre-accession countries support to adopt European Union regional policies in the countries. In this frame, the regional development of Turkey has similar process also. Efficiency of the technical assistance is the important factor for the development of the regions when applied to the areas of the developing regional units in Turkey. In the application of regional development agencies, it is supported with the projects that is international or national levels open to the every partners to improve the better facilities especially for least developed regions of Turkey.

Figure 2: Distribution Of The Regional Development Agencies In Turkey



Source: Kalkınma Bakanlığı,2015.p. 6

Figure 3 Revenues Of Regional Development Agencies 2015 (%)



Revenues of Regional Development Agencies 2015 (%)

55% General Budget 2% Province Special Administration 27% Provinces Special Administration 1% Revenues Itself 1% Chamber Of Commerce And Industry 6%Donation Grants 1% Eu Other International Funds 7%Other Revenues

Source: Kalkınma Bakanlığı,2015, p. 6

Table 5: The sources of the revenues in the distribution of agencies (1000 TL)

TR KOD	NAME OF AGENCY	GENERAL BUDGET 2015	PAYING FROM SPECIAL PROVINCE ADMINISTRATION	PAYING FROM MUNICIPALITIES	PAYING FROM CHAMBER OF COMMERCE AND INDUSTRY	PAYING EU AND OTHER INTERNATIONAL FUNDS
TR10	ISTKA	10910	-	61934	2721	-
TR21	TRAKYAKA	11532	440	4471	188	-
TR22	GMKA	11760	410	2510	126	-
TR31	IZKA	12752	-	16857	636	62
TR32	GEKA	11071	-	3922	333	50
TR33	ZEKA	13195	1400	5454	253	-
TR41	BEBKA	13354	160	9993	589	-
TR42	MARKA	13647	636	11142	366	1029
TR51	ANKARAKA	11664	-	8138	906	-
TR52	MEVKA	12809	336	4501	244	-
TR61	BAKA	12958	472	7559	291	-
TR62	CKA	12341	-	4245	339	-
TR63	DOĞAKA	16677	328	6948	136	-
TR71	AHIKA	14791	1118	2246	133	-
TR72	ORAN	13789	1187	3561	202	-
TR81	BAKKA	12937	816	1551	110	-
TR82	KUZKA	15068	931	977	42	-
TR83	OKA	14673	1094	2939	151	-
TR90	DOKA	15008	1093	5614	164	-
TRA1	KUDAKA	16937	388	1115	68	36
TRA2	SERKA	17410	1252	570	11	-
TRB1	FKA	14708	854	741	67	-
TRB2	DAKA	18223	1009	722	37	-
TRC1	IKA	14797	605	3741	209	-
TRC2	KARACADAĞ	17570	-	4520	146	3750
TRC3	DIKA	18190	1287	826	42	1500

Source: Kalkınma Bakanlığı,2015,p. 21

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THE PARADIGM OF THE GREEN ECONOMY AND THE DEVELOPMENT SUSTAINABILITY

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Abstract: *The authors begin with the idea that the current linear model of development, based on the binomial production - consumption, is no longer sustainable. Therefore, the discussions and the economic policy measures which interact with the social, political and ecological ones bring arguments in favor of the formation of new models. The paper insists on the strategies regarding the transition to the "green economy" built on the principles of sustainability. They cover the environmental impact, the resource and energy efficiency, the well-being and quality of life. Finally it insists upon the benefits generated by the 'circular economy', having as target 2030.*

Keywords: *sustainability, resource efficiency, green economy, welfare, circular economy.*

JEL Classification: D03, D11, O13, Q2, Q5

Motto: "The Man can master nature as long as he takes into account its laws."
Grigore Antipa

The green economy is a development model with **less harmful** effects on the environment and with **substantial benefits** among the society and every human person. The adoption of such a model requires economic and investments policies through which it is trying to achieve a certain level of "disconnection" regarding the economic growth based on natural resources and energy extensive consumption. A green economy has other positive properties: low carbon emissions, decreasing pollution, increase energy efficiency, social inclusion. A transition towards such a model contributes significantly to **reducing the ecological deficit**, an increase in welfare and social justice, reducing environmental risks and prevents disimination / loss of biodiversity and ecosystem services. A simplified representation of the "green" model is presented in Figure 1:

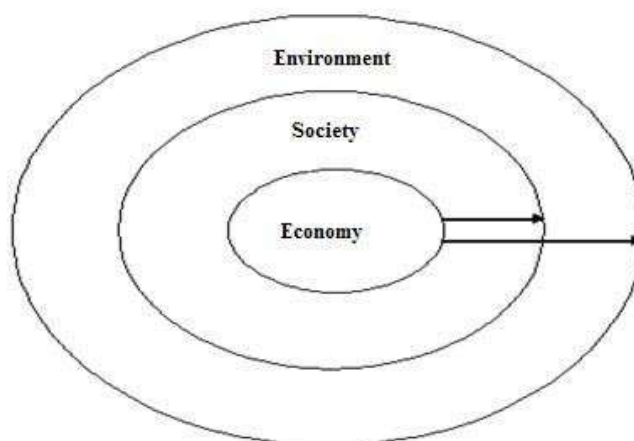


Fig. 1

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1. THE GREEN HEXAGON

In the view of Karl Burkart (UNEP - 2011), the green economy is located in a hexagon of "green" areas (see Fig.2).

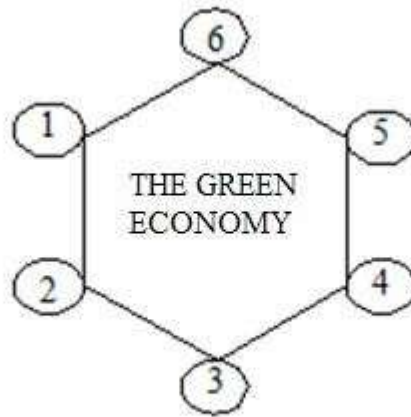


Fig. 2 - The Green Hexagon

where:

- 1 - Renewable Energy
- 2 - "Green" constructions
- 3 - Sustainable transport
- 4 - Water management
- 5 - Waste management
- 6 - Managing earth

Each area of this hexagon can be described by the multitude of directions in which it evolves through the European or national strategies until 2020 or even 2050. These **strategies** intersect with other alternatives offered: the blue economy, the circular economy, the symbiotic economy, the bio-economy, the biomimetics, etc.

For instance, the first field: **the renewable** or "green" **energy** targets: the solar energy, the wind energy, the geothermal energy, the biomass energy, the tidal energy, the hydro energy, etc. We can think exactly the same about the coordinates of the **waste recycling** domain: recycling, storage, extraction (technologies), transformation, etc. Finally, the **land resource management** targets: organic farming, the conservation of habitats and biodiversity, the protection of ecosystems, the afforestation / reforestation, land improvement, etc.

All these human conceived, designed, organized and launched activities generate millions of **new jobs** (a particularly important issue in this post-crisis period).

The fact worth mentioning is that the term (category) of **green economy** was taken from Van Jones (who took into consideration five elements) to whom was added the component "green buildings (constructions)." Each of the sectors (areas) the green economy comprises five branches (items). Thus, the model takes the form of a cluster (cluster) on which we can draw the rings (circles) of sustainability.

To **implement** such a model actually requires the close monitoring of agreements to stop the **trend of declining** of natural resources and destroying the ecosystems that support our life. We can no longer ignore the fact that the Earth is alive and conscious, that the

humanity is facing a **turning point**: collapse or salvation. This project signals that a transformation of the human concept referring to nature as an organism that can be exploited indefinitely is required. In order to protect we must put a value on nature. This means to ensure that the high value that the healthy ecosystems have is considered when economic decisions are taken. In other words, we must value the role of nature to provide us with clean water and fresh air in the communities in which we live.

The latest reports regarding the Alive-Planet show us that mankind is already using the resources of a planet and a half. In this regard WWF (World Wide Fund) proposes the goal "**20% for 2020**", which refers to the protected areas which at a national level would ensure the survival of all (marine and coastal) ecosystems.

2. THE PHILOSOPHY OF THE NEW PARADIGM

Motto: *"The nature is the only book in which each every page holds one truth".*

Johann Wolfgang von Goethe

The known folk saying "going out to green grass" means "going out **in nature**." And "the living" of the nature - notably depicted by the vegetation – has the green color. Notice that the images associated to the green economy are all green. Therefore, when the **ecology** presents us the ratio between human and the environment it refers to the human's relationship with the nature (UNDESA, 2012 - A guide book to the Green Economy). In the majority of the holistic approaches, the green economy (GE) consists of the **triad**: economic (E) - ecological (e) - social (S):

$$GE = \{ E, e, S \}$$

Within this triad there exist the intersections:

$$e \cap S = \text{acceptable (a)}$$

$$S \cap E = \text{fair } (\epsilon)$$

$$E \cap e = \text{viable (v)}$$

and as a "core": $a \cap \epsilon \cap v = \text{durable (D)}$. Therefore, by combining the subsystems we can move to a durable (DD), **sustainable development**.

The sustainability calls for the individual organizing of the community, national and global of the three systems thus ensuring the continuity of the economy and society **without destroying** the environment on which all mankind depends on. In the context of sustainability, the development doesn't mean a continuous growth, which goes on indefinitely. It means a conversion in order to use more efficiently the existing resources. A sustainable development (the quality of a human activity to take place without depleting the available resources and without destroying the environment) means a long-term balance between the three pillars: economic, social, ecological. In other words, anything it is produced / consumed can be done in harmony with the ecosystem in a way so that it won't be affected.

The concept of "green economy" must be approached **holistically**. Its implementation needs **coordination** at the level of the institutions involved and should be reflected in the national policy documents. Speeding up the application of this concept in Romania involves a **change of vision**, especially of the entrepreneurs which are going to harness the **natural capital** and the ecological services in an innovative way. SMEs could in particular become a laboratory for innovative business methods associated with the concept – "green economy".

3. IN SEARCH OF NEW MODELS

The interest for the green economy has also increased because of the discontent generated by the traditional model (the red economy) that requires a strong consumption of resources in order to support the economic growth. Such a model is characterized by

multiple crises and market failures (especially in the last decade). The model sustained by the green economy paradigm takes into consideration the risk for the environment, the social polarization and the resource scarcity.

In the reports of the UNEP referring to the green economy it is mentioned that a "ecologization" of the global economy allows obtaining tangible positive results. Therefore, the public and private sectors will develop through investments the opportunities offered by the transition to the new model.

In recent times we can observe the persistency of some overlapping crises: climate, biodiversity, food, water, financial system, etc. These crises have the effect of maintaining a lower standard of living for humanity. Also, these crises maintain the conditions regarding the perpetuation of the social issues related to employment, violence, insecurity, poverty, instability, etc.

With all these threats and a growth of the **risk factors** (Global Risk Report 2016 - states that for the first time in the history of this report a factor related to the environment, the climate change, is on the first place. Among other grave factors there are mentioned: the mass destruction weapons, the water crisis, the involuntary migration, the oscillation of the energy prices) there was spent a small amount of money for renewable energy production, protecting the ecosystems, biodiversity conservation, developing the organic agriculture or increasing the energy efficiency, respectively of the natural resources. All these crises occur on the base of a **massive increase of consumerism** in developed countries, where the aspiration for luxury and opulence became a kind of ideology.

The **anthropological** foundation of the problems mentioned (that persists due to the exacerbated consumption) shows us that we cannot **change** the economic, political and ecological policies only through an inner change through a sharp respiritualization (C.Popescu, Al. Taşnadi, 2009). The nature transfiguration which suggests "green" will begin with the **transfiguration of the souls** (S. Mihalache, 2016).

The current economic models are relatively outdated by the present reality. Not accidentally at Davos in 2014 the theme put under discussion referred to "The great transformation. The formation of new models." Many leaders which took part declared: "Stop the greed! Capitalism must be redesigned!"

Klaus Schwab, WEF founder - in Davos, said that today capitalism in its current form no longer has its place and no longer corresponds to today's world. The fundamental problem is that between the consensus of ideas related to the **operation of a change** and **concrete action** remains a big "space". We risk losing the confidence of future generations, said Schwab.

4. THE CIRCULAR ECONOMY, "THE CORE" OF THE NEW PARADIGM

The concept of "circular economy" as seen in systemic (cyber) concept envisages the chain: resources (inputs) – production – distribution – consumption (outputs) which is closed by a loop (reuse, recycling, regeneration), in order to increase the efficiency of natural and energetic resources (see Fig. 3).

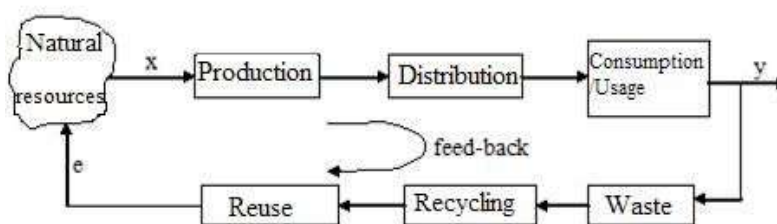


Fig. 3 - The circular economy

The performance of this economy is reflected by the yield type of parameter, $e = y/x \rightarrow \max$. Under this business model, the ability to understand how the parts interact and influence a whole is essential. Through the new model which is developed in the perspective of 2030 it is taken into consideration a sustainable **resource** and **waste** management. The circular model has as use, beneficial effects: minimizing the consumption of natural resources, the appearance of new opportunities in business (green investments), cost optimization, the generation of **new jobs**.

Using the new model takes into account the connection between the end point of the process and the initial one, reflected by the circular feedback.

Non-sustainability of the linear model is derived from the assumptions on which it was built:

- Resource abundance;
- Their availability;
- The reduced cost of waste disposal.

The competition between the **ideological blocs** (capitalist, socialist) which led to the exacerbation of growth models (in years '60 - '70), the expansion of the **consumer society** (following the principle: eat, drink ... throw!), **narrowing the markets**, the **overproduction** in the developed countries, etc. It is noticed since the early '80, the signals transmitted to the political leaders by the Club of Rome Report, entitled "Let's get out of wastage era." The **linear growth model**, currently supported is equivalent to the **waste** and the presence more and more accentuated worldwide of a "murderous passions": **the power** (expressed especially through domination) that degenerates into a veritable "war of resources" maintained mainly by **military means**, complemented by the financial, political, cultural, religious, etc. The "core" of the green economy understood as a circular process envisages **recycling, refurbishment, the reuse and the repair** of existing products, of the materials resulting under the form of **waste** (from production, distribution and consumption). The assimilation of such a model preserves the value of products and materials, focusing on the **life cycle** of the product.

If the production-consumption systems have been designed to face profit and not for human need, obviously it acts on the **rotation speed of the capital** (as a significant factor for increasing the mass of profit). When "something new" shows up, the transmitted signal is buying it to get myself a win because "**you deserve**". In this way many unnecessary goods appear, respectively unethical. Behind this kind of philosophy lies the waste of resources, greed, negative externalities on the environment, increased social inequalities, etc.

As a result, the European Commission adopted in 2015 a **package of measures** to encourage the Member States in their transition towards a **circular economy** (part of the green economy) to boost **competitiveness**, strengthen the **economic growth** and lead nations towards creating new jobs. The business environment and consumers must become aware of the need for **responsible** and **sustainable** consumption.

After Ministerial Conference of June 2016, organized by the UN Economic Commission for Europe, there were drawn some conclusions concerning the national initiatives that need to be taken in order to boost the transition to the green economy. The Plenary session itself was entitled "The Green Economy in the Pan European region".

Changing the economic **paradigm** towards the green economy, a challenge. This is based on the idea that the **environment** can ensure the chances of a **sustainable economical growth** on the long term. The transition from the linear, neo-classical model, to the circular one and the green economy must **overcome** attitudes, the society stereotypes, with a diversity of cultures and customs, with different governance models (sometimes weak and corrupt) that affects companies in the pan-European region.

The awareness of: "We must do something", is worth noticing also after another conference that was held in September this year in Bratislava, having the title: "The transition to the green economy." The Slovak Minister of the Environment has strengthened the idea that, "The transition to a green economy means policies and sustained investments that ultimately result in an economy that operates on other principles than the ones of intensive use of raw materials and energy" (European Agenda , Euronet Plus, September 6, 2016).

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*** Press Release of the Ministry of Environment, Water and Forests, Batumi, 2016: Green Economy Plenary Session in the pan-European region. The romanian minister Cristiana Pașca PALMER speech. In these discussions there is much talk and the results are poor. Every time the question arises: how many of us are willing to give up the lifestyle of today, based on consumption, to save what can be saved from the environment. Answer: When we change the we you think!

THE HEALTH OF ACADEMIC ORGANIZATION, A PROJECT OF TOMORROW'S SOCIETY DEVELOPMENT?

Stanciu, Vasile Miltiade¹

Abstract

Starting from the hypothesis that the university organization must to be healthy to form and shape the human beings, we measured and compared the degree of health of the two similar universities from Romania and Bulgaria, the two countries close as levels of development, to detach the conclusions in the healing process of that educational organizations. The health of the two universities has been calculated based on the Aggregate Index of University Health (AIUH), designed and developed from a transdisciplinary perspective. We believe that through the implementation of solutions to the health problems of the educational organizations we put the bases of natural frame for the development of the responsible citizen future, both for himself and for the future of his Family, Community, Region of the Country of which he is a member and implicitly the planet Earth.

Keywords: *Healthy Development, Academic Organizational Footprints, Aggregated Index of University Health (AIUH), Specialist Human Being*

JEL Classification: O10, I25, A14

1. The Reality of Our World

Endemic poverty, inhuman social inequalities, social and economical exclusion, science without humanism, fortune without honest work, frustrating communism, "widely spread individualism" (Pope Francis, 2014) etc. are products of human behaviours on the opposite direction.

Everything looks like an "uncomfortable truth", as characterized by the former American vice-president, Al Gore (2007), our alive and conscious earth is sick, as "our borrowed mind"² is sick! This expresses our disproportional evolution, knowledge upwards and morality of its application downwards, known as "man's fall" (Popescu, Taşnadi, Stanciu, 2012) determined, mostly, by the way man was educated, in excess of selfishness, liberty without responsibility, love deficit, without human solidarity and social community.

The reports to the Club in Roma in 2012 (Wijkman, Rockstrom), 2015 (Korten) and 2016 (Maxton, Randers) show that the result of human behaviours on the opposite direction generated the current global crisis.

This one, considered to be a systemic crisis, produced by applying a wrong model of economic increase, succeeds in highlighting, we hope on time, the serious consequences felt by the natural environment, by its aggressive pollution, by most of social environment, by inhuman poverty created by waste and uncontrolled overconsumption of biology and moralities, in the other part of our world, considered rich.

Built on wrong premises, the current model of economic increase promotes rivalry among people, instead of rivalry between man and him/herself and collaboration among them, win-loss rule, having serious effects upon environment and most world population, instead of the "win-win|" principle for all participants in the economic and social life, where we also integrate the natural environment, short horizon instead of long horizon, integrating healthy organic increase, based on harmony and permanent recycling of used resources, use of indicators for measuring the intensity of the economic increase, as GDP, that favour waste of resources, pollution, increase of human inequalities, break between "to have" and "to be" etc.

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² When we talk about "borrowed mind", we mean the one genetically inherited by the child through the endowment transferred by previous generation and that can be found in the DNA code.

The opposite directions, emerged at the surface of global consciousness by mean of the current global crisis, that is a crisis of meaning values, an educational, spiritual and moral crisis, did not fall from the sky, as George Miller psychologist (apud Rosemberg, 2005) says, but they are produced by human behaviours, in various institutional forms, based on a wrong educational model.

A revolution of education is needed, based on the values of liberty in responsibility, of harmony, human solidarity, community and compassion favouring sensitive human beings and institutional behaviours adequate for change to be formed.

In the same respect, Dalai Lama, Stanislav Grof, Erwin Laszlo, Peter Laszlo, Vaclav Havel and others evaluate that defeating sufferance and gaining happiness, by living a unique life, as spiritual experience on this Earth that is alive and conscious, imply a revolution of consciousness based on which human and institutional behaviours should enter in harmony with who we are, with the peers and with the exigencies of "the health of the entire living system".

In the principle of hope there is, in fact, the meaning of the rationality under limitation and incertitude conditions and both originate in respiritualization of education and in rethinking education from its foundation, as values on which we place internal transformation, as aims and objectives to be reached, as responsibilities and partnerships. In fact, hope is the one giving meaning to the principle of rationality in the choices we make and, at the same time, the rational behaviour ensures the premises for fulfilling hope dream.

2. Health of the University Organization of Today, Condition of the Harmonious Development of Tomorrow

Integrating all aspects above, we believe that the health university organization can be a project for the harmonious development of the society, on life direction and not against it.

A process of respiritualization of education must start with "the seven years from home", when at least half of the value bases of the behaviour of the future sensitive being and continue in harmony with the other institutional forms of education, we propose giving a new interpretation to the analysis of university educational organization, as "live integer created by man", with a view to rethinking this education structure from the perspective of human fulfilment.

As "integrated live integer", the university organization of any type involves the optimization of the following report aims – means – consequences – feedback - responsibilities, considering its functionality as "existence in relation", based on dynamic interactions: part-whole; organization-student; organization-teacher; organization-family; organization-community; organization-business environment; organization-state; organization-human culture; including religious culture; organization-natural environment; organization-local, regional, national, international, global-universal; organization-time.

Each of these components of the architecture of the model of the future university organization and all together are to be reflected in forming the *personality of the specialized person*, that harmonizes the society in him/her with the nature in him/her, on behalf of wise self-government of own life, from knowledge perspective that you cannot fulfil yourself unless you think, act and live as organic part of live, natural and created integer (Adler, 1995).

Without exaggerating, the education of young people, throughout the entire process, as process for forming the personality of the specialized person, depends on two fundamental factors, namely: *the human family*, made up of parents and *the family of teachers*, vocational family.

For an education on life direction, we need that each of these two human poles of the process of internal transformation of the young person *contribute with wisdom and love*, but also collaborate throughout the entire process, with responsibility. This means we need human families, where the behaviour of *wise and loving parents* should be felt (Cury, 2005) and of families of teachers, at the level of each educational organization, where *vocation and wisdom* form the bases of educational harmony, defined by endowment, coherence and resonance.

In this spirit, we comparatively analysed two educational organizations, one in Romania, that we referred to as the *Romanian Private University* (RPU) and the second one in Bulgaria, that we conventionally referred to as the *Bulgarian Danube University* (BDU), in order to emphasize the perception of students and teachers, as bearers of educational interests, as regards the health of the two university organizations.

With a view to quantifying the health of the university organization, we used 12 footprints built in the Aggregate Indicator of University Organization Health (AIUH), defining the way the university organization perceives, integrates and lives in the spirit of a healthy organization, able to generate positive externalities for those with whom it comes into contact, directly or indirectly.

Integrating the 12 footprints, respectively: *freedom to choose footprint, university organization's responsibility footprint, psycho-pedagogical footprint, scientific footprint, ecological footprint, community footprint, cultural-spiritual footprint, familial university footprint, social-human footprint, institutional footprint, professional footprint* and *entrepreneurial footprint* for which the base were 54 indicators in total, we formed the Aggregate Indicator of University Organization Health (AIUH)¹, calculated using the formula:

$$AIUH = \sum_{i=1}^n S(A_i) / n$$

whose values can be included between [0 and 1]. Depending on these values, we can have the following hierarchy:

Table no. 1. Synthetic expression of university organization health

AIUH value	Status of university organization
> 0,9 ≤ 1	Highly healthy
> 0,8 ≤ 0.9	Very healthy
> 0,6 ≤ 0.8	Healthy
> 0,5 ≤ 0.6	Poorly healthy
< 0,5	Sick

Source: Costea C., Popescu C., Taşnadi A., Stanciu M., Ungureanu A., research report. *Complexity of live integer. Case study: Health of university organization*, Bucharest, 2010, p.57.

The three main objectives of the research were: identification of students' and teachers' opinions about the way the university organization of the future should be like, in order to serve human life fulfilment; shaping some determinant characteristics regarding university organization health, interpreted from the perspective of the "the health of the entire living system" paradigm; laying the bases for support for future research that can initiate a Highly Healthy Educational Organization.

The data for the *Romanian Private University* (RPU) was collected by direct quantitative research, taking the information by applying questionnaires, administered by self-completion. At the *Bulgarian Danube University* (BDU), the data was collected using direct quantitative research, taking the information by applying questionnaires, administered by self-completion. Taking into account the very short time available for the research, we also used the

¹ The theoretical foundation of the Aggregate Indicator for Measuring University Health (IASU) was performed between 2007 and 2010, when the CNCSIS ID_774 research project was implemented and the author was part of the research team.

following methods for sending/receiving questionnaires, respectively: email, dissemination of questionnaires using social networks managed by teachers for own students, using existing official communication between teachers in the university and dissemination of questionnaires in groups of students created by means of social networks.

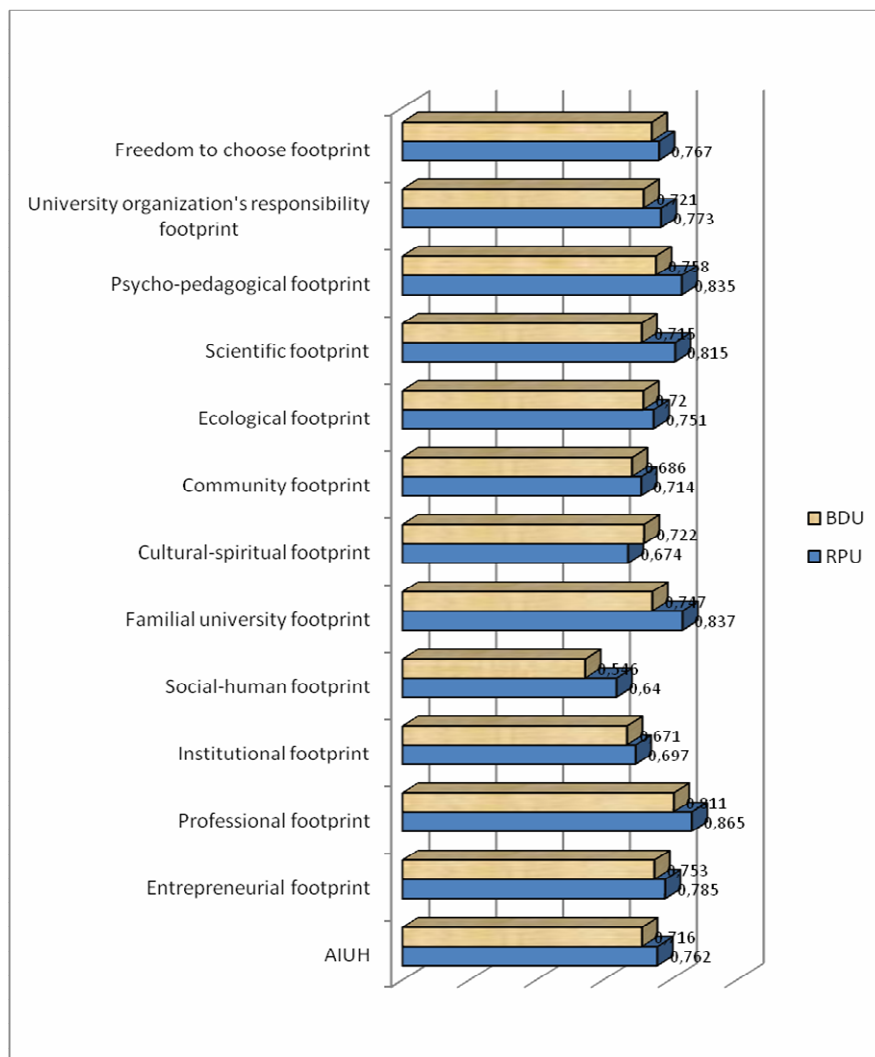
The volume of the sample was determined using the TERO JAMANE method, which follows to use the total collective size (N), not taking into account the characteristics of the participants in the research.

The data was collected, analysed and interpreted for the Romanian university between May 18th – August 12th, 2015 and for the Bulgarian university between June 22nd – July 31st, 2015.

Corresponding to the information collection method – direct quantitative research – a unique questionnaire made up 59 questions was developed, out of which the first 54 questions are content-related and the last 5 are identification questions.

877 persons answered the research, out of which 513 Romanian respondents and 364 Bulgarian respondents, 54.97% of the Romanian respondents were men and 45.03% women; while the situation was the other way around at the Bulgarian university, where 43.13% of the respondents were men and 56.87% women.

Fig. no. 1. Comparative presentation of AIUH for the two universities



Source: The Author

3. For Reflection and Action

Even if the results of the research quantified a health condition for both university organizations, there are aspects that can and must be improved in order to mark transition towards *highly healthy educational organization*, such as: admission of students without admission examination; hiring teachers without taking into account that the teaching profession is a necessity and a pleasure for the person teaching and it should not be practised only for getting money and in order to practice it, the teacher must be content; low responsibility of public authorities in education; low level of adapting the university subjects to novelties in the field, lack of "ecological consciousness" etc.

The next step in the education respiritualization process consists in deep changes of the entire system. We are trying to formulate a few proposals below, especially for Romania:

Creating a unique legislative framework for Romanian education evolution and development (as strategic plans), that should be both *in the short and medium term and in the long term* (for a few decades), so that frequent political changes do not affect the public policies in the field any longer. This framework must correlate with the strategies developed up to present, completed with the necessary elements for observing the "health of live integer" paradigm, that follows the entire evolution of the individual, since birth and up to post graduate training, including continuous training (by various short duration forms) and must relate permanently to the development strategies of Romania. It is fundamental that these documents, once adopted, to be transposed in practice, regardless of the "colour" of the governing party/coalition. Or, we are talking only about forms without fund or about assigning resources without having the desired finality. In order to fulfil this desideratum, it is necessary to have sanctions for those that do not transpose in practice legislative provisions that must be applied as soon as a certain deficiency is found out. In this way we can solve one of the deficiencies signalled by the respondents of the enquiry, namely *responsibility of public authorities in education*. The actual increase of the level of responsibility of public authorities in education is one of the obligatory conditions against education respiritualization.

Among the objectives that must be followed in these strategic plans, we mention (Stanciu, 2015): "parents' preparation with a view to birth action, meaning these should be healthy, not stressed, not to transmit to the foetus these negative parts; ensuring a minimum of preparation with a view to raising the child (especially the mother); special training of the educators in nurseries and kindergartens, in order not to transmit children negative behaviour characteristics; sending sets of fundamental values and insisting on dualities of good-bad, rich-poor type etc.; improving teachers' salaries; selecting educators and teachers based on love, talent and disposition to profession; including in the program sport for health, at all education levels; separation of religious education from the non-religious education; inclusion in the analytical curriculum, especially at elementary school and high school, of orientation classes that debate problems related to citizen education, emphasizing justice, mutual respect and knowledge about basic legislation; introducing in the curriculum sets of subjects about human health, environmental health, family health, community health, organization health so that education, in its entirety, should form specialized people; raising the prestige of all jobs and specializations, with appropriate and fair salarization (depending on economic development); increase of minimum standard from strictly necessary to necessary and creation of necessary conditions with a view to satisfying individual's spiritual needs; forming specialists in all activity fields, depending on the economical development plans for the country, considering the future general evolution of local, regional national, international or global market".

At university level, we consider that this system needs to be rethought, starting from financing principles that need to result from the fundamental legislative document, *Romanian Constitution*, stipulating that "state education is free" (art.32). For this reason, we propose that *state universities have only places financed from state budget*, but financing per "head of student" should be increased, in order to ensure appropriate conditions for quality education, considering teachers' salaries as well, in order to eliminate other negative implications, such as the phenomenon of teachers' migration to other private universities as well, in order to complete their income.

The private universities should have a percentage of the number of places without taxes, in order to be able to take over the candidates that do not have places in the state education system, another percentage with small taxes depending on the income of the people in question and a majority percentage of places for which the schooling taxes should be established depending on the costs they have, within possibility limits.

The state must ensure subventions for particular universities taking over students that cannot be trained within state universities, for covering the necessary amount provided in the economic development of the country.

Teachers should be selected depending on two obligatory considerations: professional competence and love, talent and disposition to profession, both having the same importance level. In this way, the teachers who did not choose the "profession for vocational reasons" will be eliminated from the system. For those already included in the educational system, it is necessary for multi-annual evaluations to quantify both aspects and, if not fulfilled (both theoretically and practically), to be completely as shortly as possible, and if this cannot be fulfilled, the respective teachers should be ensured either by the employer or by the state other jobs outside the educational system. In this way, there must be a permanent correlation with labour market, both at the level of covering demands with faculty graduates, and at the level of jobs requiring experience higher education.

The framework for teachers being chosen by the students needs to be more flexible, by making available for the latter a larger set of optional subjects, from where they can choose appropriate subjects, corresponding to specialization and to "student's mission", so that it helps both parties to love what they do and to do what they love.

Students to be selected by admission contests legislated by the state at all (public and private) universities, taking into account especially their dispositions to the chosen field. This selection will facilitate their faster integration within university and the mission for the future job for which they prepare themselves. We believe this is the only way to avoid situations when the "student realizes" that he/she chose a job that he/she does not like and that he/she does not practice with pleasure and has to practice other job for which he/she was not prepared enough or for which he/she was not prepared at all. Raising awareness towards the nature of the future profession is not only student's responsibility, it is also the responsibility of his/her family, of the university, of the community, of the business environment and of the state respectively. For this reason, the correlation between the fruitage of the educational system and the state development plans is extremely important as well for establishing the number of places approved for each separate specialization. Romania must reach an as good as possible correlation between the need for professors and demands of labour market, on order to remove the stress of the next day, namely the job, which will be possible in the future, considering the experience of the past, when Romania was the first country worldwide legislating and ensuring the right to work of each citizen able to work, both physically and in terms of age.

Correlation of all interests (university-students-business environment-local/central community-family, state), as regards education process, by choosing some disciplines corresponding as well as possible to present needs, but especially to future needs. This can

be done by co-opting in the decision factor-collective (Council of the faculty) the representatives mentioned before, so that to increase to a larger extent involvement of the representatives of business environment, of community etc., which leads, in time, to a better understanding of their problems by the university and, implicitly, to its involvement in their solving.

Integration within the educational process of disciplines developing inborn skills of students (music, painting, sculpture etc.), regardless of the speciality chosen, in order to create "harmonious personalities" and not only specialists.

Creating and developing a responsibility feeling for all students, both for their own lives and for understanding other people's lives. Being integrated in another integer, referred to as family, organization, community, nation, planet, we are responsible firstly for ourselves and to the same extent for the other people. For this reason, the university must cultivate this responsibility starting from the "you received the mark you deserve, correlated with how much you learnt" exigency and up to "we are all responsible for the common future". This can be achieved by systematic and conscious activity upon students by teachers who, in their turn, must discover the responsibility they have in the educational process both towards students and towards society, in its entirety.

Promoting an education based on thoughtfulness and creativity and to a lower extent on learning by heart, maintaining however this function of learning as well, to the extent it is necessary. This involves rethinking the university curriculum in this spirit and rethinking the evaluation in the same spirit as well. Learning by heart, even if it doubtless has its advantages, must not represent the base function of learning. For example, why should students learn by heart the account plan? Why is it useful to burden the memory with such information? Isn't it better for the students to know the functionalities of the respective accounts and their operation principles, knowing where to look for them when they need them? Therefore, understanding fundamental principles is much more beneficial than learning by heart. For this reason, at present we have graduates complaining about uselessness of knowledge acquired in faculty, that can be found in actual work only to a very limited extent.

Continuously adapting university subjects to the requirements of the labour market, to the newly occurred conditions, to the challenges of science and technique etc. is a must that, although regulated in the legislation of universities, it is not fully transposed into practice.

Involving to a larger extent students in research teams, that should use the obtained results in order to increase the level of knowledge and development of the country and that, implicitly, help them in the future, is another must of educational respiritualization.

Increasing the level of university involvement in the cultural-spiritual aspect of own students, by creating the necessary and sufficient framework for performing specific activities and involving them in those specific activities will contribute to completing students' preparation for life.

Cultivation by the university of "ecological consciousness" among students and institutionalized involvement in solving certain ecological situations, where students should participate as well represent important points for the future of the planet.

Creating the necessary framework for the retired people and for the children belonging to "the big university family" represents the binder among generations, shows the respect owed to them and by the power of own example, the spirit of appreciation is sent to experienced generations by younger people. Such examples can be: set up by the university of a kindergarten for employees' children, a club for retired people etc.

Cultivation of values such as human solidarity, tolerance, self-exigency, social communion to own students represent an action of responsibility of the university, from the transition's perspective towards the healthy university organization.

Development to a greater extent of healthy entrepreneurial behaviour, that should help students understand the exigencies of entrepreneurial spirit, not with exclusive absolutization of financial profit, but with a vision shared as well by the British magnate Richard Branson, that of "business for people", not against them.

Responsibilization to a larger extent of all decision factor at state level, centrally and locally, in order to transfer into practice all that is necessary for "education health".

Therefore, the university organization must change because, as Einstein said, "*the education purpose should be training people who act and think independently and who, at the same time, see in serving the community the ultimate achievement of their lives*", which today, in Romania and in the world, happens to a very low extent, by reporting to the realities existing at planetary level.

The resorts for such change come both from getting aware of dangers and from "using crises", (Dobrescu, 2010), in order to learn to unlearn, in order not to live against us, not to work against us and not to love against us and to transpose into practice the educational and economic strategies, taking into account the observation of the "health of live integer" paradigm, so that Romania reaches the highest scientific, economic, politic and social level.

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TRANSPARENCY AND THE NEW PUBLIC PROCUREMENT SYSTEM IN ROMANIA

Adrian Ducu MATEI¹

Motto: *The lack of transparency results in distrust and a deep sense of insecurity*
(14th Dalai Lama).

Abstract *This paper emphasizes the fact that public investment in times of crisis can be an opportunity for economic rebalancing provided that certain principles and rules stipulated by legislation are observed and also if it is subject to adequate control. Following both the regulation and functional errors in national and international mechanisms, some legislative and institutional changes were made. These changes were carried out at European level through the adoption of new EU directives on public procurement at national level but also at national level through new legislation transposing European directives. Europe 2020 strategy for smart, sustainable and inclusive growth is about a vision of the social market economy competitive in Europe for a period of ten years, based on three interdependent and mutually reinforcing priorities: developing an economy based on knowledge and innovation; promoting a competitive economy, with low emissions of carbon dioxide and efficient in terms of resource usage; and promoting an economy with a high employment rate, ensuring social and territorial cohesion. Public procurement is an important element, as it is one of the market tools that can be used to achieve those objectives. Procurement markets and, in particular, major work projects are often considered a sensitive area where corruption scenarios are carried out either by manipulating the tender documentation in favour of bidders or by using intermediary companies to cover illegal activities.*

Keywords: *trust, economic crisis, corruption, economy.*

JEL Classification: H57, O10, P47

Introduction

Economic research and literature show that nowadays the world faces three models of economy and society. They are also models of economic and social development, among which are the following: the American, the Asian and the European model.

It is important that economic models represent the pivot around which globalization formulas form.

These three models are options to choose the way for the next period; for this purpose, it is necessary to highlight some individual features.

Depending on the essential components, strategic elements, reaching peak values and standards on which civilization is built today, the American model organically includes growth and political freedom, but it excludes social cohesion. From this perspective, it represents the model that places accountability for how to manage subsistence towards the local and mostly the individual level. In these circumstances the state minimizes its efforts for prevention and personal failure. The model is structured on the logic of one's own risk.

The Asian model includes economic growth and social cohesion and excludes political freedom. It is the model that propelled China into the centre of Asian regional economy. In this model the predilection for dirigisme and interventionism can be found, as well for one-party state and authoritarianism. Is the model that is said to have a history obsessed by development issues and which does not consider extra economy management

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very important. It is a sample of a classic non liberalism, an experiment done for the emerging markets without considering the values of individualism.

The European model includes economic growth, political freedom and social cohesion. It is the model that combines the principle of non-explosive critical mass and contradictory principles and values, such as efficiency and fairness. Of all known models, the European model relies on risk without regulating sacrifice. Welfare has not appeared by chance in Europe and did not take forms whose social adhesion has ever decreased. Europe has capitalized its humanistic culture alignments through its development model, the predisposition of European society to accept additional costs for public convenience. For Europe, poverty is a social issue and unemployment is a national problem. Redistribution is the most widely used lubricant in the interstices of European progress mechanisms. Getting economic growth and social cohesion constitute a matter of political freedom essence for Europe.

1. The general framework and the European integration model

According to some researchers, the European Union is an advanced approximation of globalization and for this purpose it is necessary to understand the connection between globalization and integration. A first sense of this relationship is to consider the European integration process as the political response to the demands of globalization (Wallace, 1996); "European integration can be analysed as Western Europeans' special effort to ensure the management of globalization consequences. They invented a form of regional governance, where the promoted policies aimed at expanding the role of states and strengthen boundaries between them and the rest of the world".

Under these circumstances, establishing supranational institutions is the response to inadequate reactions of the states facing external challenges of globalization. The inefficiency of national solutions to the economic crises of the 70's is the main argument for accelerating the process of European integration in the mid 80's; it consisted of the appearance of the single market between states and then the Economic and Monetary Union (EMU).

Creating the Single Market (by the Single European Act in 1987) had as its starting point the belief that market liberalization is the most effective way to cope with competitive pressures across the Atlantic and East Asia.

Therefore, European integration is the way in which public authorities have recovered their ability to exercise autonomy when facing globalization.

The European integration process has enabled the apparition of institutions that sustain the integration of the European economy on the globalization path, a position consistent with the preference for globalization. This vision has both an internal dimension by spreading neoliberal policies in Europe and an external one as well, considering that internal trade liberalization cannot succeed without anchoring in global liberalization (Dent, 1997). In this respect the European records are contradictory.

On the one hand, the Single Market and EMU are liberalization examples facilitating a pro-globalization approach. Globalization, whose core element is international trade, is facilitated by trade and investment liberalization to the general benefit.

It is a process in which all parties win, as post-war economic history proves. It is a statement regarding the need to continue efforts, which can be found if we consider the vision per which "Europe has taken advantage of this process and will continue to do so, provided it maintains long-term competitiveness, its capacity to innovate and the values of its model economy".(Lamy, 1999).

On the other hand, European farmers support system offered by the common agricultural policy is incompatible with globalization.

If the two prior approaches analysed the European integration process as a result of the public authorities' actions, a third vision describes the relationship between formal integration (achieved by the Community states and authorities) and the informal one (through the actions of companies among European regions). Several authors consider that the increase of community policy competences are the result of the increasing interaction between companies (whether multinational or transnational corporations acting in accordance with the rules established at Community level). For others, states remain the central control agents for integration results; accelerating this process is the consequence of convergence of the Member States national interests (Moravcsih, 1999).

The foregoing viewpoints can lead to outlining the elements of a European globalization model, with the following important points:

1. acceptance of the liberalization principles, the argument of the Directorate - General for Trade of the European Commission being that liberalization is a useful and necessary factor to ensure a high degree of development;
2. increasing the transparency of Community institutions;
3. harmonization of (trade) globalization, with poverty reduction as the result of applying that model;
4. Protection of areas where there are certain considerations that go beyond the market logic, including:
 - a. agriculture and observing the European agricultural model, which is not only about ensuring food security but also population security and revitalization of some rural areas;
 - b. public health, where Europe rather applies the caution principle;
 - c. natural environment, considering the provisions of the Kyoto agreement and the like;
 - d. cultural diversity considered part of cultural uniformity

Europe 2020 Strategy for smart, sustainable and inclusive growth was adopted for the purposes of those above mentioned; it emphasizes the desire of a vision on the social competitive market economy, as applicability of the European model of integration, for the next decade; it is based on three interdependent and mutually reinforcing priorities: the development of an economy based on knowledge and innovation; promoting a competitive, low-carbon and efficient in terms of resource use; and promoting an economy with a high rate of employment, ensuring social and territorial cohesion.

Public procurement plays an important role in the Europe 2020 strategy as one of the market tools to be used to achieve these objectives.

More specifically, the Europe 2020 strategy is based on public procurement to:

- improve the framework conditions which allow companies to innovate, exploiting the full potential of demand oriented policies¹,
- support the transition to an efficient economy in terms of resource use and low-carbon, e.g. by encouraging the wider use of green public procurement, and
- improve the business environment, especially for the innovative SMEs.

At the same time, the Europe 2020 strategy highlights that public procurement policy must ensure the most efficient use of public funds and procurement markets must be kept open throughout the EU.

¹This issue is addressed in the Commission Communication "Innovation Union" - SEC (2010) 1161, one of the iconic initiatives of the Europe 2020 strategy which addresses the strategic use of public procurement to promote research and innovation. It invites Member States to allocate a part of their procurement budgets for research and innovation and informs about the Commission's intention to provide guidance and support mechanisms for contracting authorities.

Getting the best results in efficient procurement procedures is particularly important in the context of the severe budget cuts and economic difficulties faced by many EU member states. When dealing with these challenges, a functioning and efficient public procurement European market which contributes to achieving these ambitious objectives is more necessary than ever.

Many interested parties have called for a review of the EU public procurement system to increase its effectiveness. Thus, the Commission announced by the Single Market Act 1 that it will conduct wide consultations to formulate legislative suggestions aimed at simplifying and modernizing EU law.

2. The European and national framework of public procurement

Directive 2014/24 / EU of the European Parliament and Council as of 26 February 2014 on public procurement and repealing Directive 2004/18/EC reconsidered public procurement policy at European level.

Public procurement plays a key role within Europe 2020 strategy, presented in the Commission's Communication of 3 March 2010 entitled 'Europe 2020: A strategy for smart, sustainable and inclusive growth (hereinafter " Europe 2020 strategy for smart, sustainable and inclusive growth") as one of market tools to be used to achieve a smart, sustainable and inclusive growth while ensuring the most efficient use of public funds. To this end, the rules on public procurement adopted by Directive 2004/17 / EC of the European Parliament and of the Council (4) and Directive 2004/18/ EC of the European Parliament and Council (5) should be reviewed and upgraded to increase the efficiency of public spending, facilitate the participation of small and medium enterprises (SMEs) in public procurement and enable procurers make better use of public procurement in support of common societal goals. However, it was necessary that certain basic notions and concepts to be clarified to ensure legal certainty and to incorporate certain aspects of the constant case law of the European Union Court of Justice in this area.

The United Nations Convention on the Rights of Persons with Disabilities (6) should be taken into account in implementing the new directive particularly in relation to choosing means of communication, technical specifications, award criteria and conditions for implementing a contract.

The increasingly diverse forms of public action have made it necessary to define more clearly the notion of procurement itself; however, this clarification should not extend the scope of this Directive in relation to the Directive 2004/18/EC. The Union public procurement regulations are not meant to cover all forms of disbursement of public funds, but only those aimed at the acquisition of works, goods or services for consideration through a public contract. It should be clarified that such procurement of works, goods or services should be subject to this Directive, whether implemented by purchase, lease or other contractual forms.

The notion of acquisition should be broadly interpreted as obtaining benefits from those works, goods or services, without necessarily involving a transfer of ownership to the contracting authorities. Furthermore, the mere financing of an activity, particularly through grants, often linked to the obligation to repay the amounts received if they are not used for the purpose for which they are intended, is not usually regulated by procurement rules.

The economic logic of reform in public procurement in Romania was promoted through the National Strategy; it fully reflects the economic logic of the Directives on public

1 Communication from The Commission To The European Parliament, The Council, The Economic And Social Committee And The Committee Of The Regions: Towards a Single Market Act For a highly competitive social market economy 27 October 2010 - COM(2010) 608.

procurement at European level. This economic logic revolves around the idea that transparency generates competition, competition generates savings.

Impact studies conducted at European level - including the previously legislative package - and promoted by DG Internal Market demonstrate that this logic has been checked.

The econometric analysis carried out during the assessment reveals that a small but stable, transparent procurement process leads to tangible savings.

Specifically, according to *Evaluation Report - Impact and Effectiveness of EU Public Procurement Legislation (Part 1)*¹, published by the European Commission in 2011 (SEC (2011) 853 final, the publication of a notice results in savings of 1.2% compared to the situations where there are no published notices or other information in connection with the contract that was to be awarded. According to analysis results, a contracting authority that publishes an invitation to tender and uses open procedure can expect savings of 3.8% of the final value of the contract, while when using the restricted procedure, it can expect smaller economies amounting to 2.5%.

The savings associated with a higher degree of competition are increased in services and works, resulting in a directly proportional relation between economies and competition in these sectors: the more the procedures mobilize competition, the more the degree of saving increases.

The European Commission estimated within the same impact study that in most transparent procurement procedures savings between 2.5-10% compared to the budget estimate can be achieved (in terms of establishing realistic budgets).

Thus, budget savings can reach a considerable value. Following the logic outcome of impact assessments conducted at European level, it is anticipated that the average value of trades on the public procurement market of approximately Euro 15,000 million annually for a period of 5 years if the savings would be only 5% become investment of the same amount. This may result in reducing unemployment and GDP growth.

In addition, in the national context, due to the paradigm shift in public procurement in Romania, including (but not limited to shifting focus from the acquisition approach in terms of "the lowest price" to "the lowest cost" or demand aggregation) it is expected to achieve these savings not only at the transaction level, but also in operating the goods/service/work purchased. Thus, it is expected that for Romania, given the current economic situation and the effective reality of public procurement, compared with other European countries, the impact of the measures included in the National Strategy on GDP is higher than in other EU countries.

Romania makes efforts in monitoring the institutional use of public money, conducting financial control over the formation, management and use of financial resources of the state and public sector, having by law a crucial role in tracking public money usage. Detailed reports on inspection activities are regularly published; it is an important source of information for those interested in checking public spending.

The National Public Procurement Strategy, approved by Government Decision no. 901/2015 on the ex-post control of public procurement contains some measures to be taken by the Court of Auditors to strengthen the role in controlling public procurement:

- strengthening the capacity of the Court of Auditors in controlling public procurement;
- ensuring adequate human resources;
- specialized training of personnel;
- providing specific tools (guides on how to control public procurement);
- harmonize procedures and methods used by the Court of Accounts and the Audit Authority in carrying out audits of public procurement, to ensure full consistency of

¹ http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/er853_1_en.pdf

approaches and interpretations; establishing a coordination mechanism between the Court of Auditors and the Audit Authority;

- taking into account risk factors indicated by the governmental institutions, such as the National Agency for Public Procurement, National Integrity Agency and the Competition Council in developing the Court of Accounts methodology used to determine relevant risk areas and, therefore, help develop annual work program and the audit plan.

The public procurement process is monitored in order to implement the Strategy measures.

3. Vulnerable domains in terms of public procurement transparency in Romania

According to national assessments¹ for the 2009 - 2010 period, the rankings areas with the highest total value of contracts awarded are indicated, as shown in Annex. 1 Excerpt from "Top 50 largest contracts awarded through SEAP summed values, according to the CPV"; **construction works** are on the top position (with all the associated services: buildings finishing, building installations, etc.) with a total aggregate value of over Euro 7 billion, representing virtually 40% of the total public procurement carried out through the Electronic system of public procurement (SEAP) in those two years, followed by health purchases.

Considering the frequency codes of the Common Procurement Vocabulary (CPV) associated with procurement procedures carried out through SEAP, most are **pharmaceuticals** and **medical equipment**, followed on the 3rd place by **construction and public works**.

If we look closely at the practices of central and local authorities, we can easily notice that the data published on the websites or other means of communication are not presented in a way that contributes to the correct information of citizens (the final beneficiaries of the public investments made).

Authorities mainly formally observe the procedures required by law without a prior analysis and therefore data are often incomplete, or refer to disparate parts of the procurement process.

The contracting authorities poorly inform the population about the whole process of public procurement.

Information on all proceedings stages are not public, from the publication of the notice to selecting the winner of that contract, signing and reception of the work, goods or services.

According to the survey conducted by PwC EU Services and Ecorys² (2013) on procurement in 8 Member States and 5 sectors during 2010, there was awarding procedure defrauding for public procurement contracts in 48% of cases.

Among the frauds identified in this study were the following: illicit commissions, conflicts of interest and intentional mismanagement, which attracted direct costs up to Euro 2.2 billion.

The Association of Certified Fraud Examiners - The Institute of Internal Auditors, the American Institute of Certified Public Accountants and the Association of Certified Fraud

¹The study by the Public Policy Institute entitled "Transparency, Fairness and Competitiveness in Procurement Process in Romania" Case Study: central contracting authorities, published in 2012 <http://freedomhouse.ro/achizitii/la-zi/item/283-transparen%C5%A3%C4%83-corectitudine-%C5%9Fi-competitivitate-%C3%AEn-procesul-de-achizi%C5%A3ii-publice-din-rom%C3%A2nia>

² PwC EU Services and Ecorys (2013). Procurement: the costs we pay because of corruption. Identification and reducing corruption in public procurement in the European Union. http://ec.europa.eu/anti_fraud/documents/antifraud-policy/research-and-studies/pwc_olaf_study_ro.pdf

Examiner, 2008¹ uses a specific taxonomy of fraud types, which was taken over by European Commission to issue other documents, including notes, practical guides for identifying fraud (see "information Note on fraud indicators for ERDF, ESF and CF"). Among the elements related to research and detection of fraud, specific elements regarding tender manipulation can be enumerated: complaints from bidders, poor controls and inadequate bidding procedures, indications of bids changes after reception, voiding bids for errors, qualified bidders being disqualified for suspicious or unclear reasons.

Conclusions and suggestions

In conclusion, in order to improve the public procurement system in Romania, a closer monitoring is necessary for the control institutions to draft expert reports, guides, functional work procedures on monitoring procurement in terms of fraud identification, prevention and elimination, from assigning the contract, where there still are practices of tender manipulation, studies to identify the causes of the lack of confidence in the public procurement system, the real causes of the high and constant number of complaints in the past five years and identifying the best action to reduce them, supporting a transparent and competitive business environment.

We also suggest increasing the activity of gathering information on the Electronic System of Public Procurement and other sources to develop a database on public procurement necessary to compile statistics, summaries, reports on public procurement system so as to identify the risk factors needed to establish its control program.

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Annex 1

Excerpt from "Top 50 largest contracts awarded through SEAP summed values,
according to the CPV"

	CPV Description	CPV CODE	Amount agreed Euro	Number of contracts
1	Complete or partly complete construction works and public works	452	7,772,006,468	12,109
2	Pharmaceuticals	336	719,837,955	51,846
3	Banking and investment services	661	719,659,054	225
4	Building installation works	453	703,434,766	2,925
5	Building completion works	454	570,189,316	2,931
6	Engineering	713	511,827,070	3,969
7	Repair and maintenance services of pumps, valves, taps, metal containers and machinery	505	487,415,231	1,120
8	Repair, maintenance and associated services related to aviation, railway, road and sea	502	475,096,674	434
9	Fuel	091	448,590,277	1,681
10	Construction works	450	422,293,931	827

REGIONAL DIFFERENCES REGARDING TOURISM POTENTIAL AND ATTRACTIVENESS. A STATISTICAL-ECONOMETRIC APPROACH

Cătălin – Ioan Nechifor¹

Abstract. In the work that follows, based on data from the Statistical Yearbook of Romania are analyzed a series of regional indicators, in order to highlight the differences between regions about the potential and attractiveness in terms of tourism. In the period under the present review the number of overnight stays registered a dramatic decline from a peak of 45.48 million recorded immediately after the changes in socioeconomic 1989-1990 to a low of 16.05 million recorded as a result of the economic crisis manifested in 2008-2010. The South East region, which contains two of the main tourist attractions in Romania - Black Sea and Danube Delta - has the highest share of total number of overnight stays for the entire period. Still visible is declining contribution of this region to the total overnight stays, the value decreased from 30% in 1990-2000 to 21% in 2013. After analyzing the evolution of the structure of tourists each year by developing region we can observe that trends are similar to overnight stays number, which explains to a certain extent that overnight stays, while containing worth and movements determined by the specificity and duties of the job, are directly influenced, as expected, by the amplitude of tourism activities.

Keywords: regional development, tourism activities, econometric analysis

JEL Classification: Z3

1. Overall considerations

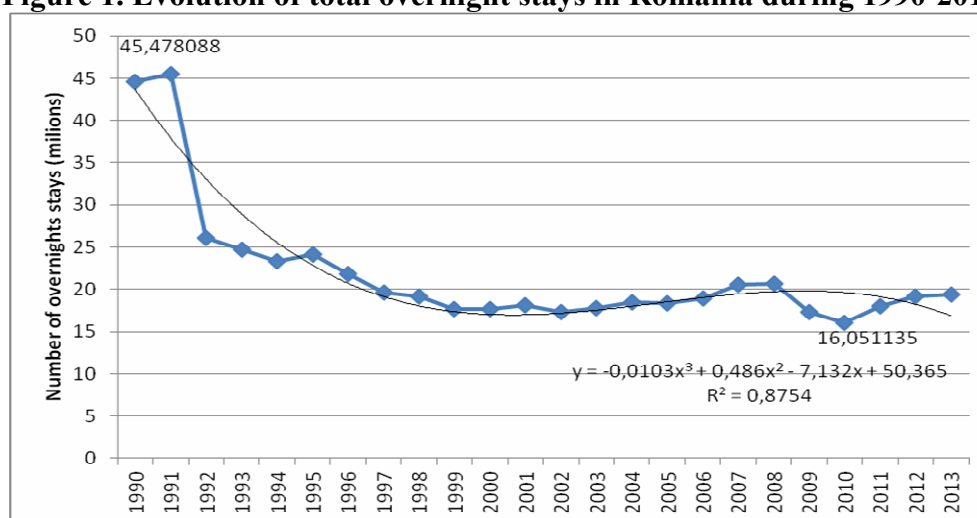
In order to examine the differences between the Romanian regions with regard to tourism potential and attractiveness our analysis concentrated on the data provided by the Statistical Yearbook of Romania for a series of relevant indicators, as presented below.

1.1. The evolution of the number of nights spent at regional level

The number of nights is "every night when one person is registered in a tourist accommodation, whether or not physically is staying in the room."²

The evolution of the total overnight stays in Romania between 1990 and 2013 is presented in Figure 1.

Figure 1. Evolution of total overnight stays in Romania during 1990-2013



Source: Romanian Statistical Yearbook 2014

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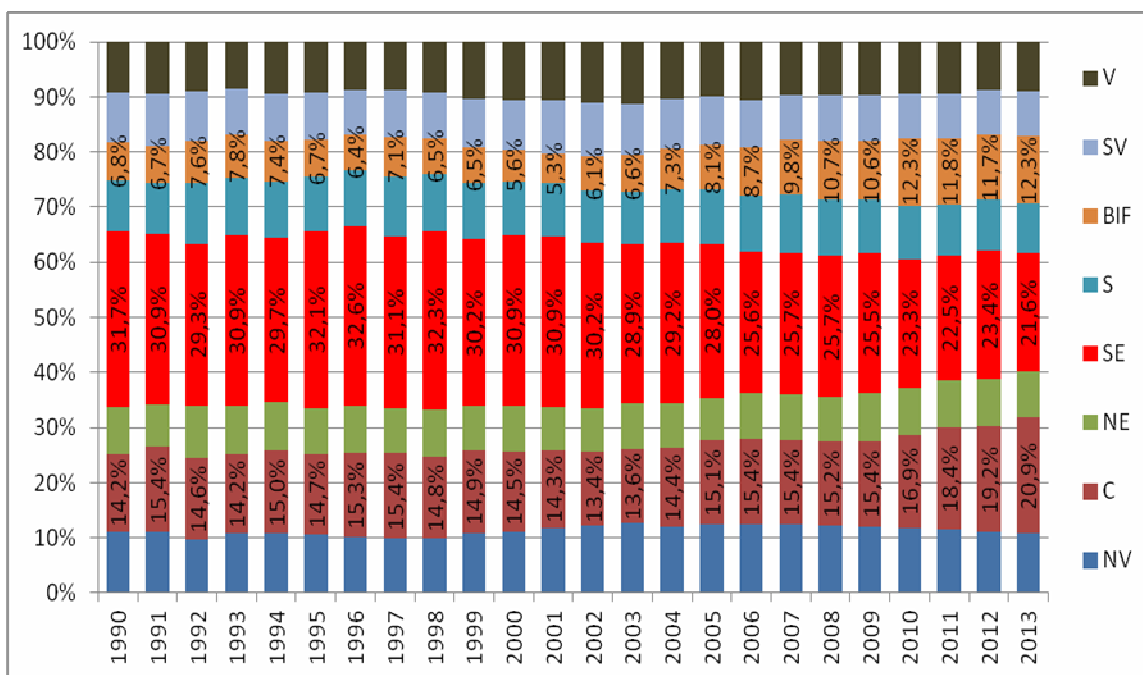
²<http://statistici.inse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=TUR105E>

In the period under the present review the number of overnight stays registered a dramatic decline, from a peak of 45.48 million recorded immediately after the changes in socioeconomic life in 1989-1990 to a low of 16.05 million recorded as a result of the economic crisis manifested in 2008-2010. Looking at Figure 1, in order to capture the dramatic fall in the number of overnight stays, progress indicator can be expressed by means of a model based on a Grade 3 polynomial function of time. Whereas in the whole country in nearly 25 years the number of overnight stays displays a maximum / minimum ratio of 3, one can see at the end of the period, from 2006 onwards, a stabilization of the indicator at around 20 million.

It is also worth noting that after the crisis an upward trend is observed, which could mean a revival of Romanian tourism. The small growth of the number of overnight stays has beneficial effects on the entire associated economy (i.e. increased demand for accommodation and local transport, stimulating demand for domestic products).

At the regional level the evolution of this indicator is different because of the multitude of factors that intervene on it (relief, climate, infrastructure, access, etc.). The structural contribution of each region to the number of overnight stays is presented in Figure 2.

Figure 2. The structural contribution of each region to the number of overnight stays



Source: INS – TEMPO Online

The results indicate that the South-East region, which contains two of the main tourist attractions in Romania - Black Sea and Danube Delta - has the highest share of total number of overnight stays for the entire period. Still visible is declining contribution of this region to the total overnight stays, the value decreasing from 30% in 1990-2000 to 21% in 2013. This downward trend of the contribution of SE region should not be seen necessarily as a negative point in development of tourism in Romania. Otherwise, a larger number of overnight stays in other regions that initially had low levels of this indicator signifies a diversification of accommodation activities of tourist and economic interest. Two significant increases over the period analyzed are observed in the case of the Centre and Bucharest-Ilfov regions. In the Central region the increase is, most likely, due to a large extent to infrastructure development of already known resorts such as Brasov, Sibiu,

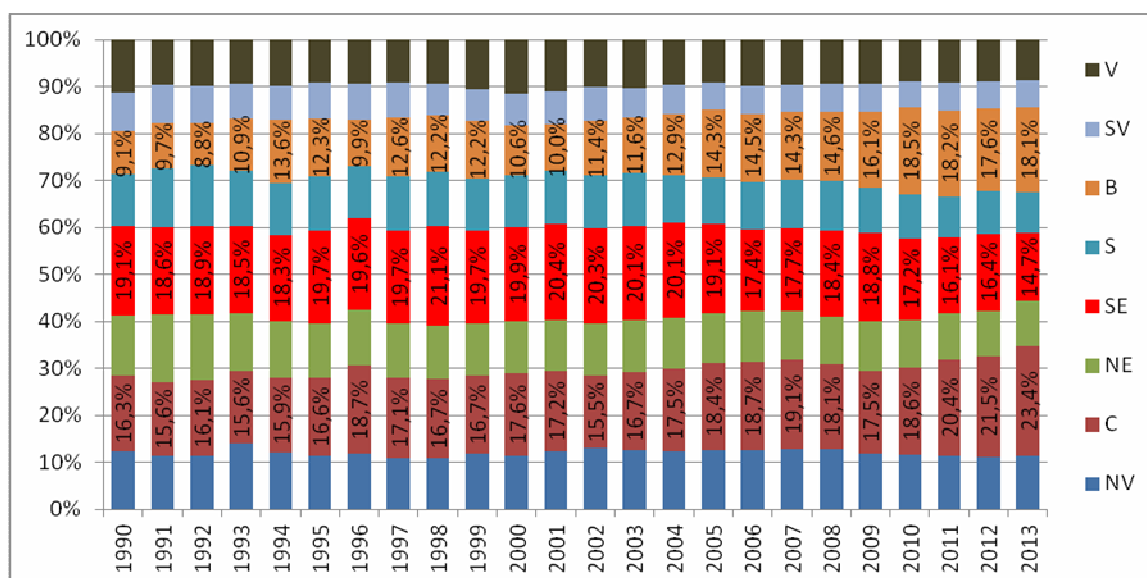
Tusnad, etc.. For Bucharest-Ilfov region the impact is determined by two different lines: one for tourism (restoration of the old center of Bucharest) and one of economic nature, the capital of Romania becoming one of the most important cities in Eastern Europe after Romania joined the European Union.

A possible explanation for changing the structure of the account number of overnight stays intensify in carrying out the work or tourism may be given after analyzing the number of tourists.

1.2. The evolution of the number of tourists during the analyzed period

According to the INS definition, the number of tourists accommodated in tourist accommodation establishments shall include all persons (Romanian and foreign) traveling outside the communities in which they reside, for more than 12 months and staying at least one night in an accommodation establishment in a visited tourist area in the country; in addition, the main reason for the trip is other than to carry out a paid activity in the visited places. The distribution of tourists by region is shown in Figure 3.

Figure 3. The structure of tourists by region during 1990-2013



Source: INS – TEMPO Online

After analyzing the evolution of the structure of tourists each year by developing region we can observe that trends are similar to overnight stays number, which explains to a certain extent that overnight stays, while containing worth and movements determined by the specificity and duties of the job, are directly influenced, as expected, by the amplitude of tourism activities.

2. An econometric investigation

2.1. Data and methodology

A quantitative expression of the impact of the number of tourists at regional level on the change in the number of overnight stays can be delivered by estimating the parameters of a regression model between the two variables for a system of panel data consisting of 8 regions and 19 available years, thus summing a total of 152 observations.

Three models of analysis are specified, namely:

$$innopt_{it} = a + b * turisti_{it} + u_{it} \quad (1)$$

$$\log(innopt)_{it} = a + b[* \log(tourists)_{it}] + z_{it} \quad (2)$$

$$[\Delta \log(innopt)]_{it} = a + b[* \Delta \log(turisti)_{it}] + w_{it} \quad (3)$$

where *innopt* = number of stays registered in each region for the examined period; *turisti* = the number of tourists arriving in accommodation for whom the number of overnight stays has been cumulated; u, z, w = disturbing variables, alleged white noises, normally distributed. The model (3) is constructed and estimated on the basis of differences of order 1 of the variables specified in the model (2).

2.2. Results

The results are summarized in the following table*:

Dependent variable = number of overnight stays	Model 1	Model 2	Model 3
Number of tourists	3.04***	0.82***	0.73***
R ²	0.49	0.53	0.72
Durbin Watson Statistic	0.03	0.028	1.93

*** Significant parameter for a maximum 1% threshold

* Detailed results are presented in Appendix 1.

Source: Author's calculations by means of Eviews using data provided by TEMPO-INS, <http://statistici.insse.ro/shop/>

The most suitable model is the model 3, built on the differences of order 1, which eliminates the autocorrelation phenomenon present in the case of the previous two models.

3. Conclusions

The analysis model shows a direct and intense relationship between the number of tourists and the number of overnight stays, the former determining a change in the number of overnight stays in proportion of 72%. Other factors that explain the rest of the remaining 28% are the length of stay, the economic component or travel for business purposes.

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Appendix 1. The estimation of the parameters of a correlation model between the number of overnight stays and the number of tourists

Dependent Variable: INNOPT
 Method: Panel Least Squares
 Sample: 1995 2013
 Periods included: 19
 Cross-sections included: 8
 Total panel (balanced) observations: 152

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TURİŞTI	3.049636	0.249811	12.20778	0.0000
C	35796.94	204793.9	0.174795	0.8615
R-squared	0.498378	Mean dependent var	2370873.	
Adjusted R-squared	0.495034	S.D. dependent var	1269421.	
S.E. of regression	902062.7	Akaike info criterion	30.27583	
Sum squared resid	1.22E+14	Schwarz criterion	30.31561	
Log likelihood	-2298.963	Hannan-Quinn criter.	30.29199	
F-statistic	149.0299	Durbin-Watson stat	0.030814	
Prob(F-statistic)	0.000000			

1.

Dependent Variable: LOG(INNOPT)
 Method: Panel Least Squares
 Sample: 1995 2013
 Periods included: 19
 Cross-sections included: 8
 Total panel (balanced) observations: 152

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TURİŞTI)	0.823521	0.062820	13.10914	0.0000
C	3.476755	0.847092	4.104342	0.0001
R-squared	0.533944	Mean dependent var	14.57718	
Adjusted R-squared	0.530837	S.D. dependent var	0.420272	
S.E. of regression	0.287867	Akaike info criterion	0.360435	
Sum squared resid	12.43012	Schwarz criterion	0.400223	
Log likelihood	-25.39308	Hannan-Quinn criter.	0.376598	
F-statistic	171.8496	Durbin-Watson stat	0.028310	
Prob(F-statistic)	0.000000			

2.

Dependent Variable: D(LOG(INNOPT))

Method: Panel Least Squares

Date: 02/22/15 Time: 23:47

Sample (adjusted): 1996 2013

Periods included: 18

Cross-sections included: 8

Total panel (balanced) observations: 144

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOG(TURİŞTI))	0.731798	0.038220	19.14686	0.0000
C	-0.011936	0.003844	-3.104884	0.0023
R-squared	0.720803	Mean dependent var	-0.009303	
Adjusted R-squared	0.718837	S.D. dependent var	0.086941	
S.E. of regression	0.046100	Akaike info criterion	-3.302207	
Sum squared resid	0.301783	Schwarz criterion	-3.260960	
Log likelihood	239.7589	Hannan-Quinn criter.	-3.285446	
F-statistic	366.6021	Durbin-Watson stat	1.936958	
Prob(F-statistic)	0.000000			

EUROREGION DANUBE-CRIS-MURES-TISA (DKMT) – A SUCCESSFUL STORY?

Dudă-Dăianu Dana Codruța¹,
Abrudan Denisa²

Abstract: *Outbursts regions from different European countries on international stage are a fact that without being fully realized seems inevitable. With the globalization of trade, the regions seem involved in some kind of transnational frenzy. Fostering this new field of external relations was due to the adoption of decentralization laws that allow intra-European cooperation between regions. Through these relationships are established not only to peer into shares of common interest, but also it gives powers to local authorities in the international order.*

The paper highlights the success story of the Danube-Cris-Mures-Tisa, focusing on its development strategy analysis. Also, are underlined the complications caused by unsynchronized accession of partner countries to the European Union.

Key words: *regional development, cross border cooperation, euroregion, development strategy, SWOT analysis*

JEL classifications: O18, O10, R11

1. The importance of DKMT Euroregion for regional cooperation

Euroregions represent particular forms of over-border cooperation of local territorial authorities. They involve local territorial collectivities association of two or more neighboring countries, forming a unit area, characterized by certain peculiarities shared interests

Euroregions materializes geographical solidarity, despite state borders, creating new spaces for decentralised cooperation in Europe. In principle, for creating an Euro-regions not participates local authorities at grassroots level and those at the intermediate level or lower, but higher intermediate local territorial authorities, immediately below the state level, generally referred regions.

Euroregion associates border regions. The particularity of the Euroregions in terms of their composition is given by the fact that, in federal states case, are included in the Euro-regions the federal states that are not just a simply local and regional administrative authority administrative. Moreover, there Euroregion in which one component is even a state, it is true, a micro-state of a region. It's about Luxembourg and Andorra. Therefore, only theoretical Euroregions are structures composed exclusively of administrative regions because in practice many of them including political entities, federal states or even countries (Duda-Daianu, C., Abrudan, D., 2012).

Danube-Kris-Mures-Tisza (DKMT) regional cooperation is a type of organization at the administrative level, initiated in 1992, but only in November 1997 established as an organization for cooperation between local governments of the nine partner lands from Romania, Hungary and Serbia From Euroregion DKMT the Romania partner participate with the following counties: Arad, Caras-Severin, Hunedoara and Timis; from Hungary partner: Csongrad, Bekes, Jasz-NagykunSzolnok, Bacs-Kiskun and from the Republic of Serbia, the Autonomous Province of Vojvodina.

The main functions performed by Euroregion are:

- strengthening the ability to identify financial resources

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² Assoc. Prof. Ph.D, West University of Timisoara, Faculty of Economics and Business Administration

- assistance in carrying out cross-border development and implementation of programs,
- assistance regarding the strengthening of political, social and economic development of the regions involved.

Euroregion DKMT was involved primarily in promoting projects of regional interest, playing a role as a forum for information and advice on cross-border issues, thus allowing local authorities of partner countries to develop and raise the level of cross-border cooperation in accordance with the cross borders strategy development and aimed at greater involvement in the initiative INTERREG-program of cooperation between regions, the largest of the Community initiatives for EU structural funds (Rieser Hans-Heinrich, 2010). The four main goals of this program are:

- help the border areas to overcome problems arising from their relative isolation, with the support of local authorities and local communities, taking into account a number of parameters: environment, transport, spatial planning, investments, employment, vocational training, culture, health;
- promote the creation and development of "micro integration" between border regions within the Community in the perspective of a single market;
- helping external border areas to assume the new role of external border of the common market in a perspective of economic and cultural development for these territories;
- fostering cooperation with third countries at the external borders of the Community.

The structure and competence shown by DKMT are:

- ✓ Forum of President: Formed by nine representatives, delegates from councils of concerned areas, represents the outside political expression of common interests, the decision makers.
- ✓ President: This function is occupied in turn by a representative of each participating country, for a period of one year.
- ✓ Secretarial: This structure serves Presidents' forum (ruling body), making preparations for decisions, administrative issues of the functioning of the forum or president and coordinates the activities of the working groups.
- ✓ Working groups: It deals with issues of professional nature regarding the activities of the Euroregion and make proposals and recommendations for the forum and the presidency.

2. The SWOT Analysis of DKMT Euroregion

The SWOT Analysis was concentrated on the four pillars, as follows:

1. An increase in social cohesion, human resources, education-culture and R&D

- ✓ Strengths
 - Ethnic and cultural diversity, co-existence of diverse cultures and communities, understanding of differences, an open European mindset.
 - Advanced and comprehensive secondary education.
 - Sizeable student bodies and famous institutions of higher education in cities.
 - A strong research basis in large cities, catering for the needs of local economies in their chosen areas of research.
 - Social and cultural trade associations and civil organisations enhance co-operation, making it possible for inter-cultural projects to be financially supported.
- ✓ Weaknesses

- Low population density, marked demographic ageing, migration of certain population groups and the young.
- Inadequate investment in the ongoing training of labour force.
- Low pay in higher education offering no appeal to young professionals, obsolete technology, some of the equipment is several decades old, inadequate co-operation between the individual institutions of higher education, a low percentage of institutions of higher education in national R&D capacity.
- ✓ Opportunities
- Economic participants' increasing demand for R&D means R&D institutions must adjust to the needs of local economies and strengthen relations between them and their business partners.
- The uniform management system of EU funds opens up new areas of co-operation and may strengthen the existing ones.
- ✓ Threats
- The lack of the mutual recognition of professional qualifications in the three countries and in the European Union hinders the mobility of highly trained labour within the region.
- The fact that the countries in the region acceded or will accede to the European Union at different dates may impair the region's compatibility.

II. Economy, services, agriculture, industry and tourist industry

- ✓ Strengths
- A traditionally variegated economic structure, open to foreign investors.
- Trained industrial labour
- Availability of raw materials necessary for industry (felling and wood processing, textile industry, shoe manufacturing, food industry, machinery and electronics).
- Existing and operational infrastructure supporting small- and medium-size enterprises in the DKMT Euroregion (industrial parks, chambers of trade and commerce, centres of business development, consultancies and duty-free areas).
- Considerable turnover of transit, hunting, health, wellness and nautical tourism; existing opportunities for new tourist industry products (eco-tourism, agro-tourism, gastronomic tourism, youth tourism, event tourism and pilgrimages).
- Diverse landscapes (mountains, rivers, lakes and thermal water), unique folklore and culinary traditions, which may be beneficial to various tourist industry developments.
- ✓ Weaknesses
- Low volume of foreign direct investment (FDI) in the border regions concerned in the three countries.
- High numbers employed in agriculture
- No uniform tourist industry strategy; inadequate tourist industry management and marketing in the Euroregion.
- ✓ Opportunities
- The uniform management of EU funds may contribute to the transfer of technologies and know-how to SMEs operational in the region.
- Increased demand for specialised tourist industry products.
- Global demand for health food may revive traditional agriculture.
- ✓ Threats
- Assembly industries are not integrated in local economies and fail to establish business ties with suppliers.

- Unless accessibility improves and favourable developments occur in the institutional, infrastructural and legal environment, capital investment will target areas further to the East rather than the Euroregion.
- Lower volume of FDI due to an increase in the cost of local labour.

III. Infrastructure

✓ Strengths

- Important traffic corridors intersecting the Euroregion.
- Emergence of modern components in the communication network (terminals and new sections of motorways) and that of mixed types of freight forwarding (RO–LA and RO–RO) in the region.
- International airport in operation.
- Advanced telecommunications network

✓ Weaknesses

- Weak horizontal links within the Euroregion.
- Inadequate capacity of frontier stations, lack of frontier stations along certain border sections (e.g. between Romania and Serbia–Montenegro).
- Obsolete rail infrastructure, long border-crossing time (there is no passport control during rail journeys).
- Lack of Euroregional motorway and state-of-the-art expressway links.

✓ Opportunities

- Activities and obligations supported by EU programmes to improve communal infrastructure.
- Investment opportunities in the IT sector are much sought-after among foreign investors.
- Making the most of the many opportunities created by the three Helsinki corridors.
- Channelling truck traffic to rail and waterway transport may lead to more effective container traffic.

✓ Threats

- The backwardness of trade infrastructure slows down the development of Euroregional links.
- Delay in motorway construction and the development of the railway backbone continuously impairs the region's competitiveness and reduces the possibility of the utilisation of its favourable logistical location.
- Load generated by increasing transit traffic on already decrepit and overloaded road sections.
- The long drawn-out process of the rehabilitation of the River Danube slows down river traffic and lessens the importance of logistics based on river ports. The unavailability of rivers as a means of transport leads to the channelling of freight forwarding to air/land means or even to routes outside the region.

IV. Environmental protection and nature conservation (Săgetă, R.,2014):

✓ Strengths

- Institutions and experts specialising in environmental protection.
- A balanced natural environment which is relatively undisturbed by human interference.

✓ Weaknesses

- Serious industrial pollution in some areas.

- Missing components of communal infrastructure (e.g. sewage treatment and waste collection and recycling), heavy pollution in large cities (dust and exhaust gases).
- The public is inadequately informed on the state of the environment both locally and regionally.
 - ✓ Opportunities
- The use of alternative sources of energy may help save energy in the region, especially in rural and tourist industry areas.
- The concerted development of protected areas and natural heritage within the framework of cross-border co-operation may help preserve biodiversity and make eco-schemes more effective.
- The on-going co-operation between the region's experts (researchers) and institutions (authorities) makes it possible for problems to be explored and remedied in a timely manner.
 - ✓ Threats
- Threats posed by sources of pollution outside the region.
- Differences between the European and national institutional and legal systems of environmental protection impair the efficiency of the region's environment management system.
- Inadequate preparedness of economic participants for emergencies.

3. Considerations regarding the development strategy of DKMT Euroregion

Relying on the participation and taking into account the region's civil organisations, economic participants, municipalities, micro-regional associations and the organisations in the regions designated for development in the three neighbouring countries, the area development strategy of the DKMT Euroregion outlined the objectives of a shared future for the region through integration, which ultimately strives to improve the quality of life of the residents living there.

The establishment of the Euroregion as the most important task requires that strategic objectives be set on a dual geographical scale: firstly at a DKMT Euroregion level that established cohesion and is open to Europe and, secondly, at the EU level, into which it was integrated.

The strategy identified the objectives of three spheres (sectors). The DKMT Euroregion is to become

1) a multi-cultural Euroregional model in the human sphere - a multi-ethnic multi-cultural region with societies that recognised and identified themselves with each other's cultural, geographical and natural heritage and were aware of each other's current social, economic and environmental problems and objectives; a region where younger generations already have a Euroregional identity, which reinforces their ties with the region.

- ✓ Founded mainly on a sophisticated base of research and secondary and higher education, the study of and publications in 4 languages on cultural, natural and man-made heritage;
- ✓ Pursuit of new forms of mediation of co-existence and diversity as values;
- ✓ Communication infrastructure and a regional 'IT revolution' needed for an increasing number of personal and virtual relations of equally increasing intensity.
- ✓ In addition to the system of twin settlements and cultural links, co-operation involving the participants of the civil sphere and other participants through the utilisation of economic (tourist industry) co-operation, exchanges of professional experience and events.

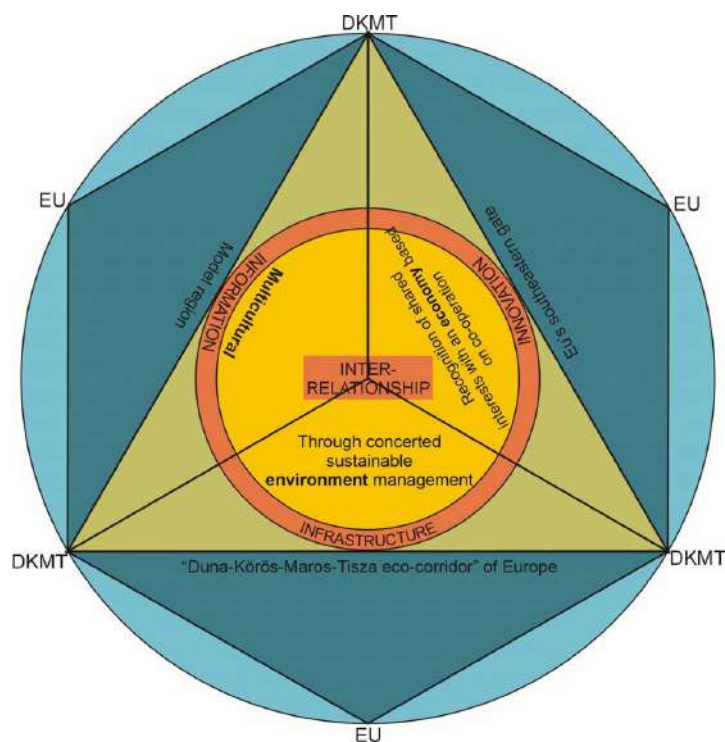


Fig.1. The 4 “i’s” for the integration of the areas of 4 rivers

II) the Southeastern gate of the European Union through the recognition of shared interests and an economy based on co-operation in the economic sphere - establishment of a system of cooperation between economic and other participants familiar with the economic resources and opportunities. They must also be familiar with the mutual interests in cross-border relations of the 3 member states. These foster economic integration and economic competitiveness of the DKMT Euroregion (Alfons Institute, 2012) .

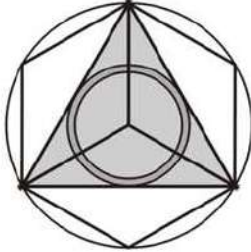
- ✓ The on-going development of a four-language economic information base conducive to understanding cultural issues. It should help identify partners for potential co-operation;
- ✓ The launch of joint R&D projects, the efficient economic utilisation of research potential, and support for the spread of innovations.
- ✓ Communication infrastructure, an internet background and business service infrastructure indispensable for economic co-operation.
 - ✓ Establishment of bi-lateral agreements and Euroregional economic networks.

III) the Danube–Körös–Maros–Tisza eco-corridor of Europe through sustainable concerted environment management in the natural environment sphere - the establishment of a hierarchical and homogeneous system of landscape ecology that is attractive, sustainable and pleasant to live in (Săgeată, R., Persu M., 2013):.

- ✓ Drawn from a research and secondary and higher educational base, views from experts and politicians, from the study of environmental and natural heritage, from the formulation and publication in 4 languages of a strategy addressing issues of nature and environmental protection;
- ✓ New solutions to shared concerns of issues of environmental protection;
- ✓ Establishment of an infrastructure defining the spatial structure of a uniform eco-corridor;
- ✓ Increasing the instances of interactions generated by formal and informal forums attended by commercial organisations, civil organisations and the general public.

Motto: The 4 "i's" for the integration of the areas of 4 rivers: information, innovation, infrastructure, interrelationship

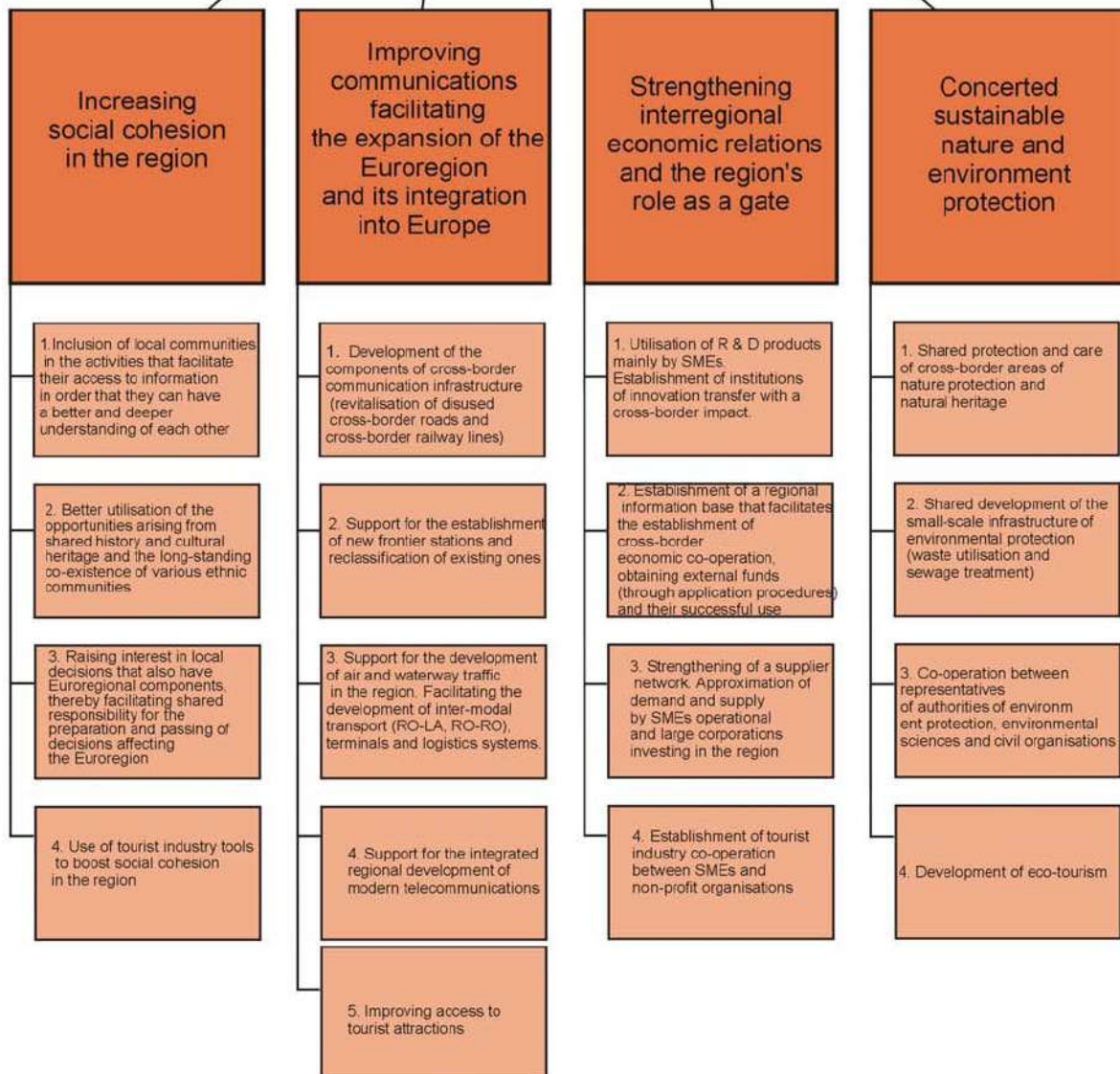
The structure of the strategy



Strategic goals: The DKMT Euroregion should become:

- a multi-cultural model region
- the EU's southeastern gate through the recognition of shared interests with an economy based on co-operation
- through concerted sustainable environment management Europe's DKMT eco-corridor between the Carpathian Basin and the Balkans in order to preserve the continuity of biodiversity

Fundamental goal: Establishment of a solid system of relations based on jointly developed infrastructure and an information basis and supporting the spread of innovation in order to improve the quality of life of the population in the DKMT Euroregion.



Source: Alfold Institute, Centre for Regional Studies, Hungarian Academy of Sciences

As is apparent from the above SWOT analysis, the most pressing issue in all spheres and sector and inter-sector development at this stage of regional development was that of improving the relations between the participants involved in the development and the links between the geographical areas affected. This can only be addressed through innovation and a multi-directional flow of information. Needless to say, the improvement of the region's infrastructure serving as a physical framework was an indispensable horizontal objective.

The future plans of the DKMT Euroregion are very well related to the fact that two of the participating countries are already members of the European Union, which assures significant support for cross-border cooperation programs. Moreover, Serbia's chances to become a European Union member will lead to the diversification and expansion of cooperation potential in the region (Fejes, Z., 2013).

The implementation of concepts defined in the strategic plan of the DKMT Euroregion will continue during the forthcoming years – in line with the national development plans of the certain member countries (Grigorescu, I.; Dumitrascu, M.; Sima, M., Micu, D., 2015):

- the projection of a “Euroregional TGV” fast railway connecting Budapest-Békéscsaba-Arad-Bucharest;
- a motorway between Rösztke and Belgrade, completely constructed on the E75 section;
- the Triplex international industrial park founded on the Hungarian-Romanian-Serbian triplex border; the “Banat road” built between the Belgrade- Pančevo-Kikinda-Triplex border point and the Deszk node of the M43 clearway;
- turning Danube into a complex European tourism and environmental protection route on the territory of the DKMT Euroregion;
- the reconstruction of the Timisoara-Szeged-Subotica-Bácsalmás-Baja railway line in the framework of a TEN corridor – Trans-European network; the Magyarcsanak-Cenad Bridge reconstructed on the Mures River;
- maintaining environmental protection green belts along borders; a new border crossing station is established between Caras-Severin County and the southern part of the Vojvodina etc.

Horizontal objectives were intertwined with sector objectives, with the latter mutually reinforcing each other. The development of the tourist industry was an excellent tool for the establishment of a multi-cultural Euroregional model as well as the understanding, preservation and development of the cultural/ethnic/geographical traditions and heritage of the ‘member states’ of the Euroregion.

4. Conclusions

Beginning of XXI century world is increasingly globalized. If the first years of the past decade have devoted affirm of the naive current globalist, thinking consistently and serenity in globalization / universalisation of western democratic values and creating a „global village”, the conflicts in former Yugoslavia, Somalia or Rwanda, and especially the events of 11 September 2001 demonstrated that globalization has its dark sides. Moreover, the events that marked European and international security after the fall of the Berlin Wall demonstrated that regional differentiation is no longer a viable option for EU policies. Approach a border policy was one brave, and even more difficult than that of enlargement. This approach has been claimed by geographical proximity, representing both an opportunity and a challenge, redefine European security equation.

Regional stabilization attempt undertaken by the European Union is not without risks. It could lead to long-term continuation of the enlargement process, but this process

will slow down, largely due to the systemic differences between EU member states and candidates states. However, the enlargement process can not be continued indefinitely because it would profoundly affect functional and operational capacity of the Union. On the other hand, the exclusion from the expansion of states in exchange for promises of political and economic compensatory financial plan, could lead to bilateral tensions.

Specifics of the new threats affecting the security of the Union makes that the main tools for stabilization and strengthening extra areas to be inspired by the institutionalization and European integration: regional policy and cross-border cooperation. These policies are badly needed not only in political or strategic considerations, such as avoiding hostility of regional powers such as Russia, which could threaten the future of the European integration process, but also geo-economic and geo-structural considerations.

Inspide all the thereats mentioned above, the DKMT Euroregion is one of the most important and active areas of Europe by its position in the eastern border of the European Union at the crossroads of Trans-European and Pan-European corridors. However, intensity of the cooperation is lower than in Western Europe because homogenisation processes are significant barriers to the development of the border regions. Thus it stands as an important area in the development and stability of the West region. Hungary and Romania, belonging to DKMT, are parts of countries that are part of the EU and Serbia represents a candidate state to EU. In the same time, Hungary is part of the Schengen Area. All these factors provide a provocation for cooperation within and beyond the borders of the EU in Central Europe and Southeast Europe.

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POLYCENTRICITY ISSUES OF ROMANIA'S SOUTH-EAST REGION

Sorin Daniel, Manole¹

Abstract:

Polycentricity at regional level, a concept introduced in the 1990's, aims at identifying and describing regional spatial structures and requires a more equitable spatial distribution of economic opportunities, public services, urban amenities etc. Being a complex notion, it has a lot of facets, which is why the assessment of polycentricity dimensions is not an easy task at all. In order to perform polycentricity analysis, first it is necessary to identify functional urban areas, which the building blocks of a polycentric region are. In this paper, after a brief review of the polycentricity concept, a methodology for estimating several dimensions of polycentricity at regional level is presented. More specifically, it is about some indicators of morphological polycentricity and of the polycentricity potential. For the polycentricity potential, a method is also proposed to aggregate indicators into one indicator. Finally, the proposed methodology is applied to Romania's South-East Region.

Keywords: *morphological polycentricity, polycentricity potential, South-East Region, functional urban areas.*

JEL Classification: O11, O20, R12.

1. Introduction

Polycentricity is understood differently depending on the spatial scale one relates to or the criteria one uses (Waterhout et al., 2005). The term of spatial scale refers to the sizes of studied areas: city level (typically a metropolis), regional level, national level, transnational (even continental) level, level of region subdivision.

Polycentric development means connecting a number of places so that they form a network where they can operate together in order to sustain and grow their business, services and facilities (Hague and Kirk, 2003, pp. 11). A region is polycentric if the cities and the smaller settlements that are part of it interact with one another to a significant extent (Bailey and Turok, 2001). In a polycentric region, regional spatial development involves certain potentialities over a stand-alone development strategy of the cities within the region, namely: pooling resources in order to share facilities and services and to achieve a critical mass, developing and exploiting balanced complementarities, optimizing spatial diversity and better protecting the quality of open spaces (Meijers and Romein, 2003).

Rather than saying about a given area that it is polycentric or monocentric, it is better to assign a value to the area on a scale ranging from very monocentric to very polycentric (Meijers and Sandberg, 2008). The first step in evaluating the polycentricity of a region is to establish functional urban areas, i.e. their centers (core) and their adjacent commuting areas. These functional urban areas are the building blocks of a polycentric spatial structure. Once the functional urban areas established, one determines the indicators characterizing dimensions, which are then converted into utilities and aggregated into indices of dimensions. Finally, the indices of dimensions are transformed into the Index of Polycentricity by weighted aggregation. In the ESPON (2004), Egnatia Odos Observatory (2010) and Wegener (2013) approach, polycentricity has three dimensions: size, location (that describe morphological aspects) and connectivity (that describes relational aspects).

According to other views, polycentricity can be conceptualised from both a functional and morphological perspective (Veneri and Burgalassi, 2012). Usually, morphological polycentricity is measured by the slope of the rank-size regression (Veneri and Burgalassi,

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2012; Brezzi and Veneri, 2014; Meijers and Sandberg, 2008). In order to measure the degree of functional polycentricity, one can use the following indicators: the Entropy Index (proposed by Limtanakool et al. (2007)), Special Functional Polycentricity and General Functional Polycentricity (proposed by Green (2005; 2007)).

The concept of polycentric or polynucleated urban region has now become a spatial planning tool or a vision (Bailey and Turok, 2001). A polycentric urban region is “a region having two or more separate cities, with no one dominant centre, in reasonable proximity and well-connected” (Davoudi, 2002). This concept is the subject of several works of urban and regional science literature, such as: Dieleman (1996); Dieleman and Faludi (1998); Bailey and Turok (2001); van Houtum and Lagendijk (2001); Meijers and Romein (2003); Hague and Kirk (2003).

2. Methodology

It is considered the linear regression between the natural logarithm of the position of each functional urban area in the size rating and the natural logarithm of its size (Parr, 1985; Brezzi and Veneri, 2015; Veneri and Burgalassi, 2012):

$$\ln(rank) = \alpha + \beta \ln(size)$$

(1)

where *size* is the total size of each functional urban area within the region;
rank is the rank of functional urban areas by size, computed by region.

In this paper, the size of functional urban areas will be expressed by their turnover and population. The economic dimension of a locality is best assessed by GDP, but since there are no data on the GDP of localities, one should consider turnover instead.

Polycentricity at regional scale can be measured through the beta coefficient of the equation (1). The slope of the regression line, given by the estimated beta, indicates the level of hierarchy among functional urban areas (Brezzi and Veneri, 2015; Veneri and Burgalassi, 2012). Clearly, the beta coefficient is negative. In absolute terms, the higher the slope value, the higher the polycentric level.

Another indicator of the spatial structure is primacy, which is defined as the share of population in the functional urban area that is classified first in the size rating over the region's total population (Brezzi and Veneri, 2015). A new definition of the primacy is proposed, namely the ratio of the size of the largest urban functional area and the average of functional urban areas' sizes. Clearly, in this case, the primacy is greater than 1. In view of the fact that a polycentric structure should not be dominated by one city, the closer the primacy is to 1, the more polycentric the region is. Unlike this paper, Brezzi and Veneri (2015) and Veneri and Burgalassi (2012) express the size of functional urban areas only by population.

Next, the discussion will focus on the polycentricity potential, which is why is considered L_1, L_2, \dots, L_n – the functional urban areas' centers which are part of a region. We denote

d_{ij} = distance between localities L_i and L_j , $i = 1, 2, \dots, n$, $j = 1, 2, \dots, n$, $i \neq j$;

m_i = size of locality L_i , $i = 1, 2, \dots, n$.

Starting from the law of universal gravitation and considering two localities L_i and L_j , $i = 1, 2, \dots, n$, $j = 1, 2, \dots, n$, $i \neq j$, one defines the intensity of influence exerted by the greater settlement on the smaller settlement of the two, as

$$F_{ij} = \lg \frac{m_i m_j}{d_{ij}^2}$$

(2)

Of these intensities of influences F_{ij} , one retains only those for which $d_{ij} \leq d$, where d is a threshold distance that is chosen depending on the country or region and denotes this statistical series by F . We logarithmate in the base 10 the attractive forces between cities in (2) in order to get the order of magnitude of these forces. Generally, there are great differences between the values of attractive forces between the cities of an urban network. However, we believe that the order of magnitude of these attractive forces should not differ too much from one force to another in case of a polycentric urban network. Therefore, we use the coefficient of variation of this series to assess the degree of the region's polycentricity. So, we define the next indicator of polycentricity potential:

$$IPP = 1 - CV_F \quad (3)$$

where $CV_F = \frac{\sigma_F}{\bar{F}}$; CV = coefficient of variation of series F ;

\bar{F} = mean of series F ;

σ_F = standard deviation of series F .

In this paper, the size of localities will be expressed by the population and turnover, and we take the threshold distance value $d = 120$ min. The polycentricity potential (PP) is defined as the arithmetic average of two indicators defined by equation (3), namely IPP_{pop} and IPP_{turn} , calculated for population and turnover, respectively. Clearly, the closer this average is to 1, the higher the polycentricity potential is.

3. Results and analyses

The population in 2014 and turnover in 2012 along with the annual average rate of exchange for the year 2012, 1Euro=4.4560 Lei have been used in this study. As stated in the methodology, the functional urban areas have been classified according to their population and turnover (Table 1).

For the linear regression between the natural logarithm of each functional urban area's position in the population rating and the natural logarithm of its population (Figure 1), the following results have been obtained:

Regression equation: $\ln(rank) = 11.278936 - 0.813538 \ln(pop)$

Slope = -0.813538

P-value = 0.000000349

$R^2 = 0.872706$

Adjusted $R^2 = 0.862914$

The low value of probability associated with beta coefficient (0.000000349) and the high value of the adjusted coefficient of determination (0.862914) validate the model. The modulus of linear regression slope has a small value (0.813538), which indicates a low degree of polycentricity of the South-East Region.

We must also calculate the primacy, i.e. the degree by which the size of the largest functional urban area deviates from the average size of functional urban areas. The primacy is 2.991834, quite a small value, considering that in the region there are more functional urban areas with low population. In a polycentric urban system, the dominance of the largest city must be limited, and the previous result shows that this polycentric condition is accomplished.

Table 1. Rating of the functional urban areas in the South-East Region based on population and turnover

Functional urban area	Population (in thousands)	Rank	Turnover (in million euros)	Rank
Constanța	453.266	1	5743.618975	1
Galați	336.565	2	4280.110898	2
Focșani	247.071	3	956.733298	5
Brăila	239.918	4	1476.047552	4
Buzău	239.387	5	2246.934876	3
Tecuci	163.708	6	231.722064	9
Tulcea	129.406	7	868.545043	6
Râmnicu Sărat	97.478	8	258.120338	8
Medgidia	89.277	9	192.217478	10
Adjud	72.874	10	109.580877	11
Mangalia	60.768	11	336.024710	7
Ianca	46.378	12	75.286460	13
Măcin	35.729	13	58.370589	14
Nehoiu	34.503	14	50.534435	15
Hârșova	26.188	15	80.768406	12

Source: The data in the table have been determined by the author based on the information provided by the National Institute of Statistics (<http://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=POP102D>) and the National Bank of Romania (<http://www.bnr.ro/Cursul-de-schimb-3544.aspx>)

We have the following results on rank-turnover distribution of functional urban areas in the South-East Region (Figure 2):

Regression equation: $\ln(\text{rank}) = 11.327746 - 0.479190 \ln(\text{turnover})$

Slope = -0.479190

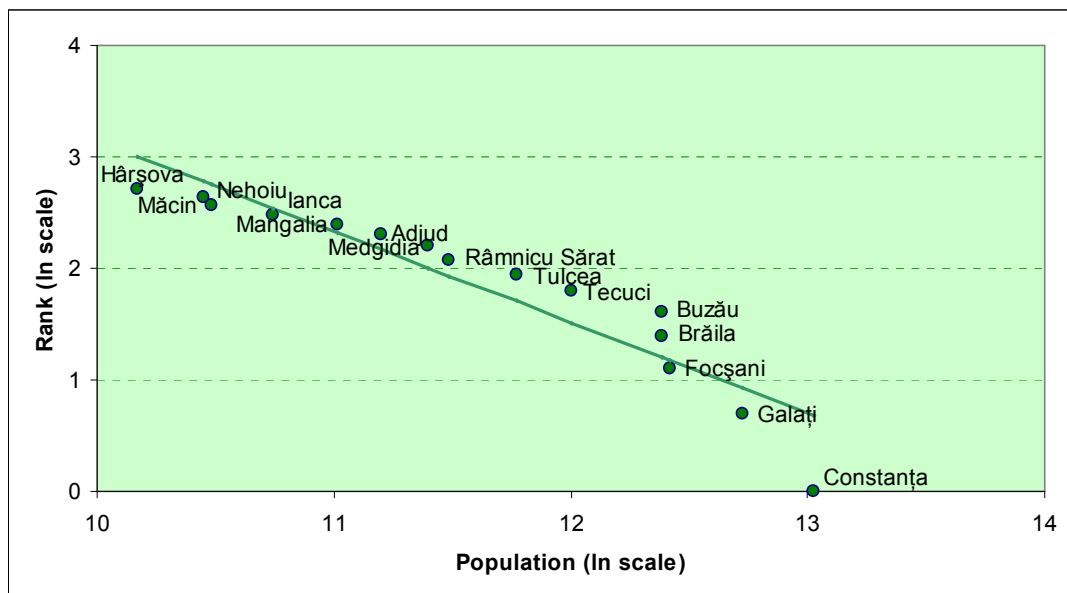


Figure 1. Linear regression between logarithm of position in the rating and logarithm of population

P-value = 0.0000000051

$R^2 = 0.933249$

Adjusted $R^2 = 0.928115$

As appears from the above information, the model is valid. The absolute value of the regression line slope is small (0.479190), even lower than in the case of population, which is an argument for a low-polycentricity.

The primacy has a value of 5.078469, which corresponds to a medium level of polycentricity.

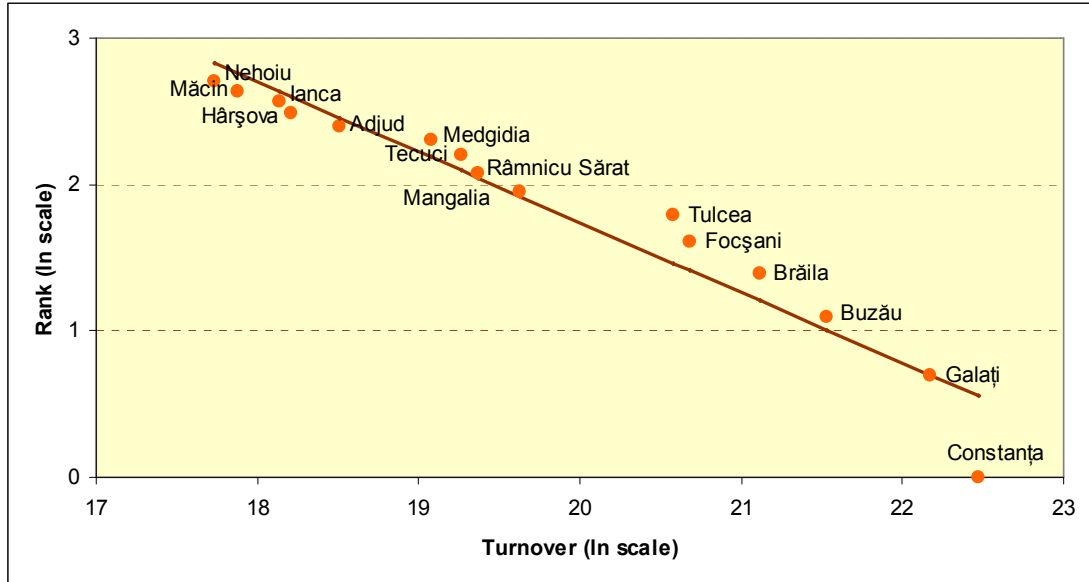


Figure 2. Linear regression between logarithm of position in the rating and logarithm of turnover

The values of the four indicators (the slope of the linear regression between the logarithm of position in the rating and logarithm of population, the slope of the linear regression between the logarithm of position in the rating and logarithm of turnover, the primacy calculated for population and the primacy calculated for turnover) create an image on the morphological polycentricity of the South-East Region. Once the four indicators determined, the question is whether they can be aggregated into a composite indicator of the morphological polycentricity. One way to do this is provided by the ESPON Project 1.1.1 (ESPON, 2004, pp. 72). Thus, one can transform the values of these indicators into utilities. More precisely, first, for each indicator, the thresholds corresponding to values 0 and 1 of utility are established. Then, the values obtained for each indicator are transformed into utilities by linear interpolation. Finally, after the establishment of the weights for the four indicators, their multiplicative or additive weighted aggregation is carried out to obtain an index of morphological polycentricity.

Unfortunately, the above methodology cannot be applied in this article because establishing those thresholds and weights can be done only if we consider a large number of regions.

To determine the polycentricity potential, we need the population and the turnover of functional urban areas' centers (Table 2) and the travel times between these centers. Calculations have been performed with the travel times between these cities, obtained by moving on national roads (Annex).

Table 2. Population and turnover of the functional urban areas' centers in the South-East Region

Functional urban areas centers	Population	Turnover (in euros)
Constanța	296,823	4,676,482,219.00
Mangalia	39,037	306,908,695.20
Medgidia	42,967	113,730,203.50
Hârșova	10,442	50,623,553.41
Galați	284,986	4,159,649,876.00
Tecuci	41,685	165,270,117.10
Tulcea	88,458	795,932,384.40
Măcin	10,514	35,534,559.25
Brăila	203,355	1,336,605,746.00
Ianca	10,860	44,116,190.98
Buzău	127,837	2,034,784,864.00
Râmnicu Sărat	38,448	144,268,857.70
Nehoiu	10,964	27,602,577.65
Focșani	96,713	735,676,525.10
Adjud	18,259	49,468,830.34

Source: The data in the table have been determined by the author based on the information provided by the National Institute of Statistics (<http://statistici.inse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=POP102D>) and the National Bank of Romania (<http://www.bnr.ro/Cursul-de-schimb-3544.aspx>)

On the basis of these data, the intensities of influences F_{ij} of the pairs of functional urban areas' centers (L_i, L_j) which satisfy the condition that the distance between L_i and L_j (d_{ij}) is up to 120 minutes have been calculated, using the formula (2), and expressing the sizes of these centers by their populations and turnovers. In the case of population is obtained

$$\bar{F} = 5.662377$$

$$\sigma_F = 0.822184$$

$$CV_F = 0.145201$$

$$IPP_{pop} = 1 - 0.145201 = 0.854799$$

In the case of turnover is obtained

$$\bar{F} = 13.202777$$

$$\sigma_F = 1.079882$$

$$CV_F = 0.081792$$

$$IPP_{turn} = 1 - 0.081792 = 0.918208$$

Therefore, the polycentricity potential is

$$PP = \frac{IPP_{pop} + IPP_{turn}}{2} = \frac{0.854799 + 0.918208}{2} = 0.886503$$

The great value obtained above shows a high polycentricity potential for the South-East Region.

4. Conclusions

The concept of polycentricity does not have a universally accepted definition. This is due to the scale of analysis: city level (especially metropolis), a subdivision of the region level (e.g. county), regional level, country level etc. We must also take into account the fact that the

official territorial units of countries vary greatly from state to state. We must also keep in mind the important aspects of polycentricity: morphological and relational or functional.

In this paper, four indicators of morphological polycentricity have been proposed. In the case of the South-East Region, for population, the slope of the rank-size regression has a small absolute value (0.81), indicating a low level of polycentricity, and the primacy is relatively small (2.99), which is characteristic of polycentric regions. For turnover, the modulus of the rank-size regression slope is smaller (0.48), and the primacy has a higher value (5.08), which is characteristic of regions with an average polycentricity. Not being able to achieve an aggregation of the four indicators into an index of morphological polycentricity, we appreciate the morphological polycentricity at a medium level. Instead, the polycentricity potential of the South-East Region, which is defined as average of two indicators, has a great value, close to 1 (0.89). Therefore, the region has a high polycentricity potential.

Among the cities in the South-East Region, the ones which can generate balanced development within their areas of action, i.e. a polycentric development, are only Constanța, Galați and, to a lesser extent, Brăila and Buzău. For this reason, large areas of the region are less influenced by the economic expansion of these large cities. Besides, if we consider the typology of county residences according to the ESPON 1.1.1 Programme, among the four cities only Constanța is a National City, because it meets the Population, Industry, Tourism and Knowledge activities criteria at national level, and the Transport criterion even at European level, others are included at regional level for all criteria at the most (Tache et al., 2016).

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Annex. Travel times between functional urban areas' centers (in minutes)

	Constanța	Mangalia	Medgidia	Hârșova	Galăț	Tecuci	Tulcea	Măcin	Brăila	Ianca	Buzău	Râmnicu Sărat	Nehoiu	Focșani	Adjud
Constanța	0	41	35	68	163	210	100	120	140	131	156	172	229	203	235
Mangalia	41	0	65	96	168	234	168	151	165	157	181	198	254	229	260
Medgidia	35	65	0	57	150	196	107	124	128	119	143	157	216	191	222
Hârșova	68	96	57	0	105	151	78	81	82	74	117	115	190	146	177
Galăț	163	168	150	105	0	70	107	58	23	59	108	91	182	78	108
Tecuci	210	234	196	151	70	0	169	116	76	86	86	61	155	31	38
Tulcea	100	168	107	78	107	169	0	67	108	145	191	180	264	176	206
Măcin	120	151	124	81	58	116	67	0	47	83	133	119	206	118	149
Brăila	140	165	128	82	23	76	108	47	0	37	86	74	160	77	107
Ianca	131	157	119	74	59	86	145	83	37	0	49	42	123	73	105
Buzău	156	181	143	117	108	86	191	133	86	49	0	28	76	60	91
Râmnicu Sărat	172	198	157	115	91	61	180	119	74	42	28	0	99	36	67
Nehoiu	229	254	216	190	182	155	264	206	160	123	76	99	0	130	162
Focșani	203	229	191	146	78	31	176	118	77	73	60	36	130	0	37
Adjud	235	260	222	177	108	38	206	149	107	105	91	67	162	37	0

Source: prepared by the author based on travel times picked up on site <http://www.viamichelin.com/>

ECONOMIC INTERVENTIONISM: A THEORETICAL ANALYSIS AFTER CRISIS

Costin Ioan Rășăuțeanu¹

Abstract

The financial and economic crisis as well as the interventionist efforts of respective governments to stabilize their economies, have generated a lot of controversy about the virtues of the free-market system and the wisdom of state intervention. As reality has shown, without an appropriate economic policy and regulatory framework, a nation's financial system becomes vulnerable to crisis and jeopardizes the stability of the entire economy.

In this paper we analyze the main trends of economic thought which preceded the global crisis, focusing on those that have been directed towards increasing state intervention in democratic nations: Keynesianism, corporatism, ordoliberalism and neocorporatism. Extreme interventionism will not be a topic of the paper.

In the present work, we reach the conclusion that global crises have drawn attention to the great economists of the time and many of them were the spearhead for new directions of state intervention in the economy. The solutions proposed by these economists are nowadays used to rescue economies from the economic crisis.

Keywords: *interventionism, economic policies, crisis*

JEF Classification: *E12, H12, P16*

1. Introduction

For classical economists, it was impossible to study Economics without Politics and Politics without Economics. Adam Smith or David Ricardo never used the "economy" term but the phrase "political economy". The using of the term "Economy" in a separately mode has begun in the 19th century. Smith understood that an efficient market can appear as a result of individual choices, but these actions were framed by the political system from that country, just as political system was shaped by economics realities.

The actual economic crisis can be better understood from a point of view of a crisis of political economy. We need to understand that in the time that the global economic crisis has different characteristics on the continents where they occurred, there was one overriding theme: the relationship between political order and economic reality.

The interventionism was defined as an ideology once the capitalistic society has been confronted with unknown phenomena, such as economic crises. The interventionism is defined as that type of the social cooperation where the government intervenes through regulations and orders in the progress of the market (in pricing, interest, wages and profits). In these cases, the state is not only a guarantor of the public safety, but an economic agent who sets the rules of the play and watch them.

Although, the specialty literature associates the debut of the interventionism with the global crisis of the '30, the first signs of the increasing involvement of the state are found even during WWI. In that period, was boosted the manifestation area of public finances due to rising expenses appeared in war. So, the state's role was expanded by increasing the involvement of the state budget to support military expenditures (increase of taxes, borrowing or money issue). This war effect related, after the event, to economic reconstruction effect, all with an impact on that head of budget state dimension.

The great economic crisis need quickly reactions from the political class. These crises determine a state of uncertainty, panic among the population (entrepreneurs, retired or employees). These reactions have been inspired by the economic doctrines occurring simultaneously with global crises, supporting, in most cases, a state intervention in the economy.

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2. The Economic Crisis of 1929 and government intervention

The crisis of '30s has shown that leaving the economy to regulate itself through its own mechanisms not always lead to desirable effects, but instead generates unemployment, instability on the stock market and banking.

Until the crisis, the most influent economic doctrine was the liberal one, who believes that exists two spheres separately: the public sphere (the state and its institutions) and the private sphere (the costumer, civil society and its institutions). When the two spheres interfere, their intersection should only cover a limited and easy recognizable zone (national defense, diplomacy, public order and justice). The state had only the obligation to defend the individual and his own sphere and is not allowed to influence in any way free initiative, whatever this is, so long as it does not conflict with the freedom of another individual.

In this direction, Adam Smith in his book "The Wealth of Nations" promoted the principle "laissez-faire" (Smith, 1998). In his opinion, as long as free markets work and promote competition, the individual actions, private, motivated by selfish interests contribute together to welfare's society. Smith accepts a minimum implication from the state in establishing some fundamental rules that allow the unhampered action of companies, just in case it not exist a private interest for the production of some goods: infrastructure, education, interest rate, Post Office management, primar instruction, exam organization in any liberal occupation or for any trusted place. The motivation acceptance in state involvement, although violates the natural freedom of individuals, is consisting in choosing the lesser evil of two evils. The state will intervene only when the natural freedom manifestation of one individual or a group of individuals risk to put in danger the safety of the entire society (predicting Smith a possible economic crisis?), only when the monopol granted to a company puts in danger the free competition.

However, as a result of the economic crisis that was triggered in 1929, works on state interventionism in the economy began to gain ground, pleading for the active role of state in economic life in correcting cyclical developments, in crisis prevention or in negative effects limitation. In history, an extreme form of state interventionism was the totalitarian one. Strong socialist or interventionist state, found mostly in the former socialist countries of Europe, undertook economic and social functions extremely comprehensive, directing all activity under the abolition of private property. In this context, processes and economic relations have become predominant public financial relationships. Interventionist ideology has a totalitar character here, financial resources being exclusively available to state and being allocated by decisions of public character.

2.1. Keynesian doctrine

John Maynard Keynes recognised that free markets have no self-balancing mechanisms that lead to full employment (Keynes, 2009). In this sens, he supported government intervention through public policies that aim to achieve full employment and price stability. In this sens, dirigisme theory supposed to prevent the possibility of negative economic effects like inflation, economic crisis, unemployment through state intervention in economic life.

Keynesian doctrine proposes preventing financial crises and unemployment by adjusting demand via credit and currency control by the government. The state has a major role by intervening actively in the economic measures, aimed at counteracting the crisis and their implications (unemployment, decreasing consumption, inflation, etc.).

In 1929, the economy stumbled due to excess production in many industries,

creating oversupply. This overproduction led to oversupply in many areas of the market such as farm crops, steel and iron. Companies were forced to dump their products at a loss, and share prices began to falter. Due to the number of shares bought on margin by the general public and the lack of cash on the sidelines, entire portfolios were liquidated and the stock market spiralled downwards.

Keynes points the fact that the crisis is due to insufficient demand, when total expenditure not keep pace with the increase in total income. Thereby, it is possible that population hoard a larger share of income, leaving an amount of money that does not come back into the economic form of investment spending. In this case, the state should intervene in the credit market and increased public spending to address the malfunctioning economic circuit. The destination of public spending is less important, the final aim being compensation of the total amounts saved by private operators.

Actually, the keynesiastic alternative to an economic crisis presumes an increase in aggregate demand by increasing net spending, so budget deficits offers, apparently, the only way for a country to emerge from economic stagnation. This theory believes that the issuance of money to finance that deficit did not involve any net cost; there is no danger of inflation.

However, the public stimulation for spending could lead to inflation, which it means that in the economic cycle are a lot of money and the state should interfere in the opposite direction, reducing the public spending and eliminating the excess of money supply. In this way, the state should pursue an anti-cyclical policy, appealing to the money issue and deficit when the economy is in crisis (insufficient demand) and having surplus and decreasing the money issue when demand and prices rise too high. The guard state is replaced in this context with welfare state.

The period following the Second World War is extremely favorable to social policies which underlies "welfare state" and constitutes the beginning of "The Gold Age" of capitalism, policies that have expanded in Western Europe and North America, but also in Japan, until 1973, the starting year of a new economic crisis.

One of the first authors who used the term "welfare state" was the Temple. In the book "Citizen and Clerical" (1941), he is considering that the state is a welfare one if "it fulfills moral and spiritual functions in promoting human welfare". But the term "welfare state" was consecrated in special literature with the publication of Beveridge report in 1942.

A definition of "welfare state" is given by Harold Wilensky who affirms: "The essence of welfare state is government protected minimum standards of income, nutrition, health, housing and education assured to every citizen as political right, not as charity" (Wilensky, 1975). He considered that the minimum of living standards can not be threatened unless the loss of income, so only to those without a job.

The roots of state involvement in providing social welfare of individuals are in pre-Christian civilizations. In Antique Greek and Imperial Rome came out the first forms of state social aid as pensions and scholarships. Welfare states becomes an important factor in the twentieth century, because the social security becoming a state system.

2.2. Corporatism

It is a current of the economic and social-political idea which has enjoyed widespread in three to five decades of the twentieth century. Corporatist state represented a middle way between the minimal state – liberal and communist dictatorial regime system. The elements of corporatism have been promoted by the Catholic Church, which saw the two alternatives as threats.

Theoreticians of corporatism appreciated, under social solidarism and under some socialist and anarchist currents, that ownership structure and income distribution in a market economy generates, on a way, a considerable economic efficiency, and on the other

way, permanent social fluster. As a solution to remedy these situations, they were advancing idea of structuring the entire society in professional organizations, called corporations, were to be included all those who were active in a particular sector, regardless of their position - employers and employees - which reminded about the organization of medieval guilds. Corporations were independent of the state institutions. Some corporatist projects foresaw corporatist representation in a national assembly, which would in time replace the traditional parliamentary organization.

In domestic economic policy, the corporatism recommended maintaining market economy, but severely limiting the freedom of economic initiative. The major characteristic of corporatism is represented by state intervention in economy and arbitrary allocation of resources. Market balance, the one which transmits information to producers and consumers, especially from prices, is damaged and the political decision will favor in a necessarily mode, one party over the other.

The fundamental principle of corporatism is simple: it is about subordinating private interests to the general interest, that is national interest, and therefore overlapping social class community. In consequence, there can be no strikes, demonstrations and conflicts between classes, these should collaborate between them. The arbitrator state, regulator state, organizes social classes.

In the interwar period, corporatist ideas are trapped into the ideology arsenal of fascism, becoming, with some differences of nuance, the official social-economic doctrine in Italy, Portugal, Germany, Spain, Brazil and other countries with fascist regime. The practical application in these conditions of corporatist ideas would lead to distortion, and over time, to self compromising. After World War II, the corporatist ideas continued to inspire social-economical policies in Portugal, and in a small way, in Spain and some Latin American states.

In Romania, we have an exponent for this current: Mihail Manoilescu, economic and political thinker, who has occupied in 1940 the function of minister of foreigner affairs. Manoilescu elaborated a specific corporatist doctrine, who founded under the social-economic and political aspect in "The Century of corporatism", "The Doctrine of corporatism integrally and pure" (1938) and "The Unique Party" (1937), as well as in studies "The Idea of a National Economic Plan" (1938), "The Southeast Europe in The Great European Space" (1942) and others. The global instability of economy, accentuated in the time of economic crisis of 1929-1933, as the large disparities on economic development between the countries of the world, has made necessary, in opinion of Manoilescu, the adoption of new internal and global economic orders. He recommended:

- the state reform, by adopting the principles of corporatism. As a result of recorded failures by economic structures already applied (free market economy, centrally planned economy), the humanity should adopt the economic and social-politic corporatist system;

- establishment of organized national economy, implies permanent state intervention in economic life, both for determining economic units and branches to be subsidized and to exercise control over foreign trade operations;

- increasing the buying capacity of industrialization countries, the industrial decentralization of world, and after, mitigating economic disparities between states.

In Romania, the economic ideas of Manoilescu were rejected by the major thoughtful currents, as the political forces in his lifetime not implemented them. Later, some concepts elaborated by Manoilescu would be used in the organization and management of centralized economy in our country and unpublished fragments of his works were included (without indicating the source) in the political-propagandistic writings.

His ideas about the economy were very popular and have been applied in Latin America, and as below, his working were compulsive benchmarks in industrial Brazilian

circles in the 20s. Manoilescu's work was important in the Iberian area and in Brazil as its economic doctrine offered arguments for industrialists to resort to protectionism as a way of economic development in these zones. It is considered that his ideas were at the foundation of the organization of Economic Commission for Latin America (ECLA).

3. The Economic Crisis from 1973 and alternative currents to neoliberalism

In the '70s, the liberalism started an offensive against real socialism. Thus, leaning on the paradox of history, liberalism saw in socialism of "communism" countries nothing but a progressive phase of the road humanity, and in the "socialism" of "Welfare State", implemented by Western social democracies, it refused to discern a form of mediation or a shift towards socialism fulfilled.

Under neoliberalism can be identified two main orientations: one predominantly conservative and a social-liberal one (the major current of this - ordoliberalism).

3.1. Ordoliberalism

Supporters of a wider social openings of neoliberalism have proposed correction or, where applicable, waiver of those classical and neoclassical liberal approaches that have proven historically outdated. The major current of this neoliberal orientation is the ordoliberalism, developed in "Freiburg School" before the World War II. Its nucleus has initially included Walter Eucken (economist), Hans Großmann-Doerth (specialist in commercial law) and Franz Böhm (specialist in civil and commercial law) and subsequently another backers, the most important one is Ludwig Erhard (finance minister and chancellor). The name of "ordoliberalism" is linked to the publication initiated in 1948: academic journal "Ordo"- the major pathway of this pure and political orientation.

In this doctrine, the state should be strong, without becoming totalitarian and intervening directly in the economic process. The strong state means using some limited resources capable of ensuring economic order. The state "it is not the instrument of private interests but the guarantor of order and competition". Also, the state must ensure individual freedom through economic order. And the goal of "order" is to "guarantee the inalienable right to liberty of the people" (Eucken, 1950, p. 314).

The social market economy ("Soziale Marktwirtschaft") is the reflection of ordoliberal thinking which has been transformed into economic system, meaning the "economic order". "The social market economy" expression appears in a paper written in 1946 by Alfred Müller-Armack, entitled "Planned Economy and Market Economy" ("Wirtschaftslenkung und Marktwirtschaft). The author was inspired by the concept of "social capitalism" belonging to Werner Sombart. But the phrase "social market economy" is the result of a political compromise between liberalism based on a predetermined order and social distribution - public regulated, in order that the capitalist system can be preserved in the western part of postwar Germany. Therefore, the "social market economy" collocation perhaps does not have scientific rigor, but it is a successful political and economic project.

The ordoliberalism and social market economy are the expression of a cultural and political German evolution, that marked in West Europe the political and economic space. Community Treaties have taken from ordoliberalism the competition policy, monetary policy and the social market economy system. At the same time, the Central and Western European countries has been influenced by ordoliberalism in remodeling own economic system.

3.2. Neocorporatism

After the crisis of the 70s, there were numerous works that promoted neocorporatism. Increased attention was focused on explaining the superior economic performance of corporate economies of Austria, Norway, Sweden, Netherlands, Denmark, Germany, Belgium, Finland.

A definition formulated by Woldendorp, J.J: "the term neo-corporatism is used to dominate any form of cooperation between the government and the relevant socio-economic interest groups of employers' associations and trade unions, aimed at forging a consensus over the formulation and implementation of socio-economic government policies, which in turn enhances the effectiveness of these policies in term of macroeconomic performance" (Woldendorp, 1997, p. 49-79).

An ideal corporatist political economy should gather more features (according to the study conducted by Alan Siaroff, 1999, p. 177-179):

- a high degree of unionisation, especially amongst blue-collar workers;
- relatively few unions grouped into highly institutionalised peak confederations which have the key role in wage bargaining, with ideally only one confederation for blue-collar workers;
- a business community dominated by large export-oriented firms, with a relatively powerful and centralised employer's federation;
- highly centralised wage bargaining, with national or a few key branchlevel agreements setting the basis for the entire economy;
- works councils in the main industrial firms and co-determination in key industries;
- a centralised, powerful, and active state involved at least moderately in the economy;
- a central – and joint – role for labour and business in such policies as training, education, and social programmes, often implemented through tripartite boards or agencies;
- the institutionalised input of business and labour in the government policy process, including the drawing up of the budget;
- a strong economic and social consensus shared by business, labour, and the state;
- recognition by business and labour of being joint 'social partners';
- a long-term outlook held by both business and labour;
- low levels of strike activity;
- voluntary and/or bargained incomes policies rather than state-imposed ones;
- independence of internal decision-making of the key actors;

In this new accepted meaning, in countries like Austria, Norway and Sweden, the corporatism is centered to confederations of labor work (ÖGB, LO and LO) and to strong social-democratic parties (SPÖ, DNA and SAP). Another countries considered as having a corporatist economy are: Netherland, Denmark, Germany, Belgium and Finland. At the other extreme, we have countries which situate themselves into non-corporatist economies as Canada or USA.

Conclusion

As we can see above, each economic crisis manifested globally entailed an expansion of economic doctrines that supported a more active role of the state in economic recovery, in order to protect man ultimately.

The current economic and financial crisis has brought new forms of state interventions that have been intended to stabilize the financial system. As has been seen,

without an appropriate economic policy and regulatory framework, a nation's financial system becomes vulnerable to crisis and jeopardizes the stability of the entire economy. This implies that both government and the market need to co-exist in a manner that respects the contribution of each other toward sustainable and vibrant economy in a democratic society.

As a result of economic crises, reality has shown that Smith's invisible hand is not the best solution for ensuring fair competition, as individual actions, private, motivated by selfish interests determine the economic and social imbalance. Therefore, this condition cancels equal opportunities to start in life and general welfare. Society must "save capitalism from the capitalists", ie, to take appropriate measures to protect the free market and the man by powerful private interests that seek to impede its effective functioning.

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TOURISM IN THE NORTH EAST REGION OF ROMANIA. THE CASE OF SUCEAVA COUNTY

Cătălin Ioan Nechifor¹

Abstract.

The analysis of tourism in Romania is a very good instrument to explore various economic and social evolutions, including regional development and GDP. From the total of 8 NUTS 2 regions in Romania, the South-East region is by far the most important in terms of tourism. In the last years, the Center region is getting more and more tourists. Within the North-East region, well-known for its natural and cultural-historical attractions, Suceava County becomes one of the most attractive areas in Romania. The evolution of accommodation share in the NE region is following the economic developments in Romania: between 1990 and 2001 the decline is evident, while in the following period, 2002-2007, a stagnation occurs, followed recently, especially after 2010, by a quasi-exponential trend, in short run. Between 2006 and 2015, in the NE region both Romanian tourist arrivals and foreign tourist arrivals increased. Romanian tourist arrivals dynamic is greater, increasing their arrivals in 2015 compared to 2006 by 41%, while foreign tourist arrivals in the same period increased by only 20%. From the six counties of the region, Suceava has held and holds the largest share of tourist arrivals in the area, namely 24.1% of Romanian tourist arrivals in 1990, continuously growing up to 32.2% in 2015.

Keywords: regional development, tourism activities, North East Region

JEL Classification: Z3

1. Introduction

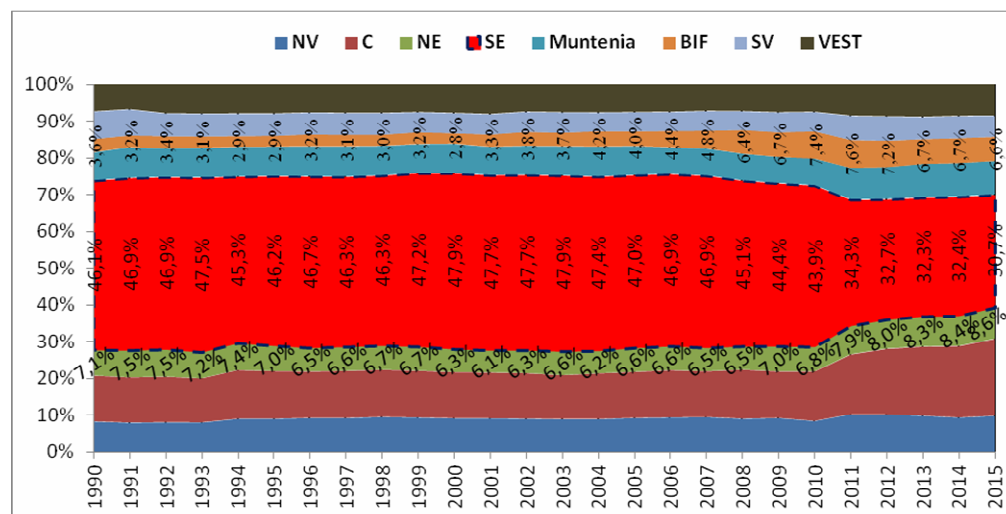
Our research has focused on the analysis of tourism development in the North-East region, with an emphasis in Suceava county, so as to identify a series of sustainable development pathways in Bucovina area.

With this aim in view, the statistical indicators offered by the National Institute of Statistics – the Tempo Online database have been analysed, followed by applying a regression function in order to study the influence of tourist arrivals on GDP in the North-East region.

2. The analysis of key statistical indicators

The analysis of the tourism in the North-East region and, within it, of the county of Suceava begins with the examination of the distribution of accommodation by region (Figure 1).

Figure 1. Development regions' share in tourism accommodation

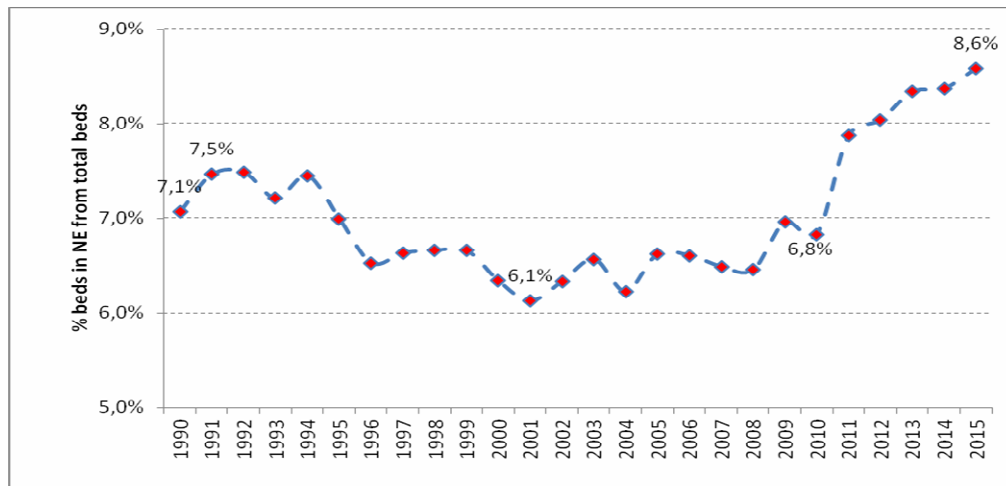


Source: INS – TEMPO Online

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Figure 1 shows the dominance of the South-East region. Number of beds in the SE region in 1990 represents nearly half (46.1%) of the total number of beds at the country level. Dynamically, by developing more tourist areas in Romania, the region is decreasing the total contribution to the number of beds so that only reaches a share of 30.7% in 2015. A significant contribution to beds accommodation is observable in the Center region. The Center region in 1990 owned only 12.5% of the total accommodation beds; in 2015 the share held by this rises to 21%, indicating an increase of 10 percentage points.

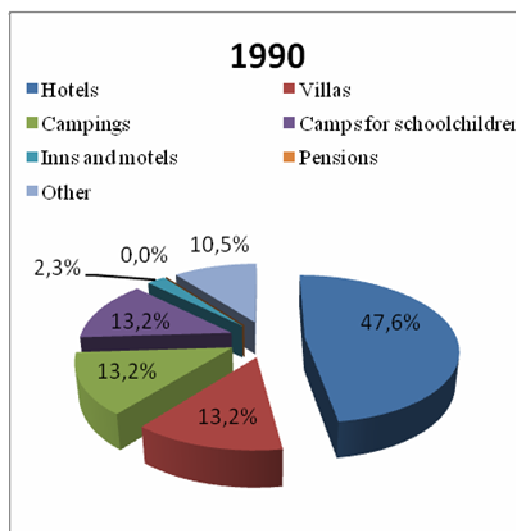
Figure 2. The dynamic of share of accommodations in the NE region

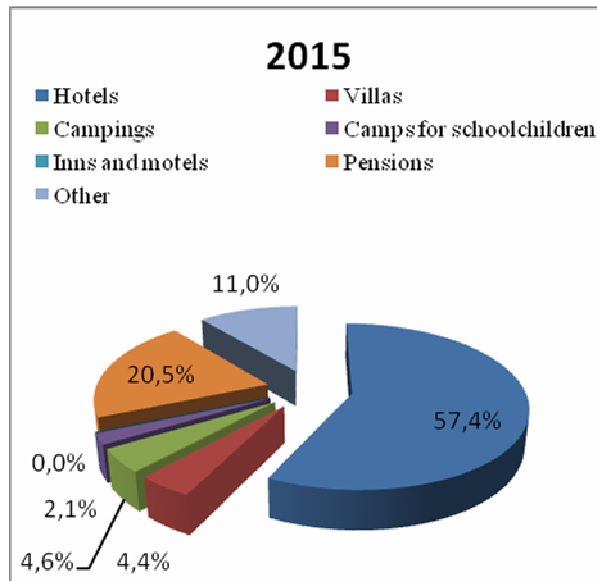


Source: INS – TEMPO Online

The evolution of accommodation's share in the NE region is following the economic developments in Romania. Between 1990 and 2001 the decline is evident. In the following period, 2002-2007, the evolution is unclear and oscillating, starting with a period of stagnation, followed recently, especially after 2010, by a quasi-exponentially trend, in short run. Although the graphic evolution shows major oscillations, it should be noted that these oscillations were located in a small margin size, margin under 1.5 percentage points.

Figure 3. The structure of accommodation capacity in 1990 and 2015 by type of accommodation structure at national level

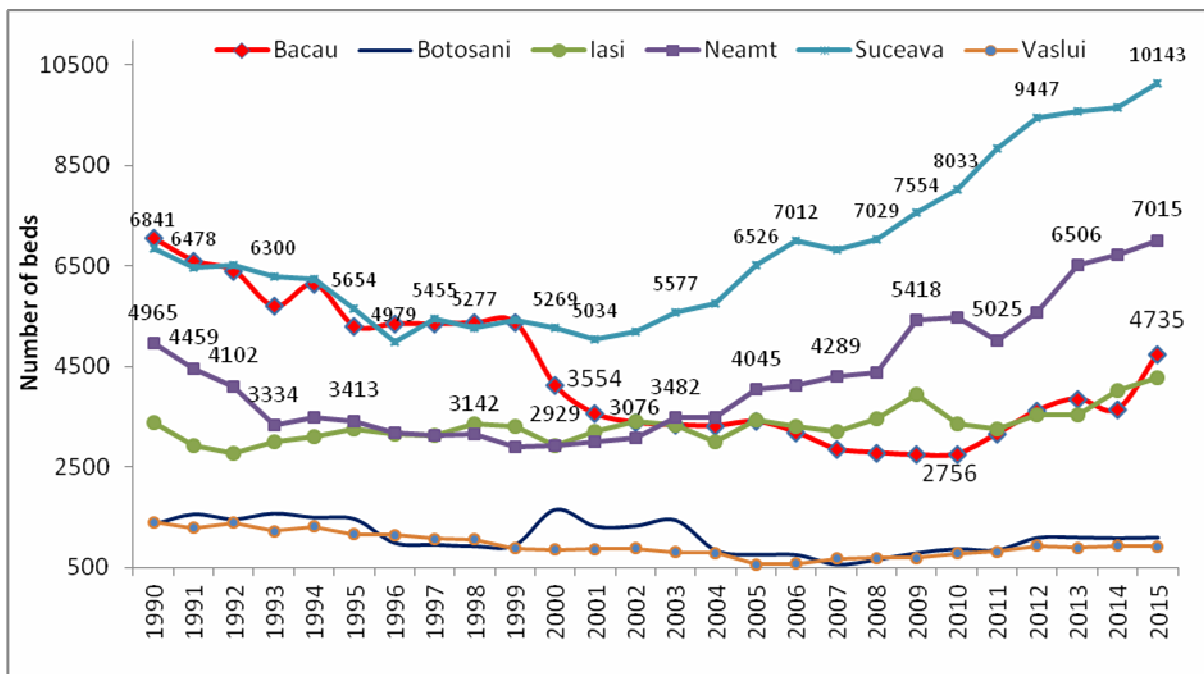




Source: INS – TEMPO Online

The hotels are the most important accommodation structure both in 1990 and 2015, market share in terms of accommodation places in 1990 representing 47.6% and 57.4% in 2015. In the 25 years of analysis and evolution it is observed that a new concept in tourism was introduced, namely Romanian pension. In 2015, 20% of the national accommodation are available in pensions.

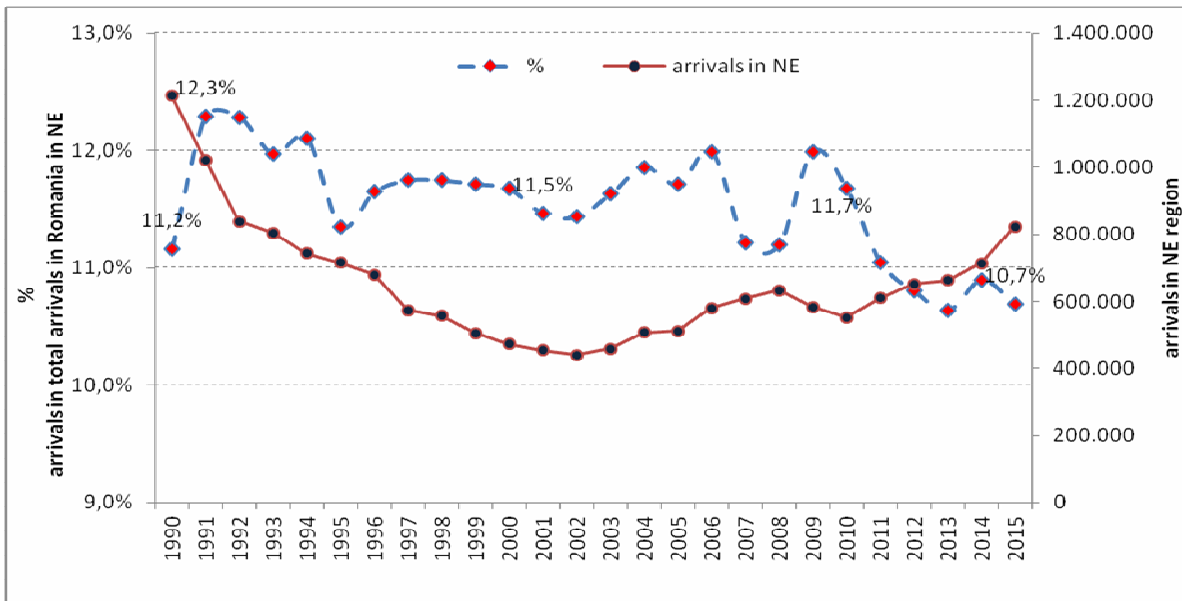
Figure 4. The dynamics of accommodation in the counties of the North-East region during 1990-2015



Source: INS – TEMPO Online

In the two counties less advantaged by the relief, Botosani and Vaslui, number of beds remained almost constant at low levels in the period under review. In Suceava County, the county with the highest potential-tourism dynamic, the dynamic is getting strong especially after 2005.

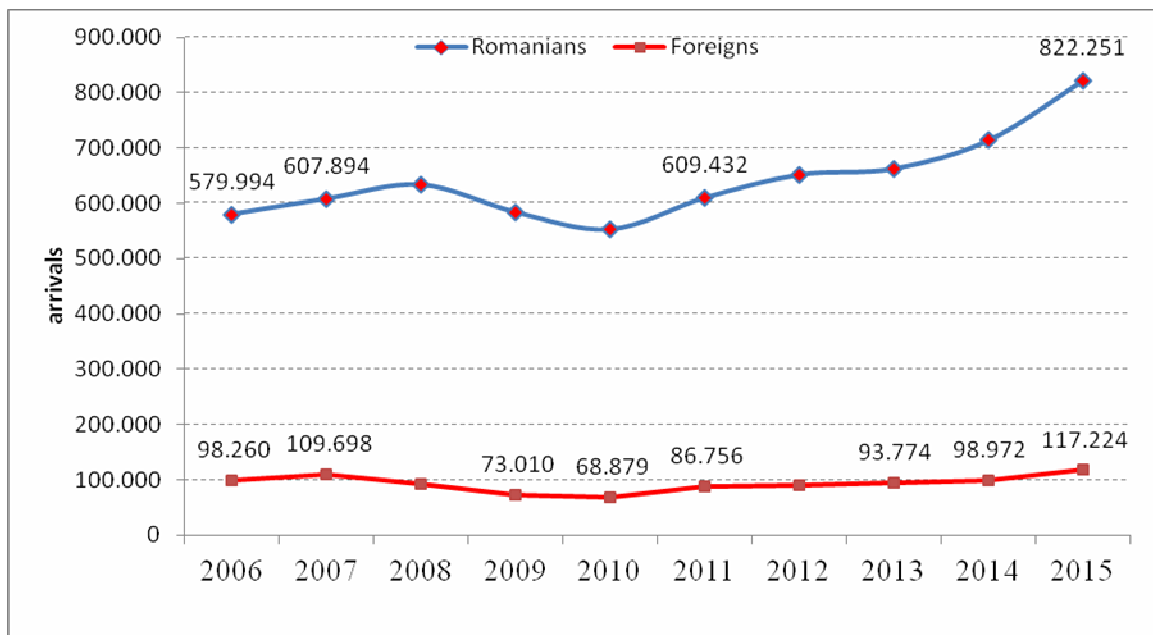
Figure 5. The dynamics of arrivals of Romanian tourists in NE region



Source: INS – TEMPO Online

The total number of arrivals in the NE region has fared parabolic. Thus, in the first years after 1990 the number of tourists dropped sharply from 1.2 million in 1990 to less than 500000 in 2001-2002. Since 2002, the number of Romanian tourists who visited the NE region began to increase reaching a value of 800000 tourists in 2015.

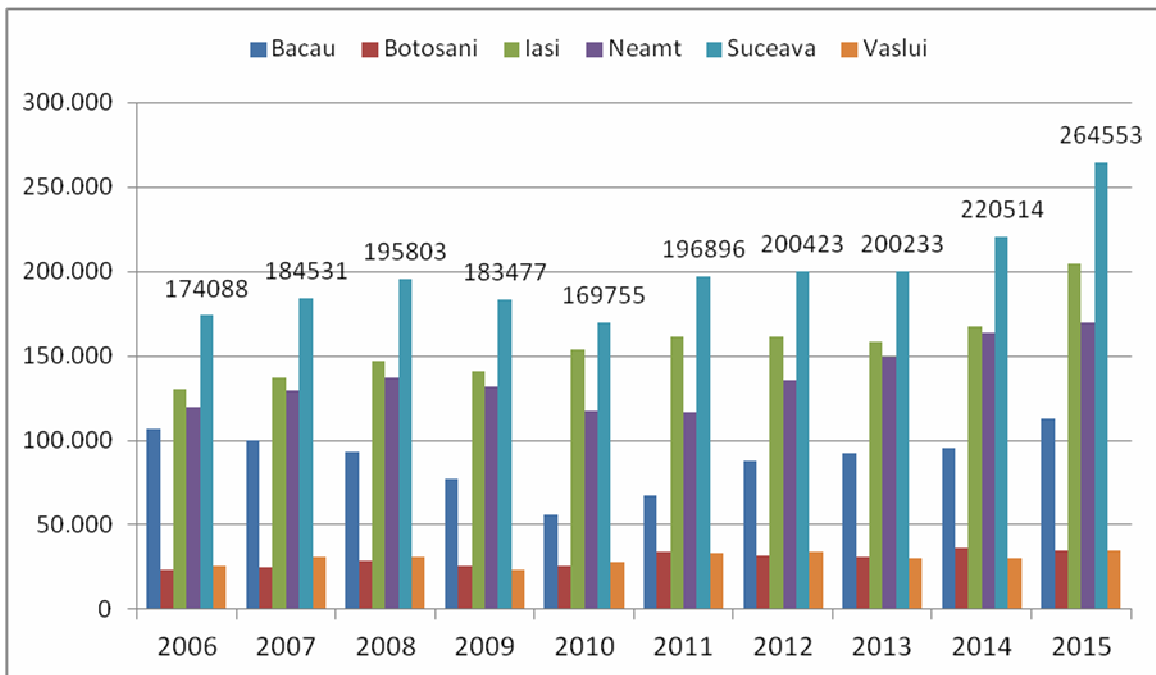
Figure 6. The dynamics of Romanian and foreign tourist arrivals in 2006-2015



Source: INS – TEMPO Online

In the analyzed period, 2006-2015, in the NE region both Romanian tourist arrivals and foreign tourist arrivals had increased. Romanian tourist arrivals dynamic is greater, increasing their arrivals in 2015 compared to 2006 by 41%, while foreign tourist arrivals in the same period increased by only 20%.

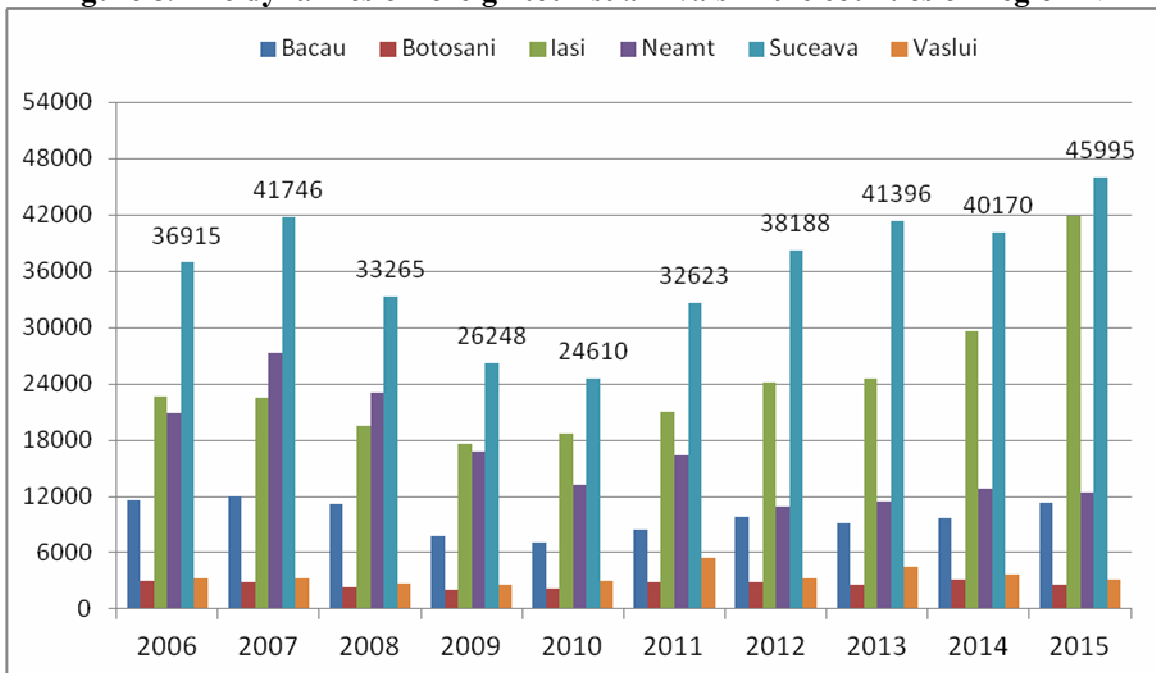
Figure 7. The dynamics of the number of arrivals of Romanian tourists in the counties of Region NE



Source: INS – TEMPO Online

As expected, Suceava attracts the largest number of tourists. Romanian tourist arrivals in the period 2006-2015 increased from 174000 to 250000. Lower values of tourist arrivals are seen in Botosani and Vaslui counties. Arrivals in these less attractive counties represent less than a quarter of arrivals recorded in Suceava County.

Figure 8. The dynamics of foreign tourist arrivals in the counties of Region NE



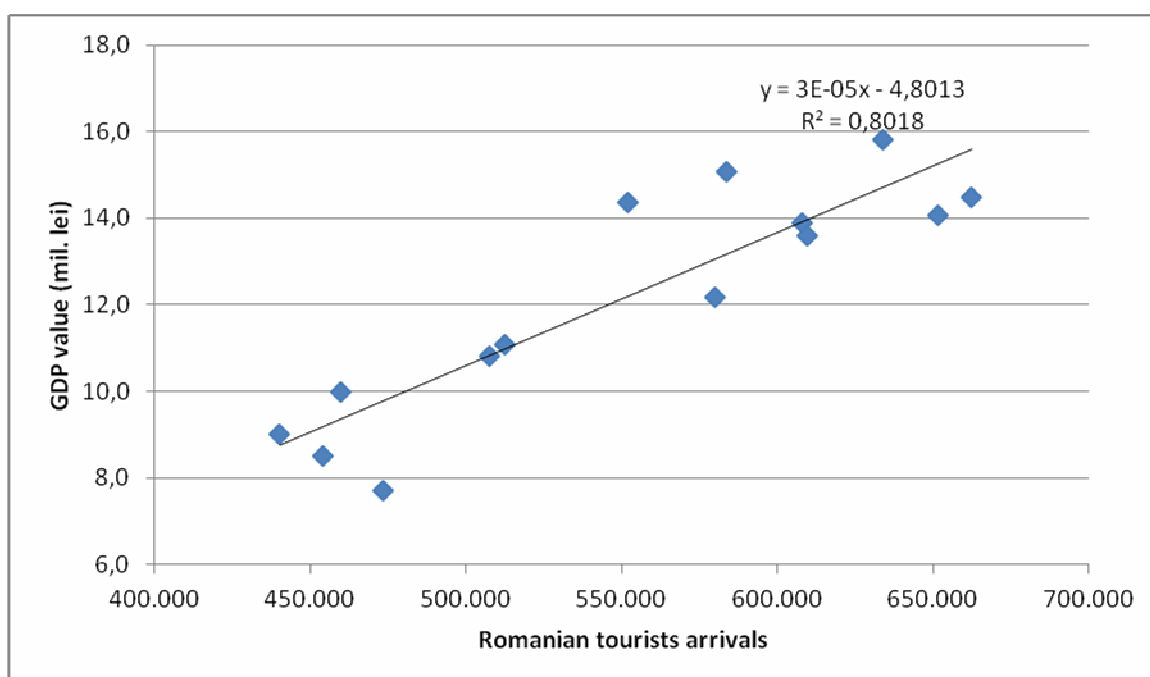
Source: INS – TEMPO Online

The dynamics of tourist arrivals is oscillating and is strongly influenced by the economic crisis of 2008-2010. The combination is evident in arrivals in Suceava County (most foreign tourist arrivals during the analyzed period).

3. An analysis of the influence of tourist arrivals on regional GDP in the period 2000-2013

We conducted a regression analysis between Romanian tourist arrivals and their influence on GDP dynamics in the NE region.

Figure 9. The relationship between tourists arrivals - GDP value in the NE region



Source: author's calculations based on INS – TEMPO Online

The result variable y is the amount of GDP million, constant prices of 1990.

The variable factor x is the number of arrivals of Romanian tourists in NE region and it is other factors not included in the model.

Analyzing the plot in Figure 9 we can specify a linear econometric model between the two variables.

Thus, we formalize the above as $y = a + bx + e$

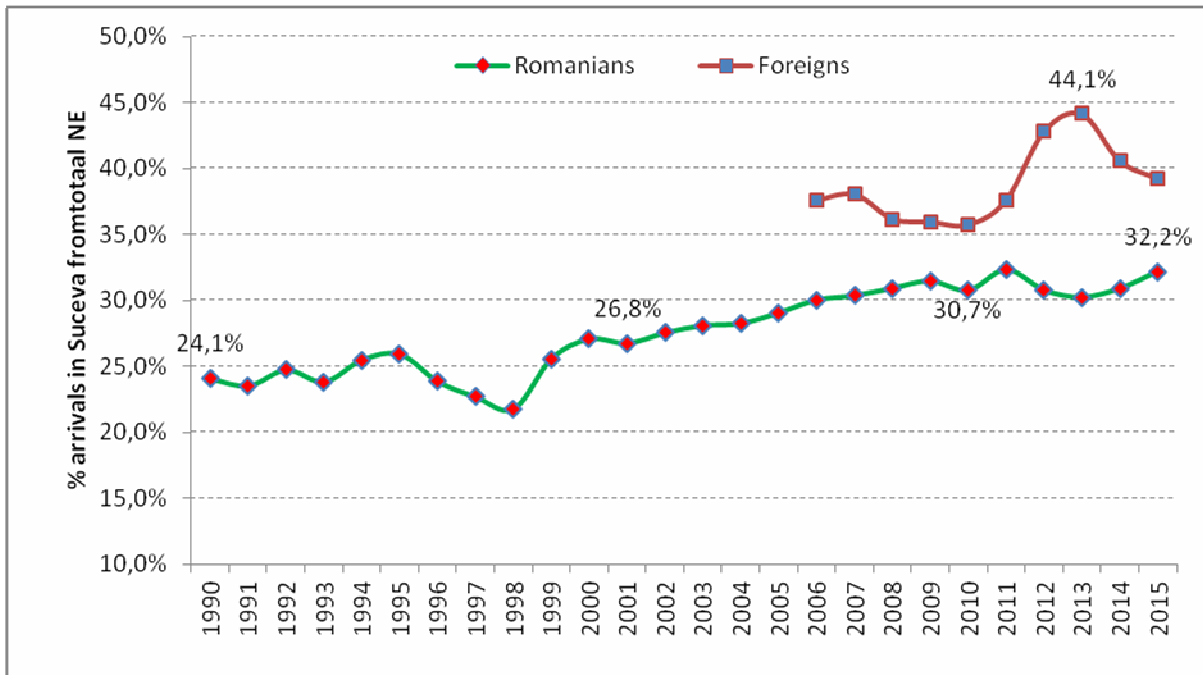
Making its assessment in EXCEL (Appendix 1) yielded a statistically significant relationship at a threshold of 5%. Therefore the contribution of Romanian tourist arrivals in NE region on real GDP growth is statistically significant.

For an increase in the number of arrivals by 50000, regional GDP increased by 1.5 million. A considerable contribution (20%) belongs to other factors.

4. Suceava – the most important county in terms of tourism

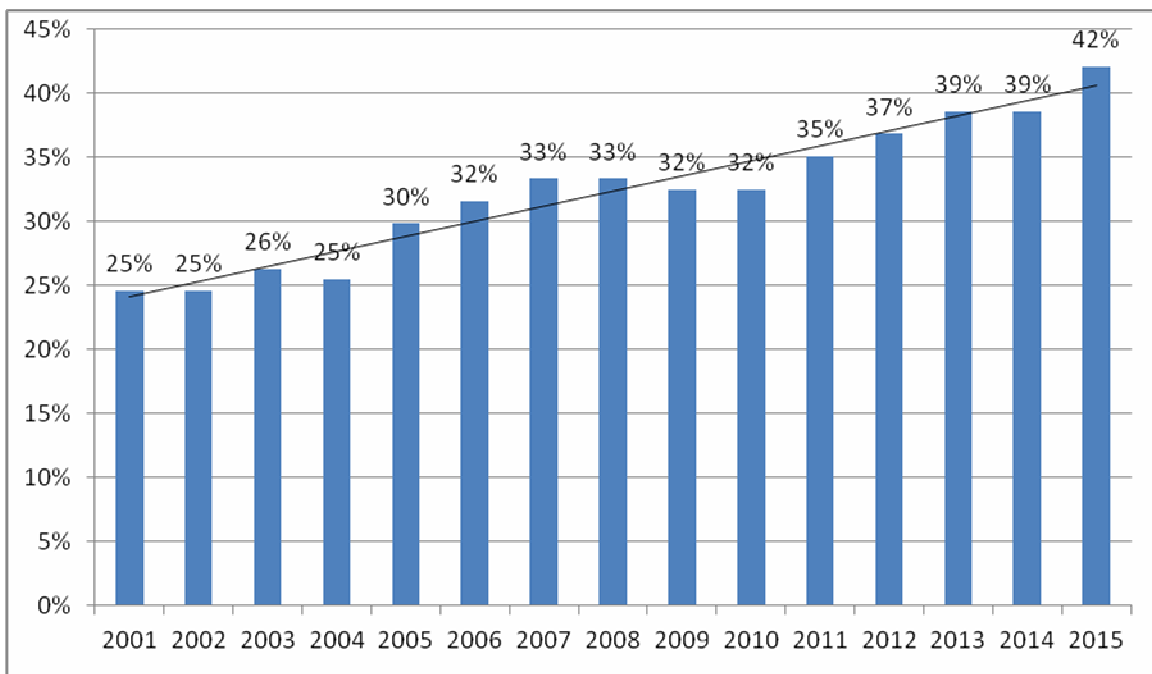
Out of the six counties of the region, Suceava has held and holds the largest share of tourist arrivals in the area. Thus Suceava attracted in 1990 24.1% of Romanian tourist arrivals, this share continuously growing and reaching 32.2% in 2015. The situation was similar for attracting foreign tourists, in 2013 almost half of them being in Suceava arrivals.

Figure 10. The dynamics of tourist arrivals in Suceava share of total arrivals in NE region for domestic and foreign tourists.



Source: INS – TEMPO Online

Figure 11. The dynamics of the share number of Suceava’s localities that received tourists¹



Source: INS – TEMPO Online

¹The share is calculated considering the total number of localities in Suceava reported by the national Institute of Statistics (n=114)

The number of localities that provided services for Romanian and foreign tourists has increased continuously so that, if in 2001 only a quarter of the municipalities / cities Suceava provided services to tourists, in 2015 their share is almost half.

The concentration of tourist arrivals is particularly high. In 2001 86.4% of arrivals were received by the three main municipality of the county: Suceava, Campulung and Vatra Dornei.

Among the communes that has tourist arrivals in 2001, the most relevant were: Scheia, Sucevita, Vama and Fintina Mare and, together bringing in about 9000 arrivals in 2001, or 5.9% of total arrivals in the county.

In 2015 the situation is completely changed, while having been a diversification for receiving tourists. Thus, in 2015 the three municipalities owned only 48% of total tourist arrivals in the county. Important increases or new-arrivals were recorded by the following localities: Radauti, which brought in 2015 4.6% of arrivals, Cacica (Salt Mine modernization), Dorna-Arini, Manastirea Humorului, Scheia and Sucevita. Noteworthy is that Scheia, Manastirea Humorului and Sucevita brought in 2015 around 13% of total arrivals.

5. Conclusions

The accommodation capacity in the NE region reflects to a great extent the overall evolution of the Romanian economy. Suceava county has a privileged position, attracting the highest number of tourists within the NE region. This is determined, firstly, by the competitive advantages generated by the “Bucovina” tourist product.

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*** <http://www.turism-suceava.ro/>

Appendix 1

SUMMARY OUTPUT

Regression Statistics

Multiple R	0.90
R Square	0.80
Adjusted R Square	0.79
Standard Error	1.23
Observations	14

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	1	73.2585	73.2585	48.5439	0.0000	
Residual	12	18.1094	1.5091			
Total	13	91.3680				

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-4.801	2.460	-1.952	0.075	-10.161	0.558
Arrivals	0.000031	0.000004	6.967	0.000	0.000021	0.000040

TERRITORIAL JOB PROFILE IN HEALTH AND SOCIAL ASSISTANCE SECTOR

Mihaela Ghența¹,
Luise Mladen²

Abstract:

The aim of this article is to highlight the potential use of spatial analysis in public policy decisions concerning older people. We intend to see to what extent it can be better understood where the elderly are, where the social services are provided, and most importantly to identify policy measures that could improve the provision of services for this group of population. The methods used in this chapter include spatial analysis of available data for health and social assistance sector at county or regional levels. The first part covers the national demand for social services; the second part is devoted to the supply of labour in health and social assistance sector. Results demonstrate that many counties have low levels of net average wage for this sector compared to the national average for overall economic activities. Cartographic representations of employees and the distribution of net average earnings at the county level show the geographic areas most vulnerable in terms of the attractiveness of the sector. Comparing the results with the territorial representation of population aged 65 years and over, we observe a partial correlation between the number of employees and the number of older people in need.

Keywords: social and healthcare services, older people, spatial analysis, earnings

JEL Classification: J08, J14, J23

1. Introduction

The health and social assistance sector comprises three categories of economic activities: human health services, combined healthcare and social assistance activities with accommodation and social welfare activities without accommodation. Statistical and spatial analysis in health and social assistance sector are underused within the national researches. Although information on locations and other types of data can be obtained using advanced technologies, they are insufficiently exploited by policy makers. In western European countries the use of maps is a powerful tool which synthesizes information from multiple sources in order to analyse the available data. Worldwide, there has been a higher interest for the use of spatial analysis in healthcare services, especially to measure the difficulties in accessing such services or in the use of healthcare services by different types of patients (children, elderly, etc.). Social assistance for the elderly requires increasingly more long-term care services. From this perspective, the behavior of workers, beneficiaries and providers in this sector could be understood through a deeper knowledge of the context and the environment in which they occur. (Xu, Kennedy, 2015)

Starting from the data available at national and European level, we interpret the geographic information so as to highlight the potential of this type of analysis in the development and the substantiation of public policies.

2. Drivers of employment in health and social assistance activities

Similar to other economic sectors, employment in health and social assistance activities is the result of the demand for such services. In recent years, the demographic and social changes influenced the dynamic of employment in this economic sector.

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Romania is a country with a growing number of older persons. This factor, along with changes in family structure at national level influenced the demand for social services, healthcare, as well as for social care services. (fig. no. 1)

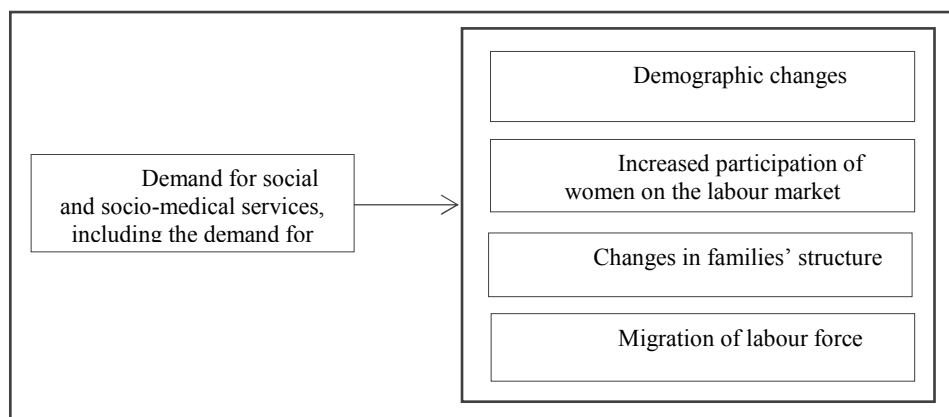


Figure no. 1. Drivers of change in employment in health and social assistance activities

Source: developed by authors.

For the last 15 years, the ageing phenomenon led to an increased demand for social services and social care services, including long-term care services. On the one hand, the share of elderly population (65 years and over) in the total population increased from 14.1% in 2003 to 17% in 2014. (National Institute of Statistics, 2016a) Life expectancy at age 65 increased during a decade (2004 to 2014) up to 2.2 years (from 14.4 to 16.6 years), although healthy life expectancy at the same age (both for men and women) remains low (5.7 years for women and 5.9 years for men). (Eurostat, 2016e; Eurostat, 2016f) At regional level (NUTS 2), the most important leaps in life expectancy were recorded in the North-West Region (an increase of 2.2 years) and West Region (an increase of 2 years). The lowest increases of life expectancy were recorded in Bucharest-Ilfov Region (an increase of 1.3 years) and in North-East Region (an increase of 1.3 years). (Eurostat, 2016g)

In 2015, the territorial profile (NUTS 3) shows that the total population aged 65 years and over is located mostly in Bucharest. Among the counties with low shares of population aged 65 years and over in total population, are the northwestern, central and southwestern counties: Satu-Mare, Sălaj, Maramureş, Bistriţa-Năsăud, Arad, Alba, Sibiu, Hunedoara, Gorj, Vâlcea, Caraş-Severn, Mehedinţi. In 2015, more than a half (53.5%) of the total population aged 65 and over, lived in rural settlements. A choropleth map with 3 classes applying the natural breaks (Jenks) clasification method was used to represent the inequalities in the distribution of older persons at county level. (fig. no. 2)

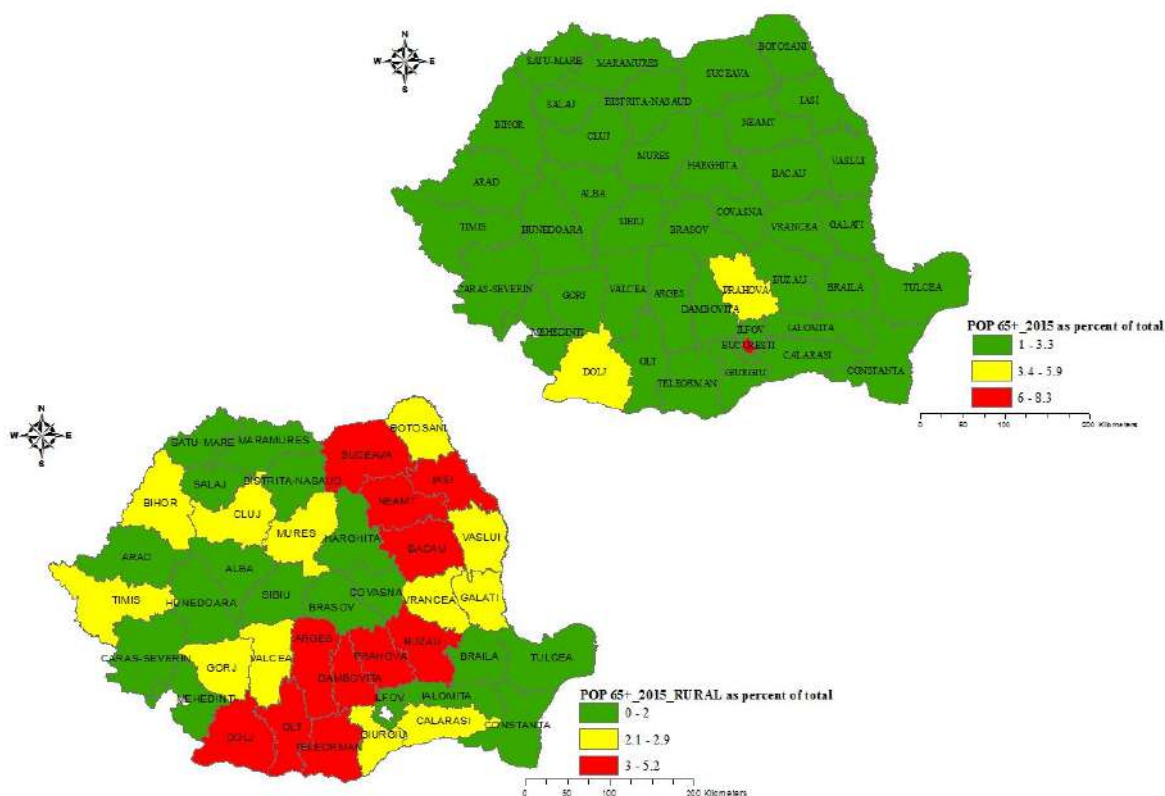


Figure no. 2. Share of population aged 65+ in total population and population 65+ in rural areas – spatial diversity (2015)

Source: representation and calculations developed by authors, National Institute of Statistics (INSSE) TEMPO online data code: POP105A.

Note: shapefile Development regions 2014, ESRI Romania.

At county level (NUTS 3), the cartographic representations highlight trends in the agglomeration of older people (65+) in Bucharest. For rural areas, the map indicates a concentration of older persons in counties from the north-east (Suceava, Iași, Neamț, Bacău) and south (Buzău, Prahova, Dâmbovița, Argeș, Dolj, Olt, Teleorman) part of the country. National studies concerning the older people in rural areas (Consiliul Național al Persoanelor Vârștnice, 2014) revealed that:

- there is a significant proportion of older people living alone;
- their income level is low;
- a severe material deprivation continues to raise concerns among the older persons in rural areas;
- most of the income (from pension) is allocated to food products.

The results of these studies are consistent with the statistical data concerning the level of income and consumption of population living in rural areas and highlight the material deprivation of the residents in rural settlements. In addition, other factors that continue to influence the evolution of employment in health and social assistance activities, are:

- a higher number of people 65+ are living alone: 28.5% in 2008, respectively 30% in 2014. (Eurostat, 2016b) Census data from 2011 reveals that 26.6% of people aged 65 and over, were living alone. North-West and North-East regions have the high shares of persons 65+ living alone: 26.7% and 27.7%. Salaj (29.3%), Mureș (27.5%), Satu-Mare (27.7%), Neamț (27.4%), Iași (27.8%), Botoșani (29.3%), Bacău (28.4%), Harghita (29.8%), Mehedinți (28.9%) are above the national

average. In Bucharest approximately 31% of people aged 65+ are living alone. (Eurostat, 2016a)

- the increase of employment among women aged 55-64 years old in 2008-2014. (Eurostat, 2016c)
- migration of labour force in formal or informal care services in Western countries and other Central and Eastern European countries. (Vladescu Olsavsky, 2009; Schulmann et al., 2014).
- 15.5% of people aged 65+ were living in 2014 (Eurostat, 2016d) with an income below the poverty line, set at 60% of the median equivalent national income. In other words, about one in six elderly had difficulties in accessing goods and services, including social services and social care.

Even the female participation on labour market increased, we cannot draw conclusions about their willingness to take care of dependents, as researches conducted at national level are mostly qualitative and limited and do not allow generalized statements for the entire population. (Ghența, 2015) The high percentage of older people living alone creates difficulties for the national system of social assistance in terms of financial resources needed, but it creates also opportunities for employment.

2. Employment profile in health and social assistance activities

2.1. Characteristics of employment

In this section we conducted an analysis of employment in health and social assistance sector based on indicators related to employment, the number of employees (including distribution by gender), the vacancy rate, gross average earnings and net average wage. The data are analysed based on the availability, either at regional or county level.

The first indicator is the employment in health and social assistance sector. Data concerning the employment for the period 2008-2014, highlight decreases in most of the counties, with the exception of Brașov (an increase of 0.8 thousand in 2014 compared to 2008), Sibiu (an increase of 0.8000 people), Giurgiu (up to 0.2 thousand persons), Argeș (up to 1.5 thousand people), Bucharest (the highest increase: 5.4 thousand) and Timiș (an increase of 0.400 people). Regardless of the county, most of the employed persons in this sector were women. (INSSE, 2016b)

The number of employees in the sector has experienced significant decreases between 2008-2014, although the share of employees from this sector in the total employees remained the same in 2008 compared to 2014: 7.2%, respectively 7.08%. During 2008-2014 the decrease was more pronounced among women than men: a decrease of 22,500 women, compared to a reduction of 7,300 men. (INSSE, 2016c) At regional level, Bucharest-Ilfov Region registered an increase of 4,690 employees in 2014 compared to 2008. South-East, North-West and North-East regions had the most significant decreases of employees in 2014 compared with 2008: 7,678 (16.8%), 6,530 (10.8%) and 6,270 people (11.7%). (INSSE, 2016c) The dynamics of the number of employees by gender shows that the number of female employees dropped more pronounced than in the case of male employees. In Bucharest-Ilfov Region, the increase was the result of the positive change among female employment. The counties with the highest number of employees in 2014 were Bucharest, Cluj, Iași, Timiș. The distribution of employees at NUTS level 3 overlaps only partially the distribution of population 65+ at county level. (fig. no. 3)

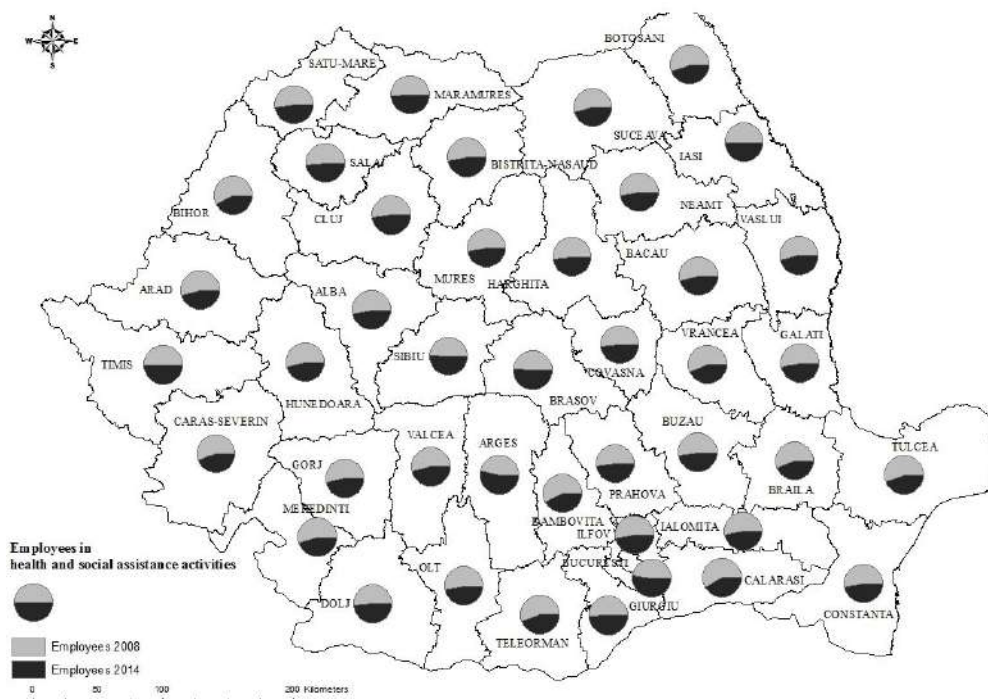


Figure no. 3. Employees in health and social assistance activities at county level (2008 versus 2014)

Source: representation and calculations developed by authors, INSSE TEMPO online data code: FOM105F.

Note: shapefile Development regions 2014, ESRI Romania.

The vacancy rate was 6.3% in 2008 and declined from year to year, up to a difference of 2.1 pp in 2015. (fig. no. 4) The dynamics of vacancy rate for all economic activities highlights a decrease of 0.8 pp in 2015 compared to 2008. At regional level, the most significant reductions of the vacancy rate were recorded in the Centre Region (a decrease of 6.7 pp), Bucharest-Ilfov Region (a decrease of 5.3 pp) and the North-East Region (a decrease of 5.2 pp). In the North-West and South-East regions, the vacancy rate registered the smallest decreases in 2015 compared to 2008: by 1.6 pp, respectively 2 percentage points.

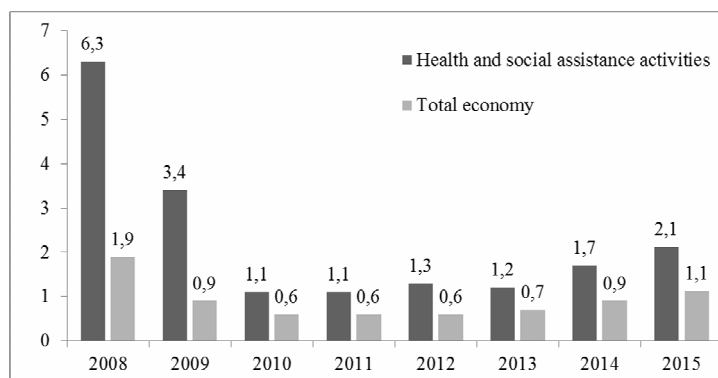


Figure no. 4. Vacancy rate in health and social assistance activities, 2008-2014 (%)

Source: INSSE TEMPO online data code: LMV101B.

The gross average earnings in the economy has grown between 2008-2014. In health and social assistance activities, the average gross earnings increased in 2014 (2,055 lei)

compared to 2008 (1,702 lei) by approximately 20%. (INSSE, 2016) Between 2008-2014, the average gross earnings either in total economic activities or in health and social assistance activities among male workers was higher compared to female employees.

At regional level (NUTS 2) Bucharest-Ilfov Region had the highest value of the gross average earnings, regardless of gender. The lowest value of average gross earnings was recorded in South-Muntenia Region. The counties with values of average gross earnings above the national average of 2,055 lei for health and social activities sector, were: Bucharest, Cluj, Iași, Timiș, Brăila, Sibiu, Dolj, Brașov, Neamț, Bihor Mureș. (fig. no. 5).

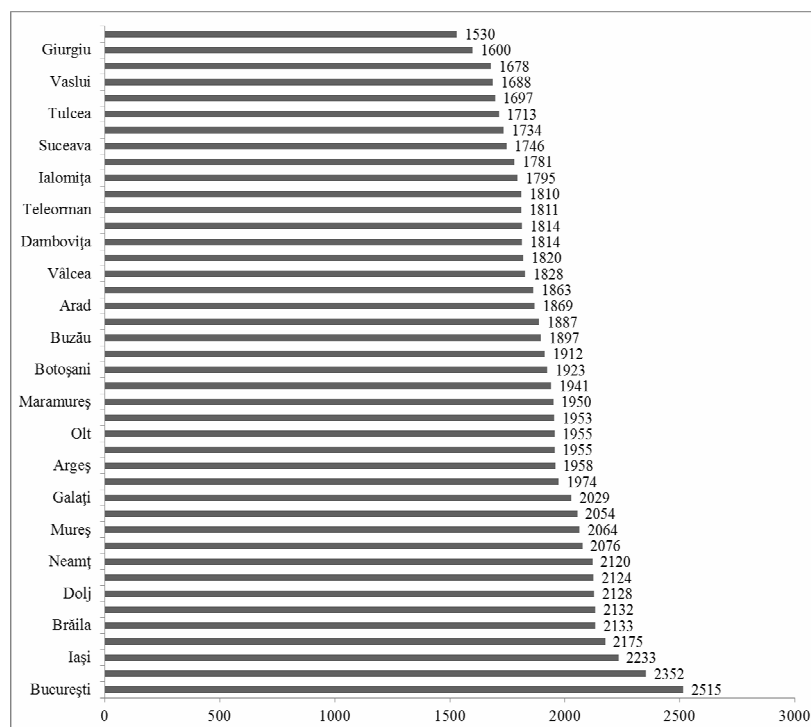


Figure no.5. Average gross earnings in health and social assistance activities at county level, 2014 (national currency)

Source: INSSE TEMPO on-line, online data code: FOM107E.

The average net earnings increased in 2014 compared to 2008 with 18.2% (230 lei) from 1,266 lei to 1,496 lei, and the changes occurred both in the case of male and female employees. At county level, the most important values above the average of the net earnings were registered in Bucharest, Cluj and Iași. Other counties with net earnings above the average were Bihor, Timiș, Sibiu, Mureș, Brașov, Neamț, Brăila, Gorj and Dolj. (INSSE, 2016e)

The analysis emphasises the inequalities in the distribution of employees in health and social assistance activities. The higher percentages of female employment in this economic sector, along with the significant differences of average gross earnings in health and social assistance activities compared to the values for all the economic activities, draw attention to the vulnerability of employment in this sector.

2.2. Territorial profile of earnings in health and social assistance activities

In this section we looked for a geographical distribution of counties by the values of net average earning.

Table 1. Methodological aspects

Data	Net average earnings in health and social assistance activities at county level - 42 values.
Source of data	INSSE, 2014
Method	The relationship between the average net earnings and the values of the same feature for neighbouring counties. (Local clustering)
Techniques	Spatial clustering using two tools: <ul style="list-style-type: none"> Cluster and Outlier Analysis (Anselin Local Moran I) identification of HH, LL, HL, LH. (fig. no. 5) Getis-Ord General G indicating whether clusters of high values (hot) and low (cold) between the characteristics analyzed. (fig. no. 5)
Spatial relationship	<ul style="list-style-type: none"> Contiguity edges and corners in case of the Cluster Outlier Analysis (Anselin Local Moran I) – the analysed units (counties) are polygon (NUTS 3). According to Darmofal (2015) checking the existence and degree of spatial dependencies in which it is determined by neighbouring units, it involves the definition of the “neighbour” concept. According to the same author, neighbours are those units that share edges (edges), corners (corners) or edges and corners (edges and corners). The same type of spatial relationship has been applied in Getis-Ord General G (Hot Spot Analysis), to ensure comparability of results.

In the first phase we mapped the distribution (NUTS 3) of net average earnings in health and social assistance activities using a choropleth map with 5 classes defined using the standard deviation classification method. The Bucharest area has the highest value and around it, there are two groups of counties: in the immediate vicinity Giurgiu and Ilfov counties with values of net average earning below the average and Teleorman, Dâmbovița, Prahova, Ialomița, Călărași counties with values below the national average, but still closer to it compared to the counties from the first group. (fig. no. 6)



Figure no. 6. Net average earnings, 2014

Sursa: representation and calculations developed by authors, INSSE TEMPO online data code: FOM106E.

Note: shapefile Development regions 2014, ESRI Romania.

Referring to the two types of analysis, the results are similar.

- By applying the Getis-Ord General G technique, we obtained two clusters:
 - First cluster with high confidence (99% significance level) and low value of the net average earnings for the sector, respectively Giurgiu county, located next to districts with low net average wage.
 - A cluster represented by Călărași and Dâmbovița counties with high significance (95% significance level) and low net average wages.
 - For the remaining counties, average earning net values were not statistically significant to differentiate from a random distribution.
- Applying the Cluster and Outlier Analysis (Anselin Local Moran I), it resulted also two clusters:
 - Giurgiu county (LL Cluster) with low values of net average earnings, surrounded by other districts with low earnings.
 - Bucharest (HL Cluster) as an area with high net average earnings surrounded by counties with low values for the same indicator.

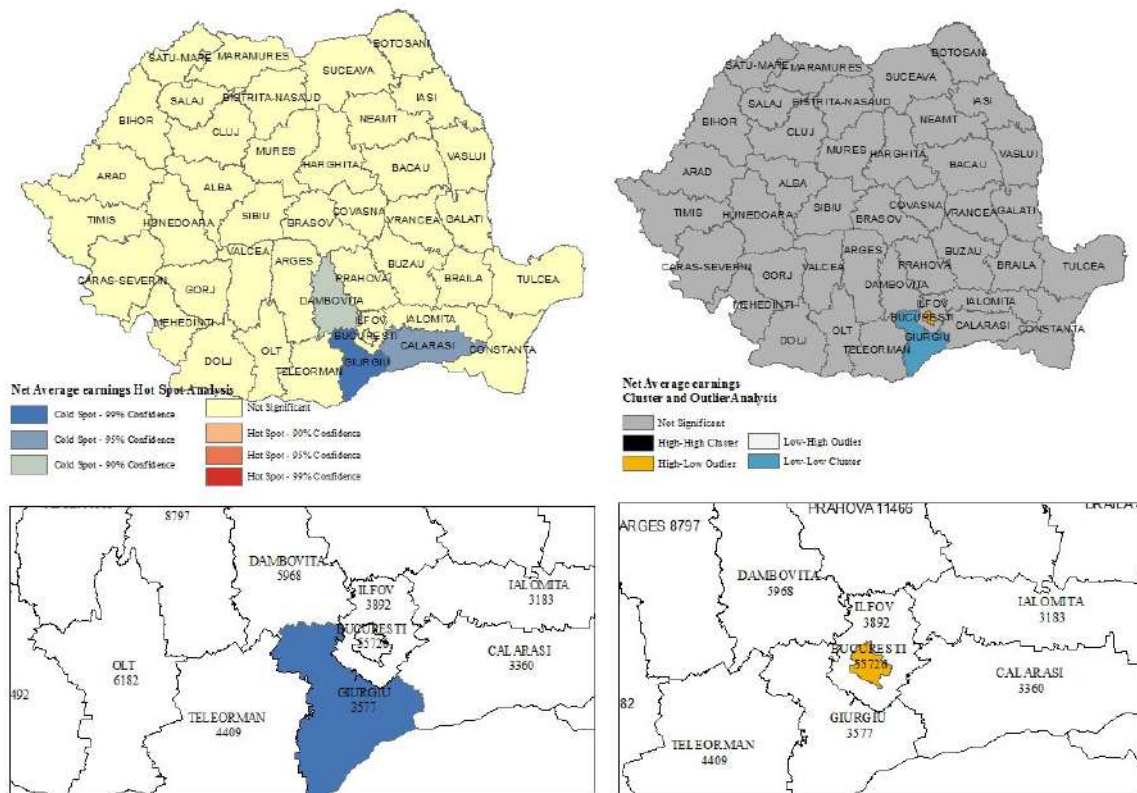


Figure no. 7. Average net earnings at county level - Cluster and Outlier Analysis și Getis-Ord General G

Sursa: representation and calculations developed by authors, INSSE TEMPO online data code: FOM106E.

Note: shapefile Development regions 2014, ESRI Romania.

From the data obtained, it can be seen that there is a certain group of counties but it is not clear enough, which is why we wanted to see to what extent these counties are either counties with low or high number of employees. We consider that a link between the two indicators would help us to shape an image on the attractiveness of the sector among the active population. Giurgiu is also a county with a low average number of employees in this sector and it is surrounded by counties like Ialomița with the lowest number of employees in health and social assistance activities for 2014. Bucharest on the other hand has the

highest average of earnings and employment, as well as an extended older population and a high proportion of older people living alone.

Conclusion

The results demonstrate that many counties have low levels of average net earnings for this sector compared to the national average of earnings for the overall economic activities. The cartographic representations of employees and the distribution of net average earnings at the county level show the geographic areas most vulnerable in terms of the capability of the sector to attract highly qualified labour force (especially for the social assistance part). Comparing the results of this representation with that for the population 65 +, we see that there is only a partial correlation between the number of employees and number of the older persons. The results lead to the conclusion that the development of employment in health and social assistance sector is determined primarily by the availability of financial resources of communities and less by the need of services.

Acknowledgements

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THE ROLE OF LOGISTICS IN THE IMPLEMENTATION OF THE INTERMODAL TRANSPORT STRATEGY IN ROMANIA. STRATEGIES FOR DOBROGEA REGION, TRANSPORT AND STORAGE OF LNG

Iordănoaia, Florin¹

Abstract:

Dobrogea, the two counties, Constanta and Tulcea, can become a real "engine" of intermodal transport development in Romania. Most analyzes in this regard concerned only Constanta county and especially the port of Constanta, but the region's potential is much greater and must be analyzed carefully, and in this analysis should be made a number of conclusions and strategies that contribute to the development of logistics and intermodal transport. In this work it is analyzed the situation of liquefied natural gas.

Key words: *logistics, transport, gas, strategies, development.*

JEL Classification: E61, R11.

1. Introduction

In 2011, the Ministry of Transport and Infrastructure was established a "Working Group", which aimed to preparation and presentation intermodal transport strategy for a period of 8 years, until 2020 (MT 2010). The document prepared had a "New approach", which should "be based on three interconnected elements without which intermodal transport alone can't be effective" (MTI 2011). In the document were mentioned:

- Intermodal transport terminals.
- Logistics and transport logistics centers.
- Industrial platforms.

But there are no details regarding these items. The document recognizes that "Overall organization of national transport network transport matter for the Minister of Transport, the authority in the field. Freight Logistics, which is one of the drivers of European competitiveness focuses on the planning, organization, management, control and execution of freight transport operations in the supply chain" (MTI 2011). But the document is silent about how the logistics will become "an engine for European competitiveness". Further in the document drawn up by the "Working Group" refers to the fact that "an integrated transport policy must take into account that intermodal transport is an extension of the work of industrial production (production and distribution). This activity is based on efficient logistics chains to organize the transport of raw materials and finished products" (MTI 2011). Introduce integrated policies but are not likely to lead to achieving this. The document also refers to the internationally situation, that "the globalization of trade has resulted in the supply and distribution chains longer and more complex, which resulted in a significant increase in transport intensity across the planet". Do not show any detail, there are general ideas that just present a situation.

Further recognized the role of logistics involved in transporting, specific logistics services, involving certain costs, with a share of the final price of the finished product. The document appreciates at that time (2011) that "The current global logistics industry is estimated at about 5,400 billion or 13.8% of global GDP. On average, logistics costs represent 10-15% of the final cost of the finished product. According to estimates, the share of the logistics industry in Romania is 9.7% of GDP, which is approximately 50% lower than the average in Europe (around 14% of GDP)". The end of the document are

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made several findings and conclusions related to the fact that "the industrial sector (manufacturing, assembly) and the sector of logistics activities in Romania can benefit from the development of new logistics corridors in the Central and Eastern Europe because 70% of total containerized cargo coming to Europe originate in the east of the Suez Canal; only 10% of goods destined for Central and Eastern Europe region directly into the (remaining reach the Western Europe region detour); Central and Eastern European market offers a significant increase in sales and has a workforce of quality at relatively low cost". These findings remained only at this stage in the 2012-2016 period, has not changed anything, did not start any strategic project did not start anything that contributes to the economic development of Dobrogea region, Figure no 1.

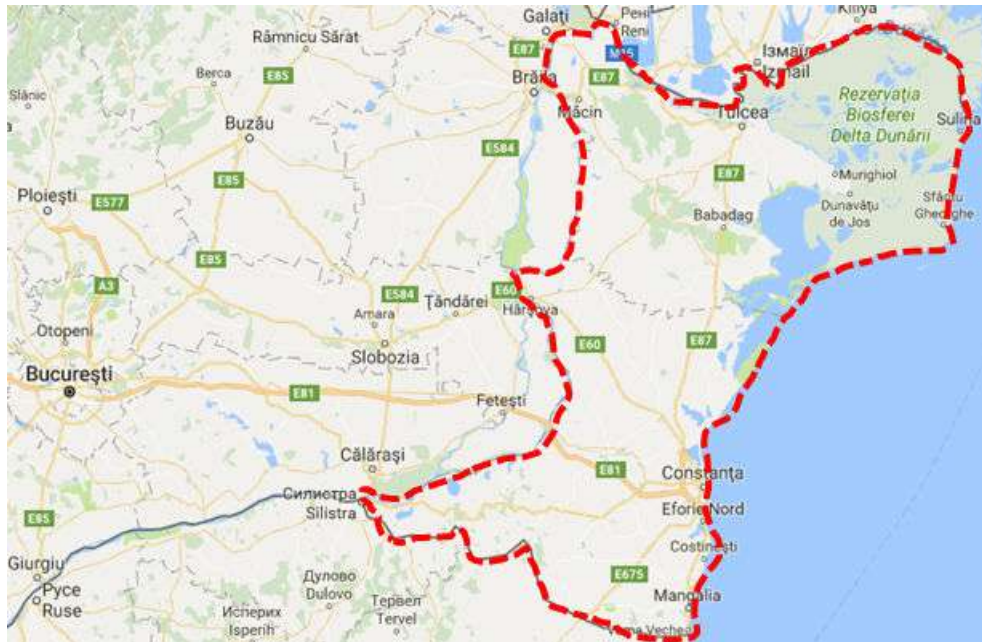


Figure no 1. Dobrogea region, shaded area shown.

Source: google.map.

Declarative and strategic objectives, we are very well, that policy makers in the Ministry of Economy have established guidelines "*that will underpin the revision of Romania's energy strategy*" (ME 2010). These concerns: energy security, energy efficiency and environmental protection, increase competitiveness, encourage investment, helping consumers of energy, renewable energy, transformation Romania into a regional energy power pole.

The project envisaged by the Ministry of Economy, in the energy security, has the following aspects:

- Diversification of supply sources and routes.
- Limiting dependency on imported energy supply.
- Ensure security of critical energy infrastructure, including storage capacities, including nuclear facilities.
- Promoting investment to increase the capacity of electricity production.
- Promoting cross-border and regional projects to ensure access to energy resources diversification of raw materials, mainly oil and gas.
- Encouraging investment for the discovery of new hydrocarbon reserves.
- Increasing the replacement of existing reserves.
- Development of power equipment manufacturing industry.
- Promoting programs to increase the performance capabilities of underground storage of natural gas.

I believe that these ideas are valuable, but have not yet been put in real place, no have deadlines and responsibilities for their achievement.

2.Transport and storage of LNG

To understand the situation of Romania and especially the region Dobrogea is necessary, first of all, knowledge of the situation in Europe, transport and storage of LNG (LNG = liquefied natural gas).

a).LNG transport situation in Europe and the European Union's energy policy. Energy has been part of the beginning process of European integration. Treaty on the "European Coal and Steel Community" in 1951 and "Euratom Treaty" establishing a European Community of Atomic Energy in 1957, focused on the two most important energy sources, coal and nuclear energy (EU 2016). While economic development has led to an increased use of oil, gas and electricity. What brought maintain energy problems, leading to policy of the European Community. Hence resulted a number of policies related to the creation of the single European energy market. On completion of the Lisbon Treaty, in 2007, it was created a legal basis for energy.

The European Union has received a number of skills in the field of energy that have divided the Member States of the Union. Article 194 of the Treaty on European Union states that "in the context of the establishment and functioning of the internal market and against the need to preserve and improve the environment, Union policy on energy aims, in a spirit of solidarity between Member States should ensure the functioning of the energy market; ensure security of energy supply in the Union; promote energy efficiency and energy saving; development of new energy sources and renewable energy" (TEU 2007).

This article also states that "the necessary measures to achieve these three objectives (competitiveness, sustainability and security of energy supply), not affect the right of a Member State to determine the conditions for exploiting its energy resources, its choice different energy sources and the general structure of its energy supply". Since September 2011 the European Union internationalized energy policy, adopting the Communication on "Security of energy supply and international cooperation". Based on this communication, on 24 November 2011, the Energy Council conclusions were adopted. This external dimension of EU energy policy was "a natural extension of intra-EU coordination, the indispensable necessity to strengthen the EU's profile in relations with external partners".

With the discovery of new reserves of unconventional gas in various EU countries, it has started a process of evaluating the effects of exploitation of resources, the environment, human and natural habitats. As a result of those assessments on 22 January 2014, the European Commission launched Recommendation 2014/70 / EU on "Principles minimum exploration and production of hydrocarbons using hydraulic fracturing", which was accompanied by a Communication on "Exploration and production of hydrocarbons the use of hydraulic fracturing", (EUC 2014).

They were also organized a number of European Councils, with energy issues, several times: in February 2011, May 2013, March 2014, June 2014, October 2014, December 2014, March 2015. On February 25, 2015 Commission launched the Communication on "Energy Union" has been presented a "vision for the future of the European energy system and the steps necessary to achieve it".

The "Energy Union" is based on three objectives of the Union energy policy and focuses on five mutually reinforcing dimensions:

- Energy security, solidarity and trust.
- The internal energy market.
- Energy efficiency seen as a contribution to moderating energy demand.

- The decarbonisation of the economy.
- Research, innovation and competitiveness.

For this purpose aims: completing the internal energy market integration; strengthening the coordination of national policies; removing market barriers and energy isolation; lowering energy costs for consumers; upgrading infrastructure and attracting investments in the energy sector with a focus on innovative technologies and green energy production capacity. The action plan annexed to the framework strategy has a number of specific measures will be prepared and implemented in the future. The action plan will be monitored and reviewed regularly to respond to changing challenges and new elements appear. On 18 November 2015 the European Commission launched the first report on "State of the Union Energy" evaluating "its progress in building an Energy Union and stresses the areas which require further attention in the coming period". In this document were reviewed progresses since the publication of the Commission Communication on "Energy Union" and identified "key issues" that require specific policy attention in 2016. In the Communication presents the comparative Union, the five dimensions of "Energy Union". This was accompanied by the following official documents, (EUCo 2015):

- Revised roadmap of the Energy Union.
- Guidance on the implementation of plans on energy and climate change.
- Records of the country.
- The methodological approach of the framework strategy of the Union Energy and analysis of its key indicators.
- The list of projects of common interest.
- Proposal for a Regulation on "European statistics on the prices of gas and electricity".
- Reports of progress on climate action and respectively efficiency.
- Implementation Report's rate strategy for energy security.
- Trends in energy consumption for the period 2010-2015.
- Report on the implementation of the Directive on nuclear safety.
- Evaluation of emergency stocks in the oil sector in the EU.

The European Council meeting of 17-18 December 2015 EU leaders reviewed the progress made in implementing the strategy on "Energy Union" and set guidelines regarding the measures to be taken. In this regard the European Council requested the following:

- The rapid advance of the relevant legislative proposals in line with its previously stated guidance.
- Full implementation of the legislation on renewable energy, energy efficiency and other measures such as improving the opportunities for investment in order to meet the 2020 target.
- Develop an integrated strategy aimed at research, innovation and competitiveness.
- Early implementation of projects of common interest and optimal use of infrastructure for the benefit of a fully functional and interconnected and energy security, noting that any new infrastructure should respect fully the third energy package and other applicable EU legislation and objectives "Energy Union".

In 2016, the Commission continued to act in the "Roadmap" of Strategy Framework in the "Energy Union" as the launch of new legislative proposals and revising existing ones. In this regard, on 16 February 2016, the Commission adopted the package on energy security. The package aims to:

- The legislative proposal for revision of Regulation 994/2010 on "Security of supply of gas".

-The legislative proposal of revision of the Decision on "Transparency of intergovernmental agreements concluded by Member States with third countries on energy".

-E.U. strategy for the LNG and storage.

b).LNG transport and storage situation in Romania. Romania is directly interested in supporting strategy of the "Energy Union" and implementation actions. Therefore the makers of the Ministry of Energy, have the powers and tracking European Commission's legislative initiatives in this area. Ministry of Energy is the first public institution of state, who must be involved in the negotiation process at European level. Romania is important for cuddly "*energy security dimension of this strategy framework*" having regard to the fact that any new initiative to influence the paradigm of energy security in the EU Framework must be developed in close cooperation with the European Commission and each Member State must fulfill its obligations in the transposition and application of the law U.E.

Also, Romania is interested in the topic of the "Energy Union" to be "approached regularly at European Council level, to continue the dialogue with the Commission in the next stages of setup" Energy Union "and its associated governance system" (ME 2016). In this context Europe, Romania is interested in the project "AGRI" (acronym for "Azerbaijan-Georgia-Romania-Hungary"). This project can become in the coming years "an important tool for ensuring energy security of the European Union in the long term, which shall correspond to double diversifying both sources of supply as well as transit routes". The "AGRI" is the first LNG project to be developed in the Black Sea area, aimed at transporting natural gas from the Caspian region to Europe.

The aim of this project is to "provide an opportunity reliable supply and import diversification; to reduce dependence on a single supplier, through diversification of supply sources and channels of delivery", (ME 2010). This project aims to create a "southern gas corridor", designed as a direct link between Europe and the largest natural gas deposit in the world, from Azerbaijan. It was designed to have an important role in achieving the objectives of the European strategy to ensure competitiveness and security of gas supply. Interconnector Azerbaijan-Georgia-Romania-Hungary (AGRI) was conceived as "an integral part of the Southern Corridor, ensuring the shortest direct route for Caspian gas to the European market", (ME 2010).

In the project was conceived the Azerbaijan gas transportation through pipelines pine Georgia, where it must be liquefied and transferred to a port specialized terminal and after this will loaded corporate ships. Gas is transported by vessels on the Black Sea to a regasification terminal, which will be built on the shores of the Romanian Black Sea. Then gas will be pumped through the Romanian transport natural gas system to Hungary, via the Interconnector between Romania and Hungary, which will be conducted between Arad and Szeged and will then be transported to other European countries. It also envisages the transport on Danube-Black Sea Canal and then on the Danube to the Central European countries.

This will require the construction of several LNG river terminals, which will be connected with pipeline transport systems by rail or road tanker, to their final destinations. In this context, infrastructure in Romania is considered an "infrastructure component of U.E., which should have an important role: providing a European transport system safe". For our country this infrastructure should contribute to improving cross-border transport to offering viable solutions to the market. Romania has a special position in the international transport system in Central and Eastern Europe. There is the possibility of interconnection National Gas Transmission System, with West-European system and gas resources from the Caspian and Middle East.

But Romania is behind in achieving investment. It must therefore be prepared investment projects:

- Geological research for discovery of new reserves of oil and gas on land and on the Black Sea.

- Development of underground storage capacity for natural gas.

- Increasing transport capacity and safety in operation of transmission pipelines.

- Creation of new sea and river terminals.

- National Transmission System interconnects with their counterparts in neighboring countries.

- Rehabilitation of gas distribution.

- Increasing measures to prevent pollution and protect the environment.

Greater involvement can have a National Company "Maritime Ports Administration" from Constanta, who may decide to where they can be placed LNG terminal, (MPA 2016). In this regard they were held a series of discussions and negotiations with consulting firm, finally offered three possible technical variants terminal site. It took into account the technical achievement, safety conditions and operating the terminal, but had no regard for the conditions imposed logistics and multimodal transport, even if technically you can make connections to existing infrastructure. Another important aspect is that of obtaining financing from European funds, after feasibility study. Also have understood the situation of countries in the region, seeking to secure their energy as necessary and in particular natural gas. In this regard it should be considered especially in relation with Bulgaria, which in Russian is building an LNG terminal for 1,000 cubic meters. Building a terminal on the waterfront will lead to increased interest in natural gas for other countries from the Central and Eastern Europe.

3.Investment in the LNG port terminals

Arranging a port terminal, its equipment and its operation conditions must begin with ensuring operational safety and employment, protect personnel and the environment. LNG port terminals must be designed and then made in accordance with international regulations, quality standards and environmental protection, to allow an investment in this area. In this regard it should be avoided construction and operation of a port terminal in the port area crowded areas with traffic of ships and land intensively in passenger traffic areas. It must be complied with statutory safety clearances, between economic goals and port. Black Sea LNG terminals can be achieved in the next ports: Midia, figure 2.a, Constanta, figure 3.a (MPA 2016), and Mangalia, figure 4.a.



Figure no 2.a. "Midia" Port.

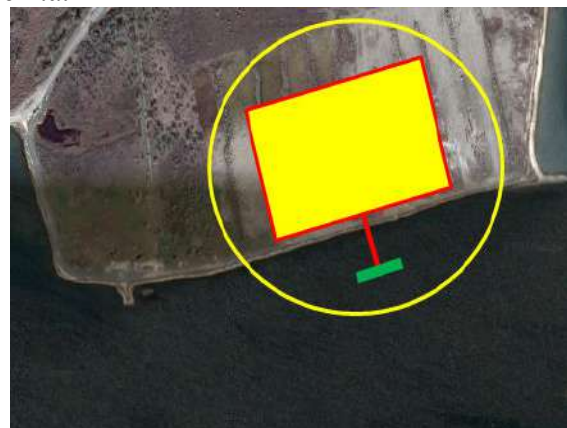


Figure no 2.b. The area proposed for the terminal.



Figure no 3.a. "Constanta" Port.



Figure no 3.b. The area proposed in Constanta-South.



Figure no 4.a. "Mangalia" commercial port.

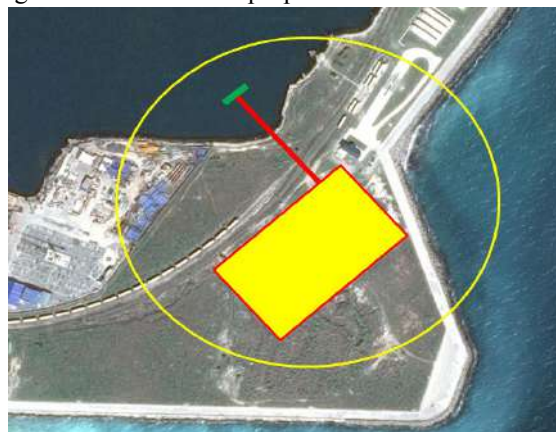


Figure no 4.b. The area proposed for the terminal.

Sources: author studies and google.map.

Following situation of the three Romanian ports as a point of view logistic analysis, you may notice the following advantages and disadvantages, table no 1. They can help decision makers understand the easier aspects of investing in terminals, the legal situation of possible places in the harbor area and especially areas with existing infrastructure connections.

Places where they can be placed terminals in three ports are: in the south part of Midia port, Figure no 2.b; in the Constanta port, Figure no 3.b: the first area to berth 68 of the "Oil Terminal" company, at the berth 85 and in the south of the port, near the Black Sea-Danube Canal; in the port of Mangalia, Figure no 4.b, in south-east area of the port.

TABLE NO 1. ROMANIAN PORTS SITUATION ANALYSIS ON THE POSSIBILITY OF BUILDING THE LNG TERMINAL.

PORTS	ADVANTAGES	WEAKNESSES	IMPLICATION ON THE DOBROGEA REGION
1. Midia	<ul style="list-style-type: none"> -Unused port areas. -The average depth for ships in port access. -Access to Midia-Navodari Canal - Gate White River Danube. -Electrified railway up to Constanta. -Relatively easy access to the motorway. 	<ul style="list-style-type: none"> -Small number of companies operating in the port. -Investing in terminal. -Dredging area surrounding the port. -Lack of Marketing study on potential customers. -Negative political influences. 	<ul style="list-style-type: none"> -Increasing the number of jobs for the city of Navodari. -Relatively high wages. -Increased revenues collected to the local budget Navodari.

PORTS	ADVANTAGES	WEAKNESSES	IMPLICATION ON THE DOBROGEA REGION
2. Constanta	<ul style="list-style-type: none"> -Large unused port area. -Great depths for large draft ships. -Direct access to the Danube-Black Sea Canal and the Danube River. Electrified railway, which starts right from the port. - Constanta-Bucharest motorway, ending in the southern port. -Specialized terminal for liquid petroleum products (Oil Terminal SA) (9). -The direct involvement of the National Company "Maritime Ports Administrator" Constanta, which can directly access European funds for investment. 	<ul style="list-style-type: none"> -Port areas assigned by long-term concession to private companies that do not have object of natural gas. -Port congestion. -Navigation hazards during maneuvers in port. -Investing in terminal. -Higher risks in case of explosion, in the proposed area at Oil Terminal berths. -Lack of Marketing study on potential customers. -Negative political influences. 	<ul style="list-style-type: none"> -Increasing the number of jobs. -Relatively high wages. -Increased local budget revenues collected from Constanta. -Constanta port entry on the list of ports that modern LNG terminal, which could attract new investment.
3. Mangalia	<ul style="list-style-type: none"> -Unused port areas. -The average depth for ships in port access. -Direct access to the electrified rail. -Access to European highway 87 and highway from Agigea. -Opportunity to broaden the sales market, the Dobrich region of Bulgaria, on the road or pipeline. -Ability to attract business companies from Bulgaria. 	<ul style="list-style-type: none"> -Small number of companies operating in the port. -Investing in terminal. -Dredging area surrounding the port. -Lack of Marketing study on potential customers. -Negative political influences. 	<ul style="list-style-type: none"> Increasing the number of jobs for the city of Mangalia, a city that has no industry outside the shipyard "Daewoo". Relatively high wages. Increased local budget revenues collected from Mangalia. Economic development of the south in the region easy access to gas to households and companies.

Source: author study.

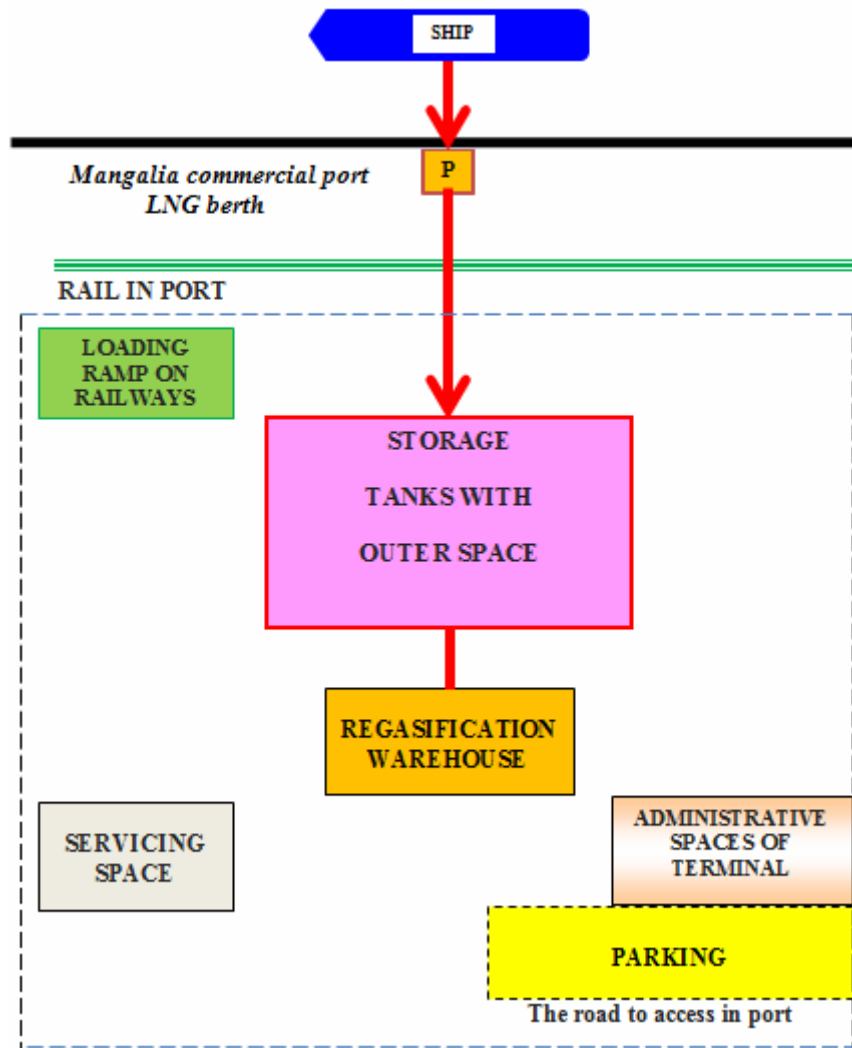


Figure no 5. Scheme of the LNG terminal.
Source: author study.

Scheme layout logistics facilities LNG terminal as a model for the commercial port Mangalia is shown in figure no 5. The establishment of the logistics of a specialized LNG berths, facilities and utilities are included the following:

- Moll ship mooring;
- Bridging facility download;
- Installation of pumps (P);
- Storage space for outdoor tanks;
- Storage regasification;
- Spaces for maintenance;
- Administrative spaces;
- Track access ramp;
- Parking and the road to access the port;
- Piping systems and plant protection;
- The ship.

In the LNG terminal is organized and conducted logistic flows following:

- Receiving Ship berth (mooring pier).
- Download Ship.
- Receiving port storage of goods by pipeline.
- Storage and storage of goods in containers.

- Charging railway tanks and tankers.
- The transfer of liquefied natural gas by pipeline.

Conclusions

Energy policy of a country and a region mainly depend on infrastructure development, economic competitiveness and market area. Logistics in overall performance has been neglected by policy makers in political and economic fields in Romania, major investments being made by foreign investors. But the foreign investors not interests in the development of regions or infrastructure, usually they want to find ready-made infrastructure and focus only on their economic objectives. What is right in terms of international business. Implementing a strategy of intermodal transport in our country must take into account the potential and economic resources of Dobrogea. Strategies for this region cannot be achieved only on the basis of which currently exist in this part of the country. Dobrogea must be seen as a real "engine" of the economy, the country's eastern gate. Investment in terminals, warehouses, transport in pipelines and LNG is an opportunity that should not be missed in the current stage of development of the country, in the current geopolitical context of the Black Sea.

For this region, which is among the last in the country, which was introduced for gas, pipeline transportation, population and industry is very important to achieve this LNG terminal. A cheap gas can stimulate household consumption for heating, eliminates the use of heavy fuel oils, which is much more polluting and most importantly, can help jump-start the industry in the two counties, Constanta and Tulcea. Another important area interested in cheap gas, it is agriculture and especially vegetable greenhouses, faced with the problem of heating greenhouses expensive agent. In order to achieve an LNG terminal, it is necessary to create a public-private partnership, which may be a formidable economic force in this area.

Need to be pursued and the European Commission's conclusions (ECA 2015), policy at Member State level, regional level and at the level U.E. related to the fact that "most Member States should adopt additional measures to target pace of development more ambitious and should strive to achieve national goals in energy efficiency for 2020", also "Member States should strengthen their cooperation (regional) security of electricity supply and the adequacy of production capacity", which would stimulate the development of natural gas power plants. Another important aspect is to create "the most favorable tax systems environment and growth", that solutions must be found tax incentives to those who make investments in the economy and environmental protection.

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ABOUT REAL CONVERGENCE IN ROMANIA

Bogdan Daniel, Floroiu¹

Abstract: *Regional convergence is one of the fundamental objectives of the EU Cohesion Policy, through assistance from the Structural Funds, the underlying economic efficient drawing up a strategy to support disadvantaged countries and regions. Thus, a high degree of convergence leads to a lower level of support for bridging economic.*

Romania meets the convergence criteria set by the Maastricht Treaty in June 2014 but still this is not enough. The nominal convergence criteria can not be met in a sustainable manner without competitiveness, financial stability and fiscal balance. Even if the real convergence criteria are not so clear and measurable indicators have not as if nominal convergence does not mean that this indicator is less important. The goal is to reduce structural differences between regions and countries, and social and territorial cohesion

In terms of real convergence, assessed by discrepancies with the EU average GDP per capita expressed in purchasing power standard (PPS), Romania has progressed significantly in the last two years, currently standing at about 55% of the average EU-28. Experience the new Member States which joined the euro underlines that such a goal is realistic insofar as the report of the EU average GDP per capita exceeds 60%.

In such conditions, the chance of countries like Romania to achieve real convergence with the EU is closely linked not only by increasing the stock of physical capital, but also stimulate the development of the two factors - knowledge and human capital - their increasing contribution to achieving higher growth rates. Should not be neglected dimension of development disparities between regions, as Romania is the EU country with the greatest disparity between regions.

Membership of the EU has acted as a catalyst for real convergence in Romania, but GDP per capita in PPS is still below levels in other Member States when adopting the single currency. In these circumstances, Romania must develop macroeconomic policies to stimulate economic competitiveness, develop all regions, to attract foreign direct investment and external grants.

Key words: *real convergence; EU; GDP; regional; PPS;*

JEL Classification: O47

1. LITERATURE REVIEW

Regional convergence is one of the fundamental objectives of the EU Cohesion Policy, through assistance from the Structural Funds, the underlying economic efficient drawing up a strategy to support disadvantaged countries and regions. Thus, a high degree of convergence leads to a lower level of support for bridging economic.

Solow's model (1956) was the basis for the construction and development of new variants of models (Lucas, Barro, Sala-i-Martin, Quah etc.) in order to gradually approach the new alternatives to the real conditions of the economy.

New variants of models of convergence as distinct factors taken into account human capital, technological and institutional state program and the effects they produce in the economic system. These effects externalities flows (spillovers) into the economy in a special way, that on others than the direct producers. The effects are much larger than necessary inputs to produce them or their remuneration amount.

Typically, intangible factors, non-quantifiable (knowledge, skills or professional qualifications, technological and managerial skills, information, innovation, know-how etc.) are spilled and / or inputs are incorporated into quantifiable tangible. Such spillovers seem to be generated by investment in human capital (Lucas, 1988) or the two investment categories for physical capital and human capital (Romer, 1986).

The new approaches to convergence have enlarged the area of research and the methods and tools of scientific investigation. The realistic interpretation of trends in the evolution of savings into the state of convergence and the rate at which the economies achieve convergence have been proposed and econometric testing the new calculation tools and models, as indicators

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(Sala-i-Martin, 1996), dynamic neoclassical model (Mankiw, Romer, Weil, 1992; Islam, 1995; Bassanini, Scarpetta, 2001), stochastic convergence model (Lee et al, 1997). Econometric parameter shows the speed of the convergence when the parameter is negative and showing a tendency of convergence or divergence, as this indicator shows restriction or respectively increasing dispersion of the sample of analyzed data.

Mankiw, Romer and Weil (1992) and Islam (1995), revealed that the economies with an income level low initial tend to grow faster than income economies initial high after they entered into the model as control variable savings rate and population growth rate, and Barro, Sala-i-Martin, Blanchard and Hall (1991) took into account, in addition, capital mobility, labor migration, etc.

Instead of alternative econometric methods refers to the formation, behavior and evolution of so-called groups of convergence (convergence-clubs). Who first made reference to such a process was Baumol (1986).

The idea was taken up and developed theoretically and empirically researched by Quah, Bernard, Durlauf and Galor (1996), Mihăescu (2003) etc. Quah states that conventional theory (neoclassical) convergence and empirical research results based on this theory conceal the presence of convergence and polarization of rich and poor countries. Increasingly their opinion is that convergence is not and can not be a single process for all countries and regions, but a multipolar one.

In such conditions, the chance of countries like Romania to achieve real convergence with the EU is closely linked not only by increasing the stock of physical capital, but also stimulate the development of the two factors - knowledge and human capital - their increasing contribution to achieving higher growth rates.

2. REAL CONVERGENCE IN EU

Economic growth in Romania is among the highest in the EU and is forecast to remain above potential in 2016 and 2017.

Romanian Government remains committed to adopting the euro. A specific date will be determined after carrying out a timetable for transition to the euro, which will be completed by the next edition of the convergence program, while taking into account the criteria of nominal and real convergence.

Romania meets the convergence criteria set by the Maastricht Treaty in June 2014 but still this is not enough.

The nominal convergence criteria can not be met in a sustainable manner without competitiveness, financial stability and fiscal balance.

Even if the real convergence criteria are not so clear and measurable indicators have not as if nominal convergence does not mean that this indicator is less important.

The goal is to reduce structural differences between regions and countries, and social and territorial cohesion. The most widely used in this respect, for tracking progress gross domestic product is real convergence in PPS.

Moreover, real convergence of Romanian economy continued in the years of crisis, the pace of GDP per inhabitant being throughout the period 2010 - 2015 by more than 2 percentage points higher than the EU as a whole.

In terms of real convergence, assessed by discrepancies with the EU average GDP per capita expressed in purchasing power standard (PPS), Romania has progressed significantly in the last two years, currently standing at about 55 % of the average EU-28.

Experience the new Member States which joined the euro underlines that such a goal is realistic insofar as the report of the EU average GDP per capita exceeds 60%.

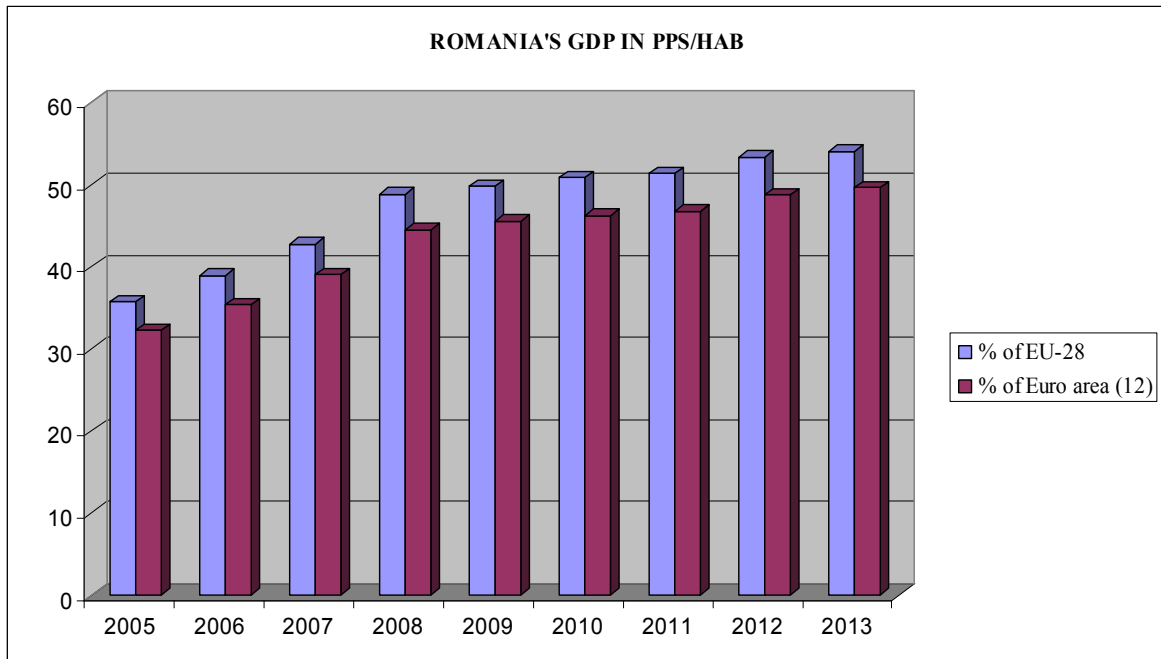


Figure no. 1 Romania's GDP weight in EU-28 and Euro area (12)

Source: by author on Eurostat database

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

In line with economic developments explained in the program, Romania will reach real convergence in 2018 to about 65%, with the prospect that by 2020 GDP per capita in PPS in Romania to represent 70% of the EU-28.

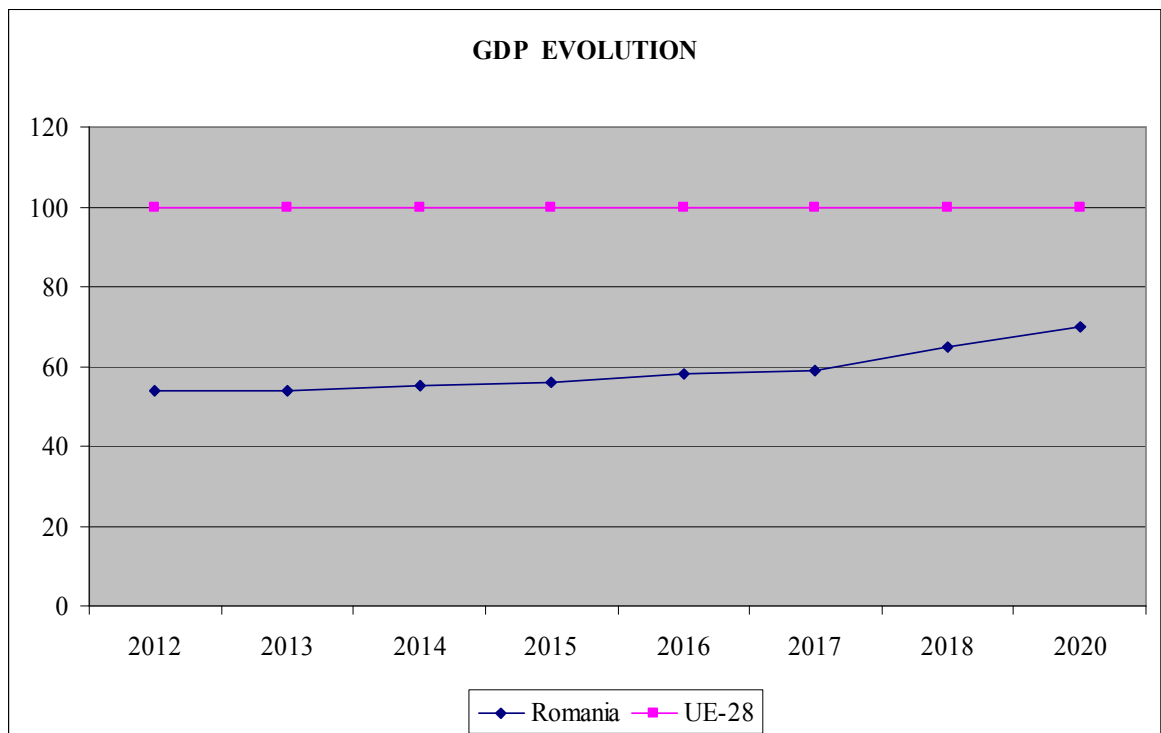


Figure no. 2 Prospects for GDP per inhabitant in PPS

Source: by author on Eurostat database from The Government of Romania, Convergence programme 2016-2019, april 2016

For the analysis of real convergence of Romania with the EU, determine the length of the period needed to achieve equalization in perspective, the absolute level of average annual income per capita of Romania (V_R) with the EU 15 (V_E).

The balance may take place in a reasonable period of time, unless Romania will achieve average annual growth rates (\bar{r}_R) superior to those achieved by the EU-15 (\bar{r}_E) ie $(\bar{r}_R) > (\bar{r}_E)$.

To determine the period of convergence, we start from the simple relations on increasing GDP / capita of the two entities with initial levels and annual average rates different growth:

$$V_{tR} = v_R (1 + \bar{r}_R)^t$$

$$V_{tE} = v_E (1 + \bar{r}_E)^t$$

Convergence is achieved when the two values are equal relations above, according to the relation:

$$v_R (1 + \bar{r}_R)^t = v_E (1 + \bar{r}_E)^t$$

By logarithmating and rearranging the terms, determine the time (t) in which the convergence (balance) of two entities in the GDP / capita:

$$t = \frac{\log v_E - \log v_R}{\log(1 + \bar{r}_R) - \log(1 + \bar{r}_E)}$$

Based on this formula, we calculate time in years, Romania will catch up (in terms of the GDP / capita based on PPS in euro) EU-15 and the two EU leaders - Belgium and Germany.

Table no. 1 The time taken to achieve convergence with Romania EU15, Belgium and Germany

Initial level of GDP /capita 2013		Annual average growth rates of EU-15, Belgium and Germany between 2004-2013	Number of years (t) to achieve convergence in variations of average annual growth rates in Romania			
EU-15 Belgium Germany	Romania		3%	4%	5%	6%
$v_E = 28.000$	$v_R = 13.900$	$\bar{r}_{UE} = 0.9\%$	34	23	18	14
$v_{Be} = 30.500$	$v_R = 13.900$	$\bar{r}_{Be} = 1.5\%$	54	32	23	18
$v_{De} = 32.000$	$v_R = 13.900$	$\bar{r}_{De} = 1.3\%$	50	32	23	18

Source : by author on Eurostat database

According to the table at an average annual rate of increase of 3%, Romania would need 34 years to reach the EU-15, 54 years to achieve the level of Belgium or 50 years to reach Germany .

At an annual growth rate of 6%, Romania would need 14 years to reach the level of the eurozone or 18 years to reach Belgium and Germany.

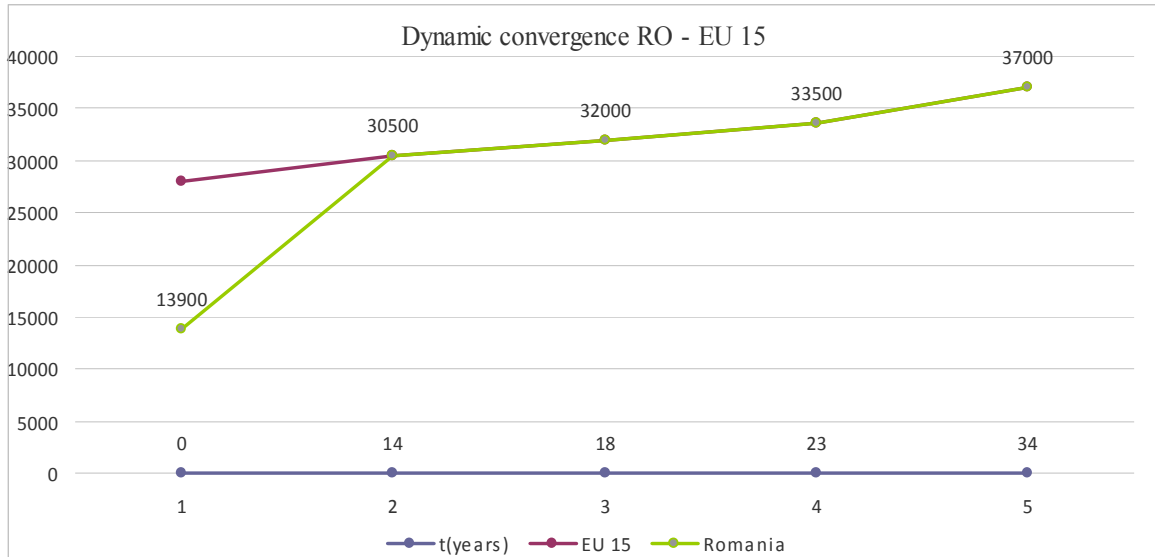


Figure no 3 Dynamic convergence RO – EU 15

Source: by author on Eurostat database

3. REGIONAL REAL CONVERGENCE

In 2011, the eurozone countries agreed to take a number of measures of the Euro Plus Pact. It reflects the interdependence of their economies and intention to ensure better coordination of national economic policies. The pact was signed by six countries outside the euro zone: Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania.

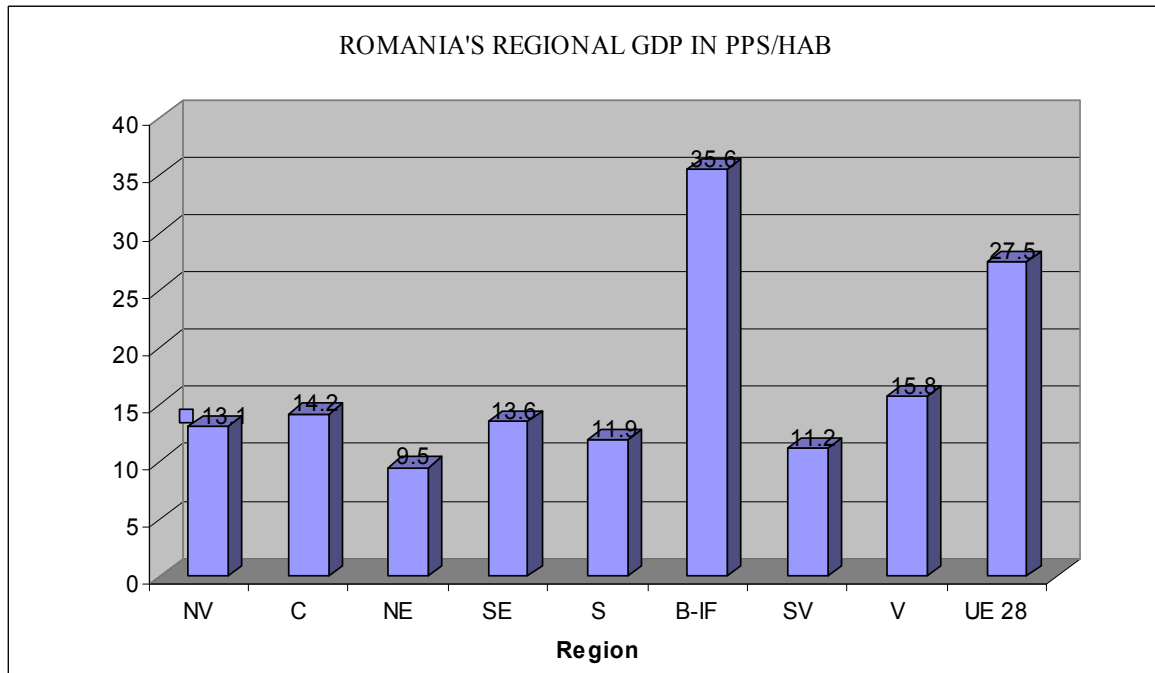


Figure no. 4 GDP in PPS/HAB 2014 by NUTS 2 regions

Source: by author on Eurostat database

The main aim of the pact is to improve competitiveness and promote growth and economic convergence among countries participating. It focuses on the areas which are primarily the responsibility of Member States, such as competitiveness, employment and sustainable public finances.

To improve the understanding of territorial Competitiveness at the regional level, the European Commission has developed the Regional Competitiveness Index (RCI) which shows the strengths and the Weaknesses of each of the EU NUTS 2 Regions. According to Country Competitiveness Index 2013 (CCI), Romania occupies the last position.

Should not be neglected dimension of development disparities between regions, as Romania is the EU country with the greatest disparity between regions (figure no 4).

Based on the formula used by Sala-i-Martin, we calculated the standard deviation:

$$\sigma_t = \sqrt{\frac{1}{n} \sum_{i=1}^n \frac{(x_{it} - \bar{x}_t)^2}{\bar{x}_t}}$$

Based on GDP in PPS/inhabitant in the regions to the countries of Central and Eastern notice to all regions of the countries surveyed, the standard deviation value increases, and thus the disparity grows. Romania records the biggest intranational disparity (60%) closely followed by the Czech Republic. Bulgaria, although recorded in 2014 GDP in PPS lower by 25% than Romania, is in a much better situation with a degree of disparity much lower (40%).

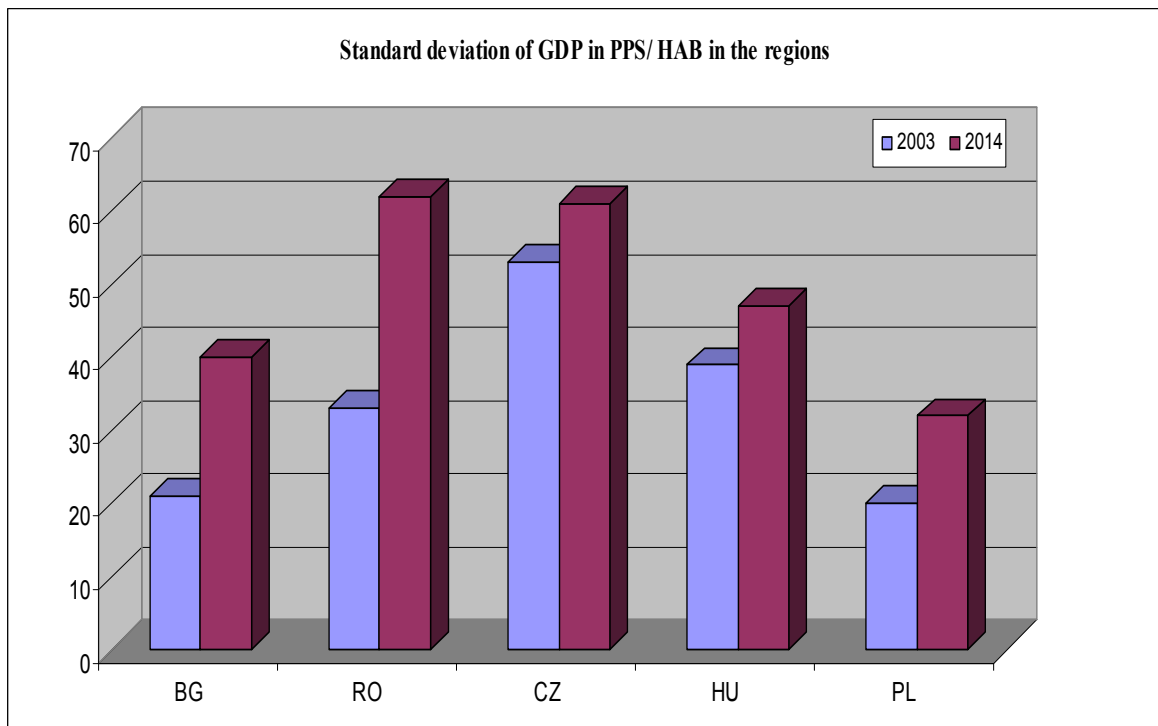


Figure no. 5 Standard deviation of GDP in PPS/ HAB in the regions of countries

Source: by author on Eurostat database, standard deviations were calculated using data on GDP PPS/hab in the regions of each country (NUTS 2)

Of the 45 regions analyzed North-East Region had in 2014 a GDP in PPS of only 9.500, less than that recorded only three regions in Bulgaria.

The other countries in the region are in a relatively better situation. Which is worrying for the whole sample analyzed and in particular for Romania, is currently raising these disparities compared to 2003. The decrease of disparities must be made through attracting European funds deprived areas.

Table no. 2 Regional disparity index

	2007	2008	2009	2010	2011	2012	2013
TOTAL ECONOMY	100	100	100	100	100	100	100
North-West Region	96.3	91.0	92.3	90.3	88.4	92.9	89.9
Central Region	100	96.7	98.3	97.6	96.1	101.5	97.1
North-East Region	62.6	62.3	63.2	62.1	60.5	66.2	64.8
South-East Region	81.3	80.3	81.2	83.1	83.0	90.4	93.5
South Muntenia Region	81.3	82.8	86.3	83.9	83.7	80.9	82.0
Bucharest Ilfov Region	235.5	260.7	241.9	247.6	265.9	245.6	243.9
South-West Oltenia Region	76.6	75.4	76.9	77.4	78.3	79.4	77.0
West Region	112.1	113.1	112.9	114.5	114.0	113.2	108.6

Source: by author on Eurostat database

We can see that there is enough disparity between regions, and regional disparity indices were significantly reduced only in West, Central and North-West Region. In Bucharest Ilfov convergence to the national average improves, and in the other regions remain relatively the same.

One of the strategic objectives of ROP 2007-2013 was stopping the growth of interregional disparities in terms of GDP per capita. Absorption rate was 73.5% at May 31, 2016.

The new Regional Operational Programme (ROP) 2014-2020 succeeds the Regional Operational Programme 2007-2013 and is one of the programs that Romania will be able to access EU structural funds and investment from the European Regional Development Fund (ERDF). We have a total allocation of 8.25 billion euros (compared with 4.7 billion euro allocated ROP 2007-2013) and together with other ROP program 2014-2020 sets the overall objective of economic competitiveness and improve living conditions of local communities and regional business development through support, infrastructure and services for sustainable development of regions, so that they can effectively manage their resources and their potential for innovation and assimilation of technological progress.

For the next programming period (2014-2020) is recommended:

- ❖ Strategic partnership supporting projects with a major impact local/regional or national level, to stimulate potential beneficiaries to take an active role in the development and implementation of development policies of local/regional;
- ❖ Promote partnership at local level especially for complex projects (such as those who have financed the Axis 4, DMI 4.2) and local authorities to stimulate small-scale establishment of partnerships;
- ❖ Improving the legal framework of regional development and related legislation enabling consistent implementation and ownership of development policies at regional level;
- ❖ Financial allocation to developing regions to take account of regional and focus on the types of interventions and demonstrated a significant impact on the balanced development of regions.

European Commission proposes drawing up a new policy on legal migration in the current social and economic context marked by deep crisis of more than 1 million illegal immigrants enter Europe only in 2015 (more than 4 times compared to 2014). Among the main objectives considered:

- Blue Card Directive revision;
- Establishing a platform dedicated to cooperation with Member States, trade unions and business on economic migration;
- Remittances cheaper, faster and safer;
- Development of a "system of expressions of interest" verifiable criteria that will be used to automatically make an initial selection of potential migrants;
- Increase of development aid to countries of origin.

In September 2015, the Romanian Government approved by Government Decision, the National Immigration Strategy for the period 2015-2018. The declared aim of the strategy is to ensure a better asylum procedure and reception conditions more appropriate.

In the National Immigration Strategy 2015-2020 were established following general policy objectives:

- Promote legal migration benefits all parties: the Romanian society, immigrants and their countries of origin;
- Strengthening the legality of third-country nationals staying in Romania and proper enforcement of removal and restrictive measures;
- Improving national asylum system in order to improve standards and ensure compliance with national laws, European and international rules;
- Romania's active participation in the efforts of the international community and Member States of the European Union to finding durable solutions for persons in need of international protection and social integration of third-country nationals. In this respect, the policy on social integration of citizens of third countries aims at enabling persons who are resident or domiciled in Romania have baggage minimum knowledge and skills, mainly by Romanian language courses, programs cultural orientation and counselling to enable them to access the services and social policies in conditions similar to those for Romanian citizens.

4. CONCLUSIONS

Providing a relatively high degree of sustainable convergence prior to euro adoption, and not only the fulfillment of the Maastricht criteria is essential for successful participation in the euro.

Membership of the EU has acted as a catalyst for real convergence in Romania, but GDP per capita in PPS is still below levels in other Member States when adopting the single currency.

In these circumstances, Romania must develop macroeconomic policies to stimulate economic competitiveness, develop all regions, to attract foreign direct investment and external grants.

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ISLAM IN EUROPE – A NEW GLOBAL CHALLENGE

Alina, Voiculescu¹
Nicoleta, Belu²

Abstract:

In the context of the new world order, one of the major challenges to global economy lies in finding the most effective way of including Islam in 21st-century architecture. Globalization means increasing interdependences among national economies, whereas borders are becoming less and less visible. Will Islamic countries manage to integrate into this whole? Or on the contrary? Fighting against “uniformity” raises barriers increasingly difficult to surpass to everything the West refers to.

Recent developments in Europe unfortunately demonstrate the proliferation of terrorism amid the major European immigration of Muslim population due to deepened domestic conflicts in some Islamic states. The growth of Muslim population in some EU countries has led to imposing certain restrictions on immigration, but nevertheless a steady growth of Muslim communities in Europe is estimated in the near future.

Keywords: globalization, Islam, immigration, integration, Muslim, terrorism.

JEL Classification: F5

1. Development of Muslim Population

Islam has come into being in the Middle East and the Islamic world has enjoyed a special geographical position. However, the countries in the region have a very low level of economic development. The Muslim area comprises 46 countries, with three major global Muslim concentrations, namely North Africa, Middle East and South Asia. The Arab world is the centre of Islam: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia (North Africa); Saudi Arabia, Bahrain, the United Arab Emirates, Jordan, Iraq, Qatar, Kuwait, Oman, Syria, Yemen (the Arabian Peninsula). Muslims are followers of the religion of Islam. “Muslim” is an Arabic word and it means “one who submits (to God)”. The religion of Islam is one of today’s dominant religions, with followers across the globe.

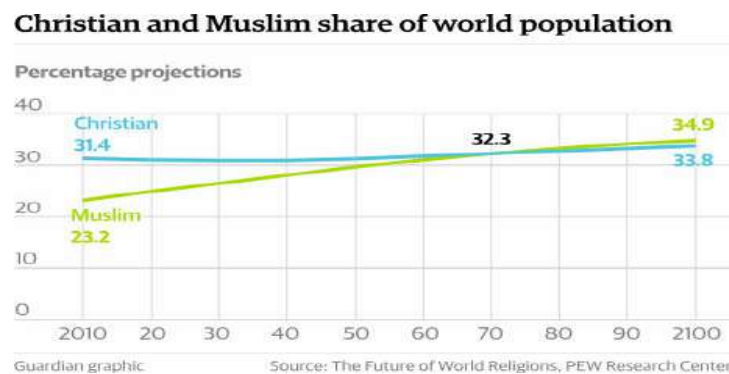


Fig. no. 1

Source: Muslim population in Europe to reach 10% by 2050, new forecast shows, <https://www.theguardian.com/world/2015/apr/02/muslim-population-growth-christians-religion-pew> [accessed on 23 October 2016]

Muslims are the second largest religious group in the world after Christians. According to a survey of the *Pew Research Centre*, by 2070 the Muslim population will have exceeded the number of Christians, and by 2100, the share of Muslims in the total global population will have been nearly 35% (Figure no. 1)

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Islamic countries have reported a population boom in recent decades due to rising birth rates and reducing mortality rates thanks to fighting epidemics and famine.

Recent data show that the population of the Middle East is an increasingly smaller percentage of the Muslim community in the world. In contrast, in countries such as India and China, the concentration of Muslim population is growing. Indonesia and Pakistan are the states with the highest percentage of Muslim population in the total population, with more than 90%.

And although it is believed that the Muslim population has grown in Europe due to immigration, statistics show that in Russia, Albania, Kosovo, the Muslims are indigenous population. In fact, over half of Europe's Muslims were born here.

Regarding the European Union Member States, Germany and France are the countries with the largest Muslim population.

In recent decades, the share of Muslims in Europe has increased by about 1% in ten years, from 4% in 1990 to 6% in 2010, being estimated that by 2030 their share will have been 8% of Europe's population.

Moreover, according to a survey of the *Pew Research Centre*, the average age of Muslims in Europe is 32 years old, eight years less than the average age of the Europeans (40 years old). In contrast, the average age of Christians in Europe is 42 years old.

In the USA, it is estimated that the number of Muslims will increase to 6.2 million in the next years.

By 2030, the world's Muslim population could sum up a quarter of the total number of inhabitants in the world (26.4%), an increase of approximately 35% more than the current level.

The growth of the Muslim population is accompanied by a series of problems, namely:

- ✓ the share of the Muslim population under 15 years old is high and young people have always been at the centre of protests, thus being recruited by fundamentalist organizations;
- ✓ along with increasing population, there is also the growing and diversifying of needs that must be satisfied; needs are unlimited and resources are unfortunately limited. These limits will lead to new conflicts among Islamic states, most of them with low levels of economic development, and thus with reduced abilities to meet the growing needs of populations;
- ✓ the Islamic world is recognized to equip some of its member states with an essential resource for development which is oil and which can cause new confrontations to the Muslim population. Many of the countries concerned have made headlines in the world just based on their endowment with natural resources, generating global crises. Although some Islamic states report extremely high per capita income, it is still here that some populations live below the poverty line;
 - ✓ reducing illiteracy will create a gap between younger educated generations and elderly generations that are largely illiterate.

The growth of the Muslim population has a special influence on the entire world economy given its increasing share. The new world order will have to take account of these states that are important players on the world map economically and demographically.

2. Future of Islamism in Europe

The protracted war in most Islamic countries generates besides huge costs, casualties and displacement of the local population to safer regions. The population most affected is usually made up of marginalized members of society. Refugees have an uncertain status,

both in terms of their host country and their country of origin where they do not know if they will ever return.

Facts in Europe demonstrate that a significant proportion of the Muslim population in the countries affected by conflicts choose to take refuge in the old continent in the hope of stable and secure lives. Moreover, many aspects of the refugee issue have their causes in religious, ideological and cultural matters, but in the 21st century every citizen of this planet has the right to liberty and security.

Invaded by waves of refugees, what is the future of integrated Europe and what will be the impact of Islamic culture on the old continent? While reducing the birth rate in Europe, weakening Christianity, but increasing Muslim immigration while increasing their demography, Europe is urged to adjust.

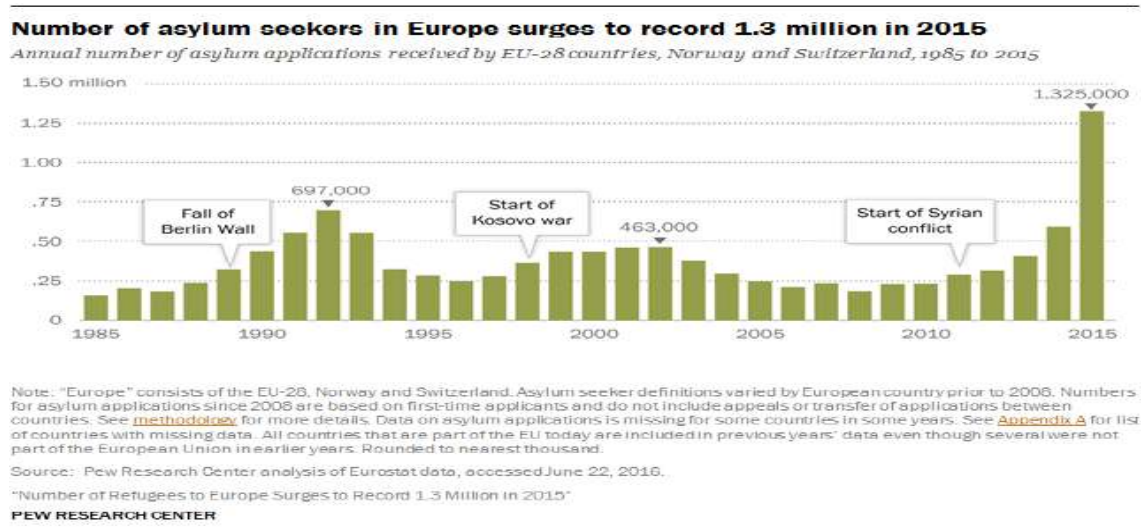


Fig. no. 2

Source: http://www.pewglobal.org/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/pgm_2016-08-02_europe-asylum-01/
 [accessed on 23 October 2016]

According to the *Pew Research Centre*, the number of asylum seekers in Europe in 2015 exceeded 1.3 million citizens (Figure no. 2). In Kosovo and Bosnia, the Muslims fought bloody wars to remove the dominance of Orthodox Serbs, resulting in advanced European countries in the early 2000's in a wave of almost 500,000 refugees. Unfortunately, at present, the conflict in Syria has caused an unprecedented wave of refugees in Europe. Most of them have reached Europe across the Mediterranean, while a smaller share of refugees have taken the land route via Turkey. What is happening to Europe is a political and social phenomenon triggered by the conflicts faced by some Islamic states, by the level of poverty and by human rights violations in these countries.

According to estimates, if the Muslim population in Europe was 46 million people in 2010, by 2050 its number will have been 71 million people.

Number of asylum seekers from Syria, Afghanistan and Iraq more than quadrupled between 2013 and 2015

Number of first-time asylum applications to Europe from each country of origin, in thousands

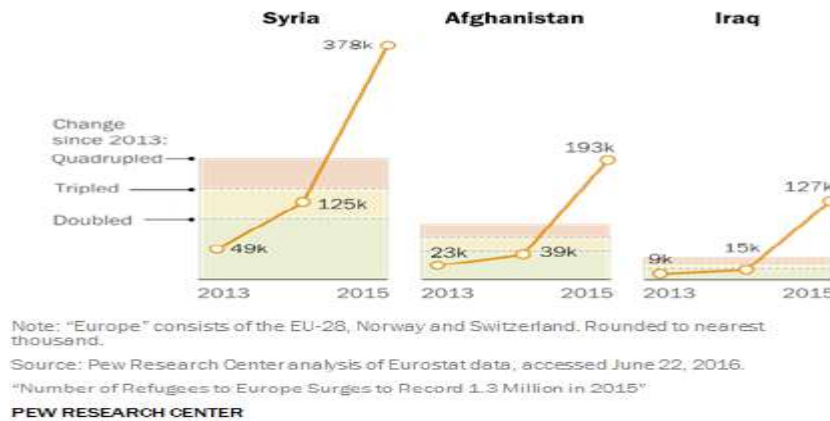


Fig. no. 3

Source: http://www.pewglobal.org/2016/08/02/number-of-refugees-to-europe-surges-to-record-1-3-million-in-2015/pgm_2016-08-02_europe-asylum-04/
 [accessed on 23 October 2016]

According to the *Pew Research Centre*, the number of asylum seekers from Syria, Afghanistan and Iraq quadrupled between 2013 and 2015 in Europe (Figure no. 4). The Afghans, Syrians and Iraqis are among the most affected by the scourge of exile, with countries of origin being forced to make real efforts to punish human rights violations.

According to the same research centre, it is estimated that by 2030 the share of Muslim population in the total population of some European countries will have increased very much as follows: Albania - 83.2% (82.1% in 2010); Bosnia-Herzegovina - 42.7% (41.6.4% in 2010); Macedonia - 40.3% (34.9% in 2010); Cyprus - 22.7% (22.7% in 2010); Montenegro - 21.5% (18.5% in 2010); Bulgaria - 15.7% (13.4% in 2010); France - 10.3% (7.5% in 2010); Belgium - 10.2% (6.0% in 2010); Sweden - 9.9% (4.9% in 2010); Austria - 9.3% (5.7% in 2010); the UK - 8.2% (4.6% in 2010); Switzerland - 8.1% (5.1% in 2010); Netherlands - 7.8% (5.5% in 2010); Germany - 7.1% (5.0% in 2010) etc.

What will Europe do in this context of higher birth rates among Muslims accentuated by increased immigration?

Do the exodus and increasing the Muslim population birth rate mean emphasizing fundamentalism, too?

Islamic fundamentalism has its origins in the 20's of the 20th century and from spatial perspective it is the product of conservative environments from the USA, not the Middle East. Fundamentalism is based on the system of religious values as a source of political legitimacy, reducing citizens to the status of mere believers. Imposing fundamentalist views by violence shows that those who resort to such practices (terrorism) are prisoners of an archaic world where sanctions are supreme.

Europe has been hit by countless terrorist attacks along time, but amid Muslim immigration they seem to have sharpened.

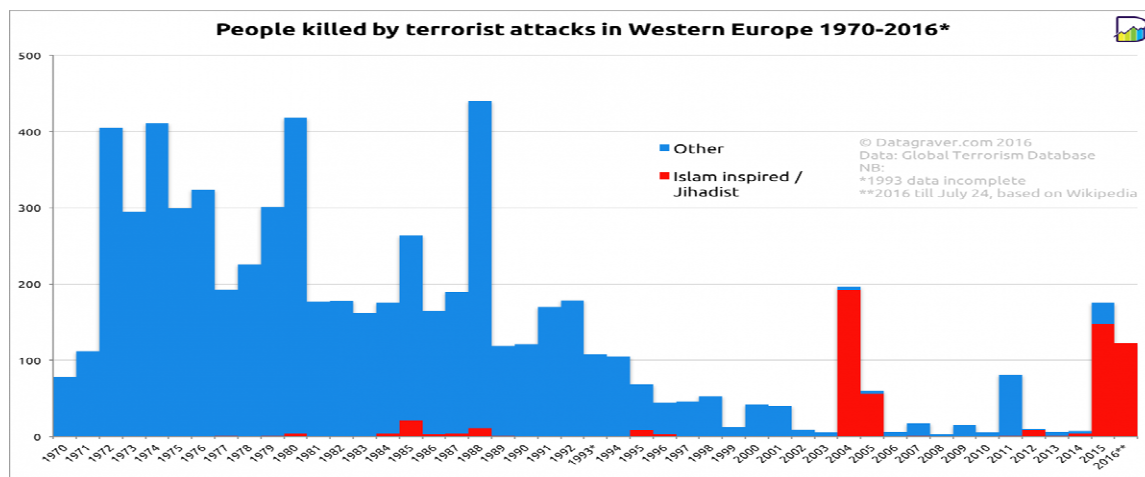


Fig. no. 4

Source: <http://www.datagraver.com/case/people-killed-by-terrorism-per-year-in-western-europe-1970-2015>
[accessed on 23 October 2016]

Analyzing Figure no. 4, a major increase of terrorist attacks can be seen from Islamic groups in 2015 and 2016 in Western Europe, exactly the period when Europe was facing an unprecedented wave of Muslim immigrants. In these circumstances, European countries should join efforts to fight terrorism both, especially for finding real and lasting solutions to “adopt” the new Muslim citizens.

The Brussels attack in March 2016, the “capital” of the European Union shows that they had sought to strike exactly in the heart of Europe.

One explanation according to a study conducted by CNN journalists is that Belgium has the most fighters of the Islamic State per capita in Europe. According to them, Brussels is not only the capital of the European Union, but also a focus of the Islamic State and a logistics base for extremist operations.

Moreover, the attacks in France, in Paris, November 2015 and in Nice, July 2016 demonstrates that they strike at some of the main players of the European Union.

Terrorism is a threat to national security, to the values of democratic society and to the rights and freedoms of European citizens. Therefore, European countries have decided to fight together against terrorism and ensure their citizens the highest possible level of protection. In this respect, the European Union Council adopted the *EU Strategy for Combating Terrorism* in 2005, and in June 2014 they adopted a revised version of the Strategy.

In March 2016, the European Union Council agreed on the Directive on Combating Terrorism.

The proposed Directive strengthens the legal framework of the EU in terms of preventing terrorist attacks, namely:

- ✓ Terrorist displacements to counter the phenomenon of foreign terrorist fighters;
- ✓ Financing, organizing and facilitating such displacement, including through logistical and material support, providing firearms and explosives, shelter, transportation, services, assets and property;
- ✓ Receiving training for terrorism, including providing an opportunity to investigate and prosecute training activities that have the potential to lead to terrorist offenses;
- ✓ Providing funds to be used to commit terrorist offenses and crimes relating to terrorist groups or activities.

This Directive will complement the current legislation on victims’ rights in order to ensure that victims of terrorism receive immediate access to specialized support services that provide physical and psychosocial treatments, as well as to information regarding their rights.

To European states and especially to EU Member States, immigration, increased birth rate of Muslim population in Europe, as well as terrorism are a new challenge. Everything that is happening in Europe at present comes amid extremely serious domestic problems that the European Union is facing, this integrationist group trying to demonstrate the whole world that it is an example of integration.

The European Union's motto "*Unity in Diversity*" shows that the Europeans have united to promote peace and prosperity while accepting to open up their spirit to the so diverse cultures, traditions and languages of our continent. Will European states be able to comply with this slogan in the context of Islamization and growing influence of the Muslim population in Europe?

The future will show whether the Europeans will live together in harmony and peace while observing fundamental human rights, with those who are "invading" their territory today.

3. Conclusions

In advanced countries until the late '70s, the importance of Islam was diminished in achieving the foreign policy of Muslim countries, even though there were times when the Muslim religion played an undisputed role in the anti-colonial movements and regional conflicts.

Time has shown that Islam's influence has been underestimated on the broad masses of the population in Muslim countries, on the Islamic religion's potential for mobilization and integration of social force. In the early 80's, attitude to Islam was already radically changed. It has become certain that the Islamic religion is going through a stormy period of revival, that it has already been transformed into an independent political force in all countries.

It can be said that Islamism is a political rather than a religious trend because its representatives do not submit ideas to reform religion as a system of dogmas and rituals. They advocate the essential transformation of the socio-political system and of business relations in society, that is changing the social order not only in Muslim countries but throughout the world. Islamists accept the conquests of science, but only as long as they do not contradict religious texts.

Increasing the geostrategic importance of the Muslim world is a reaction to changes in the world economy in recent years.

In a global world where boundaries disappear, one should not forget the states which, although not very advanced economically, have a huge potential, namely: population, geostrategic position, natural resources, by which they can considerably influence the development of the entire world economy.

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HUMAN DEVELOPMENT - A ROMANIAN REGIONAL ANALYSIS

Georgeta Cristina, Pencea¹

Abstract: *The article focuses on the analysis of Romania's performance in the field of human development (HD), as it is presented in the Human Development Reports. This performance is understood as a process of broadening the possibilities of people's choices, and as the level of people's welfare. The year 2010 brought with it changes not only in terms of the HDI calculation but also in terms of a favorable change of Romania's situation. In highlighting these changes, it is also brought into attention the aspect of inequalities in human development.*

The article also contains a comparison regarding the development regions of Romania and also an analysis between Romania and other European countries, in terms of Human Development Index and the Modified Human Development Index. The analysis is accompanied by explanations of the differences coming from the two calculation methods and which is more advantageous for the countries presented in a global rank in according to the level of development.

Keywords: human development Index, education, life expectancy, income.

JEL Classification: E23, I21, O10.

Introduction

Further, I will analyze Romania's performance in human development, based mainly on the information derived from the reports of human development (Human Development Report) prepared under the United Nations Development Programme but also on my own calculations in identifying the Modified Human Development Index.

HDI (Human Development Index) reflects the achievements through primary human resources in three basic dimensions: a suitable education, a long and healthy life and a decent living standard. On the other hand, to determine the Modified Human Development Index are used, together with the indicators used in the HDI, employment and the level of democracy.

In 2011 there were carried out changes into the structure of HDI, so we are dealing with a new reporting metrics. Precisely for this reason, both tracking indicator values used in the construction of the HDI and on HDI as a whole, are interesting, and we report them to the average of the group of the countries with the highest human development, possibly at the maximum worldwide, as well as certain groups of countries, like European ones and other country neighboring Romania that had communist regimes. There will also be visaged elements that define the processes of inequality in human development in Romania in the international context.

If the second chapter is focused on the comparison between HDI and Modified HDI and equally analyzes Romania's performance compared with European countries, using mainly data from the Human Development Reports (HDR 1990-2015), the last chapter contains a regional analysis of Romania. The development regions are in fact statistical sizes without legal personality, eight in number in Romania's case and have been created by the association of county councils to coordinate the regional development. They correspond to NUTS II level divisions in the EU.

A secondary objective is of a methodological perspective, and there will be made some comments on the indicators used as part of HDI and the concerned methodologies. Before proceeding to the analyzes that I have previously mentioned, I will expose a short history of the human development and the indicators used, in order to retain their significance.

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I. Human development – an evolving concept

The Human Development Index (HDI) is a quantitative measure of a country's success level to develop its human capital. HDI is an innovative, mostly arbitrary but interesting index, and as time passes it has proved to be extremely useful in broadcasting the information, analyzes and the possible orientations for the public policies at the worldwide and national level [4]. The introduction of this index in the early 1990s has been caused by the need to measure human progress, measurement that is centered around people, not around economy. [5]

A country is no longer evaluated only in terms of GNP, but by his achievements in education, health, etc. Human development is supplemented by a series of conceptual frameworks which share motivations underlying similar basis, but add value in different ways.

Even if statistical calculation means to reach a certain score for each country, the HDI is a problem for the statisticians. Human Development Report, highlights a ranking of countries according to the Human Development Index. The countries are divided into groups - (A) high human development; (B) medium human development, and (C) low human development.

There are critics in electing or omitting dimensions series such as political freedom, cultural values, the environment [3]. The included variables have been changed over the time; health has always been represented by life expectancy at birth, but education and income are different in various reports. Initially, the knowledge was measured by a single variable named adult literacy rate. Later, the adult literacy rate was combined with the average of the years of schooling, in 1991.

This combination remained basically unchanged until 1995, when the average of the years of schooling has been replaced by school enrollment rate of children and youths', on the three educational levels: primary, secondary and university education. Since 2010, both adult literacy rate and enrollment of children and youths' have been replaced by the average of the years of schooling. In terms of income, failing any other variables that capture it, this index was measured by real GDP per capita during 1990-2009. After 2009, this variable is replaced with real gross national income per capita.

In specialized literature, there are more and more studies attempting to build a real Human Development Index and take into consideration many variables.

Anto [1] built the Islamic Human Development Index for 56 countries. For this index, they have been used variables, such as: material welfare, non-material welfare, Islamic values, Islamic environment, expectations of life, education, family relationships, social relationships, religion, possession of property. The author found that Islamic index calculated for 2007 has a higher value of HDI (2007) and it is more representative.

The International Futures model of The Pardee Center for designing scenarios of human development has been used in the Human Development Report in 2011, to design scenarios for long-term environmental trends and to assess their impact on human development. [2] It aims to produce a set of data, with the population distributed to groups of four levels of education for over 50 years, from 2000 to 2050, at every five years, gender groups and age groups of five years (from ages 15-20 years to the age of 100 years and over). This model of long-term human development is based on policy issues, including income, health, education, poverty, social change (instability and risk) and the sustainability of the environment for the more than 180 countries interacting in the global system.

Lutz and KC's model is based on the premise that population's growth trends are affected by the improvement of the quantity and of the quality of education and it is used to design demographic trends by 2050 [3]. Thus, the model has a set of data covering 120 countries, with their populations broken down by age, gender and level of education. Lutz

and KC's multi-country approach of modeling the population was developed in 1970 at the International Institute for Applied Systems Analysis in Austria. The idea behind the projection is simple: considering 2000 as a given year (the last year for which comparable data are available for most countries at the international level) and assuming that the education level remains constant after a certain age, women's percentage aged 50-54 years without any kind of formal education in 2005 can be directly derived from the women's percentage aged 45-49 years without any formal education in 2000. The project aims to produce a set of data with distributed population to five years age groups (starting with the age of 15-20 years up to age 100 and older), gender groups and four levels of education above 50 years, starting with the year 2000 (base year) to 2050, at every five years.

II. Romania within the context of European human development

This chapter covers a review of the indicators of Human Development Index and the changes that have passed through over the years. It explains also the causes that led Romania to the basement of a global ranking in terms of human development.

I also made a comparison between the HDI and the Modified HDI regarding the countries of E.U. We calculated the MHDHI for each country (in Figure 4) and we presented their trend. What is interesting is that there are differences that arise following the two different ways of calculating of the human development index and which of these methods are profitable both for Romania and for other countries[10].

Human Development Index (HDI) - is a comparative measure of life expectancy, literacy, education and standard of living. In this way, it is better used to compare a country's level of development than GDP per capita, which measures only material prosperity not other economic indicators. Human development index for the most of UN member states [9], is updated every year by the United Nations Development Programme and published in the Human Development Report.

The range of variation for human development index is [0, 1] and includes three groups of values corresponding to the human development level in 182 countries [7]:

- a) high human development (0.800- 1.000);
- b) medium human development (0.500- 0.799);
- c) low human development (0.000 to 0.499);

From the very beginning, the HDI was a composite indicator aggregating three dimensions into a single index: health, education and income. While the main conceptual elements of HDI remained unchanged over the years, the basic methodology has changed.

Table 1: Calculation of HDI

Year	Bounds	Health	Knowledge	Income	Pillar aggregation
1990			Adult literacy rate	Real GDP per capita (log transformed with a cap)	
1991-1993	Observed		(2/3) Adult literacy rate (1/3) Mean years of schooling	Real GDP per capita (adjusted using Atkinson's formula with threshold value)	
1994		Life expectancy at birth	(2/3) Adult literacy rate (1/3) Mean years of schooling index	Real GDP per capita (adjusted using Atkinson's formula with threshold value derived from global average)	Arithmetic mean
1995-1998	Fixed		(2/3) Adult literacy rate		
1999				Real GDP per capita (log transformed with a cap)	
2000-2009			(1/3) Combined gross enrollment ratio with a cap	Real GDP per capita (log transformed with a cap)	
2010-onwards	Maximum observed, minimum fixed		(1/2) Mean years of schooling index (1/2) Expected years of schooling index	Real GNI per capita (natural logarithm)	Geometric mean

Source: Human Development Report, 2011

1. Regarding the **income indicator**, Romania seems to have been through amazing changes in recent years, if we look at the numbers.

Table 2: Income level in Romania

Year	2009	2010	2011	2012	2013	2014	2015
GNP per capita (PPC \$)	11,917	12,131	12,983	13,928	14,933	15,955	16,982

Source: Human Development Report, 2009-2015

Despite the financial crisis from 2008-2010, the country's development has been a positive one[6]. While the medium salary doubled, the purchasing power of Romanians increased only by 33%. Regarding the medium salary, Romania has increased by 237% (in 2005 it was 774 RON and the end of 2015 it was 1833 RON), our country is the second lowest in the EU in terms of power purchase, which is revealed by European Commission statistics[6]. A Romanian consumes goods and services half, compared to the European average and it is bad too in terms of Gross Domestic Product per capita (GDP per capita), the main indicator of purchasing power. However, Eurostat data show that the inflation rate reached a minimum of 0.6% in 2015, while the unemployment rate remained steady, around 7%.

2. For "**Life expectancy at birth**" there is a modest situation, in Romania's case. The values of the indicator are significantly reduced after 1990 and only after 2000 the difference from early 1980 will be recovered. Despite that, Romania has a gap of 7-8 years life expectancy compared to other countries in Western Europe.

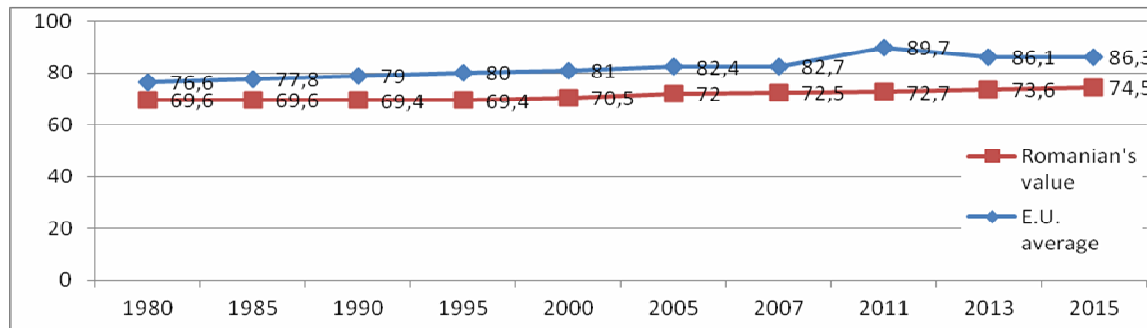


Chart 1: Life expectancy at birth

Source: <https://ourworldindata.org/life-expectancy/>

An analysis for the period 1960 - 2015 shows that, in the ex communist countries, the life expectancy of the population has decreased over the period 1975 - 1990, which means that this was the period when the regime has reached social, economic or medical limits and this is a typical case where a social and political system leaves its mark on life expectancy at birth[8]. One of the main factors that generated the increased life expectancy was "cardiovascular revolution". Medical factors (discoveries in surgery, development of emergency services etc.), the economic (costs associated with healing of chronic diseases and reforming health), but also social ones (decrease alcohol and tobacco) formed the basis for increasing life expectancy in the last years, but the developed countries had a stronger advance from this point of view.

Regarding the average of life expectancy, Romania was ranked 80th in the world in 2013 with a value of 74.16 years. The highest value of this worldwide indicator (82.7 years) was recorded in Japan and the smallest in Afghanistan (43.6 years). Without any doubt,

improving the value of Life expectancy at birth in Romania is an emergency and it is linked to the allocation of enhanced resources for training and paying specialised staff, equipping hospitals, the population's access to healthcare, prevention and health education.

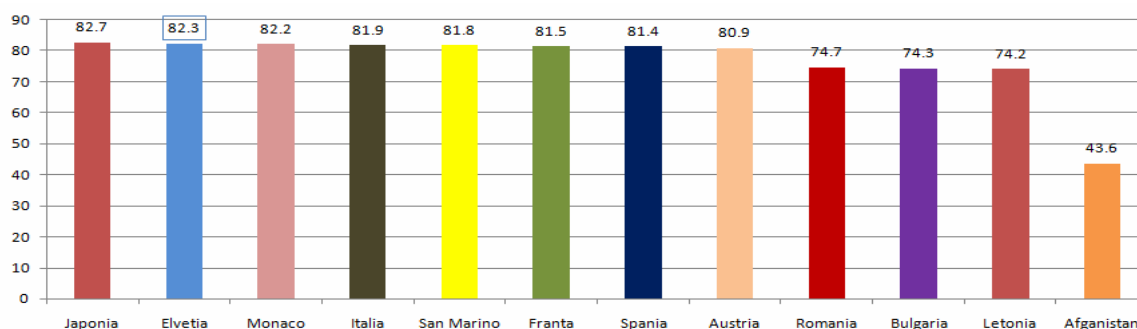


Chart 2: Life expectancy worldwide (2013)
Source: Human Development Report, 2014

3. **Education index**, calculated as a weighted arithmetic average between the degree of adult literacy (two-thirds) and the gross enrollment rate for primary (third), shows a relatively low internal consistency.

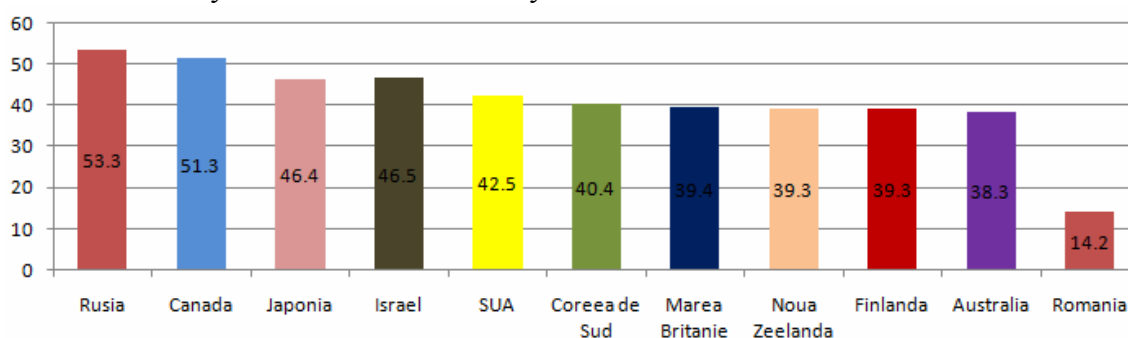


Chart 3: index Education (2013)
Source: Eurostat

A European Commission report places Romania first in the top of illiteracy and fifth in the world, because more and more parents withdraw their children from school because of poverty and lack of material resources. Cultural and social causes and the absence of values in the society also matter. Therefore, 6% of Romanian are illiterate, more than in Bulgaria (2%) and Hungary (1%).

In this context, the school dropout rate is increasing.

In the E.U., the school abandonment has long-term negative effects on social development and economic growth. Innovation and economic growth rely on a qualified workforce: reducing the European average of early school leaving by one percentage point would provide the European economy each year, almost half a million of potential qualified young people.

In Romania, the main factors of abandonment are represented by the financial difficulties of the family, entering the labor market (involving students during the school in such income generating activities is an element of risk which leads almost always to the premature quitting of education), circular migration (doesn't seem to be a risk factor but there are major issues of reintegration for the children of migrants leaving the system and then return at higher ages).

The **Human Development Index** is calculated as the geometric average of the three dimensions: education, health and income:

HDI (1) where

- Health subindex is estimated on the basis of life expectancy at birth;
- Education subindex is estimated on the basis of the geometric average of the years of schooling of adults and the expected years of education for children;
- Income subindex is estimated on the basis of gross national income (GNI) per capita.

The formula is a quantitative approximation of the creation of human capabilities as measured by education, choices, as measured by the possibility of acquiring goods and services and opportunities, as measured by health.

Table 3: Minimum and maximum values of HDI component indices

Dimension	Indicator	Minim	Maxim
Health	Life expectancy	20	85
Education	Average years of schooling	0	18
	Expected years of schooling	0	15
Income	GNI per capita(PPC \$)	100	75,000

Source: Human Development Report, 2015

$$\text{Health.sub} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (2);$$

$$\text{Average years of schooling} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (3);$$

$$\text{Expected years of schooling} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (4);$$

$$\text{Income.sub} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (6);$$

Calculation of the MHDI (Modified Human Development Index) is based on the methodology of human development index of the United Nations Development Programme (UNDP). Modified HDI is an indicator made up of six components, each component having equal weight in the calculation: health, education, income, democracy, vulnerable employment and non-employment.

MHDI=

$$\sqrt{\text{Health.sub} * \text{Education.sub} * \text{Income.sub} * \text{Democracy.sub} * \text{Employment.sub} * \text{non vulnerable employment}}$$

(7);

$$= \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (8);$$

$$\text{Employment.sub} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (9);$$

$$\text{Non vulnerable employment} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (10);$$

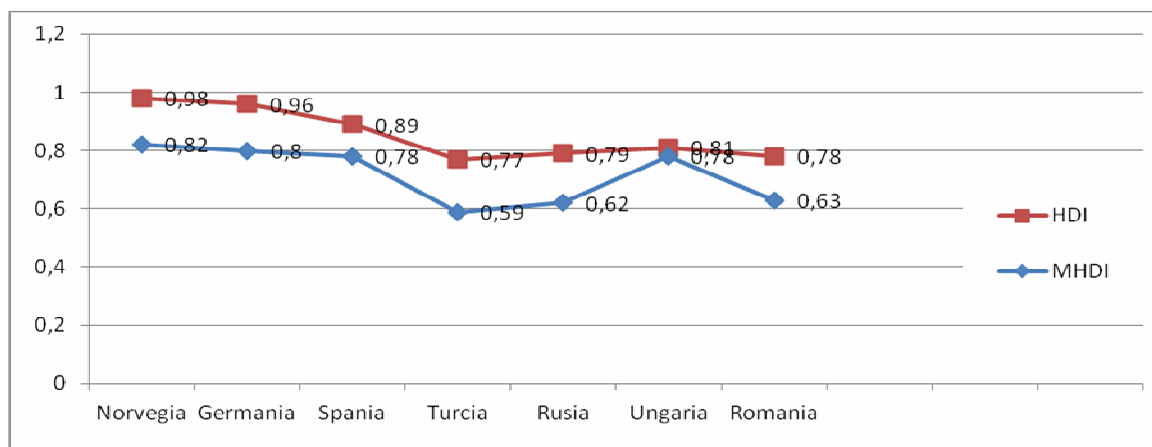


Chart 4: HDI and MHDI

Source: own compilation based on UNPD

It can be seen that in the European countries, the differences between HDI and MHDI values are significantly. If the level of human development is calculated using MHDI, all countries records a lower score. According with the calculation above, the biggest increase happens due to the health index while the fastest decreasing is caused by employment.

The countries with higher HDI such as Norway and Germany have a lower MHDI due to the influence of employment. Although these countries have the highest rates of employment, they are the least able to guarantee jobs for citizens of working age. Small and medium HDI countries, such as Romania or Hungary, deal with deficiencies in their ability to provide jobs.

III. Analysis of the human development indicators at the regional level

Measuring human capital and human development is difficult whether quantitative or qualitative. The problem is quite complicated if the approach is regional. MHDI can be used to track long-term development of a country or several countries, regions, counties and local administrative units.

After analyzing and introducing the methodology described in the previous chapter, this article focuses on how can the values of MHDI at regional level be estimated. For this, I have calculated the index values in each of the years presented in the table below, so the evolution of the human development can be observed.

Table 4: MHDI

MHDI	2004	2007	2015
Nord-Vest	0.35	0.45	0.61
Centru	0.34	0.46	0.62
Nord-Est	0.32	0.40	0.56
Sud-Est	0.32	0.41	0.54
Sud-Muntenia	0.30	0.39	0.48
Bucuresti-Ilfov	0.55	0.74	0.88
Sud-Vest-Oltenia	0.31	0.40	0.51
Vest	0.36	0.47	0.63

Source: own compilation based on Eurostat

It is known that the regions of Romania are among the least developed countries compared to E.U.

If we analyze the regions of Romania, comparing the years 2004, 2007 and 2015 there are significant differences in terms of human development. The factors contributing to

maintaining these regional discrepancies are represented primarily by income but also by infrastructure development, geographic location, regional human resources, quality of education, the level of research and development. The only region of the eight development regions of Romania which recorded a level of income well above other regions is Bucharest-Ilfov region, which is the most developed. There are regional disparities in terms of employment, in addition to economic performance.

The difference between Bucharest-Ilfov region and other regions of Romania is otherwise visible. An important aspect of the European integration process is to reduce the discrepancies in development between countries and regions and also to help underdeveloped countries and regions to reduce the gap.

From the calculation for each of the three years, it results each time, that the most developed region is Bucharest-Ilfov region. Instead, the region that recorded the lowest levels of development is each time South region. The low level of human development is supplemented by high unemployment, insufficient knowledge and poor economic performance.

IV. Conclusion

After analyzing the Human Development Index, we have seen that the most developed countries in human terms are those that have a more developed economy.

Therefore, we find that Romania has a human development not very close to the group of top-level world and a what pulls it down is, firstly, the value of GNP. The first years of transition in the development of human ended with costs, not only because of the economic restructuring, but also due to some wrong decisions, such as the reduction of compulsory education to eight years, even though graduates aged 14-15 years could not enter the labor market.

If the level of human development is calculated using Modified HDI, all countries recorded a lower score. The biggest increase is produced because of health while the fastest decreasing is caused by employment. Therefore, life expectancy at birth can be increased through better healthcare and promote a healthy lifestyle. In education, the main issue is to maintain the current level of participation, possibly increasing them in future with improved competence.

Due to the fact that the regions in Romania are among the least developed E.U., we observe significant differences in terms of human development. There are regional discrepancies depending on the income first but depending on the quality of education and human resources. The most developed region of the eight development regions of Romania is Bucharest-Ilfov region, which recorded an income level significantly above the other regions. Conversely, it is the South region. Besides that, it has the lowest human development, it has a high unemployment rate due to the insufficient knowledge and poor economic performance.

The level where a country is situated at a given time depends very much on what happens to the other countries. It is very unlikely to be the most developed country for Romania, even in the long term, but we should aim a highest position in the top of the most developed countries and the outcome should be more and more favorable and it should characterize the entire population.

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STUDENT WITH A JOB OR NO JOB? QUALITATIVE RESEARCH ON STUDENTS' MOTIVATORS TO HAVE A JOB DURING THEIR STUDIES IN ROMANIA

Cristina, Nicolau¹

Abstract:

This paper examines university students' motivations with regard to developing skills in a job during their academic years of study. In this respect, we conducted a piece of qualitative research by focusing on two different sub-samples of students, one represented by Romanian students and another one represented by foreign UE and non-UE students who come to study in Romania. Our main purposes are, firstly to highlight the motivation of students to be employed and secondly, to put the basis of more student-centred public policies with regard to improving the future labour force's complex skills and employers' consciousness by using it more efficiently. Hence, we herein present the advantages of creating, implementing and using a mutual platform both for universities which have high quality standards in developing skills and for employers who are socially responsible for teaching and orienting students so as to successfully face with the labour market challenges.

Key words: labour market, students' motivation, skills, job, academic studies

JEL classification: A22, I21, J24

1. Introduction

Romanian universities aim nowadays towards a strategy of internationalisation. This means that they try to respond to the globalised labour market on one hand, of Romania (where the biggest players are multinational companies whereas the most numerous players are small and middle-sized companies centred on entrepreneurship) and on the other hand, all over the world. Under such circumstances, this paper addresses the issue of the need of developing skills related to work during the studies with Romanian universities. If internship during studies is mandatory, students' main concern is whether to have a job when a student or not. Identifying students' motivations in this regard is the main aim of this paper. Therefore, we divided it into two parts, firstly starting with an analysis of the previous studies and secondly presenting our contribution organised as a qualitative piece of research.

2. Developing Skills when Studying in Romanian Universities: Competitive Advantage and/or Internationalisation?

Romanian universities offer today programmes of study in all the fields of education: medicine, agriculture, industry, technology, economics, law etc. Even if the majority of these programmes have Romanian as language of instruction, within their internationalisation strategy, universities have begun to develop programmes of study instructed in modern languages, English being the main foreign language used to teach students. This process, seen as a competitive advantage in the education market, is firstly implemented by having highly qualified personnel (both in teaching and in administration) and secondly, by using a reliable and consistent marketing strategy so as to attract foreign students of UE and non-UE origin.

Previous research has identified a key issue that may be applied to all Europe: Nartgüna and Özen (2015:2682) underline that being granted a university diploma seems to have no relevance if the holder does not have any experience on the labour market, if he or she is not already employed when graduating. However, students' confidence in

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universities has been decreasing. Gedye and Richardson (2016:1) identify, within a research on a specific programme of study (Marine Sport Science), that students' confidence in gaining graduate employment has decreased every year due to seven perceived barriers: competition, experience, location, degree quality, qualifications, economy and confidence. But is competition among universities really honest? Vershinina, Kurbanov and Panich (2016:296) highlight that international university rankings form models and set the standards of a modern university and therefore, it is many universities' goal to follow this pattern (in our opinion, not basing strategic goals on real research on students and the labour market needs).

This makes us conclude that transversal competences universities develop shall be re-designed to respond the highest labour demands. In this view, Gargallo López and Pérez Pérez (2014:308-309) present 23 key-skills considered as necessary for any university diploma holder to use on the labour market, which in general, are soft skills.

3. Qualitative Research on Students' Motivations to Work during Their Studies

3.1. Research aim and objectives

This research aims at presenting the concept of internationalisation of universities and at identifying how students matriculated in Romania perceive this process and if there is a correlation between internationalisation as a process and students' goals in meeting both their education and career objectives. In this respect, this research had two general objectives:

OG1: to identify students' perception on the advantages and disadvantages of working during their studies

OG2: to identify what Romanian universities have to improve so as to respond better to foreign students' needs.

3.2. Research methodology

We created a research instrument consisting of 3 major topics of discussion on which students had to give their free responses, presented in Figure 1. The first topic generated discussions on the labour market in general, our aim being to identify, according to students' opinions, the features of the international labour market and particularly, of the Romanian labour market. Moreover, this topic also included the discussion on the challenging occupations for Romanian and foreign students during their studies with Romanian universities and last, but not least, the challenges and limitations of working in Romania and abroad, analysing the students' perception on the opportunities offered to them studying and working in Romania.

The second topic centred on the employers who hire students, we focusing on how students perceive that employers create jobs responding their needs as students. Thus, we were curious to find out what motivates students to have a job during their studies, more precisely which are advantages and consequently the disadvantages of working. We also were interested in knowing if students perceive their jobs as internships and if they properly benefit from qualitative internship programmes (which in Romania are mandatory within the bachelor programmes of study).

The third topic was aimed at identifying students' future intentions with regard to their careers. This topic was divided into four sub-topics, of which one identifies again students' motivation in having a job during academic years and it is continued with a short description of the ideal job from students' points of view. Then, the topic is highlighting major soft and hard skills developed during their years of study in a university located in Romania and more precisely, those skills that students felt like missing when performing a job or internship that universities should focus more in their academic curricula.

Topic: Universities' response with regard to students' education needs and labour market trends	
1. On the labour market	1.1. Features of the labour market from students' perspectives
	1.2. Challenging occupations for students in the present
	1.3. Romania or abroad? Where to study and work? On the opportunities offered to students
2. On the jobs especially designed for students	2.1. Advantages and disadvantages regarding work during academic years of study
	2.2. On internship programmes for students during academic years of study
3. On the future jobs	3.1. On students' motivations in having a job during academic years of study
	3.2. On the ideal job for students
	3.3. On the soft and hard skills mostly developed during academic years of study
	3.4. On the skills lacked during jobs had when studying

Figure no. 1. The research topic and sub-topics
(source: original)

Furthermore, we created a research interview questionnaire in order to identify the characteristics of the future sample and their appropriateness in the research. This questionnaire consisted of 11 open questions out of which, 4 questions referred to respondents' gender, age, official residence in urban or rural areas whereas the next 4 questions requested information about their studies: the city and university they study with, the field of study and the year of study. The last 3 questions implied their personal career objective, the desired job and the worse work experience with the aim of understanding if our subjects are career-centred and if they had already identified their future field of work.

3.3. Description of researched population and sample population

In 2015, in Romania, there were 535,218 students matriculated with universities, their number decreasing by 1.90% compared to 2014. Of this number, as presented in Figure 2 below, 85.69% are students matriculated with public universities whose number increased in 2015 by 0.19% compared to 2014, whereas the number of students registered with private universities decreased by 9.42% in the same observed interval.

According to data offered by the Romanian National Institute of Statistics, students are observed by three main categories: students attending to bachelor study programmes, students attending to master and post-graduate study programmes and students attending to PhD and post-doctoral study programmes. The variables according to which these groups are observed are the ownership of the universities delivering study programmes (public or private universities), forms of education (full-time, part-time, evening classes and distance learning) and groups of specializations (academic fields as technical, industry, transport and telecommunications, architecture and constructions, agriculture, forestry, medicine and pharmacy, economics, law science, arts).

Students matriculated with bachelor study programmes are the most numerous in the total number of the researched population (students matriculated in universities located in Romania) of 76.73% in 2015, as presented in Figure 3. Their number decreased by 0.13% as compared to 2014 and so did the number of students matriculated with private universities in Romania, from 16.02% in 2014 to 14.43% in 2015. In the reference year of 2015, we remark that there are some fields of study less represented in the total number of

students matriculated with private universities (2.07% of students were matriculated with natural sciences, mathematics and statistics and 1.09% with agriculture, forestry, fishery and veterinary science) whereas other fields are very well represented, like business, management and law (54.90%) and health and social care (10.65%). Moreover, an important increase of 2.33% may be noticed with the number of students matriculated in full-time education with public universities, they representing 78.67% in 2015.

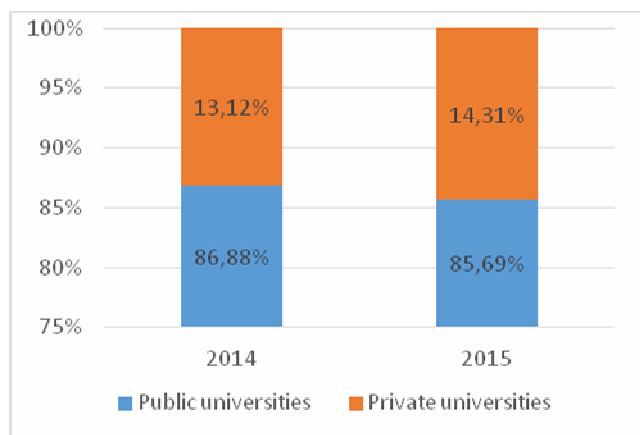


Figure no. 2. Students matriculated with Romanian universities (source: www.insse.ro)

Regarding the fields of study, at national level, there are fields which register increases, like education science (by 10.81%), health and social care (by 5.30%), social sciences, journalism and information (by 4.84%), engineering, processing and construction (by 3.79%), arts and humanities (by 1.32%) and services (by 0.46%).

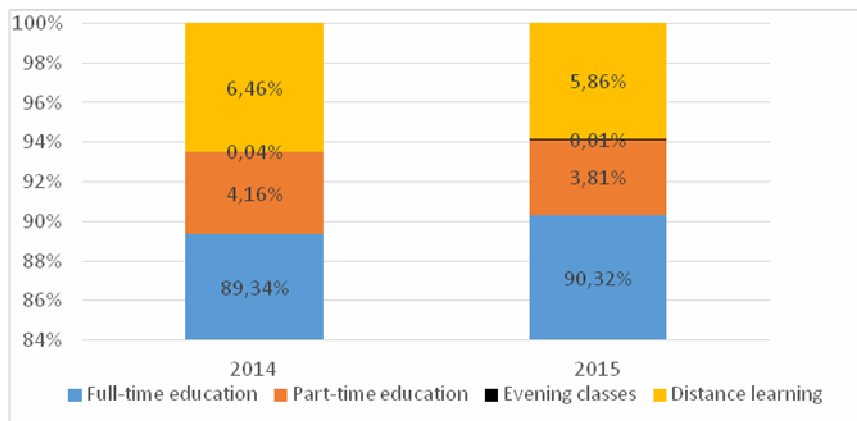


Figure no. 3. Students matriculated with Romanian universities for bachelor studies (source: www.insse.ro)

Students matriculated with master and post-graduate studies represented 20.04% of total number of students matriculated in Romania. Their number also decreased by 3.46 compared to 2014. As shown in Figure 4, these programmes of study are only offered as full-time and part-time education and distance learning. The number of students matriculated with private universities was 10.04% in 2015, of which 62.26% study in the field of business, management and law (decreasing by 6.76% from 2014) and 20.45% in social sciences, journalism and information (increasing by 4.85% from 2014). There are two major fields of study little represented in the total number of students matriculated with private universities: health and social care (0.35%) and agriculture, forestry, fishery and veterinary service (0.38%).

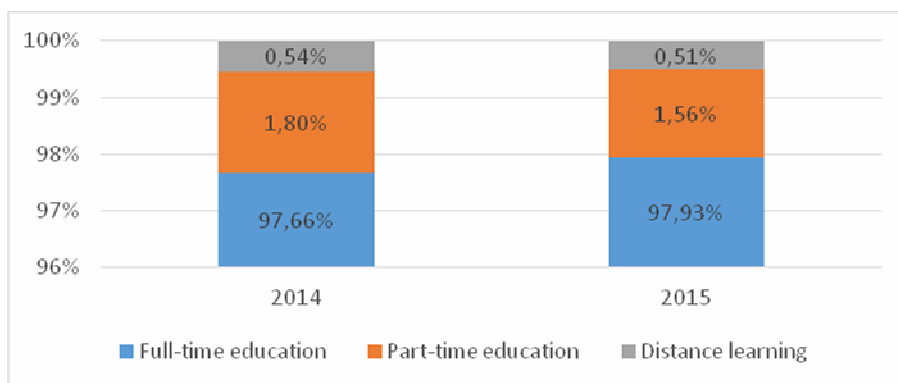


Figure no. 4. Students matriculated with Romanian universities for master and post-graduate studies (source: www.insse.ro)

With regard to public universities, the highest represented fields are engineering, processing and construction with 24.80% (increasing by 1.13% from 2014), business, management and law with 24.17% (decreasing by 3.04% from 2014) and social sciences, journalism and information with 10.83% (decreasing by 5.09% from 2014). At national level, we underline that students started to choose more such fields as education science (registered an increase of 21.52%), services (registered an increase of 7.71%) and agriculture, forestry, fishery and veterinary science (registered an increase of 1.51%), the other fields being in a decreasing trend, except industry, processing and construction which seems to be stable.

Students matriculated as PhD candidates or registered with post-doctoral studies represented 3.57% of the total number of students in 2014 and 3.22% in 2015. The decrease may also be observed in their total number by 10.68% in 2015 compared to 2014. We may observe in Figure 5 that the highest number of PhD candidates and post-doctoral students is represented by students registered in full-time education, of which only 1.37% in 2014 and 1.07% in 2015 were matriculated with private universities. Private universities have registered only students with full-time education and there are only two major fields of education offered: business, management and law and health and social care.

Regarding the fields of education, the highest number is represented by students in the engineering, processing and construction field (27.80% in 2015 decreasing by 7.88% from 2014), arts and humanities (16.62% in 2014, decreasing by 5.07% from 2014) and health and social care (14.36% in 2015, decreasing by 33.35% from 2014). The major increases were registered with the number of students matriculated in the fields of services (by 52.83%), information and communication technology (by 37.71%), business, management and law (by 35.59%) and education science (by 34.27%). The number of students which registered the major decreases are social sciences, journalism and information (by 42.28%), health and social care (by 33.35%), agriculture, forestry, fishery and veterinary science (by 9.28%) and natural sciences, mathematics and statistics (by 8.68%).

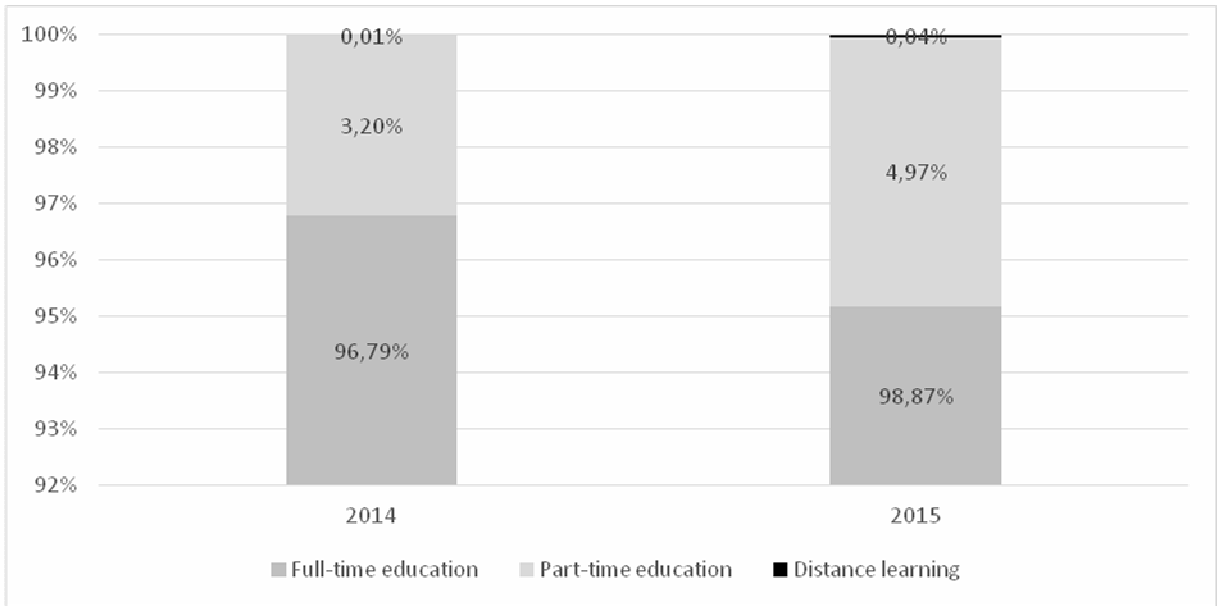


Figure no. 5. Students matriculated with Romanian universities for PhD studies (source: www.insse.ro)

The two samples used in this research shall be characterized as follows, see Figure 6:

a. we formed the first sample for the first focus-group interview of six Romanian students. With regard to subjects' gender, in this research there were 50.00% males and 50.00% females with an average age of 22 years. Their residences were 66.66% in the county of Braşov, 16.67% in Covasna and 16.67% in Buzău. Of the researched sample, 66.66% live in the urban area and 33.34% in the rural area. They are all students in the city of Braşov, with a state university studying economic sciences and business administration in the second and third year of study.

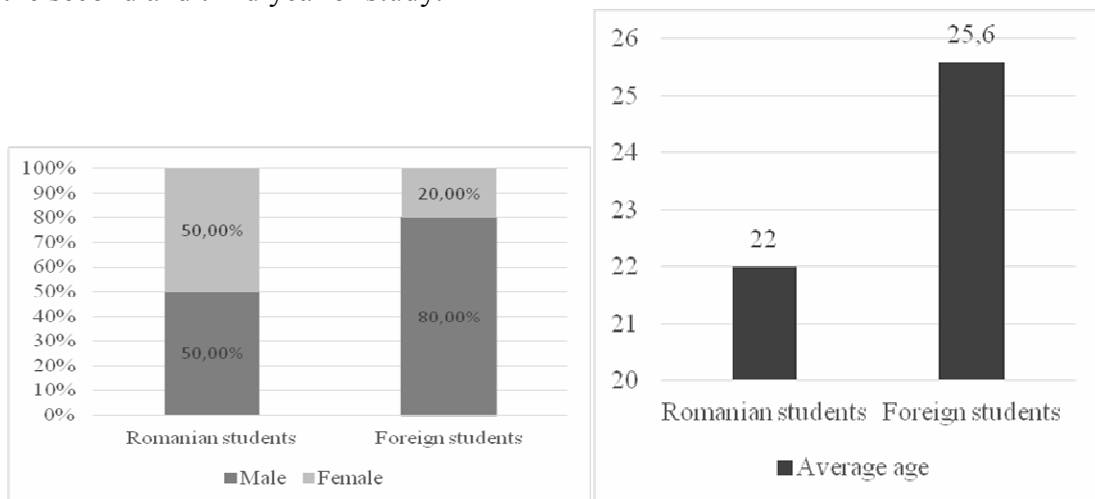


Figure no. 6. The features of the sample used in this research (source: original)

b. the second sample for the second focus-group interview consisted of five foreign students, with the following nationalities: Jordanian, Syrian, Nigerian, Turkish and Bulgarian. Of them, 20% are females and 80% males with an average age of 25.6 years. They have all student visa to reside in Braşov as students with a state university studying also economic sciences and business administration in the first and third year of study with a state university.

In describing the two samples, we have addressed two questions so as to identify if the students are suitable for our samples:

a. one regarding their personal career objective and the future job desired: 90.91% responded that they would like to be their own boss running their own business and 9.09% said they would like a managerial position in a company ("a job not consuming all the time and energy")

b. one regarding the worst work experience: the answers received from 63.64% of our subjects were that it was impossible to have a job during the academic studying years (of which 27.27% were foreigners who had a part-time working visa of 4h/day but employers wanted to hire on a full-time basis) so they had only internships and practical stages; the rest of them said that jobs in restaurants, hotels and call-centres are available to students, but not suitable according to their qualifications and future career plans whereas having to do others' tasks is not something to enjoy.

3.4. Research results

After the general topic was introduced, the subjects were presented the first sub-topic regarding the features of the labour market whether encouraging or not students in having a job in Romania. Subjects started discussion with providing examples of fast-food restaurants internationally recognised as brands which offer students the opportunity of having a job, but not of starting a career. The idea of temporary jobs was highlighted, students stating that they accept such jobs only as part-time and for short periods of time, as they are low paid, stressful and easy to do. In general, students appreciate that the main two advantages of these type of jobs as waiters or personnel preparing food are that they offer money needed for paying for schooling or buying food, clothes or IT devices.

With regard to the features of the labour market, respondents concluded that not every field of activity is accessible to students, who do not have the necessary experience, enough education or the proper age (being too young for what many jobs require). Such constraints, from our point of view, may be responded by employers by designing and promoting specific jobs for students, more precisely part-time jobs. With regard to the means companies do job advertising, students forming our samples stated that they have never been to job presentations in university. We conclude that there seems to be a dis-rupture in this process resulting from two possible causes: either companies do not advertise properly their jobs in the educational institutions (or job fairs are not properly advertised) or students' motivation in searching for a job or in participating to such job promotion activities is low, topic that shall be analysed in a future research.

Whatsoever, the most challenging occupations seem to be, according to students' opinions, those in the field they graduate, they are experienced or they have proper knowledge and skills. Students nominated the following jobs as the most interesting nowadays: transporter, assistant manager, chef, manager, public relation specialist, entrepreneur, human resources manager/inspector, financial analyst, accountant, secretary, doctor, sales representative, promoter, IT specialist. Corroborating these occupations with their field of study, business administration, we are able to identify two major groups of students: those who consider that they made a good choice when they decided to matriculate in their field of study and they consider that their career will be successful in this field and students who may think that the economic and social conditions have changed since they chose their field of study and there are currently more challenging fields of work (this latter group may be less motivated in working in their study field).

Furthermore, we were interested in finding out if students consider that their careers should develop in Romania or abroad. We state that there were differences in the two samples formed according to the citizenship. Romanian students considered 100% that

they must work in Romania as our country offers opportunities both for working and studying for the following reasons: being close to the family and home, the spoken language, the culture, the knowledge of Romanian laws, the economy, the people to help, the EU funds to be accessed only in Romania, more and more foreign companies move to Romania and offer jobs. But 60% of the foreign students state that Romania does not offer the opportunities needed to develop the management career they would like to have. But, all students nominated the following major advantages: salary, experience, learning a new language and culture, going from home, visiting other countries and companies, challenges, self-confidence, meeting new people, interacting with a multinational culture, developing a tolerant and team working behaviour.

Our second topic analysed students' opinions with regard to the manner in which employers offer and advertise jobs especially designed for them. Thus, we highlight that students (100%) consider that there are no jobs designed for students, but adapted for students which may motivate their massive missing of academic classes and explain their lacks in knowledge and their low exam results. In addition, foreign students find working in Romania difficult if the job is not in a language they know as they do not speak Romanian and they have a 4 hour schedule to work as a work permit – employers need an 8-hour schedule at least during periods of training, which is considered as a high risk against the law. Hence, the advantages of working when a student are: possessing experience (developing skills or having what to present in CV's), managing personal time, having extra money, having a status on the labour market (employers see students as a particular category which positively differentiates them from other social categories), having own money, taking responsibilities, easily going up on the hierarchy, having new ideas, experiencing a smoother transition from student life to working life, practicing foreign languages, being oriented in career (if a person does not like a field of activity, he or she has the opportunity to change it). The main disadvantages, according to our respondents' opinions, are: not having time to study, living a higher level of stress, not having enough time, missing classes, tiredness, spending more money on the transfer from university or work, lower salaries as compared to others', not knowing their rights – vulnerability on the labour market, not having personal time and life, wasting time (valuable time - as academic life is not a long period of time) and being asked to do others' tasks.

In terms of internship done during study years, students considered such experiences with an employer as “easy, great, good, interesting, enjoyable, pleasant and new”. Most of them did only the number of hours scheduled according to the academic curriculum, but in general, they did tasks easier than they had expected. The persons in charge with the internship were employees in the middle management of the receiving company and they were described as “understanding, nice, helpful, old, hard in accepting the new, negative (not taking the internship in serious), gossiping, very stressed, bad negotiator”. Hence, there are two typologies of internship coordinator created: a. that of the person who is very responsible and interested in educating the future employees, being open to knowledge transfer and knowing the importance of educating students and b. that of the person who does not teach anything or does not care about students' integration and orientation on the labour market. So universities and companies should provide more control and evaluation in the process of transferring knowledge to students. On an average, the internship was scored 3 out of 5 with regard to the degree in which internships were helpful for the future career.

Thus, universities should have been more open to students' needs by offering a better process of finding a company where to work as an intern and by making it easier by reducing bureaucracy; furthermore, coordinators should be more helpful, well-prepared, well-trained about their responsibilities with students' internships, making procedures

simpler and more structured, respecting deadlines and tasks, offering correct information and helping students integrate easier on the labour market.

The third topic was on students' motivation in having a job during studies. In this respect, the main motivations identified were: having own money or more money, having the possibility to keep the job after graduating, identifying less stressful and flexible jobs, having experience, having what to write down in the CV, seeing how theory works in practice, personal development, starting own career management as early as possible, socialising, team building, training, clearing everything in time, being more organized, having flexible time, helping family with money.

Therefore, the ideal job comprehends, in students' opinion, earning money, managing people, having more time, having success in a company, having own business (being own boss), having a flexible timetable and doing own schedule and having time for personal life. In such jobs, students shall use skills developed during studies: a. soft skills: foreign languages, business skills (management, accountancy, project development, making decisions, communication), socialisation, project presentation, reading – scanning and skimming, business etiquette, developing own schedule (getting up early) and b. hard skills: writing down projects and presentations, computer literacy (Excel, Word, SPSS, Geographical Data Systems).

Moreover, we have to highlight the skills that students have used for their jobs but that they have not developed in the university (or skills that students considered to be lacking during their jobs): up-drawing banking and accountancy documents, using specific software, data analysis and interpretation, product and service design and development, use of practical information from real companies.

4. Conclusions and Research Perspectives

We hereinafter present our conclusions according to the analysis of the research results on four perspectives on the Romanian academic system of education:

a. the main opportunities offered when a student with a job in Romania are firstly, that students gain experience and extra money so to take responsibilities and not always count on families' support; practical experience seems to be the main reason for which students search for jobs trying to validate their choice of their academic field of study. Students like to be introduced into the work field during their studies and consider that their main advantage offered to employers is their youth and interest in learning more and their ability to meet employers' expectations for the working process. Furthermore, the main threats are that a job implies missing classes with the consequence of getting low grades or failing exams. The academic timetable seems to be considered as random whatsoever, not matching the work programme so as the student to be capable to attend both studying and working.

b. Romanian law does not encourage foreign non-EU students to have a job as they should find jobs in their native language or English (which is hard to find according to students' opinions) and the law allows only a 4-hour job. With regard to foreign UE students, Romanian law is considered to be simple and it encourages work.

c. students go often to interviews and they are interested in analysing the labour market and in benefiting from the opportunities it offers, but there are not many choices offered. Moreover, if foreign students have relatives in Romania, getting a job/internship is simpler as they do it in the relative's own companies or employer.

In this respect, students' recommendations on our topic are:

- universities should encourage companies around to introduce more internship programmes by creating reliable partnerships in order to guarantee students a job after graduating from the bachelor programme

- employers should design jobs especially for students, not offering jobs having a rigid work schedule (they should also allow, where possible, working from home)
- employers should offer proper mentorship and design a specific orientation and integration programme for students
- Romanian law should encourage more multiculturalism, new ideas and diversity in the work environment which foreign students may bring when studying in Romania; we highlight that national policies should focus more on universities' internationalisation strategies, as attracting talents means improving labour quality and knowledge transfer, process developed the best by attracting students, as Bryła (2015: 634) states
- within the criteria for certifying Romanian universities, mobility of personnel should be included, as well as their capacity to matriculate foreign students and the conditions created for them to study and to benefit from proper internship programmes
- the academic path shall bring more successful PhD candidates in all the education fields and employers (not only education institutions) should benefit from their expertise. As Conti and Visentin (2015:1942) state, PhDs contribute to knowledge production and diffusion so there is a solid need of policies to reduce friction between the supply of PhDs and ideal employment students continuously seek
- students' orientation in a specific career shall be done before being admitted to universities, in high schools and colleges. This gives more importance to the level of education preceding the academic level and so, teachers in the pre-academic level of education are given a higher role in career guiding. This seems desirable in our country too, as Yu (2012:239) presents the case of China.
- as Mesquita, Marin and Dinu (2016:23) state, internationalization is nowadays not only international professors, international study programs and international curriculum, but it is also an international culture and an international social life offered to all the matriculated students.

To conclude, Romanian universities need strong partnerships with companies so as to deliver better designed internships programmes and jobs for students. A mutual platform where students and employers meet shall be created so as to improve quality of education on the real feedback received from the beneficiaries, students, employers and universities.

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ELECTRIC ENERGY MARKET IN CENTRAL AND EASTERN EUROPE - CHALLENGES AND PERSPECTIVES

PhD. Dana-Elena, Holban¹

Abstract

In the energy sector, each type of fuel used has a number of advantages and disadvantages. The high degree of pollution of power plants based on coal, seasonal instability of hydropower, low efficiency of wind power and environmental disasters that could be caused by nuclear plants has led to sizing each type of fuel, so that the benefits generated by their use to be maximum. At European level, the main objective in energy independence is that the energy mix used by each country to be dominated by increasing energy efficiency - satisfying consumption with minimal financial effort. The principal aim is to minimize the financial effort of the final consumer; this goal can be attained only through the involvement of financial levers of state power. The low level of state involvement in energy efficiency would create huge costs for final consumers, with devastating effects on all market participants. Romania is in a small proportion dependent on external energy resources. Opening new electricity production units is justified only if it aims to increase exports. The lack in takeover and implementation of European legislation in national legislation makes this prospect to remain at the level of aspiration, electricity exports being limited to neighboring countries whose Transport and System Operators have direct connection points.

Keywords: *electricity, green, market, efficiency.*

JEL Classification: F62, F42.

1. INTRODUCTION

Economic and social development at global level are characterized by an increase in energy consumption. Due to the possibility of being easily transported at long distances, but also to the variety of forms that electricity can have, it has always had an important role in the progress of mankind. From a historical perspective, the time that marked the beginning of electricity was 13 September 1882 when Thomas Edison put into operation in New York the first power plant, at which there were connected several tens of subscribers. In the same year, in the cities of Bucharest and Sinaia, a series of palaces began to be illuminated with lamps that used electricity produced by small local power plants.

The first public electric street lighting in Europe was made in 1884 in Timisoara, the first hospital in Europe using electric lighting was Military Hospital in Bucharest in 1885 and the first oil extraction in the world to use electricity was located near Campina in 1897. These examples illustrate that Romanian energy during industrial electricity debut was in full compliance with European energy, but also with the worldwide development.

Electricity production was initially based on conventional fossil fuel. Massive industrialization plans of the communist regime led to the orientation of a source with a higher volume of production and relatively constant one. Thus, since 1970 is was generated the idea of using nuclear fuel, actually put into operation in Romania since 1996. (Bucur & Racoveanu, 2007) As time went by, the general opinion of specialists worldwide was that the use of electricity must be in harmony with the natural environment, global warming putting increasingly more question marks about what kind of world do we leave to our descendants. Thus, green technologies appear in order to produce electricity, which use sun, wave or wind power as "fuel".

Regardless of the type of fuel used, production and development of energy systems are guided through a series of levers by public means of intervention. This is due to the importance of the energy system, which is being a strategic development branch in all countries of the world.

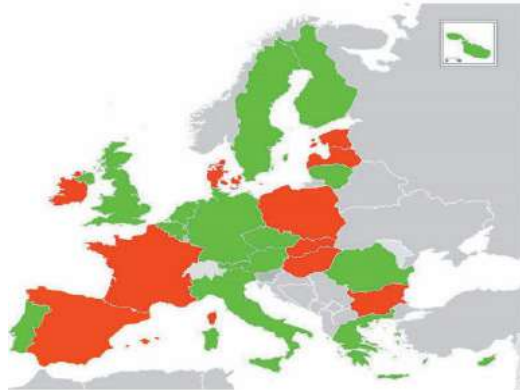
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2. EUROPEAN UNION POLICIES IN ELECTRIC ENERGY

The economic importance of the energy sector determined at European level the assignment of a high attention, being successively analyzed and continuously monitored. Although there are studies and plans for various periods of time, usually for the medium term, they are revalued at least once a year. The difficulty of the European Commission to address certain recommendations is fully justified by a number of factors. The main such factor is that Member States have very different energy mixes. Energy mixes are influenced not only by natural factors, namely the existence and availability of such resources in the territory of certain countries, but also by national policy options, such as the decision of whether or not to use nuclear fuel or shale gas, as well as financial incentives, as in the case of green certificates - state regulated financial incentive to support green energy. Heads of State or Government from the European Union members agreed on a common goal, the so-called objective "20-20-20 until 2020". This objective includes reducing CO₂ emissions by 20%, increase renewable resources which will reach 20% of the total production of energy and 20% increase in energy efficiency; all these objectives are compared with 1990. This target could not be accomplished without a common legislative framework. The purpose of the legislative framework was to unify European energy markets. Returning to the very different energy mix, it can help to unify the supply of all EU states by developing interconnections between infrastructure so that the energy efficiency of each state to be maximal. (Eurostat, 2013)

Along with monitoring and surveillance measures at European level, public policies must take into account the context in which the global energy functions, the European Union being subject to a whole series of challenges. Along with definite dependence on natural gas from Russia, massive exploitation of shale gas in the US led to a lack of demand for coal, which is gradually removed from production and exported to the European Union. Although there are still 5 years to complete 20-20-20 objective, the new framework which includes unconventional sources has led to a relative "sabotage" of it, there are countries whose utilization of coal has increased significantly (France - 16%, Portugal - 38%, Spain - 28% in 2014 compared to 2013). On the other hand, there are states almost independent energetically due to these sources - Estonia covers 90% of its energy needs through gas shale mining. (Roberts, 2008)

Another challenge at European level is related to electricity price stability. All regulations and legislative measures in this sector, in order to be put into practice, require huge costs. Whoever implements the legislative part, final costs are borne by the consumer. Thus, although the general interest was to lower final prices, the necessary measures for the development of the internal electricity market, implementing a free and transparent trading market similar to the stock exchange market, modernization of transport and multiplying interconnections, offering financial support to green energy sector, have made the price of electricity to experience significant growth in the recent years. In terms of price formation mechanism, there are a range of interventionist measures, according to each state national interests, flexibility and level of knowledge of consumers. Along with reducing the level of dependency and following the objectives based on principles of sustainability, full liberalization of this market is one of the biggest challenges the European Union faces in terms of electricity market. The right price is formed on a market in which the supply and the demand of a certain product meet freely, in this case electricity. Reduced storage possibilities of this product determines the fact that besides producers and consumers, there is a whole chain of other market participants, transporters, traders, operators of ancillary services.



- Retail price regulation in electricity
- No regulation of retail price.

Figure 1: Level of price regulation

(Source: Report "Challenges of the energy and energy policy - Contribution Committee meeting of European Council in May 2014)

Another challenges for the European electricity market are the investments. The goals of the European Union regarding the reduction of greenhouse gases occurs on the one hand by investing in green technologies, on the other hand by retrofitting of existing production units. Covering electrical energy needs through renewable sources is yet only a utopia. This is why EU recourses to investments in new technologies, able to capture and store carbon dioxide. In this respect, there are different points of view. On the one hand, it is obvious that, once implemented, these technologies would produce a significant reduction in harmful emissions in the atmosphere, on the other hand it is considered that investments in the development of this technology deflects attention from the search for new renewable resources. Another argument sustains the insecurity of carbon dioxide resources storages in depleted fuel tanks. Until 2015, carbon capture and storage has not been implemented on an industrial scale, but there were several pilot projects. Through the European Economic Recovery Program, the European Commission decided to finance several projects for the development of this new technology. Particularly strict requirements made as a single project - "White Rose" in the UK - to remain viable. Moreover, most of the funding for carbon capture and storage remained unused, European Union taking the decision to not re-allocate funds for this purpose. For now, CCS is in testing stage and needs more investments and studies within a period of time, in which specialist can mark the behavior of CO2 deposits.

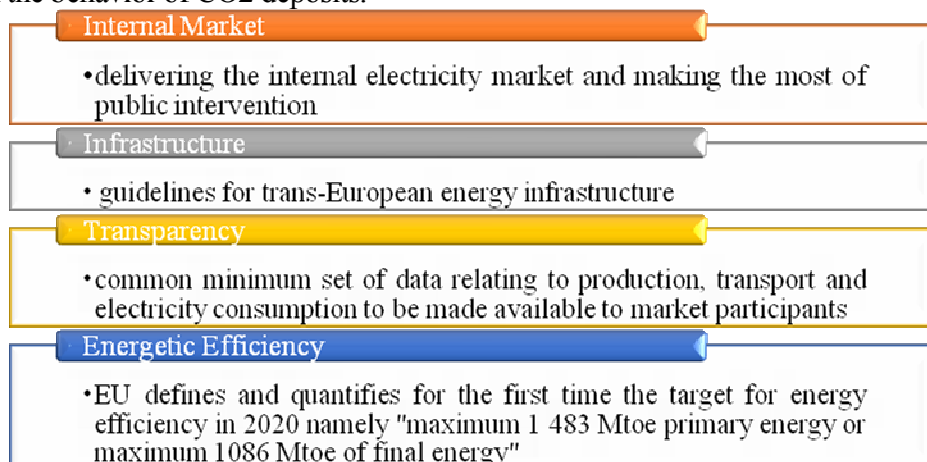


Figure 2: Measures initiated by the European Union in 2014 *(Source: own processing of the information available in the annual report of the National Regulatory Authority Energy 2015 available at <http://www.anre.ro/ro/despre-anre/rapoarte-anuale> accessed at September 15, 2016)*

As legislative perspectives of development, both economically, but also from a technical standpoint, it can be observed an increasingly punctuality of terms. If the initial draft legislation provided just indicative guidelines, the more closer the deadline for completion of certain projects in the electricity is, the more the terms are punctual and inflexible, or slightly mobile in good margins specified in the regulations of the European Commission.

3. ROMANIAN ELECTRIC ENERGY MARKET

Romania has a wide, but quantitatively reduced amount of primary energy resources, fossils and minerals: oil, gas, coal and uranium, as well as a potentially important renewable resource capitalized. Romania has an energy intensive economy, despite the downward trend manifested globally in recent years. EU legislation in this field is not found in all national legislation and part of the applicable requirements are not fully implemented and enforced. Developing energy services market, especially ESCO (Energy Service Company) and alternative financing mechanisms such as loans at below-market interest, public subsidies, commercial debt financing, are some elements that require development to improve energy efficiency. However, assessing the possibilities of covering the needs of primary energy resources must be based on the current situation of proven reserves, coupled with realistic estimation of potential resources and in close connection with forecasts of resource consumption determined for all users - domestic and industrial.

Dependent in a proportion of 18.60% on external energy resources, Romania is based on the production of electricity mainly on power plants (coal), joined by hydropower, nuclear power plants, hydrocarbon plants and wind farms. Exceeded in terms of energy dependence in the European Union only by Estonia and Denmark Romania uses successfully along with fossil fuel, hydro and nuclear resources to obtain electricity. Hydrological and nuclear resources are also the least expensive in terms of the final price charged for sales. Electricity production varies depending on weather conditions (wind for windfarms, sun for photovoltaic, rainfall and snow for hydro) and depending on the applicable technical standards (eg. the month May of each year is designated alternatively for overhaul of one unit of Cernavoda NPP), consumption also varies depending on the time of year - it is demonstrated that August and December recorded the highest electricity consumption of Romania in a calendar year.

Legal separation of generation, transmission, distribution and supply of electrical activity in Romania was set up by law since 2000. Transelectrica took over all activities of transmission system services and became TSO (Transmission System Operator) of Romania. The company Transelectrica is the Romanian National Transmission System which deals and operates the electricity transmission system and provides electricity exchanges between Romania and its neighbors as part of ENTSO - E (European Network of Transmission and System Operators for Electricity). Transelectrica is part of the largest network area, Continental Europe. This means that the electrical system in Romania is interconnected and operates on the same frequency with more than 20 European countries, with whom Romania can coordinate and collaborate. This is a special interest to us because new national electricity producers, given that Romania ranks third in the EU in terms of energy independence, will target the export of electricity. (Government Decision no. 627 of 13 July 2000)

The electricity market was regulated in Romania in 2000, establishing the trading company Electricity Market Operator - OPCOM, under Government Decision no. 627/2000. OPCOM Company is a subsidiary of National Power Grid - Transelectrica and is totally owned by it. "OPCOM acts as administrator of the electricity market, providing an organized, fair and efficient place to conduct commercial transactions in the wholesale electricity market in terms of consistency, objectivity, independence, fairness, transparency and non-discrimination." OPCOM is a similar market to Bucharest Stock Exchange or to

Sibiu Commodity Exchange, the difference being represented by the object of trading. Electricity Law no. 13/2007 establishes the legal regulations for carrying out activities in the electric field, including power production. The legislative framework establishes the creation of a competitive market. Article 26 of the Act requires that the electricity market to become fully competitive. This article establishes two types of electricity markets regulated and competitive market.

The regulated market will operate up to full liberalization of the electricity market - which did not occur until the year 2015. On regulated market, ANRE (National Regulatory Authority for Energy) will determine all contract prices and quantities associated with transactions between producers and transporters of electricity to final consumers. Electricity is supplied to consumers at regulated prices set by regulated tariffs and according to contracts covered. These regulated prices and contracts consist of a "basket" price for electricity at which there are added the transmission and distribution tariffs. ANRE regulates the amount by which each producer prices should contribute to each such "basket". The electricity market will be gradually liberalized through an increase in the percentage of market competitiveness. Starting with 2010, the Romanian Government approved a fully competitive market. However, in practice, the market remains partly regulated because regulated consumers chose not to change suppliers as higher electricity prices remain in competitive market. Regulated component of the overall market (regulated bilateral contracts market) provides electricity at regulated tariffs for households and non-households who have not used the right to change their providers. Regulated tariff is applied to participants in the centralized electricity markets and seeks proper allocation of costs for the activities of the electricity market operator. The method for establishing regulated tariffs for services provided by the operator is "cost+", regulated revenue representing the sum of total justified costs and reasonable profit share, calculated as a percentage of these costs.

Trading mechanisms on the electricity market are relatively simple. Applications and product offerings can always be recorded (Z-n), here are included all regulated contracts. In Z-1 DAM is situated, when contracts for sale of electricity are concluded, delivery being made the following day Z. Also in Z-1 but later than DAM is situated IDM, the supply and demand unsatisfied in DAM have a new opportunity in IDM (low volume of transactions). In day Z, TSO (transmission system operator) starts to operate, in the case of Romania - Transelectrica, which makes the adjustments of energy required in order to compensate different deviations from the planned production or consumption.

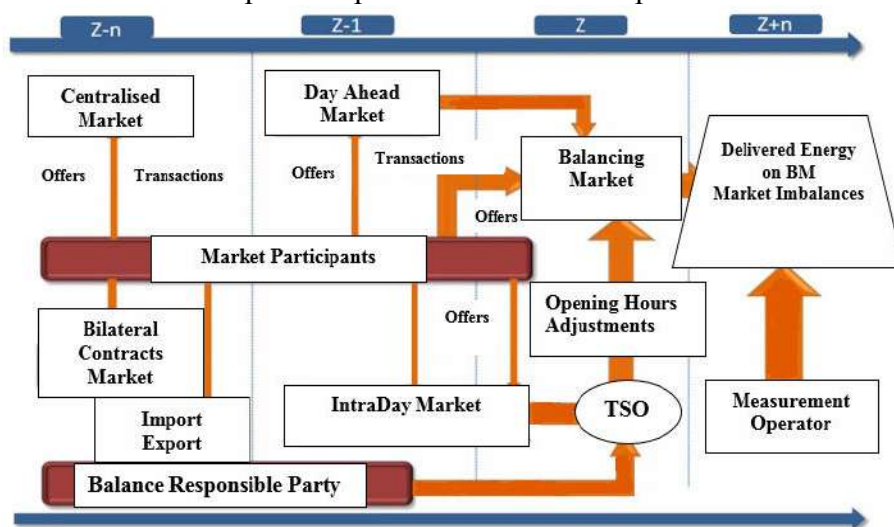


Figure 3: Components of the electricity market in Romania (Source: own processing of the information available at <http://www.anre.ro/en/about-ANRE/annual-reports>, accessed on April 16, 2015)

An important goal in Romanian energy sector is progressive elimination of tariffs based on the fact that, although they are in accordance with the pricing mechanisms in competitive markets, the calculation errors and different price levels, so slippery depending on a number of variables, reduce the fairness and transparency of the correct price of electricity - regulated prices are generally lower. Thus, as of January 2014, based on the schedule to eliminate tariffs, the percentage of purchasing electricity from the competitive market for non-domestic end customers who have spent eligibility is 100% of their consumption and for domestic customers who have not used the eligibility, 20% of their consumption. It is estimated that all consumers will benefit from competitive market prices in 2018.

4. CONCLUSIONS

Electric energy market is simple in terms of mechanisms, but when it comes to development, it becomes complex. Different coloring of the electricity markets of EU member states determine a relative difficulty for the European Commission to adopt legislative measures relating to the use or not of certain fuels or sizing production or consumption from certain types of energy sources. Major guidelines set by the objective 20-20-20 by 2020 draws clear tasks for each member state, these tasks being of utmost generality, leaving a certain degree of discretion for member states. Regardless of the energy mix, increasing energy efficiency, increased production of renewable energy and low carbon dioxide emissions in 2020 compared to 1990 were considered feasible objectives unanimously by all member states.

Considering the fact that the energy system is a strategic branch of national importance and that financial pressure needed to implement these objectives could not be fully supported neither by final consumers nor by private enterprises, the state was practically forced to get involved by taking measures to ensure their fulfillment gradually. Moreover, the European Commission regulations treat convergent all aspects of the electricity market, the main purpose of all being to ensure a near-perfect market, like stock exchanges. High Representatives of the European Union plans to unify member states after the model of US states, is held by small steps, while pursuing a range of issues, in which each of them has economic implications.

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FOREIGN DIRECT INVESTMENT SEEN AS A FACTOR OF ECONOMIC GROWTH

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Anca Cristea²

***Abstract:** The overall objective is to identify foreign direct investment as a factor of economic growth in Romania by pinpointing problems for foreign direct investment have increased at a rate similar to that of other Eastern and Central European. Analysis of this problem is a starting point in finding solutions.*

Importance of the work has relevance both in theory and in practice as it can serve several interested groups, investors, and individuals concerned with the welfare of the country.

The paper also can serve nationally, as the basis for making decisions on Europe 2020 targets or national strategies for attracting foreign direct investment.

We choose this topic because we believe that foreign direct investment is an important factor in a country's economy, especially if that country does not have a level of savings so large as to create their own investments. At the market in Romania there are numerous barriers to entry so that foreign direct investors are not attracted by our country in a very large extent; especially because of bureaucracy. The research method is considering an empirical approach based on statistical data of the development implications of foreign direct investment and multinational corporations of the Romanian economy.

Keywords: foreign direct investment; the economical growth; saving; economic decision.

Classification JEL: E22; F21; G11.

1. Introduction

Investments are active factor of economic development and adapt to market requirements, competitiveness, and countries in transition, it conditions for accomplishing the proposed restructuring program of economic reform. When an investment is not financed by the entrepreneur's own forces, it can be supported by the economies of other individuals or companies. Worldwide this action implies that the increase in capital formation to finance through a reallocation of income in the global market, by private or government savings. If a country investment demand is higher than that of domestic savings, then economies in other countries may be transferable to adjust domestic scarcity of financial resources (Anghel, 2002). The conclusion of these actions is that the receiving country can import more than it can pay via exports, which means it has the ability to spend more for the economy and allows the consumer than own revenue. In the economy, a country which meets the above situation means that it has received a net transfer of resources from abroad or the country has achieved a net transfer for savings exceeding domestic demand for investment. Increase of investment is given by proportionally increasing the savings and investment market economy developed countries (Burghelea et. al., 2014).

Foreign direct investment support economic growth, which is performed differently depending on the form it takes foreign direct investment. They also stimulate domestic investment, as local producers will be interested in increasing the efficiency and improving the quality of outputs to face competition due to the presence of foreign investors in the sector in question (Burghelea et. al., 2015). FDI supports the restructuring and privatization; support increased capital investment because foreign investors' access to external sources of capital, but support and increase revenues to the state budget due to the emergence of new taxpayers in the host country's economy. FDI generates positive effects on the trade balance, if the investors directly produce primarily for export or for the

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production to substitute imports for the domestic market and not least FDI improves the standard of living (Balan et. al., 2013). The implications of FDI positive macroeconomic data, among others: supporting economic growth, determining the positive effects on the balance of payments, increase capital investment, business reorganization. Supporting economic growth on the one hand implies increasing labor efficiency, the emergence of new jobs, and on the other hand, increased competitiveness among economic operators.

2. The evolution of foreign direct investment in Romania, during 2003-2012

To understand the evolution of FDI in Romania during 2003-2012, remember about that "in any innings to 2000 there was a concrete program covering the technology, maintaining production capacity in the industry, at a level more or less acceptable" (Moise, 2005).

In Romania business needs both economic freedom and tax-friendly for foreign investors as well as national ones. The world is fierce competition in attracting foreign direct investment (Montgomery et. al., 1989) and the first condition for achieving this is improving the investment climate; so since 2001 the Government has other priorities besides the economic policy promoted namely improving the legal framework on the promotion of strategies that involve the investment process, assist small and medium enterprises, simplify market access. The government is doing all these things because it is aware that attracting foreign capital and foreign investment is the only real way forward in any economic situation both in Romania and in Europe and in the world (Anghelache, 2003). Since 2003 foreign direct investment shows a positive trend can be explained primarily by the increase in FDI inflows from the European Union since Romania's accession is appropriated to it and secondly because of the economic performance of Romania in the period under review. At the same time increased foreign direct investment and can be put to the fact that foreign investors have viewed the profit opportunities (Ayarwal et. al., 1991) relatively high in the Romanian economy, either as Greenfield investments either through purchase-mergers and acquisitions.

The graph (fig. no. 1) shows developments in FDI inflows in Romania 2003-2012, we analyzed the evolution of FDI flows across the Romanian economy during the period 2003-2012, in terms of net loans (loans from undertaking FDI foreign direct investor or from group of non-resident companies which it belongs. excludes loans undertaking FDI foreign direct investor or another company within the group) and equity (share capital subscribed and paid in both cash and contributions in kind, residents in resident companies and related share in reserves).

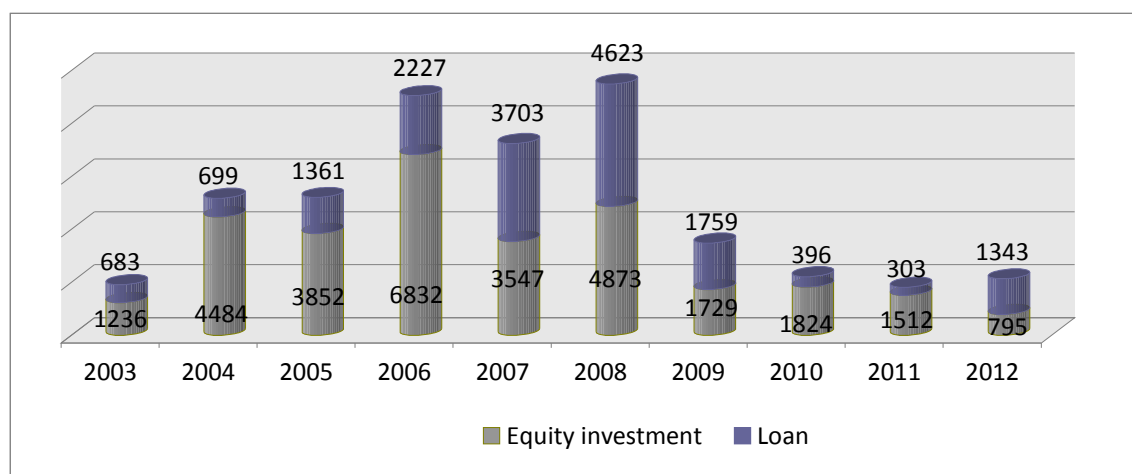


Fig. 1. The evolution of FDI inflows in Romania, during 2003-2012

Source: data from www.bnro.ro

The graph (fig. no. 1) shows that in 2003-2006 foreign direct investment presents a continuous increase is explained by the multitude of privatizations recorded in the banking and industrial sectors, especially in manufacturing (oil and petrochemical, metallurgy, machine building) in Romania. This positive trend is due to the flow of FDI and conclusion of accession of Romania to the European Union in 2004, and ownership of EU integration time in 2007. It is noted that in 2003 was a net outflow of 1.946 billion FDI euros, rising to 9.059 billion euros in 2006, which means that in 2006 compared to 2003, net FDI flows increased by about 78.52%. In the following period, 2006-2008 there is a fluctuation of net FDI inflow, due to the accession to the European Union brought a net inflow of FDI of 7.25 billion euros, and then in 2008 achieves a maximum net outflow of FDI or 9.496 billion euros from the entire analyzed period. In the period 2008-2011 it is observed that net FDI flow drops significantly, so that net FDI flows in 2009 declined by 97.28% over the previous year. This dramatic decrease is attributed to the financial crisis domestic and global. It is noted that foreign investors no longer credited as in previous years, and equity stakes are experiencing a slight recovery, so in 2010 capital assets are 95 million higher, but the net inflow of FDI is still a downward trend until 2012 when it recorded a net outflow of 2.138 billion euros. This downward trend is attributed to the effects of general contraction of external lending due to the global crisis, including deleveraging of parent banks to their subsidiaries in Romania exposure.

In the following chart we look at the stock of FDI in Romania during 2003-2012 in terms of shareholdings and the net credit.

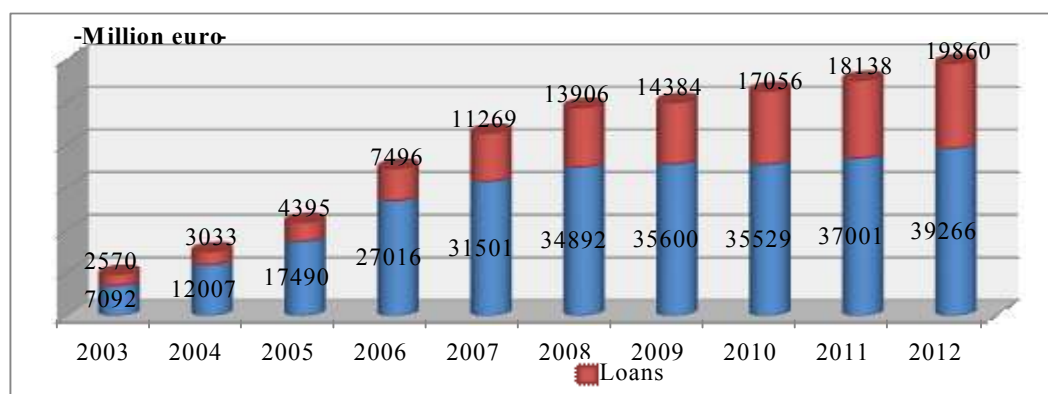


Fig. 2. The evolution of the stock of FDI in Romania during 2003-2012

Source: data from www.bnro.ro

It is seen (fig. no. 2) evolution of FDI stock in Romania, 2003-2012 continued growth of FDI stock in the period, except for 2009 when the effects are felt financial crisis, so if the stock of FDI in 2008 was 48.798 billion euros in 2009 it increased by only 2.43%, and in 2010 has increased by another 2.77 percent. We note that in 2011 there was a decrease of FDI stock, leading to 55.139 billion euros, 4.63% less than the previous year. We can see that despite the contraction of credit as a source of financing for FDI in Romania, so in 2010, 2011 and 2012 represent a third of total FDI, so the absolute value of over 17 billion euros (regardless of the structure of maturity of the loan) reflects a high indebtedness of foreign direct investment enterprises. In the context of domestic and international economic uncertain short and medium term, putting into difficulty the ability to pay foreign investors may lead to liquidation of their activity in Romania, which means massive capital outflows i.e. net flows negative FDI catastrophic on the economy and financial framework of the Romanian currency.

Since we analyzed the evolution of FDI stock in the Romanian economy from 2003 to 2012, I am going to analyze the structure of FDI stock by major economic categories in 2003, the first year of analysis, compared to the last year of analysis and 2012 respectively.

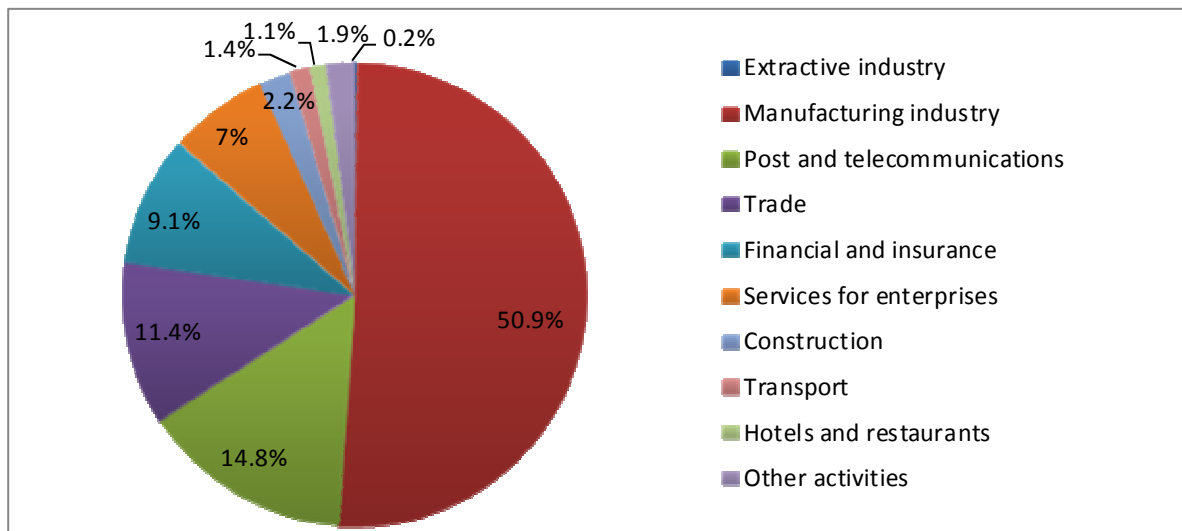


Fig. 3. Structure of FDI stock by main economic activity in Romania in 2003

Source: data from www.bnro.ro

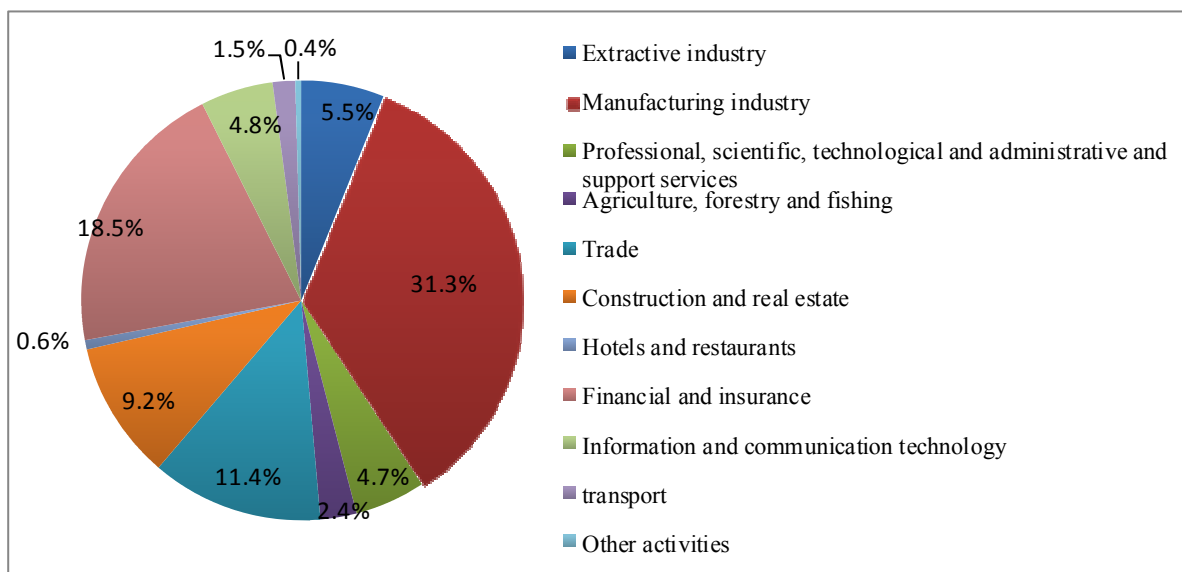


Fig. 4. Structure of FDI stock by main economic activity in Romania in 2012

Source: data from www.bnro.ro

From the two figures (fig. no. 3 and fig. no. 4) there is a change in the structure of economic activities in Romania, in 2012 FDI are spread across several economic sectors compared to 2003 noted that in 2012 FDI is distributed in sectors such as agriculture, forestry and fishing; professional, scientific, technological and administrative and support services. In the common areas we saw that the manufacturing sector has the largest share of FDI stock both in 2003 and in the last year of analysis, although this sector recorded a decrease of 19.6%. This is due to the events that took place over the 9 years of analysis, the 2008 economic crisis having a devastating impact, and to change the economic structure so that in 2012 there are several areas of interest to foreign direct investors. A significant

increase in the stock of FDI recorded in financial intermediation and insurance sector, 9.4 percent in 2012 compared to 2003, but also in the construction sector in 2012 increased by 7%. This increase can be explained by the juxtaposition of real estate transactions in this sector, which in 2003 was missing. Note that the trade sector not recorded any progress when shares in 2012 compared to 2003, but in absolute numbers in 2003 recorded 1.106 billion euros in FDI stock, while in 2012 has evolved to 6.714 billion euros, which an increase of 5.608 billion euros. This increase in absolute value can be explained from the point of view of events with an economic impact that occurred during the period analyzed, namely integration into the EU and NATO, economic crisis, national and global level, but also in terms of the value of money, which in 2003 had a different purchasing power (Rujan et. al., 2008).

3. Multinational corporations and Romanian economy

The industry's most sought foreign direct investors, we propose continue to talk about the most important multinationals in manufacturing, as these by outstanding performance themselves and the ripple effects on other participants in the global market they stimulate development and progress. Should not be overlooked nor ignored that, given the economic power and decision impressive multinationals, their work can have disruptive effects even destabilizing national economies and social and political life in many developing countries less prepared to deal to pressure from those companies interested, as is natural, primarily from rising profits, their strategic positioning in international markets.

Next, we created a table with the top 10 multinational corporations in the world, then in Europe and finally the multinational corporations that invest in Romania. In Romania multinationals have employed economic activities following to focus on industry, especially the manufacturing industry.

Table 1. Top 10 multinational corporations in the world by foreign assets in 2012, the country of origin and economic activity, and total assets

No.	Company	Country	Economic activity	External assets (million dollars)	Total assets (million dollars)
1	General Electric Co	SUA	Energetic industry	338157	685328
2	Royal Dutch Shell plc	UK	Manufacturing industry	307938	360325
3	British Petroleum plc	UK	Manufacturing industry	270247	300193
4	Toyota Motor Corporation	Japan	Manufacturing industry	233193	376841
5	Total SA	France	Manufacturing industry	214507	227107
6	Exxon Mobil Corporation	SUA	Manufacturing industry	214349	333795
7	Vodafone Group Plc	UK	Telecommunications	199003	217031
8	GDF Suez	France	Utilities (gas, water)	175057	271607
9	Chevron Corporation	SUA	Manufacturing industry	158865	232982
10	Volkswagen Group	Germany	Manufacturing industry	158046	409257

Source: data from www.unctad.org

From table 1 we can notice that the United States rank first in the world through multinational General Electric Co., which operates in the energy industry, with foreign assets worth 338157 million \$ and an asset value total of 685328 million in 2012. It notes that it is multinational with the largest value of foreign assets in 2012 in the world. Second in the world is occupied by Royal Dutch Shell plc, an English multinational dealing with activities in the manufacturing sector, with a value in 2012 of 307938 million \$ foreign assets and total assets value 360325 million \$. Thus we can say that the first in the world by value of foreign assets (Vidraşcu, 2015) is the energy industry, followed by the manufacturing industry. Places 3, 4, 5 and 6 are occupied by multinational economic activity throughout the manufacturing industry, which have values of foreign assets appropriated, between 271000 and 214000 million. It appears that the activity of the manufacturing industry dominates the top 10 multinational world, which means that it is an important sector in economic activity, from which it can realize substantial revenues to the state budget in the long term leading to a possible growth based on activity in manufacturing. It also notes that the US and UK are the most common for multinationals in manufacturing, both for petroleum and automotive.

Next we analyze the top 10 European multinational corporations that fall in the top 50 multinationals in the world by turnover, but that some of them have invested in Romania. I will also delineate manufacturing multinational corporations.

Table 2. Top 10 multinational corporations in Europe, ranked in 2011, the country and the city, economic activity, turnover and rank in the world

No.	Company	Country and City	Economic activity	Turnover (mil.\$)	World Rank
1	Royal Dutch Shell	Holland-Haga	Energetic industry	378,152	2
2	British Petroleum	Anglia-London	Manufacturing industry	308,928	4
3	Total	France-Courbevoie	Manufacturing industry	186,055	11
4	Volkswagen	Germania-Wolfsburg	Manufacturing industry	168,041	13
5	AXA	France-Paris	Finance insurance and	162,236	14
6	ING Group	Holland-Amsterdam	Finance insurance and	147,052	17
7	Glencore International	Switzerland-Baar	Extraction industry	144,978	18
8	ENI	Italy-Roma	Manufacturing industry	131,756	23
9	Daimler	Germany- Stuttgart	Manufacturing industry	129,481	24
10	BNP Paribas	France-Paris	Finance insurance and	128,726	26

Source: data from www.money.cnn.com

From table 2 we find that the first place in Europe is Royal Dutch Shell which has the field of electricity and electricity, with a turnover of \$ 378.152 million and also ranks second in the world by turnover multinational in 2011. On 2, 3 and 4 seats lies activity multinational manufacturing base so that British Petroleum is ranked 4 in the world by turnover multinational in Europe holds the 2nd position, dealing with processing crude oil.

No position. 3 in Europe in terms of turnover multinational occupied by Total, a French corporation which deals with processing oil and gas, with a turnover of \$ 186.055 million and with an 11th place in the world on the same basis in 2011. We note that rank 8 and 9 is also owned by multinational operating in manufacturing, and the world they hold 23 seats for ENI in charge of processing oil and gas, and 24 for Daimler dealing with automotive processing. It notes that the remaining positions in the top 10 multinational corporations in Europe by turnover in 2011 were occupied by businesses that operates in areas such as mining and quarrying (Glencore International) and brokerage of financial and insurance (AXIS, ING, BNP Paribas).

Next we made a table that includes major multinational corporations have invested in Romania, depending on country of origin and economic activity, completing the turnover in Europe and rank respectively in the world; I will also highlight the positions held by the industry.

Table 3. Top 10 multinational corporations that have invested in Romania by country of origin, economic activity and turnover in 2011

No.	Company	Country	Economic activity	Turnover (Euro)
1	Omv Petrom .S.A.	Romania	Manufacturing industry	4,612,306,091
2	Automobile Dacia.S.A.	Romania - France	Manufacturing industry	3,012,327,498
3	Rompetrol Rafinărie.S.A.	Romania - Holland	Manufacturing industry	2,765,510,174
4	Petrotel Lukoil.S.A.	Romania - Russia	Manufacturing industry	1,555,986,615
5	British American Tobacco (România) Trading.S.R.L.	SUA	Tobacco	1,481,192,771
6	Kaufland România.S.C.S.	Germany	Commerce	1,444,877,086
7	Lukoil România.S.R.L.	Russia	Manufacturing industry	1,353,425,256
8	Renault Industrie Roumanie.S.R.L.	France	Manufacturing industry	1,218,868,576
9	Arcelormittal Galați.S.A.	Luxembourg	Extraction industry	1,216,041,778
10	E.On Energie România.S.A.	Romania	Extraction industry	1,179,836,242

Source: data from www.mcr.doingbusiness.ro

From Table 3 we saw that leaders in multinational corporations are that their economic activity in manufacturing, followed by multinational specialized in trade and mining industry. Overall large multinationals that invest in Romania are mainly in manufacturing, which means that an area is attractive and brings substantial revenue to the Romanian state budget. We can say that manufacturing is of particular importance in attracting FDI, so the oil processing sector in manufacturing branches occupy the top three rankings top 10 multinational corporations that invest in Romania. Multinationals in the top rankings were Romanian companies after privatization, the restructuring of the economy that were bought by foreign companies.

4. Conclusions

Foreign direct investment is a key factor in the economy of a country emerging as Romania as they can help substantially to economic growth by introducing more efficient technologies, creating jobs both qualified persons with higher education or environments and for the unskilled. FDI helps to increase competitiveness in the Romanian market, so companies will be directly interested in investing in R & D and innovation to withstand market their work raises standards; such strong companies remain on the market, while not productive firms exit the market thus making room for those ready.

On the analysis of foreign direct investment in Romania we found that from 2003 to 2006 the FDI inflows show a continuous increase explained by the multitude of privatizations recorded in banking and industry, but also other factors such as the agreement of accession to the European Union in 2004 and approximating the moment EU integration in 2007. From 2008 to 2011 FDI flows declined steadily, dramatic decrease is attributed to the economic crisis and global national financial. In terms of FDI stock, it has experienced steady growth over the period 2003-2012, in terms of shareholdings and credits. By analyzing and distribution of FDI by main economic activity, we have seen mainly as mining and manufacturing are the leading industry in attracting FDI; But the sector that increased most in attracting FDI was that of financial intermediation and insurance, so the FDI in this sector doubled in 2012 compared to 2003. In terms of manufacturing we found that the shareholding higher total FDI respectively 50.9% in 2003; 32.9% in 2007; 31.1% in 2009 and 31.3% in 2012.

If we refer to multinational corporations have learned that the US and UK are the main players in the market and is the predominant manufacturing as an economic activity for multinational corporations. In Romania, the first 4 places of multinational corporations were investing in economic activity in manufacturing and processing firms are the processing of oil and cars. Of course multinationals in the top rankings were Romanian companies after privatization, restructuring of the economy that have been purchased by foreign companies. To accomplish the objectives of Europe 2020, Romania should aim level proposed by the European Commission for each indicator. To meet the objectives and indicators to achieve the levels for 2020, Romania should support foreign direct investment on the national and private research, development and innovation; but also those between enterprises and research organizations thus encourage the transfer of knowledge, technology and personnel with advanced skills and developing products and services based on research, development and innovation in economic sectors with growth potential, such as manufacturing. If we raise the rating of the country and we get rid of the problems of economic and political instability and bureaucracy lifted, foreign investors could be directly Romania, as can be sure that they will recover their investment in a shorter time, to present when they are in danger of not regain it more. Therefore Romania is a country with potential in attracting FDI; the problem is that the country's potential is not exploited.

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INFORMATION ASYMMETRY AND ECONOMIC GROWTH

Cristiana Matei¹

Motto: *Simple but honest is more valuable than brilliant but dishonest.*
(Honoré de Balzac (1799–1850, France, French novelist, literary critic, essayist, journalist and writer)

Abstract:

The paper emphasizes the fact that most of the things we consider essential for our society are not fully based on information asymmetry, a concept highlighted by the theory developed by G. Akerlof, M. Spence, J. Stiglitz in the 70's. The effects of information asymmetry are visible everywhere; the current financial crisis is such an eloquent example - among its many causes may be an issue of information asymmetry where someone knew that crediting could not continue permanently, but that person preferred to speculate at the expense of those who made loans relying on the assurances given by the same persons who knew the system would not work forever.

Information asymmetry is complex; it is not a mere lie or about concealing the truth, but it is the result of a practical calculation made by the buyer, who does not want to be properly informed, as that would imply some costs he or she is not willing to pay. We can exemplify such an attitude when one wishes to buy a house, which would mean to look for information, know other buyers' experiences, discuss with the builders, the architects, the engineers, see many houses, know prices; these are activities that require time and money. Should one buy the house and should it not meet one's expectations, then it is mainly the buyer's fault due to the lack of information. Therefore, it is useful to investigate the relationship between information asymmetry and economic growth, especially as one of the perverse effects of information asymmetry is that there is not a clear obligation of the seller to voluntarily offer complete information, but on the other hand, he or she is obliged to correctly answer all questions.

Key words: *asymmetric information; sustainable growth; degree of operational leverage;*

Introduction

George Akerlof, Michael Spence, Joseph Stiglitz were the promoters of asymmetric information markets theory, which was developed in the 70's. George Akerlof wrote "The Market for Lemons"² in 1966, a research paper published four years later, in 1970: the literature had considered the subject unimportant up to that moment. This paper was the reason for which he was awarded the Nobel prize in 2001 altogether with other two authors for their work on the theory of asymmetric information markets. The aforementioned authors suggested a common explanation for a series of questions regarding various fields of economy: what is the explanation for the excessive interest rates on credit market; why those who wish to purchase a good second-hand car discuss the matter with a dealer and not with the private seller; what is the explanation of the fact that a company pays dividends to the shareholders even if it is subject to higher tax compared to the earnings; why insurance companies prefer to offer a list where higher deductibility is replaced by smaller reparation and so on.

The initiators of the theory of asymmetric information market have arguments are related to the definition of asymmetric information: some of the traders in the market have more information than the other party. Thus, lenders know more than borrowers about the timing of future payments, the seller knows more than the buyer about the car quality, the Chairman of the Board knows more about the company's profitability, and so on. The presentation starts from the rather contradictory relationship between better informed economic operators (managers, bankers, etc.) and agents who are less informed than the

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² Akerlof is probably very famous because of his article, *The Market for Lemons: Quality Uncertainty and the Market Mechanism*, published in *Quarterly Journal of Economics* in 1970, where he identified the major issues which could have an effect on the markets characterized by information asymmetry.

first category (investors: shareholders and creditors). Asymmetrically spread information regards the performance of the company (or its investment projects) and its ability to withstand various manifestations of risk associated with this performance. Based on this information asymmetry, better informed agents can take advantage of the others' lack of information. Therefore, there should be signals allowing the net distinction between the good and bad companies; the signals should not be copied by underperforming companies:

a) *Sustainable growth*: a company with effective investment projects will be recognized by reinvesting profits and through major participation of managers in funding investments. Being better informed on the performance of the new projects, they will be the first to invest their money in such projects. The managers of distressed companies, who would mimic the behaviour of the former, see their own money at risk and will not endanger such an investment.

b) *The operating leverage*: a modern company would not hesitate to renew technology and management, thus recording an increase of the fixed costs and operating risk. The turnover increase will bring higher profits compared with a company technically and managerially less equipped.

c) *The financial leverage*: a solid company is one that can afford a high rate of indebtedness to finance ambitious investment projects. It can repay debt and pay interest and maintain the ability to pay. It is risky for a distressed company to copy this structure because it accelerates the company's entry into default and even bankruptcy.

1. Long run economic growth eliminates information asymmetry

Sustainable growth is the ability of an enterprise to participate in its economic growth by investing part of the net profit and by increasing the number of shareholders and managers of capital.

It is important to pay more attention to risks arising from the effort of co-financing so as to ensure sustainable growth.

It is well known that the reinvestment of net profit is based on the shareholders' decision, who will take it only if reinvestment is made in effective investment projects, i.e. if the internal rate of return (IRR) is higher than the invested cost of capital (OCC - opportunity cost of capital). Thus, shareholders will be motivated to determine the full distribution of net profit as dividends which they will place on the financial markets to get higher returns to reinvest profits in the company. Managers will have to suggest the most effective development projects and convince shareholders to contribute to sustainable growth.

In order to maintain sustainable growth, it will be financed from external sources as well, from foreign lenders, but it is important that the leverage ratio should be one that does not endanger the continuous development of the company. If the company maintains an optimal leverage ratio, it could receive good treatment from banks / financiers and could preserve this rate by sustainable growth rate.

Such financing cannot be simply copied by managers or shareholders who suggest inefficient growth and major hazard projects. There are at least three reasons. The first one refers to the fact that they are the first to be informed about return and risk related to investment projects. The second reason relates to the fact that their company is not efficient enough if they suggest uncertain investment managements. The third reason is that managers will require banks to finance their development projects without using their own capitals.

Lenders will analyse the financing applications as well taking into account the concept of sustainable development but also in financial terms, and will refuse to grant

such loans. The situation when a company wishes to develop in the future will be considered next.

The analysed company established a 25% development of turnover to capitalize on business opportunities expected for the next year. Additional capital requirements (CAR) caused by the aforementioned economic growth specified is 66,650 c.u. (currency units) while the analysed company's ability to finance itself is about 14,400 c.u. Hence the company will turn to bank loans to cover the funding gap, with the risk of increasing indebtedness from 45% to 55%.

The predicted growth is an information asymmetry:

- The managers suggesting it are aware of the higher risks involved in such development;
- The financier analyses the credit application for the development project without having all the information regarding the risks associated.

Effective TO	= 500.000 c.u.		
Plan TO	= 625.000 c.u.	Self-financing:	14.430 c.u.
TO%	= 25%	New credits:	52.220 c.u.
The growth is not sustainable		Leverage	55%

Supplementary capital needed: 66.650 c.u.

The concept of sustainable development gives us an opportunity to correct information asymmetry through a balanced scheme for financing additional capital requirements, as well as sharing development risks:

- Either by sustainable growth less than 15% from the turnover, with supplementary capital needed of about 30.000 c.u., which could be financed from the net profit available for reinvestment and from credits, but without affecting existing leverage of 45%:

Sustainable growth rate = SGR	15%
Sustainable CAR	30.000 c.u.
Self-financing	16.500 c.u.
New credits	13.500 c.u.
Sustainable growth rate	45%

- or by accepting the 25% projected growth, but with the participation of company managers and shareholders to finance development by increasing capital so that financing new loans does not affect the optimal debt ratio of 45%:

Sustainable growth rate = SGR □	25%
Sustainable CAR	66.650 c.u.
Self-financing	15.000 c.u.
Share capital increase	21.660 c.u.
New credits	29.990 c.u.
Sustainable growth rate	45%

Both solutions are part of sustainable development as they involve company shareholders and managers in financing their development projects and it also means taking the appropriate risks.

It is understandable that the 25% development with the increased risks it entails will be accepted by the company management only if it is effective at this level of risk, otherwise it will be abandoned or adjusted in terms of scale.

2. The operating leverage effect eliminates information asymmetry

Economic risk expresses the operation results variability in relation to the variation of the turnover of the company. Economic risk is caused by the inability of the company to adjust its cost structure to the variation of turnover. Change in turnover has a determination which is external to the analysis of operating risk, being the result of marketing research (Stancu, 2007 Vintilă, 2006). DOL, the degree of operating leverage, expresses the percentage of

profit variation ($\Delta\text{Profit} = e\%$) at a percentage rate of turnover change ($\Delta\text{TO} = 1\%$); the variation is exogenously expressed in marketing research studies. Thus, starting from DOL, the degree of operating leverage, one can analyse the correlation between profit dispersion and the dispersion of its determinants.

The *operating risk*, respectively the variability profit due to changes in the level of activity and as a result of the company's position to breakeven will be analysed next, according to analysts in the field of company's finances.

Profit variability at a variation of company activity change is generally called coefficient of elasticity, and in particular, operating leverage effect². As a measure of activity, we used the turnover (TO), characterized by a certain volume of variable costs (VC), of fixed costs (FC), including depreciation (DEPR) and of profits (P) and through breakeven (BEP).

Thus, gross profit is determined by the relationship:

$P = \text{TO} - \text{VC} - \text{FC} - \text{DEPR} = \text{EBIT}$, where, if "v" is the coefficient of variable expense in total turnover, $v = \text{CV}/\text{TO}$ (respectively $\text{VC} = \text{TO} \times v$) it results that:

$P = \text{TO} \times (1 - v) - \text{FC} - \text{DEPR}$, where the dispersion and standard deviation of profit can be deducted, as economic risk measures, in relation to the variation of turnover components:

$$\sigma^2(P) = \sigma^2(\text{TO}) \times (1 - v)$$

$$\sigma(P) = \sigma(\text{TO}) \times (1 - v)$$

Therefore, the economic risk is higher, the higher the variability of turnover is higher and the higher $(1 - v)$ the margin on variable costs.

DOL, the degree of operating leverage, is the ratio of the variation of operating profit (ΔP_{OP}) compared to turnover variation (ΔTO).

This report can highlight the influence of turnover position compared to breakeven point (BEP) on the profit.

² In physics, the leverage effect involves the use of a lever to lift a heavy object using minimal force. In politics, people receiving the "leverage effect" can achieve a lot, only by a mere word. In business terminology, a high operational leverage effect means - where all other factors are considered constant - that a relatively small change in turnover will lead to a significant change in the operating profit.

$$DOL = \frac{TO_0}{TO_0 - BEP}$$

which shows that as turnover is farther from the breakeven point, the company is less risky (the closer to breakeven the riskier the company is).

We know that the breakeven point (BEP) depends on the size of fixed costs, namely:

$$\text{Pr exp} = \frac{FC}{1 - v}$$

and then the degree of operating leverage (DOL) is directly proportional to the size of fixed costs and to the proximity of turnover to the the breakeven point.

Here are some examples:

Sales		500.000 c.u.	DOL = 1,16
Variable costs	80%	400.000 c.u.	
Fix costs		10.000 c.u.	
Depreciation		4.000 c.u.	
Income tax 16%		13.760 c.u.	
Net income		72.240 c.u.	

A similar company, but with a higher fixed costs and lower variable costs, will have a higher operating leverage:

Sales		500.000 c.u.	DOL = 2,33
Variable costs	60%	300.000 c.u.	
Fix costs		110.000 c.u.	
Depreciation		4.000 c.u.	
Income tax 16%		13.760 c.u.	
Net income		72.240 c.u.	

The increase of fixed costs volume may be the consequence of superior technology and management. The requirement of such development is that the equipment is reflected in the increased turnover. Thus, each percentage of sales growth will cause a profit growth of 2.33%, which is above the company with the initial endowment of only 1.16%. The operating risk would be obvious when the decrease of the next turnover would occur, as profit will decrease 2.33 times.

By copying this management performance scheme, a distressed company is exposed to unfavourable risky operation. A similar technology and management not leading to an increased turnover will be fatally accompanied by the operating risk.

Therefore, the managers of distressed companies, being more informed in terms of consequences, will not approve such an investment.

Conclusion

Information asymmetry can be unfairly used by managers of distressed companies to copy development schemes, the structure of fixed and variable costs or indebtedness to highlight another picture of their activity. They are fully aware that the projected development is unsustainable, but they hope to gain an artificial appreciation of their performance and financing facilities from banks.

It is important that managers of performing companies always raise the performance level so as to keep away insincere persons from their development and financing plans. Financers as well must be particularly attentive and carefully analyse credit applications for investment projects and examine the sustainability of business development.

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- SECTION SOCIAL AND EDUCATIONAL POLICIES –

EDUCATION – A PILLAR OF SUSTAINABLE DEVELOPMENT

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Abstract: *Sustainable development is a complex process that requires both economic, social and human development, while maintaining a healthy environment, that does not affect the living conditions of future generations. Education is a central pillar of sustainable development, because through education it is ensured innovation and progress, but it is understand the role of maintaining a healthy environment. Educated people adapt more easily to labor market requirements and have the chance to earn more and have a greater stability in the labor market. This paper presents the role of education in ensuring sustainable economic development, under the current requirements of the transition to a green economy.*

Keywords: education, sustainable development, green economy

JEL classification: I25, Q01

1. Introduction

Sustainable development relies on economic, social and environmental foundations to improve quality of life and well-being of both the present and future generations. An important factor of development is education. An educated person is more likely to adapt to changes in the labor market, to face the competition and achieve higher earnings, which bring an increase in human welfare. However, in a community or society, the more people are educated, the more the level of development of that society and the disposition for innovation and progress increase. Therefore the objective of investing in education, in the continuous training of individuals, is found in any development strategy in the medium or long term.

In today's economy, in which it aims at transition to a green, environmentally friendly, the labor force training consistent with the requirements of green jobs is growing. Green economy requires the development of environmental activities in all areas and the efficient and rational use of resources, with emphasis on expanding the use of renewable resources. Also, the green economy involves developing knowledge, research and innovation, to create a framework for ensuring thee long-term sustainable development. (Babonea A.M., Thursday RM, 2012) This involves adapting educational programs to the transformations in the economy and the labor market. But, the educational system is not always ready to cope with this demand of green skilled workers, often it is necessary to have a period of adaptation. (SustainLabour, 2013) Therefore, educational policies generate results in the medium and long term. These results depend on many factors, such as: quality of education, ensuring the link between training and labor market requirements, participation in lifelong learning, skills anticipation for the future, continuity of policies and strategies adopted, government spending during the implementation of these strategies. Government policies, educational strategies, skills strategies and continuous training are fundamental elements in the transition to a low carbon economy. The way they are related with the principles of green economy and to the degree of their implementation depends on their contribution to ensuring sustainable development.

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2. Education for Sustainable Development

Education for sustainable development is how to make people to be responsible for creating a sustainable future. This level of education requires besides improving access to basic education and skills development, behaviors and knowledge for living in a green and healthy economy. It is based on five objectives:

- learning to know, which involves acquiring knowledge about sustainability, taking into account the relationship with the environment;
- learning to be, which refers to the knowledge of the complexity of man's relationship to society, environment and economy;
- learning to live together, which means learning to live with others, without affecting the present and future generations;
- learning to do, which means to contribute to a sustainable economy through their own decisions;
- learning to transform oneself and society, which means accepting change to make the transition as easy as, to a sustainable society, environment friendly. (UNESCO, 2016)

To achieve the above objectives, it is necessary to implement these concepts from childhood, which means that notions about sustainability, green economy and care for the environment should be included in school curricula at all levels. Childhood education creates skills, which influence the behavior and the adult personality, which is demonstrated through specialized studies (Siraj-Blatchford J.; Smith K.C.; Samuelsson I.P., 2010) The human personality includes both what has man from nature and what does he accumulate through education and training. (Savu M., Ciucur D., 2014) At the same time, education influences the evolution of occupational structures and is, in turn, influenced by it, in the context of the transformation of society and the transition towards sustainable economy. Education continues in different forms throughout the period of active life thus education market and labor market support and influence each other. (Serban A.C., 2012). As any society is the result of education of its members, education generates effects on economic, social and human development.

3. Aspects of education for sustainable development in Romania

“Education is the most effective means that society possesses for confronting the challenges of the future” (UNESCO, 2002) Thus, education is a basic element which contributes to the goals of sustainable development. Therefore it is very important how to develop educational programs, especially in the development of the concept of education for sustainability. Education for sustainable development involves not only the introduction of the topic of sustainability at all levels of training, but also correlating education goals for sustainability with those of general education. (Bărbuță R., Meșteru D.S., Moldovan C., 2016)

Romania has made progress in terms of development programs and educational policies, but efforts must continue to follow the trend of highly developed countries to create a future world skills required.

To observe the situation in Romania, in terms of educational situation, we followed several indicators, essential for ensuring sustainable development.

Lifelong Learning Indicator, which shows public participation in lifelong learning, recorded the lowest value, at EU level, for Romania. Countries with the best results from this indicator are Switzerland, Denmark, Sweden, Finland and Norway, countries that have invested heavily in programs and educational strategies (Figure no. 1). For Romania, this result means a great disadvantage because the low participation of the population to the

continuing education means a difficult adaptation of it to changes and competition on the labor market.

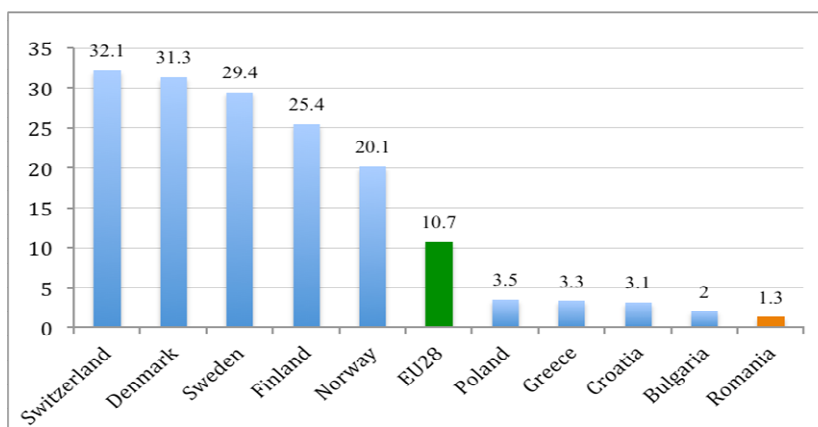


Figure no. 1. Lifelong Learning, 2015

Source: <http://ec.europa.eu/eurostat/data/database>

And in terms of early leavers from education and training, Romania is in a weaker position, having the highest level of this indicator among EU countries (Figure no. 2). This means a low confidence of young people in the education system and a negative impact on youth unemployment. These young people, who leave early education system, could become a social burden, as they adapt harder to labor market needs and can not get enough income for a decent living.

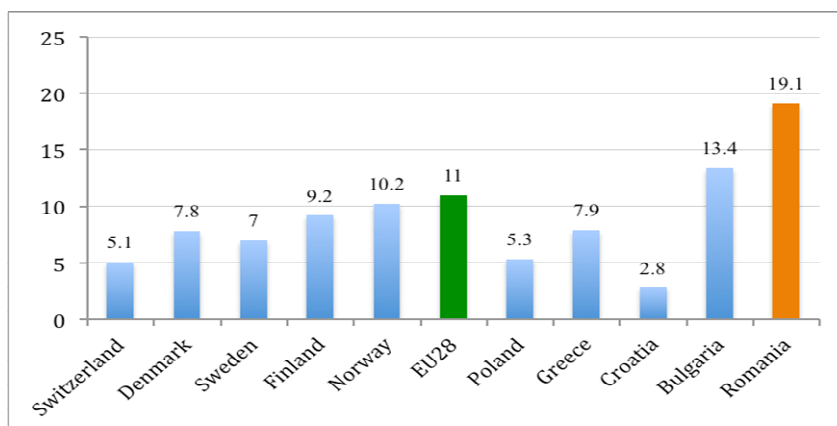


Figure no. 2. Early leavers from education and training (% of the population aged 18-24 years), 2015

Source: <http://ec.europa.eu/eurostat/data/database>

Sustainable development also requires investments in research, development and innovation. Analyzing research and development expenditure as a share of GDP, we see that they are the lowest in Romania, towards the countries analyzed. In Romania, in 2015, they accounted for only 0.49% of GDP, compared to 2.03% EU28 average (Figure no. 3).

In recent years, research has declined in Romania due to reduced investments in this area. (Teselios D., 2015) We must not lose sight of the very important role of research in the development and progress of a society. The effects of investment in education and research are observed in the long term, which often makes these areas might not be a priority for government policies which tend to follow, especially in short term. The underdevelopment of research and innovation area produces the following effects: decreasing economic performance and competitiveness, reducing entrepreneurship,

migration of researchers to other countries or redirecting them to other areas, all this amplifying the economic and social losses in the long term.

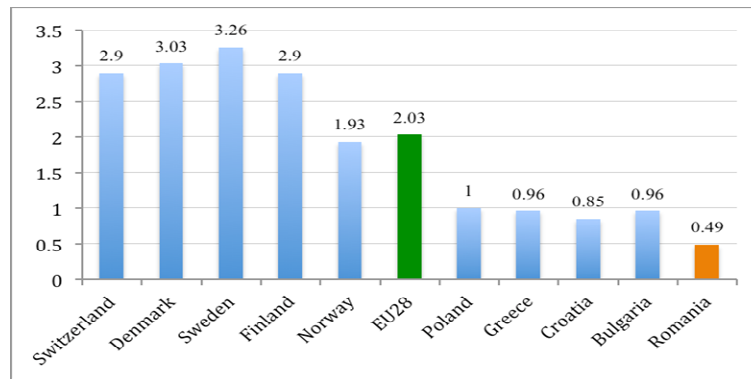


Figure no. 3. Total R&D Expenditure (% of GDP), 2015
Source: <http://ec.europa.eu/eurostat/data/database>

According to Green Business Index or Eco-Innovation Index, Romania has made progress in understanding and in awareness on the importance of the environment for all economic activity. Thus, companies in Romania have diversified their programs and projects which aim at implementation of green management and increasing environmental responsibility. The vast majority of Romanian companies which are involved in the realization of Green Business Index ratio (91.3%), aim at the adoption of an environmental policy and is actively involved in its implementation. (Green Revolution, 2016)

Eco-Innovation Index, a composite indicator which is calculated at EU level to show environmental aspects in innovation activities, shows a good position of Romania in relation to other European countries (Figure no. 4). This indicator captures aspects of the implementation of measures/innovations to reduce energy consumption, investment in green activities, efficient use of resources, reduce CO2 emissions. These results, for Romania, show a high potential for expanding activities involving a greater care for the environment.

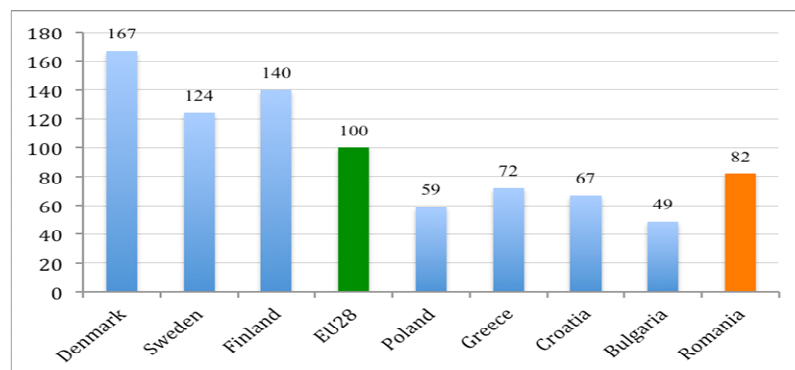


Figure no.4. Eco-Innovation Index, 2015
Source: <http://ec.europa.eu/eurostat/data/database>

These indicators are based on only some aspects of Romanian education status and concerns for developing research-innovation in accordance with requirements of ensuring sustainable development, which means both economic development and human, social and environmental development. The steps that Romania must follow below are those that fall it on the development trend imposed by the need for transition to a healthy economy for man and environment.

4. Conclusions

Education is the path to progress of any nation, being a main pillar of sustainable development. Education for sustainable development is a priority of the European and international strategies, which means that individuals and companies to focus on knowledge, innovation, the creation of highly skilled, care for the environment and quality of life.

Education for sustainable development aims to solve the problems of excessive consumption, inefficient use of resources and pollution through awareness and responsibility. It addresses the elements of equity, solidarity and responsibility in the present and future generations, to improve the relationship between man and nature.

To adapt to these trends, Romania should continue its efforts to improve the correlation of educational programs to labor market needs to improve, through suitable programs, the participation in lifelong learning and to give more importance to research and development area. Also, an important goal for the educational policies and strategies in Romania, is the development and expansion of educational programs that addresses sustainability issues at all levels.

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THE GENERAL PRINCIPLES OF BIOECONOMY THROUGH 2020 STRATEGY

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Abstract: Present and future economic development involves a high consumption of natural, informational resources, in order to generate economic goods which satisfy the global demand. The danger would be the excessive use of natural resources, the Planet being unable to replace them, to restore or store them. The fault that was generated between economy, as the primary human activity of creating economic goods to satisfy the needs of humanity and nature, as the main reservoir for the production of natural resources, supporting life in order to coordinate ensuring biodiversity, biorhythm and perpetuation of species, has led to taking positions for the purposes of reconsidering production methods, development trends and development needs of mankind in the context of ensuring and preserving life opportunities.

In this regard, the European Union carried out Europe 2020 strategy through which it advocates for bio-economy as a key element for a smart and green growth in Europe. Within this strategy there are identified a number of human actions that jeopardize the continuance of life on Earth, from production models which society applies, waste management, incidence of productive and polluting activities on the natural environment, to diets, consumption patterns and their influence on the population's living arrangements.

Key words: natural resources, economic development, sustainability, environment

JEL Classifications: I15, I31

Introduction

The economy based solely on the price dynamics, the opportunity cost, Pareto optimality, accumulation, maximizing utility/profit, comparative advantages and/or which use the growth in GDP per capita as an indicator of welfare became unsustainable and problematic. Most studies indicate that these tools have been designed somewhat isolated from natural eco-limits signals and/or the ability of the environment to assimilate soil depletion effects, consumption, emissions, etc. Currently it needs creating a system whereby the economy and/or society within the natural limits of sustainability will be reintegrated (Commoner, 1980). The principle of *more with more* specific to the industrial society must be abandoned, and rather *more progress with fewer resources* should be placed at the base of the economy and society's relationship with the environment.

Literature review

The alternative to the traditional growth pattern seems to be a paradigm based on social and environmental targets and not on maximizing usefulness (strong sustainability/quality growth). The main problem currently addressed is that the concept of *strong sustainability* is rather normative and ethically than analytic and operational (Dietz, Neumayer, 2006). The main *weak* principle is that what determines the ability of the future generation to improve their wellbeing/utility function is the quantity and quality of capital that is available to them. In other words, a sustainable economy is inseparable of its productive capacities that have to produce *in extenso* wellbeing for the future generations and is based on the substitution among the different forms of natural and manufactured capital. A (Pearce, Atkinson, 1998). The main disagreements with this position are that,

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generally, the natural capital is under evaluated and a great part of the effects of economy on the environment are irreversible and incontrollable (Chichilnisky, 1998). Relying on an overly optimism given the fact that technological progress tends to generate *rebound effects* and the market to internalize benefits costs and to socialize costs; the substitution of manufactured capital for natural non renewable capital is problematic because it is limited and mostly because the production of manufactured capital requires materials consumption and energy that cannot be substituted (Daly, 1997). On the contrary, the concept of strong sustainability rejects optimism based on continuous, dynamic market price (as the only tool for efficient allocation and distribution) and environmental substitutability, and insists that sustainability means soon to make available to future generations the same level of non-renewable resources and/or environmental quality; in terms of growth; the concept of strong sustainability is soon focused on aspects pertaining to the development and quality of life than the accumulation, consumption increase, GDP growth (Ayres, Jeroen, Gowdy, 2000). Difficulties, advantages and applications arising from the *weak/strong concepts of sustainability* are extensively discussed by Goodland (1995), and Rennings Hohmeyer (1997) and Dietz and Elizabeth (2006).

Bioeconomy and ecoeconomy

Ecoeconomy transforms the benefits of ecology and bioeconomics into economic policies which gives sense and rationality in economic activity, both at the level of consumption, as the defining act that supports a market economy, as well as at the level of the allocation, as a way to reduce societal inequalities. The problems mankind are facing , from those related to the irrational use of natural resources, reaching their limits and generating increasing greenhouse gases, global warming, the intensification of natural disasters, from the economic crisis, generating economic recession prolonged unemployment, structural deficits, with repercussions on the quality of life, make necessary a rethinking of the economic system on the basis of rational ethical, environmentally friendly. Naturally, ecoeconomy becomes an integrative concept which can manage unitary environmental, social, economic, and ethical issues. The allocation issue is obviously inherent particularly for the fact that without effective allocation, the production might lie over the marginal cost, what would mean the waste of resources and energy, etc. We believe that the allocation can be integrated into paradigms of development/growth and completely different from the traditional approach. The issue of the allocation lies in the size of the scale and intensity of the increase, which takes perverse effect on a finite ecosystem, as the Earth's ecosystem is, which cannot support a continuous growth of savings through the introduction of new needs.

Regarding the problem-solving approach to the allocation of the comprehensive concept of *economic justice*, Chichilnisky (2001) introduces the concept of *tragedy of the commons*. The resource allocation thus becomes a matter of survival for generations, both present and future generations, in terms of access to and benefits from its environment and can be dealt with, through knowledge, with major benefits. The more eco-efficient the allocation process becomes, more development will be generated by the distribution of economic wealth- justice. What ranks the economy and ecology of the opposing positions is probably how the market works in relation to the negative externalities they produce.

The market trend is to internalize the benefits and socialize costs/externalities. A way of questioning this difficulty and which reflects the policy of the Kyoto Protocol (1997) provided by Chichilnisky (2001, 2006). Emissions, deforestation etc. may be addressed, as well as knowledge, or public goods privately produced. If knowledge is non-rival and/or globally available, mostly due to new information technologies, CO2 emissions, reflecting the same infinite expandability, are global. Knowledge and CO2 emissions are generated by different private economic agents. In other words, knowledge,

and CO2 emissions, is public goods produced privately. The implications of this 'treatment' are immediate and institutional and bring together the development and equity issues while reducing damage over the environmental. The most important is probably the movement of trade in goods.

Considering the fact that public goods, such as CO2 emissions, different ideas, blueprint (are infinite-expansible for the purposes of the provision of services and advantages/disadvantages) etc. are produced privately, a new institutional system or a new system of property rights, is necessary. Chichilnisky argues for the marketing rights of ownership to pollute or to use the atmosphere (global emission markets) that makes it possible both to internalize negative externalities by rights policy (or to counteract the tendency of the market to socialize the costs), as well as the possibility that the emissions intensity, mainly due to better align costs with benefits.

Through such instruments a greater openness of economies towards new and more environmentally friendly forms of production (*knowledge society*). What is likely to separate public goods markets of private goods markets are the principles of efficiency and equity, which separated in traditional markets in goods, become correlated on markets of public goods. Thus, economies that pollutes less atmosphere or depend on more than natural resources, but without being as polluting as industrialized economies have more rights to pollute and vice-versa, savings that pollutes more, have smaller rights to pollute; in this case pay more to acquire more rights. This is covered by the Kyoto Protocol (2005) which becomes an instrument of international law (Chichilnisky, 2006).

The principles of fairness and efficiency in particular are reflected in identifying public property and private (non-competing). And fairness, and effectiveness of specific trades and allocations under the market meet here; the market is not eliminated, but under the new institutional arrangement it produces greater equity, not just efficiency. Under these circumstances, Chichilnisky (2001, 2006) believe that the relationship between the North (industrial) and South (natural resources), based in particular on exploiting comparative advantages, it might change in the direction of greater equities, effective and sustainable, that seem to characterize the overall knowledge and information society. The debate on *sustainable degrowth* is extremely innovative. Perhaps the main problem of inputs increasing returns (knowledge, innovation, and about all forms of complementary organizational capital) lies in the fact that they cannot be separated easily from the so-called *rebound effects*. The downside of Chichilnisky's argument is that clearly the economies and/or the expansion of the knowledge society is not/ are *eo ipso* sustainable. In other words, even if the production of knowledge and/or innovation puts us in a position to generate more output without resorting to physical quantities greater than inputs, the end result is not done in a reduction in the consumption of raw materials and energy, but quite the contrary.

A whole series of studies argues for the generation of *rebound effects* that accompanies the dematerialization of securities (Schauer, 2002). The *degrowth* debate insists particularly on the restoration of economy in environmental sustainability, through voluntary, democratic decisions and the reiterated focalization of the politics on the satisfaction of the basic needs and/or qualitative development (Fournier, 2008). Thus, even if the savings are widely dematerialized, environmental damage is incremental at best slowed, not avoided (Schneider, 2010). The decline in consumption or the change of the *consumer lifestyle*, the orientation of economies rather on development (quality) than on increase (quantity), the difference between efficiency and growth (decrease does not mean an abandonment of efficiency, but an increase over the limit of the environmental sustainability and innovation-Schneider, 2010), reiterating the role of ownership in concentrating benefits and socialization of costs etc, all constitute a decreasing of the

debate topics. An approach to sustainability considering the dematerialization of savings must be inevitably faced with *rebound effects*. However, this discussion re-opens soon, toward solutions to a concept of *strong sustainability* than towards an approach based essentially on maximizing usefulness and/or GDP growth.

Basically, ecoeconomy is a complex integrating process, generator of wealth that supports not only to cover the people' needs, but also incorporate them, in measures of standard of living and quality of life of those aspects pertaining to incommensurable individual freedoms, safety, honesty, morality, equality of opportunity, respect, honor. Hence, the ecoeconomy helps with emphasizing human development and the qualitative approach of economic growth policies on ensuring the sustainability of development, strengthening the links of causality between economic growth, human development and the natural environment.

Ecoeconomy is regarded as a further step towards the economic science to devise economic life and health values of products from the perspective of 'whole health living', is strongly grounded on the principles of Economics and bioeconomy.

Bioeconomy uses soil and biological resources (growth), as well as waste as raw material for the production of **bio-products** (food, feed, energy, industrial and production). It also includes the use of environmentally-friendly processes for sustainable industries (it is known that biowaste have a considerable potential as an alternative to chemical fertilizers or for conversion into bioenergy and can contribute to the achievement of the 2 % EU objective regarding renewable energy).

In essence, the "Ecoeconomy" is both a present and a future concept because it makes reference to the policies of stimulating innovation and creativity combined with superior technologies, scientific research and care in relation to the environment, in the light of the concept of sustainability. Any of the approaches represent a net gain for the economy, for the economy as a whole, subject to the condition that the popularization of the term complies with the conditions of space, time and action.

Among the desiderata of the Strategy regarding "Innovating for Sustainable Growth: a Bio-economy for Europe" there are included:

- **ensuring food security** in terms of global population growth combined with increasing demand for food whose ensuring requires the creation of more efficient food supply chains in terms of natural resource use;
- **sustainable resource management** subsumes the concept of "more with less" by pursuing to improve mechanisms for providing food and means of production on account of the increase in productivity, scientific research and technological innovation in agriculture and resource management, providing a sustainable approach to the natural environment ;
- **reducing dependence on natural resources** refers specifically to the increased incidence of bio-products made from renewable energy sources at competitive prices, without compromising food security, without increasing pressure on the environment and on the primary production, and without distortion on the markets in favor of energy consumption; at the same time blue growth is encouraged by developing the sea exploitations in terms of increased economic efficiency, reduced pollution sources by generating carbon dioxide that can affect environmental sustainability;
- **climate change mitigation and adaptation** especially involve developing scientific research and technologies that reduce emissions of carbon dioxide and activities that efficiently use unnatural resources and renewable energy; the reduction of carbon emissions process is lengthy and costly and involves the use of clean technologies, the change of production methods and consumption patterns,

replacing production with intensive carbon, energy and water consumption with bio-products. Another issue that the EU is considering is the process of carbon sequestration (capturing carbon dioxide in a form that prevents its issuance in the atmosphere)(Moraru, 2010)in agricultural soils (through management practices that relate to work for soil conservation) and on the seabed and increasing the forest resources. Promoting the sequestration process of organic carbon presents essential benefits to mankind by improving agricultural productivity and sustainable development of agriculture.

- **creating jobs and maintaining European competitiveness** is the main concern of EU in the context of the shortage of jobs in the prevailing economy generated by the relocation of production towards emerging economic areas in search of low costs, especially of the work; another element that contributes to the need to intensify competitive bio-products is the excess of economic goods from emerging markets at low prices that put the consumer into difficulty in terms of family's budget and of the decrease in purchasing power, effect of a decreasing work demand. In these circumstances, consistent economic policies are necessary to support private investments in the bio-economy field, in particular by supporting entrepreneurship in the production of renewable energy, their usage in the manufacturing of bio-products designed to cover human needs. This fact is particularly more important as it enhances the gaps between economic environment and natural environment by damaging ecosystems, global warming, climate change, structural changes in habitats.

Even if bio-economy involves reaching limits of humanity in terms of the momentum of technology and scientific research in the attempt to maintain control over the possibilities of recovery and regeneration of the planet, by industry scope, man creates mechanisms for understanding and well communing with nature in order to solve problems aroused by the dynamic integration in the natural environment (Serban, 2013). According to researchers, the industry scope is close to the upper limits of development in this ecosphere. For this reason, through joint efforts it is necessary to invest in education, research, new, innovative technologies in order to produce and consume bio-products which give sustainability to the human activity.

Conclusion

Considering how the economy and the environment are addressed, often as separate entities, which operate according to different principles, corrections are required in the way of substantiating and applying them within human and economic entity. In the minds of many people, economic growth comes naturally to the detriment of the environment and protecting natural resources impose constraints on economic growth. This approach on economy and environment is not sustainable and sustainability is perceived more as an environmental concept than an economic one. In reality, a sustainable vision, which does not overlap the pattern of economic development, is inconsistent with the development trends, including the perpetuation of life and habitats. Economy of the future will require an economy that rather reinforces and builds on ecological principles than working against them. This type of economy is eco-economy.

Essentially, eco-economy transfers the benefits of the bio-economy on all components of economic life, providing the individual and his needs a dominant part and advancing renewable resources, innovative technologies, products of scientific research for the integrated development of the society in relation to the environment and maintaining it at a favorable level for the perpetuation of life.

The intention of my approach is to conduct an exhaustive scientific research on the concept of eco-economy and identify assessment, commensurate or delineation instruments for specific variables, factors of influence and status or dynamic indicators.

Eco-economy advocates for public education in terms of resource consumption, efficient waste management in order to protect biodiversity, natural heritage protection and development of ecological consciousness of people, along with increased commitment to protection and preservation actions.

Human dependence on ecosystem services is part of biodiversity degradation a threat to the future well-being of all people. In these circumstances, eco-economy proposes developing a responsible attitude towards the natural environment, some pro-ecologic habits and practices in relation to the protection and preservation of the environment, public awareness about the problems caused by the irrational exploitation of resources and the negative effects on the environment among which the most important are the high levels of pollution and climate changes. Essentially, eco-economy aims applying the principles of sustainability and sustainable development at group level and translating them to the community in order to improve perceptions about the indissoluble link between the natural environment and rational use of natural resources.

Eco-economy aims to change the perception on the content of the economic growth concept, by raising awareness, people realizing how vital is for the next generations that us, people of today, rationally consume natural resources with a significant impact on the result achieved, with a driving effect on the economy. Sustainable economic growth requires sustainability and sustainable development involves more than economic growth.

Eco-economy responds to the need for developing a modern education, which for now could create that human wisdom, able to engage in active participation, capable of defining an ecological position ecological, in order to rationally use natural resources, in line with sustainable development and natural environment protection.

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EDUCATIONAL POLICIES IN THE EUROPEAN UNION

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Abstract:

Educational policies are the strategic development directions of the educational system created according to some studies of analysis, synthesis, diagnosis and prognosis typical of educational environment at all levels.

Preparing a coherent set of educational policies involves identifying the social demands, aspirations and major educational issues of the community and of its development process.

In the European Union, all member states are responsible for their educational and training systems; the EU policy is supposed to support the steps taken at national level and to help address common challenges such as population aging, lack of skilled workers, technological developments and global competition.

In Romania, the educational system has required an ongoing reform meant to ensure a balance among quality, equity, diversity and competence at central and local levels. The Romanian educational system is continuously changing and improving in various fields and levels, in compliance with economic, social, political and cultural changes.

Key Words: educational policies, educational system, education, training

JEL Classification: I2

1. Introduction

Nowadays, it has been demonstrated worldwide that investment in human capital, human education are major determinants to the future of any country. The knowledge, skills and creative abilities, moral and spiritual qualities of individuals in any society depend to a large extent on educational policies, education systems' quality.

European Union imperatives in the field of education system aim at a harmonious, well built system, where the main role lies with the youth. The first steps for achieving this goal have been made with the establishment of the European Union. Thus, the Treaty establishing the European Community has laid down steps to support Member States in developing their educational policies, each Member State having complete freedom and responsibility in the organization of its education in compliance with community principles, namely: non-discrimination, free movement of people, freedom of settling, etc. Thus, they have reached a consensus on joint objectives and an exchange of best practices in the field has taken place. After this time, they have developed a series of programmes for educational purposes, such as those designed for the academic level or vocational training for young people.

2. European Cooperation in Education

European cooperation in education begins with the adoption of the *White Paper on Education and Training*, "Teaching and learning - towards Knowledge-Based Society", by means of which the European Union is moving towards a knowledge society based on lifelong learning.

In the field of education, a prerequisite for adjusting to economic, social, informational requirements in constant change is ongoing learning. Both at European and global levels, lifelong learning has become a priority of education systems in recent years.

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Formal and informal education must customize and develop skills taking into account society requirements as a whole and the needs of each individual.

At EU level, they have implemented the "Lifelong Learning Programme" comprising a number of sub-programmes, namely:

- *Comenius* for public and private school education, and for those who operate in this sector: students, teachers, parent associations, local authorities, NGO's etc. This sub-programme financially supports school partnerships, teacher training, initial and ongoing training in order to increase the quality and enhance the European dimension in education;
- *Erasmus* for higher education seeks to increase the quality and volume of students' and teachers' mobility at European level, cooperation among higher education institutions in Europe and increasing transparency and compatibility between higher education and vocational qualifications achieved at European level;
- *Leonardo da Vinci* for vocational training and education aims at transnational cooperation in the field of labour force vocational training. It aims to increase the quality of vocational training systems and practices, to use new methods and tools for vocational training throughout life;
- *Grundtvig* for adult education offers educational alternatives to those who want to acquire new skills, regardless of age. This sub-programme is addressed to institutions or organizations dealing with education for adults, namely people aged over 25 years or young people under that age no longer part of a formal education system;
- *Jean Monnet* for European integration in higher education institutions.

The feature of lifelong learning is that an individual is at the core of learning bearing all responsibility of learning, formal education being complemented by informal education and implicitly non-formal education.

Cooperation at the European Union level for the current period is regulated by a new strategic framework "2020 Education and Training" which aims to support Member States with regard to the further development of their education and training systems which should provide all citizens with the necessary means to reach their own potential, to ensure sustainable economic prosperity and professional integration or employability.

"2020 Education and Training" – Reference Criteria

Table 1

<i>No.</i>	<i>Reference Criteria</i>
1.	at least 95% of children aged 4 and of mandatory school age should attend preschool education;
2.	the share of young people aged 15 who do not have enough knowledge of reading, mathematics and science should be below 15%;
3.	the share of young people aged between 18 and 24 who have left school early should be below 10%;
4.	at least 40% of people aged between 30 and 34 should have graduated from some type of higher education;
5.	at least 15% of adults should attend lifelong learning activities.

Source: prepared by the authors

From the perspective of lifelong learning, European cooperation is based on the efficient use of the *Open Method of Coordination* (MDC) and ensuring the synergy among all stakeholders. In order to achieve these goals, they have created in the European Union a platform for sharing best practices, for gathering and disseminating information and

explanations about the tools that have proven functional, and advice and support for such reforms. Additionally, they have organized working groups made up of experts from member countries that prepare strategic guidelines and joint tools to ensure the smooth implementation of the strategic framework “2020 Education and Training”.

3. European Policies for Higher Education

In terms of educational policies for higher education at European level, one of the important documents was the 1999 *Bologna Declaration* whose aim was to create a “*European area of higher education*” based on international cooperation and academic student, teacher and researcher exchanges.

The Bologna process envisaged:

- *higher education* in two cycles, namely two distinct situations of undergraduation and graduation, the access to the latter cycle being conditioned by the graduation of the former, and it can take at least 3 years and should lead to getting a Master’s degree / Ph.D. degree;
- *providing quality education*, that is increasing the competitiveness of European higher education systems internationally;
- recognizing qualifications and periods of studies, namely adopting a comparable degree system, adopting a system of transferable credits (eg. ECTS) in order to extend student mobility and recognizing periods of studies regardless of places of training sessions.

When harmonizing educational policies at European level there were some remarkable moments, namely a series of conferences held on the subject in Prague, Berlin, London, Leuven / Louvain-la-Neuve (Belgium). Thus, in Prague in 2001, they outlined the idea of “*lifelong learning*”, involving students as active partners and increasing attractiveness and competitiveness. The Berlin Conference of 2003 aimed at accelerating the achievement of the European higher education area, and in Bergen in 2005, they stressed the importance of partnerships of all stakeholders (students, universities, academic staff, employers). For the first time, they talked at this conference about the principle of sustainable development in education. The 2007 London Communiqué emphasized the role of higher education in promoting social cohesion, reducing inequalities and raising the level of knowledge, skills and competences in society. At the conference of Leuven / Louvain-la-Neuve (Belgium), they focused on the social dimension, lifelong learning, student-centered learning, employability, mobility, research and innovation. One should also mention the Lisbon Strategy (2000) which aimed at creating a “*European Research area*” and also ongoing education and training.

In Romania, educational policies should comply with the new changes generated by the current state of higher education. In academic year 2014-2015, the national higher education system included 101 institutions, of which 55% were public property covering 38 counties and Bucharest (which owns a quarter of students enrolled in the public education system and half of the students enrolled in the private education system).

In the same academic year, higher education institutions in Romania welcomed 541,700 people, 6.4% (37,100 people) fewer than in the previous academic year. Of these, 76% were enrolled in undergraduate degree programmes, 20% in Master’s degree programmes, 3% in doctoral study programmes and about 1% in postgraduate programmes.

In this context, namely a downward trend characteristic for the entire Romanian higher education, it will be difficult for our country to achieve one of the targets of the “2020 Europe Strategy” which stipulates that at least 40% of the population aged between

30 and 34 years should have completed tertiary education or have obtained a university degree or a similar qualification.

In the European Union, in 2014, 37.9% of people aged 30-34 were graduates of tertiary education, of which 42.3% women, 33.6% men respectively. In 17 EU countries, the 40% target has already been reached, and in 5 countries (Lithuania, Luxembourg, Cyprus, Ireland, Sweden) the share of graduates in the age group 30-34 years has exceeded 50%. In contrast, in 8 EU member countries including Romania, the share of university graduates is less than 30% of the 30-34-year old population.

For the 2020 time horizon, Romania has set a target of 26.7% university graduates in the total population aged 30-34 years, ranking second to last in this endeavor.

The future of the Romanian higher education requires several changes, both quantitatively and especially qualitatively. According to the document “*Vision on Romanian Higher Education in 2025*”, the principles that will govern this type of education are:

- *customization* in order to ensure flexibility of the educational process;
- *diversity*, that is the possibility of diversely developing higher education institutions;
- *transparency*, namely the existence of a strategic relevant information system that is easily accessible to all stakeholders: students, academics, employers etc.

Achieving these goals involves certain stages related to the classification of universities and the ranking of study programmes, effectiveness of quality assurance systems, effectiveness of mechanisms for financing higher education.

3. Educational Policy in Romania

The Romanian education system is continuously changing and improving in various fields and levels, according to economic, social, political and cultural changes in society. The main issues envisage:

- *Practical lifelong learning and mobility*. As of 2009, along with the development

of the “*Lifelong learning strategy*”, they have made much progress in identifying strategic priorities and areas for action in the field of lifelong learning, such as the recognition and validation of non-formal and informal education, and orientation of education and training towards the development of transversal skills at any age.

- *Improving the quality and efficiency of education and training*, focusing on learning foreign languages and acquiring some basic skills of reading, mathematics and science. Initiatives have aimed at promoting multilingualism that is increasing the diversity of modern languages learned; according to European recommendations tailored to the needs of the labour market, it is required there should be many foreign language speakers. Thus, they have set up bilingual classes and groups as of the fifth grade. Particular attention is given to the improvement of key competences in primary education, namely the development of linguistic communication competence in the Romanian language.

- *Promoting equity, social cohesion and active citizenship*. At European level, according to the 2020 Europe Strategy, the rate of early leaving the education and training system should not exceed 10% by 2020. Romania aims at reaching 11.3% by 2020. In 2015, the rate of early school leavers was 18.3%, the most affected being children from rural areas, Roma children and children with special needs. It is estimated that 1 in 3 children in rural areas leaves school before the 9th grade because of poverty, limited education of parents, low level of accessibility to educational services, poor infrastructure.

One of the outstanding issues has focused on early education for children under 3 years old as the basis for later learning. Thus, via substantial investment in this kind of education, in the long term there will be a lower dropout rate, there will be foundations for lifelong learning and an increased rate of socio-professional integration. Particular attention must still be given to children with special needs in order to prevent school dropout and improving school success rate for these students with special needs.

- *Enhancing innovation and creativity, as well as entrepreneurship at all levels of education and training, namely all citizens' acquiring transversal competences and securing the smooth running of the knowledge triangle: education-research-innovation.*

2020 Europe Strategy Objectives and Romania's Targets

Table 2

No.	2020 Europe Strategy Objectives	Romania's Targets (%)
1.	75% of the population aged between 20-64 must be employed;	70
2	The share of students who leave school early should be below 10%;	11.3
3.	At least 40% of people aged between 30 and 34 must have graduated from tertiary education;	26.7
4.	At least 15% of people aged between 25 and 64 must attend lifelong learning.	10

Source: prepared by the authors

2020 Europe Strategy, via the largest of the objectives it pursues, particularly aims at education due to the direct impact that the latter has on employment growth through employment on the labour market, acquisition of skills and vocational training.

The targets set by Romania for the year 2020 are mainly generated by the current situation, both economically and socio-politically. Statistics show that of the total population, the one in rural areas has the lowest rate of participation in education and training: 45% of youth live in rural areas and their percentage of attending tertiary education is relatively low, with 24% of students in this category.

Education remains a sensitive area of the Romanian economy. Although in recent years the public spending for this sector has increased (from 2.8% of GDP in 2012 to about 3.8% in 2015), there remain several issues that still have not been solved.

Conclusions

Major changes in all areas of economic and social life in the world pose new challenges for education policy reforms in each country, ensuring a balance among quality, diversity, equity and efficiency on the one hand, and skills and autonomy on the other hand.

European educational policies, today more than ever, must be oriented to education and social cohesion; the effective functioning of any educational system must be based on a high quality level by which every individual should be able to discover, improve and use their skills.

Europe's becoming a knowledge society with a key status in the globalized world economy depends, inter alia, on the way education and ongoing training are performed.

Policies aimed at young people should not be limited only to education but they must consider other issues, too, related to their right to enjoy equal opportunities in all aspects of social life: high quality education and training, services for seeking jobs, jobs appropriate to their skills, the right to social security benefits and the right to receiving housing.

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THE CHALLENGE OF SOCIAL INTEGRATION OF IMMIGRANTS IN EUROPEAN COUNTRIES BETWEEN UTOPIA AND POLITICAL SUICIDE

Ramona Birău¹

Abstract : *This paper underlines the challenge of social integration of immigrants in European countries considering the bloody terrorist attacks which took place in recent past. Current waves of immigrants who have entered Europe provided a controversial perspective on socio-demographic characteristics of immigrant populations. As a result, the new European immigration reforms are required to achieve certain important features regarding integration and social cohesion. It is also very important to highlight the link between immigration policies and radical Islamic terrorism. The social integration of immigrants in European host countries seems not a very realistic prospect given the many cultural, religious and welfare differences. Moreover, the recent influx of Muslim immigrants continue to become more like a reversed memory of glorious white European settlers who colonized the uncivilized nations. The statistical analysis provided by this research article reinforces the concern regarding social integration of immigrants in European countries.*

Keywords: *immigrants, social integration, Islamic terrorists, European countries, statistical analysis, immigration reforms*

JEL Classification : F0, J0, H0

1. Introduction

This research paper investigates the challenge of social integration of immigrants in European countries given the multitude of negative events in the recent past. Regarding the possibility of social integration, the individual characteristics of immigrants are extremely important in this process. Furthermore, immigrants with better chances of integration are individualized by specific traits such as : knowledge of foreign languages, work-related skills, professional training, moral values, age, race, respect for law, obedience to national authorities and EU institutions. According to Eurostat - Migration and migrant population statistics, citizens of non-member countries are better selected in relation to factors such as language proficiency, work experience, education and age. Obviously, the attitude towards the idea of immigrants of the host communities is critical to social integration. From the beginning, combating discrimination and racism are some important EU policy goals. However, it is important to understand the concept of immigrant based on the differences between citizens of non-member countries and people with citizenship of a different EU Member State from the one to which they immigrated. Naturally, myths spreads on immigration and the effects are often deliberately amplified in one direction or another, especially for further consideration. Illegal immigration represents one of the most debated issues and there are many controversies regarding its negative implications for EU Member States. In addition, certain terrorist attacks are closely linked to the recent waves of immigrants in EU-28 mainly due to increased possibility to infiltrate amongst the very immigrants who seek asylum. In other words, there were cases in which radical Islamic terrorists were unfortunately believed to be Syrian refugees seeking asylum in European Union Member States.

2. Literature review

The aim of this literature review is to provide a comprehensive framework on the issue of social integration of immigrants in European countries considering that it is a subject of great current interest. A rather high concern about the diversity of multicultural

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perspectives provides the opportunity to identify a realistic assessment of the social integration of immigrants in European countries. The academic research are not similar and reach very complex approaches based on useful conclusions.

Marino, Penninx and Roosblad (2015) argued that immigrants are often considered “as outsiders who take jobs, sponge welfare benefits, and threaten social cohesion”. Moreover, Markaki and Longhi (2013) suggested that “regions with a higher percentage of immigrants born outside the EU and a higher unemployment rate among the immigrant population show a higher probability that natives express negative attitudes to immigration”. However, UNICEF revealed a very delicate ie “children and women, especially those migrating without documentation, are vulnerable to trafficking, abuse and exploitation”.

Boer (2008) investigated the issue of immigration and its effect on the security discourse in Europe and emphasized the importance of “a regulatory balance between the creation of a common asylum and immigration policy and the repression of illegal immigration and trafficking in human beings”. Giulietti, Guzi, Kahanec and Zimmermann (2013) investigated certain sensitive issues such as unemployment benefits and immigration based on an evidence from the EU.

Toshkov and Kortenska (2015) suggested that “immigration seems to undermine integration, although internal migration within the EU is necessary for the successful functioning of its economic union and the future of political integration” based on a case study targeting Spain, France, Ireland and the Netherlands. Mood, Jonsson and Brodin Laftman (2016) investigated immigrant integration and youth mental health in four European countries, ie England, Germany, the Netherlands and Sweden.

Ceobanu (2011) investigated immigrants’ impact on crime in European countries and concluded on the basis of his analysis that it is influenced by certain factors such as “having friends among immigrants, residing in an ethnic neighborhood, having affinity with right-wing ideologies or several socio-demographic characteristics”.

3. Empirical analysis and dissemination of results

The World Bank suggested that more than 247 million people were living outside of their countries of birth in 2013, and over 750 million migrate within their countries. According to Eurostat - Migration and migrant population statistics, a total of 3.8 million people immigrated to one of the EU-28 during 2014, but partitioned by member states, Germany reported the largest total number of immigrants (884.9 thousand), followed by the United Kingdom (632.0 thousand), France (339.9 thousand), Spain (305.5 thousand) and Italy (277.6 thousand). Moreover, in 2014, there were an estimated 1.9 million immigrants to the EU-28 Member States from non-member countries.

In 2015, the number of first time asylum applicants from Syria increased to 363 thousand in the EU-28, ie 29 % of the total, Afghans have achieved a rate of 14 % of the total, individuals from Iraq accounted for 10 %, Kosovans and Albanians for 5 % and Pakistanis for 4 % based on Eurostat - Asylum statistics. Moreover, according to Eurostat - Asylum statistics, the number of first time asylum applicants in Germany increased from 173 thousand in 2014 to 442 thousand in 2015 while Hungary, Sweden and Austria also reported very large increases, ie that in all these cases it exceeds the increase with over 50 thousand more first time asylum applicants between 2014 and 2015.

It is very difficult to determine with high accuracy how many immigrants came to Europe because of the war and how many because of attractive opportunities provided by developed Member States. It is also very difficult to establish how many potential terrorists have entered Europe under the pretext of avoiding the front war and repression. Unfortunately, recent terrorist attacks in countries such as France or Belgium revealed significant vulnerabilities in security systems.

4. Conclusions

The integration policies of the European states attaches great importance to social integration of immigrants. The link between immigration policies and radical Islamic terrorism should not be ignored and provides a complex insight especially in terms of globalization. European countries are witnessing a great challenge of the modern age. Maybe some apocalyptic opinions highlight only the negative aspects of the immigration phenomenon, but the general tendencies are strongly influenced by the fear of terrorist attacks. A high concern about illegal immigration also generates concern about social integration of immigrants in European countries. It may seem an utopia for politicians to support in a significant manner the social integration of immigrants in European countries especially under the auspices of the bloody terrorist attacks which took place in recent past. The political cost of a hasty initiative is significant given the importance of the immigration issue in European countries. Otherwise the attitude of member countries has been far from uniform, but highly polarized (for example Hungary vs Germany).

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NATIONAL STRATEGY 2014 - 2020 FOR THE PROTECTION AND PROMOTION OF CHILDREN'S RIGHTS IN THE CONTEXT OF EUROPEAN POLICIES

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Abstract: *Social inclusion is one of the objectives of the Europe 2020 Strategy for economic growth and it is one of its biggest challenges. The allocation of significant funds for certain programs targeting vulnerable groups may seem a waste of resources if the analysis of long-term impact is not taken into account and the fact that integrated social programs may lead, among other things, as a result of accessing public services, to a better education of the population and so to increase social inclusion likely to translate into reducing the number of people living in poverty. To achieve the Europe 2020 Strategy goals, The European Commission considers a priority social investment and modernizing social protection systems. Therefore in this article we proposed to realize an analysis of the compatibility of national strategy 2014 - 2020 concerning the protection and promotion of child rights and European policies. Also, in this article we describe an innovating programme for intervention to the community level which could be used to the national scale and which could lead to achieving some settled objectives at the European Union level.*

Key words: *Strategy, poverty, vulnerability, inclusion, integrated social services.*

JEL Classification: I38, K38

1. Brief history of policies regarding the child protection in Romania

Romania has ratified since 1990 The United Nations Convention on the Rights of the Child (UNCRC), but the first coherent legislative package was only adopted in 2004.

The creation of the child protection system, since 1997, has produced significant changes in the conditions offered by institutions, the vast majority of placement centres above 150 seats being closed.

Restructuring of the social services system for children in Romania was one of the conditions imposed on our country for accession to the European Union, an extremely important role having non-governmental organizations (NGOs) which contributed to the diversification of social services by transferring competence and knowledge to existing structures or by establishing new structures. Thus, with the support of these organizations were established public institutions specialized in child protection, starting from the implementation of pilot projects through which there were established first specialized public services of child protection.

The period after 2004 was characterized by a fundamental change in social policy, creating the cooperation premises between the various systems that provided services for children in difficulty, aiming at coordinating efforts and limiting wastage of allocated resources.

Through Law no. 272/2004 on the protection and promotion of child rights which was drafted in 2004 and entered into force in 2005, Romania transposed fully into national legislation the principles of the United Nations Convention on the Rights of the Child. In this normative act a particular attention was given to the observance of all children's rights without referring no more only to the services provided for children separated from their families as the previous normative act did, Ordinance no. 26 of 1997. Under this normative act in force at this moment, great importance is given to the family, which must be

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supported in maintaining its unity by the local community to which it belongs and by the Romanian state in subsidiary. New family type services have been developed, professionals were trained in specific child care jobs and in 2004 mandatory minimum standards have been developed for most existing services.

The European Commission reports after 2000 showed that Romania has made significant progress in child protection field "recognized by the Independent Panel of Experts on Family Law of EU Member States in May 2005", the progress being "considered satisfactory compared with best practice in Member States" (COM 2005, p.17), still being necessary to diversify and improve the quality of prevention services and protection services for children separated from their parents.

In 2009 the UN Committee on the Rights of the Child, in its 51th session held under Art. 44 of the Convention, welcomes the many legislative and administrative measures taken by Romania to implement the Convention, but makes a number of recommendations (CRC, 2009). In the document adopted by the Committee it is noted that the National Strategy on Child Rights Protection 2008 - 2013 was approved, Committee voicing concern that the strategic plan and strategy " may insufficiently address the most vulnerable groups " (CRC, 2009). In the same document, the Committee recommends the allocation of adequate resources to implement the strategy, paying increased attention to children from vulnerable groups (e.g. children living in poverty) and also the strengthening of the administrative capacity of the National Authority for Child Rights Protection (NACRP).

Despite this recommendation, in 2010 ANCRP was transformed into a general direction for the protection of child rights within the Ministry of Labour, the role and responsibilities of the institution being considerably diminished.

2. Child protection policies at this time

In 2014, through the Emergency Ordinance no. 11 on the adoption of some reorganization measures at the level of central public administration and for the amendment and completion of certain normative acts, which came into force on 21.03.2014, the National Authority for Child Rights Protection and Adoption (NACRPA) was established as a specialized body of the central public administration, with legal personality, subordinated to the Ministry of Labour, Family, Social Protection and Elderly (MLFSPE). According to art.5 paragraph (2) of the Emergency Ordinance no. 11/2014, NACRPA was organized by taking over the activities in the field of child protection from the Ministry of Labour, Family, Social Protection and Elderly and the activities in the field of adoptions from the Romanian Office for Adoptions, which within 30 days after the entry into force of the emergency ordinance ceased functioning.

In this context, in order to substantiate the National Strategy 2014 - 2020 For The Protection And Promotion Of Children's Rights an assessment on how had been achieved the previous strategy objectives in the field was not carried out, but it was conducted an assessment of the system at that time, and the objectives were formulated based on the identified needs and taking into account the guidelines established through the European strategies or other European policy documents.

The analysis of the needs in the field of child rights protection was developed under the guidance of a group coordinated by the Ministry of Labour, Family, Social Protection and Elderly, with technical and financial support from UNICEF Romania. The analysis was done by involving all central institutions with responsibilities in the field of child rights protection, an important part of the Romanian civil society, NGOs with sustained activity in the protection and promotion of child rights and children's associative structures. At the

same time, in setting the objectives, measures and the operational plan there have been taken into account the results of a conclusive report elaborated within the project "Improvement of the organizational effectiveness of the child protection system in Romania" implemented by MLFSPE in partnership with SERA Foundation Romania, which involved the national evaluation of the General Directorates for Social Assistance and Child Protection, Public Services of Social Assistance but also the results of other institutions and organizations involved in the assessment of child protection system, education and health system in Romania.

Thus, in order to complete the objectives of the National Strategy 2014 - 2020 for the Protection and Promotion of Children's Rights there were taken into account both the European Commission Recommendation no. 112/2013 "Investing in children: breaking the vicious cycle of deprivation" and some of the objectives of Europe 2020 Strategy. Another defining factor in setting National Strategy 2014 - 2020 for the Protection and Promotion of Children's Rights was the European Commission's Social Investment Package, through which it can be ensured the attainment of some of the objectives proposed by the strategy.

With a view to establishing the objectives and finalizing the national strategy concerning the protection and promotion of child rights, as it results from the adopted document, it was used as a benchmark the Strategy of the European Council Strategy for the Rights of the Child 2012-2015, which is a useful model in developing national policies in the field.

In this context, the National Strategy 2014 - 2020 For the Protection and Promotion of Children's Rights and the Operational Plan to implement the strategy were approved through the Government Decision no. 1113/2014. Through this strategy, the National Authority for Child Rights Protection and Adoption, which is the initiator of the programmatic document, has tried to change the approach within the child rights protection system meaning that it no longer wished to do only an intervention on children separated from their families as a result of certain vulnerable situations, late identified, but an intervention on causes that can determine such situations. Therefore NACRPA tries through this strategy to change the approach of intervention, from granting some child protection measures to measures on compliance with children's rights in general, as recommended as well by the UN Committee on the Rights of the Child in its 51st meeting, reaffirming the importance of parental responsibility. At the same time, the strategy comply with the recommendation made by the Council of Europe to the Member States to modernize social protection systems (EU, 2013).

The adopted national strategy contains 4 general objectives as follows:

- Improving children's access to quality services;
- Respect for the rights and promoting social inclusion of children in vulnerable situations;
- Preventing and combating all forms of violence;
- Encourage children's participation in decisions that affect them.

For each of the general objectives of the strategy specific objectives and measures were set which transpose into national policies both the Europe 2020 Strategy targets regarding the decreasing of number of people who suffer or are likely to suffer from poverty or social exclusion through combating early school abandonment and objectives that respond to the European Commission Recommendation no. 112/2013 "Investing in children: breaking the vicious cycle of deprivation" that each member state to develop multidimensional strategies for combating poverty and social exclusion of children aimed at improving their quality of life (EU, 2013).

The specific objectives published in the Operational Plan for implementing the Strategy are:

- Increasing the coverage of services at the local level;
- Improvement of services provided to children;
- Increasing the capacity of beneficiaries to access and use public services for children and families;
- Strengthening the capacity to assess and monitor child rights and the social situation;
 - Ensure a minimum of resources for the child within a national poverty reduction program;
 - Reducing the gap between children from rural and urban;
 - Removing barriers of attitude and environment for rehabilitation and social reintegration of children with disabilities;
 - Bridging the gap between the Roma children and non-Roma children
 - Continuation of transition from institutional care to community care of the children;
 - Reduction of the phenomenon of "street children";
 - Encouraging social and family reintegration of children in conflict with the law and prevent relapses;
 - Reducing the influence of risk factors and protective factors growth to the drug abuse and other harmful substances for children correlated with the diversification of integrated social services ;
 - Providing appropriate support to children with parents working abroad and to people who are taking care of them;
 - Promoting a healthy lifestyle among adolescents;
 - Promoting the values of nonviolence and implementing some awareness programs;
 - Reducing violence among children;
 - Develop mechanisms to ensure participation of children.

3. Considerations on strategy and current needs

The national strategy was built, as we have shown, based on a series of reports and analyses made by various stakeholders on social services in Romania, taking into consideration European policies in the field and for the allocation of resources, as well as the recommendations of the UN Committee in 2009.

Studies conducted in Romania have targeted both social, educational and health services within the community and specialized services offered to children separated from their families, but they were not subject to a joint report, the information being found in many materials, which mainly show what the target is, but not how to attain it concretely.

Synthesizing researches from various fields it was outlined the conclusion that there are major imbalances between social services developed in urban areas and those in rural areas, the risk of social exclusion being more pronounced in rural areas. Vulnerabilities (e.g. poverty, abuse, poor education, poor housing conditions etc.) in such cases are multiple and interdependent and the intervention must be interdisciplinary and focused on individual and group needs.

In 2015, after the adoption by Romania of a series of measures with an impact on social services, the European Commission still considered that "reducing poverty and social exclusion remains a major challenge for Romania" (EC, 2015) and in relation to children it considered that special attention should be paid to early care and education. In 2016 the Council of Europe further appreciates that "Romania will not comply with the provisions of the Stability and Growth Pact" (EC, 2016) and considers that further

measures are required to ensure compliance with the Pact for the years 2016 and 2017, recommending, among other things, ensuring access to integrated social services.

According to a recent study elaborated under the auspices of UNICEF and the World Bank (Stănculescu, et al., 2016) only 11% of children from the protective system have received support in the community although the legislation in force establishes that the child's separation from family can take place only after being granted systematically services and benefits, with particular emphasis on appropriate information of parents, their counselling, therapy or mediation. The support given by the communities from which they come has been provided only at a rate of approx. 30% by professionals, which means that effectively the services to prevent the separation required by law were granted even in fewer cases.

In many cases, the causes of child separation from their families are multiple but, based on the analysis of their files, among the most common causes encountered is poverty (Stănculescu, et al., 2016), in 32% of the analysed cases (fig. no. 1), phenomenon which itself should not lead to taking special protection measures.

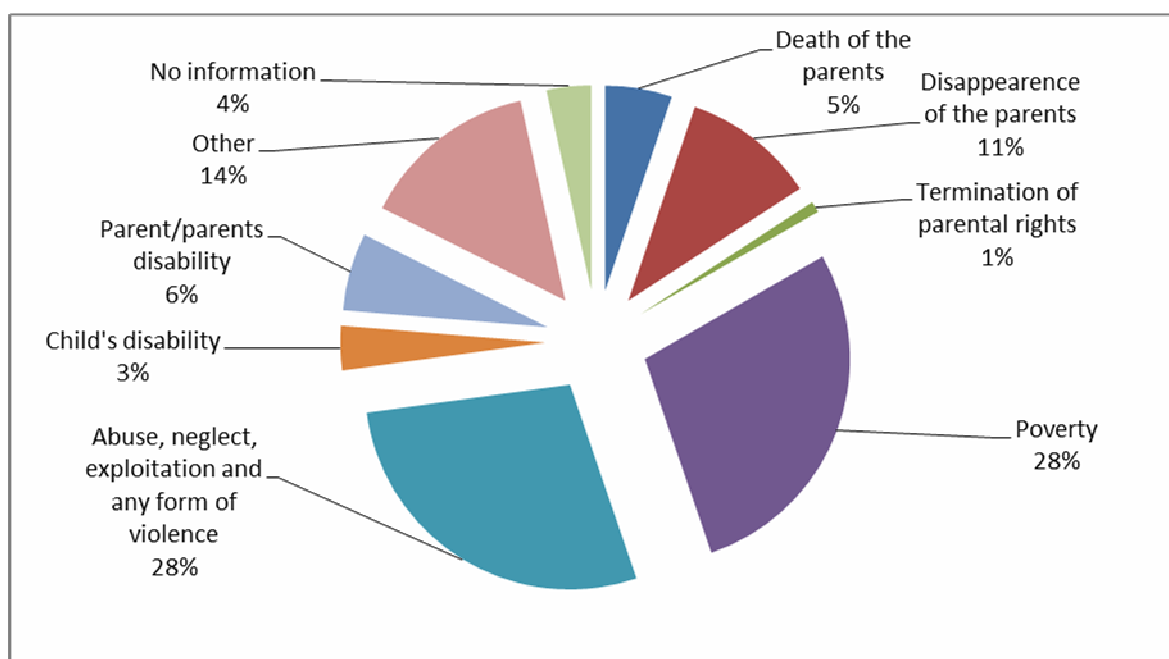


Fig. no. 1 - Causes of children separation from their natural families (Stănculescu, et al., 2016).

Poverty is in fact a phenomenon that includes multiple sizes and which refers both at the lack of resources of an individual or group, and the lack of their access to various services, which is why we believe that treating poverty as a cause itself for separating the child from the family is a wrong approach.

As a matter of fact, in the category of children who are in the special protection system due to neglect, except abandoned children in maternity wards, are found situations where unmet needs are also related to poverty (fig. no. 2).

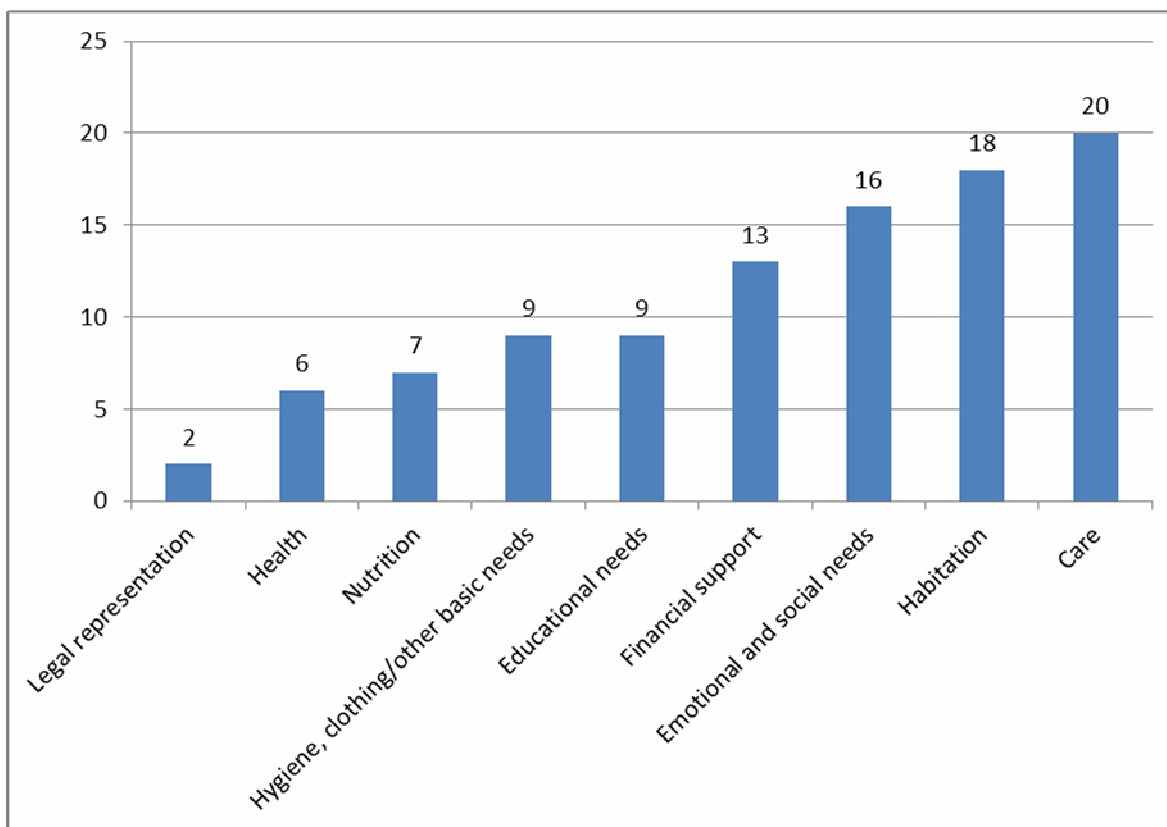


Fig. no. 2 - The needs of children who have been neglected in origin families (Stănculescu, et al., 2016).

After the child's separation from his/her biological family, reintegration of the child in the family occurs, on average, at a period of about 7 years, average costs in the special child protection system, according to the legislation in force until 2016, being 20934.2 lei / child / year. Based on our own case studies conducted in 2014, we can say that one reason for which the average duration of providing specialized services tends to be prolonged, is the fact that are not established correctly the causes that led to the separation of child from the family and therefore no targeted intervention can be done. So, after the child enters into the care system, since it is not correctly identified the separation cause, intervention plan is made unrealistically, the activities described in the personalized plans developed for each child couldn't lead to the removal of the cause that determined the child's separation from family and implicitly to reintegration. Most interventions for children separated from their biological families are made only in interaction with the child, which is seen in many cases, separated from his family of origin.

Another important conclusion drawn from the analysis of reports, but also based on case studies, is the fact that the services provided to prevent separation of children from their parents are insufficient, the primary services consisting largely in granting social benefits that do not lead in all cases to removal of causes which could determine the separation.

Correlating the above-mentioned information, we can say that the lack of services in the community limits the identification of children and their families in situations of vulnerability and where such situations are identified the intervention is realised belated, many of the children reaching to be separated from their families. Given the average length of staying of a child into the protection system and the average cost for a child in this system, the lack of intervention on the causes of separation and the related traumas of the child due to the separation from the parents we can conclude that the intervention in supporting families to remove the causes (vulnerabilities) that can lead to separation would be much more efficient in terms of cost-benefit.

4. Possible model of good practice in providing integrated social services

Further, our study will focus on measures from the operational plan to implement the strategy aimed at providing children's services in integrated system and which, also can lead to compliance to the recommendations made by the European Commission and by the UN Committee in 2009 on diversification of services for groups of children in vulnerable situations and their upgrading.

The proposal made in the strategy and that aims analysing the possibility of granting a minimum package of social services for children, seems largely to answer some of the most important needs from Romanian social system as they were described above.

Another argument which can be judged that the measure is appropriate it is given by the European Commission proposal from Recommendation no. 112/2013 "Investing in children: breaking the vicious cycle of deprivation" on tackling poverty and social exclusion of children through the integrated strategies, showing that early intervention through the integrated prevention services can have lower costs than those required for the implementation of assistance to remedy the consequences. Addressing the situation of the child through integrated social services is reflected as principle also in the Europe 2020 strategy which aims at promoting long-term social inclusion with benefits for children and society as a whole.

The minimum package of social services proposed by the measure involves the granting of integrated health, social protection and education services at the community level and aims the most vulnerable families.

In fact, at this time, it is performed in Bacau county a pilot program with financial support through Norway Grants and UNICEF, and represents is a development of previous programs initiated since 2011 by UNICEF¹. The program, which was developed and subsequently readjusted, according to the presentation material UNICEF aims: improving access to services for children and families; child's growth in an environment free of violence; increasing children's access to education and improving resources locally. The minimum package of services implies the realization of the activities in the community being implemented at least the following activities: identifying vulnerable families, their evaluation, information, counselling, family support, referral and monitoring.

The program has an active component of prevention by identifying vulnerabilities to all families in a community by a team of three specialists: social worker, community nurse and school counsellor.

The team identifies the vulnerable families by establishing their needs and providing them with necessary services or give them help to access the services they need from other providers, updating in real time a database through the IT application called Aurora. Through Aurora IT application, data are collected on the situation of vulnerable children and their families using a common methodology and the same grid of indicators that have been inspired by the EU-SILC indicators and other indicators on multiple deprivations. The application allows diagnosing and implementing a coherent plan of intervention, the indicators being grouped to permit analysis of six dimensions: poverty, health, education, risk behaviours (especially adolescents), housing and social conditions of the family.

In support of the team are found at the county level, specialists in different areas of expertise: social welfare, healthcare and education. Basically, through the approach of the problems of families in a given community in this way, on the one part addresses the early identification of vulnerable families and ensures intervention multidisciplinary and, on the

¹ (Supporting invisible children).

other hand, provide an unitary and coherent approach of the cases, IT application provide, based on algorithms, a list of services that are needed in a particular case. Another possible benefit of the program is the possibility of using the data in the IT application to identify areas where new services should be developed and their type. The measure provided in the operational plan of the national strategy means actually to extend the program piloted in Bacau county, nationwide, in stages, stage out in connection with the analysis of the financial impact generated by extending this model to the whole country and the possibility to attract external funding for initial investments. Broadly extending the program involves ensuring funding for the salaries of three specialists at the local level and those from the county level, their training, necessary equipment and the amounts necessary for functioning.

5. Conclusions

As it appears from the entire document, we consider that the National Strategy 2014 - 2020 For the Protection and Promotion of Children's Rights contains measures consistent with the European policies in the field, with social policy guidelines included in the Social Investment Package and aims the objectives from the Europe 2020 Strategy on the economic growth of the European Union.

National Strategy 2014 - 2020 For the Protection and Promotion of Children's Rights has been built on various studies and researches conducted nationally by various stakeholders, which highlights, on the one hand the concern to meet concretely the current specific needs, and on the other hand, the lack of an effective mechanism to monitor the implementation of the previous strategy in the field.

Unlike previous strategy in the field, the current strategy tackles more significantly the child as a member of the community which he/she belongs to focusing on identifying the best solutions for the granting of integrated services for children from vulnerable families.

In Romania there are still major imbalances between social services developed in urban areas and those in rural areas, the risk of social exclusion being more pronounced in rural areas. Intervention in situations of vulnerability must be multidisciplinary and must be planned according to the causes that triggered the problems.

The solution identified and which is currently in the pilot phase refers to the minimum package of social services for children, which is in fact an innovative program that involves a multidisciplinary intervention and that uses modern technology. Its scaling up at national level can create the premises for early identification and intervention in vulnerable families and implicitly may diminish the number of socially excluded people.

In implementing measures regarding the extension of the minimum package of services for children at the national level, the main threats are the lack of financial resources that can be reduced by allocating sufficient funds and accessing European funding programs.

In our opinion, the program scaling up should take place at national level, and if this is not possible, the program should be extended gradually, starting with the areas of extreme poverty in Romania.

Also it must be considered that in parallel with the scaling up of this program at national level is necessary to implement the other measures provided in the strategy and that aims to develop social services in the community, given that in their absence, the intervention under the program, in some cases, it may not be fully carried out.

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CREATIVE EDUCATION IN THE CONTEXT OF THE KNOWLEDGE ECONOMY

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***Abstract:** We live in a society governed by the 3C - communication, knowledge, creativity. To perform, the present society "forces us": to communicate quickly and effectively; to act in a knowledge economy; to live, work and think creatively. But are we educated for this? This scientific approach assumes no responsibility to give a clear answer to this question, but only to submit creative role of education in the knowledge society and highlight the importance of creativity in the educational process. We believe that creative education can develop competent people in the knowledge economy and competitive in today's society.*

Keywords: creative education, knowledge economy, communication, educational process

JEL Classification: I21, I23, D83

INTRODUCTION

Currently, EU countries are still facing with the effects of the economic crisis, which manifests itself primarily at the social level. Phenomena of contemporary society are increasingly of social-economic and definitive solutions to overcome this crisis seem to come mostly from social sphere that can influence economics. An undeniable factor of development of viable companies, including economically, is education. This scientific approach advocates an education to undergo any "rigors" of the 3 C - communication, knowledge, creativity, so as to "produce" quality people in communities, employees performing, competitive employers etc. In this general context, will customize creative education as a complex form of education that combines formality whit non-formality, in order to develop competent people and competitive in the knowledge based economy.

1. ABOUT COMMUNICATION IN THE KNOWLEDGE SOCIETY

Communication is the most important thing in a person's life. She shows the level of culture, the level of intelligence and a chance to succeed in society.

In a generic sense, communication is the exchange of messages between at least two people, including one issue (express) and other information it receives (understands), provided that the partners know the code (to know the same language).

In today's society, of knowledge, ability to communicate is a prerequisite for the process of building interpersonal relationships and social integration. Moreover, improving communication skills is a priority point in the development of every individual person wishing to adapt knowledge economy.

Many people consider the communication process as a simple process because in most people it flows relatively easily. If we think though what constitutes communication, we will be surprised by how complex is this process in reality.

The knowledge society is more than only informational society and information society, enclosing them actually on them. From the moment when the Internet with great advantages it brings (e-mail, electronic commerce and electronic transactions, Internet

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market, the distribution of e-content, etc.) by including in the sphere of electronic information to a large number of citizens pass the information society.

Knowledge is information with meaning and operating information. Therefore knowledge society is possible only grafted on informational society and it can not be separated from it. At the same time, it is more than informational society through the major recurring role of information - knowledge in society.

The knowledge society requires: expand and deepen scientific knowledge, technical, economical, social etc.; existing and future knowledge management in organizations; knowledge production through creation and innovation; dissemination of knowledge - communicating knowledge - to all those concerned by new means, using mainly the Internet and eBook and using modern methods of learning (e-learning).

A term increasingly used lately is the *new economy* or *knowledge economy*. In the knowledge society really form a new economy, which will cover the knowledge economy. Therefore, the modern economy is actually an economy of informational and knowledge society. The informational society has brought to market the *Internet*. In this context, it seems the communication rules were changed and the new role of information in terms of the Internet has opened a new economy period. Terms *New Economy*, *Knowledge Economy* and *Knowledge Economy* are increasingly used both in literature and in everyday speech. One of the meanings of these terms is: economy based on Internet or digital economy. However, the new economy can not be reduced only to the digital economy (or Internet), because, besides the objective of informational and knowledge society, in XXI century mankind must attain a sustainable society and the state in environmentally and socially terms. More broadly, *New Economy* is based on knowledge creation, use knowledge in the economic field, in particular through innovation, creativity and novelty on integrated solutions etc. Innovation in the new economy is the ability to assimilate and convert new knowledge to improve productivity and to create new products and services. Without innovation and novelty we can not talk about a different kind of economy.

Therefore the new economy requires the creation and development organizations to encourage creative, innovative and novelty, which may be incurred through cooperation between companies, universities and research institutes governmental or public (including academic). In Finland, 40% of innovative companies have emerged through cooperation with government research facility, in Norway and Denmark 20%, in Germany 15%. Also, the percentage of companies emerged through cooperation agreements with universities of private enterprises is 50% in Finland, 20% in Norway and Denmark, 10% in Germany.

Specifically, we can see that it actually creates a specific culture of knowledge society and economy. The role of leaders in the new organization or the deconstructed and reconstructed is to help support this new culture.

2. ABOUT KNOWLEDGE IN THE KNOWLEDGE ECONOMY

In the XXI century, knowledge gained new significance and meaning compared to classical and modern philosophies on this concept. Knowledge is no longer a mere mental process human, but extremely complex, including artificial intelligence systems, industry organizations, economic and social organizations comprising people acting in collaboration with software agents, the intelligent robots and the network Internet. In the modern economy, knowledge has become an important economic and social factor and began to be subjected to the processes of management. Technological and organizational knowledge becomes as important as the fundamental scientific knowledge.

Knowledge society issue was placed for the first time early this century with the explosion of global communication via the Internet. This represented an evolution of the

informational society. The knowledge economy has emerged naturally, given that all the social phenomena have an economic side.

Currently, in the context of the obvious developments of global information society, the knowledge of individuals within a community can create prerequisites for true equality of life chances and globality, to create a new prosperous economy based on knowledge and culture involving citizens of a country. Individual awareness is transferable and is accumulated at a collective level. *In the context of the knowledge economy, the most important knowledge is to know to do something, to create something.* It assumes that the world man lives in a social and cultural environment for knowledge is primarily practical and common, not theoretical. Thus, Encarta® Pocket Dictionary © 1999 developed by Microsoft Corporation defines knowledge as follows: "information in mind; specific information; know-how; All That CAN BE known; learning through experience or study "(information in mind, specific intelligence; knowing how to do it; all that can be known; learning through experience or study). Knowledge as an economic factor represents a new approach in the context where, for centuries, were considered factors of production (economic) just labor, nature and capital, neglecting the role of knowledge as a distinct factor of production. Currently, knowledge is accepted as a real economic factor of major importance, intellectual capital represented by an individual or an organization (company, firm, etc.). In the knowledge economy there is no sustainable advantage other than what an individual / firm knows how you can use what you know and how fast can learn / create something new. In addition to the technical, technological and informational elements on which depends the development of the knowledge society, also occur a number of functional variables, such as: knowledge management for organizations (businesses, institutions, administrations, etc.); moral knowledge management use globally; knowledge determined of biological and physiological characteristics; protecting the environment and ensuring sustainable society through sustainable management and specific knowledge; deepen the knowledge about the existence; generating new technological knowledge; develop a culture of knowledge and innovation; an education system based on the knowledge and informational society methods (e-learning); education models based on creativity and originality etc. The number of vectors on which depends the development of the knowledge society may be growing, as more and more fields will be increasingly dependent on knowledge. In this context will appear notions and concepts, such as intellectual capital; creative skills; creative communication; innovative organization; creative management; Knowledge education etc.

Given that people work together collaborating, all human values may be greater than the sum of its parts, whether the organization has managed to form a team that creative ability is stimulated. Future economic success will belong to your organization through training is concerned with the continued development of its intellectual capital, developing its knowledge base.

3. ABOUT CREATIVITY AND CREATIVE EDUCATION

In a generic sense, education is an activity that are developed intellectual qualities, moral and physical one, and creativity (ability to create). In this context, we define education as being the creative learning process that develops creative ability of the individual competences and skills based on physical, moral and intellectual strengths.

Looking over the time, human society, we find that there are certain "thresholds of development" each leading company at a superior organization and existence plans. These thresholds have been named revolution by specialists. Thus, we could see: the industrial revolution, agricultural, trade, etc. The human society changes to currently increasingly

faster. There are two important factors that determine the changes that are taking place in society, thus making the transition from industrial-type economy to "new economy" based on knowledge, namely: technical revolution - scientific; globalization.

The concept of *creative education* and its role in training future employees top, realistic and sustainable, has been studied more extensively in recent years, given the necessary: applied research, implement innovation and innovation in the economy, adapting organizations in a medium increasingly fierce competition and rapid changes occurring in the social and economic situation, product quality standards rising, etc. Thus, we can highlight the Drucker Foundation, which has conducted numerous studies on "*Organization of the Future*" (2001) and authors like: Hutu, C. A. (1999), Hoza, M. G. (2000), Pricop, M., Tantau, A. (2000), Badaracco Jr., L. J. (2009), etc., who studied XXI century enterprise as their smart, new creative organizational culture and the need for education, transfer of technology, globalization and business strategy, leadership and the importance of leadership in today's society etc.

Currently, knowledge and human capital are key factors in any economic and social policy. In this context, it needs competent individuals, creative, easily adaptable, respectively flexible and innovative organizations. In every organization (collectively, firm, administration, etc.) are "hidden reservoirs of knowledge" (key people) to be harnessed to help increase profits and efficiency of the organization. In knowledge management is considered of strategic importance: knowing the product; transfer of knowledge through best practices; knowledge of customer focus; creativity and individual responsibility in the service of knowledge; intellectual asset management.

From another perspective, knowledge management refers to the control and use of creative capital in an organization. The key to success in the knowledge economy is not represented by hardware (electronic), but those who use and create these resources. Also must find a balance between economic use and use of moral knowledge. Use management must be clearly defined moral sphere of scientific knowledge in the globalized society.

Small businesses and start-ups are a reality of the global economy, in which the flexibility and creativity play a much greater now than in the past. Creative actions, both collective and individual, are materialized mainly on capacity building for development of small businesses or start-ups. The early stages of life of a small new - the establishing, as first steps in a career of a graduate, are the most difficult, but can lead to success if there are concrete ideas, creative, clever, engaged in reality a product innovative.

A quality educational process must be based on creative education. Through the national development programs, regional and local, must be promoted and supported entrepreneurial culture and increasing participation of local entrepreneurs, especially young people, to increase national competitiveness. Through curricula and continuous training should be introduced as mandatory creative education at all levels and in all disciplines. Each element must be presented theoretical and practical in terms of relevance.

In general, *creativity* is defined as the ability to imagine, to conceive and achieve something new, original, unique. A rather broad, which attempts to take into account the dimensions of moral, ethical and religious aspects of human creativity could be: "Creativity is the ability and willingness to venture into the unknown, using imagination in order to achieve a new thing, functional and great" (David Witt). According to this definition, creativity involves a number of elements, such as: creativity is a gift, an exclusive attribute human (animals not creative), which is improved from generation to generation; creativity is influenced largely by the voluntary actions of people (most of the people are deprived of creativity because there have never seriously proposed to be creative); creativity varies depending on the individual's age: it is highest around the age of 6-9 years and then descends steadily and reaching a first point of the minimum age of 30

years to grow back on 40 years to reach a new low around 50 years, then increase again gradually come closer to old age (maybe that's why they like grandchildren to hear stories of grandparents and tend to get bored narratives dull scrape of their young fathers); creativity is stimulated by contact with the unknown, with which we are familiar, but that does not mean to be creative we must do all things "new", but it is enough sometimes to do familiar things in a new way, with that we are not used, or in a new context (a new organization, a new environment, etc.); imagination is the most important human faculty in terms of creativity, it can be defined as the ability to synthesize various mental images, creating completely new images from them; to be truly an original creation, valuable work have imagined not only in practice but also to operate satisfactorily; distinctive element is the novelty of the concept of creativity; if it does not exist, there can be no creativity.

4. ROLE OF CREATIVE EDUCATION IN KNOWLEDGE ECONOMY

Learning can be seen as the evolution of knowledge over time. Knowledge is a mental property that was born, and then, through discovery, experimentation, learning and education, this turns. In our opinion the best form of development of knowledge through education is the creative that turns theory into practice at every step. The major advantage is that through creative education can be enabled all fundamental human senses, thus enhancing learning effects. Specifically, knowledge can not be measured, only its effects. Knowledge can not be constituted as a stock of raw materials that they can use when needed, but is a stream, a circuit, a "good" that is constantly evolving. In this flow is manifested mixture of experience and inspiration of people who create knowledge that apply in everyday life, at work, in technological processes in business management etc.

In modern organizations (be they economic or social) generate new knowledge (creative and innovative) is a specialized activity of a department of research and development, but is a way of behavior and a way of being of all its members. In each such an organization is a knowledge worker, which gives it the character of an entrepreneur.

In modern economies, companies paramount importance, being the main "consumers" and "providers" of knowledge. But individuals are those who find specific ways of resolving problems that are often very difficult to duplicate in other organizations or even within the organization itself. In turn, organizational knowledge are "stored" in a great measure, the operating procedures, technological processes and rules of higher level (about what to do when something goes wrong or how to change operating systems) that companies should adopt to: problem solving; tasks and objectives; obtaining production; studies and research; marketing activities etc.

In the knowledge economy "production" of ideas, not of goods is the main source of economic growth, and why new technologies, operating systems and telecommunications etc. are revolutionary. In this context, the industrial revolution of modern ideas in their latest forms - research results, diagrams, drawings, protocols, plans, chemical formulas, designs marketing etc. - are distributed instantly and in a coherent manner to anyone, anywhere in the world.

Innovation and entrepreneurship do not appear arbitrary, but they must be developed nationally through major investments in technological education, creative education, research, supportive policies and infrastructure for business development. The labor market is changing faster and faster, and competition is getting worse with the increasing number of those who have realized that it is good to train in advance if you want to catch the place you want. Moreover, the race to the desired station has been globalized for the most skilled Romanian. In these circumstances only the well-trained, well-informed and well-trained will be able to notice and develop the knowledge economy.

Creative education will be able to "produce" individuals who knowingly to know: who they are and what they can (which have real skills and competencies); they want to do in life and society; how that will work and how they will apply what they have learned.

Full transformation into a true knowledge economy requires rewriting rules and practices concerning the industrial economy to achieve success, to take account of knowledge resources (expertise, creativity, know-how etc.) in the same way that it keeps account other economic resources.

In the knowledge economy there is a number of differences from the classical economics such as: is more an "economy of abundance" - information and knowledge grow as they are used (while classical resources are consumed by use); communication is considered increasingly more, a fundamental necessity flows of knowledge, which gives vital social structures, cultural contexts and other determinants of social relations; products and services to "contain" more knowledge and creativity sell at a higher price than other comparable conventional products; perceived value and the price paid may vary greatly in the case of products incorporating much knowledge and creativity are valued very differently by different individuals or at different times; the importance of geographical location is much diminished due to the development and diversification of media; knowledge of integrated systems and processes has a higher value than is kept only in the minds of workers; workers' skills are a key component of value, although information on skill levels do not yet appear in the annual reports.

One thing of great importance in the new economy will be the distribution of knowledge among society. The society will be able to develop, acquire and use information, the more it will become richer. Knowledge can be associated human capital, but the two concepts do not overlap exactly. As more and more work is conducted intellectually, holding and manipulating information becomes an essential quality for any employee. However, manual labor are essentially or requiring first exercise. It also goes beyond the scope of human knowledge, that information can be produced, stored and manipulated and artificially, i.e. primarily electronic.

Information can be tacit and explicit. It turns, one at a time, from one to the other. The information may be associated with tacit know-how, i.e. the ability to "solve" various problems, to "do" things. The accumulation of tacit information may be made only through learning. When the information to be communicated, it becomes explicit information. In the future, a person must possess not only the know-how, i.e. physical, psychological and mental (training, education, labor force, resistance to stress, etc.), but also know-what (knowledge information, data about phenomena and processes, etc.), know the why (understanding phenomena) as well as know-who (the ability to interact with people holding information). On a personal level, individuals will have, and they adapt to new changes. Thus, employees will become increasingly valued for their native qualities, such as creativity, spontaneity, speed decision making etc. Physical labor will become increasingly less appreciated. The exception will be the service sector, where physical work based on skills learned in time (e.g. in hairdressing, beauty salons, reception of hotels, bars and restaurants serving, information offices, etc.) will continue to hold a significant share.

Young people will have to prepare becoming more and develop skills native to face competition in the labor market. Labor mobility means that, as firms will no longer have a monopoly on the commodity market, nor professionals will no longer have a monopoly on the labor market. A manager in Germany will compete for his own job not only with other local managers but the managers worldwide. The station will be higher in the company hierarchy, and greater responsibility, the company will neglect the cost of bringing new employees for work experience and capacity of the individual.

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In our opinion, creative education should not be missing from any Romanian strategy for economic recovery. In this regard, it is necessary, firstly, increase investment in education so that it could go from the current state of the prevailing theoretical to that of prevailing practice (applied, creative). According to surveys, almost half of Romanian views education as the main factor meant to restart the engines of the national economy.

According to the Eurobarometer, published by the European Union in March. 2011, 47% of Romanian believe that improving education and increasing training could increase and economic performance. It is noteworthy that, on this issue, the percentage recorded in Romania is similar to the average in the EU. After education, the most important measure for overcoming the crisis is "easier to set up a company", especially for young people. 32% of Romanian citizens have opted for this option, the EU average being 33%.

Education, in the current European context, must be ensured in general school, but also through self-education or other education, non-formal, creative, such as work-shops, round tables, excursions, summer schools etc. Education involves an initiation and ongoing training, as current investments for the future of the individual, and therefore of society. An educated man knows how to see creatively and selectively combine creative imagination with reality, to report this to the past, but the future perspective, understand that "life is a competition based on a score and a stopwatch". In our case, the score would be for Romanian education success raising to European standards, and the timer period to achieve these standards as soon as possible.

Practicing creative education system and fostering innovative thinking has become an important task of contemporary schools. Stimulating young people's creativity can be achieved through a sustained and elevated theoretical and practical training; dynamic initiative and independent work, critical thinking and scientific purposes; fostering of independent testing and documentation; receptivity to new; passion for science consistent with every person's skills. Particularly important is the attitude of the teacher's relationship with students. This implies significant changes in both the mentality of teachers and what methods of education and training. First, climate change needs to eliminate bottlenecks cultural and emotive, powerful school in the past. Are required relations distinguished democratic, between students and teachers, which does not mean lower social status of the latter, then how teaching should request participation, students' initiative - it's those active methods unfortunately underused in Romanian schools.

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RAISING STUDENTS' AWARENESS ON THE IMPORTANCE OF FOREIGN LANGUAGES ACQUISITION

Ramona Elena, Chitu¹

Abstract

In an attempt to investigate the level of awareness among students on the importance of learning English as a second language, this paper aims at highlighting the role played by the foreign language professor in helping students gaining a positive attitude towards language acquisition. Teaching and consequently learning a foreign language used to focus mainly, not before long, on two major components, namely grammar and vocabulary. Still, the acquisition of a new grammar rule or of a new set of words does not help students much in regarding and understanding language as social interaction.

The paper takes as a starting point a questionnaire, which is filled in by students at the beginning of the academic year, consisting in ten questions approaching issues related to the significance of English language, their motivation in learning and practicing, the outcome and the advantages a fluent English speaker might enjoy in the current world. The more aware students are, the more active and responsible for their own learning they become. Besides building this sense of useful and targeted learning, the English professor is further responsible for an appropriate blending of teaching methods in order to reach the final outcome.

Key words: language awareness, social interaction, blending, global language, motivation

JEL classification : I 121

1. Language awareness among students

On the grounds of the increasing complexity of the modern world, the ongoing globalization which encompasses any field of activity, be it economic, political or educational, the traditional paradigm of teaching and learning English as a foreign language would be rather reconsidered and hence, it had better focus more on the relevant relationship between language, culture and society. The traditional approach to acquiring a foreign language by simply learning new vocabulary and grammar rules is no longer efficient nowadays. In order to be able to master foreign languages, learners should first understand the importance of acquiring that language, they have to be aware of the benefits they derive from developing a good knowledge of a foreign language. It is equally important for learners to consciously understand how the language really works in the target culture, as any foreign language should be understood both in terms of structure and use. Both teachers and learners should aim at a language acquisition in terms of social interaction, be it written or verbal. This is what researchers in the field and ALA² call language awareness.

According to Tulasiewicz (1998:p.vii) □ *Language awareness implies a more informed understanding of the ways languages work* □. Moreover, as we well know, language is deeply linked to experience, to everyday life and vice versa. That is why language should be learnt and used in terms of social culture.

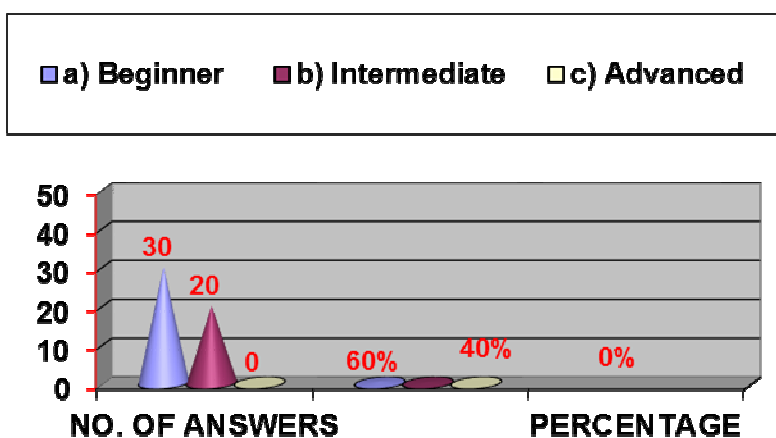
Considering the weightiness and complexity of language awareness in teaching and learning English as a foreign language, this paper aims at describing the role of the teacher in creating and raising such awareness among learners and consequently, using appropriate means of teaching in order to meet the learners' needs and keep them motivated and aware of the benefits.

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² ALA stands for the Association for Language Awareness which defines language awareness on its home page as □ explicit knowledge about language, and conscious perception o sensitivity in language learning, language teaching and language use□

A first step in initiating language awareness is to find out the level of learners' motivation, their approach to learning English, how much they know about the signification of English as a global language and what methods of teaching they are keener on. Our study has in view two groups of university students (50 students) majoring in economics, within Constantin Brancoveanu University from Pitesti, the Faculty of Management, Marketing in Economic Affairs, Rm Valcea, Romania. During their first English classes, at the beginning of the academic year, the students were handed in some questionnaires (Annex 1) whose interpretation will provide reliable data considering the level of their motivation in studying English as a foreign language, in order to further help their professor finding the most appropriate manner of teaching and stimulating the students get involved.

Question 1: What is your level of knowledge in English, according to your own assessment?



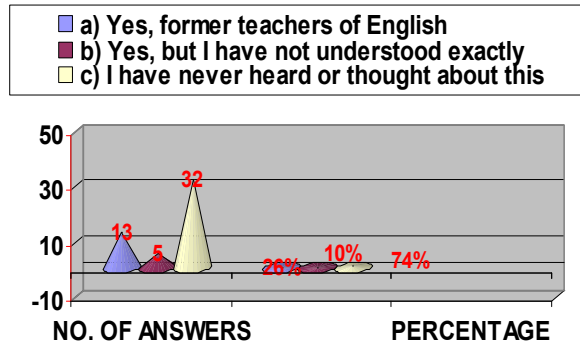
The intention here was to find out the students' subjective view of themselves, they were not assessed formally, by means of a language assessment test. During the following English classes, it has turned out that students had underestimated their level of knowledge, as most of them scored over 60 points (out of 100) during a language assessment test whose difficulty met the requirements of B2 level within the European assessment grid.

Question 2: Think about top 2 reasons why you may want to become fluent in English.

When asked to enumerate top 2 reasons to learn a foreign language, 30% of the respondents mentioned that fluent English speakers can easily impress their friends and relatives, some other mentioned the positive reaction of foreigners, the curious glances from passers-by, especially when travelling abroad. Of course, impressing people around you, be they nationals or foreigners, cannot be a sound reason why a student can choose to learn English, but it can be used as a favourable offshoot by the teacher.

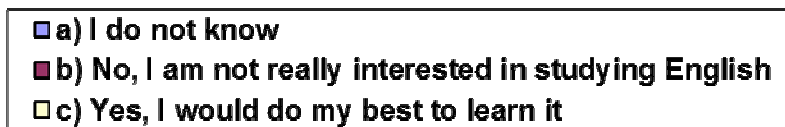
Another reason chosen by 20% of respondents referred to the advantages English speakers can enjoy while travelling, such as the possibility of understanding the culture and history of other peoples.

Question 3: Has anyone before explained to you the usefulness of the English language as a global language?



The results clearly show that most of the students interviewed (32%) have not been aware so far of the relevance of English as a global language because they have not been explained, while few of them (13%) have been told but some of them have not understood.

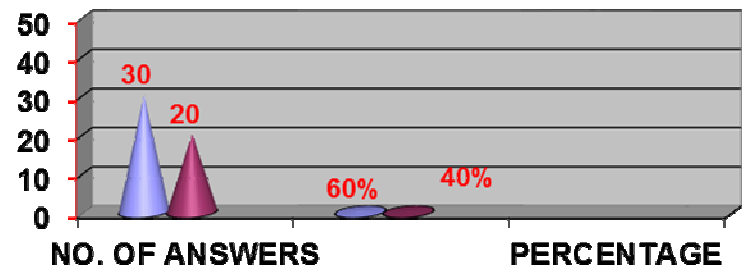
Question 4: If you were aware about the importance of speaking English nowadays, do you think your attitude towards studying it would be a more favourable one?



By far more than half of the students interviewed (38%) admitted that their attitude towards studying English would improve if they knew the benefits, hence there is plenty of interest, once the students get motivated.

Question 5: How much do you think fluent English communication skills will improve your employability after graduating the university?

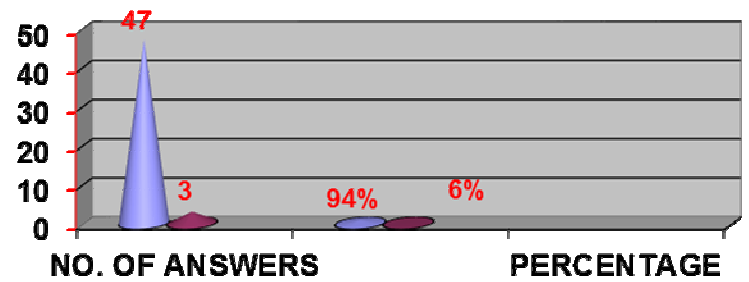
- a) I do not think my chances to get a well-paid job depends on my fluency in English
- b) I think bilingual speakers are the winners in any job competition



Analysing students’ replies we can see there are a few students who really understand the real benefits a foreign language can provide nowadays, when the economic world is becoming increasingly globalized and companies tend to expand overseas. There are two main reasons by which these students can get motivated to further study a foreign language: in any job competition with a number of other applicants, the bilingual individual is by far more likely to be the winner. Moreover, once hired, the knowledge of a foreign language can bring the employee further economic benefits, like salary premiums or allowances for travelling abroad, or a pay rise while getting promoted. Students should be helped to understand that fluency in English is imperative for being successful in many fields of employment in today’s world.

Question 6: Have you ever spoken with an English native?

- a) I have neither spoken with an English native
- b) I have spoken with an English native on one/several occasion/occasions



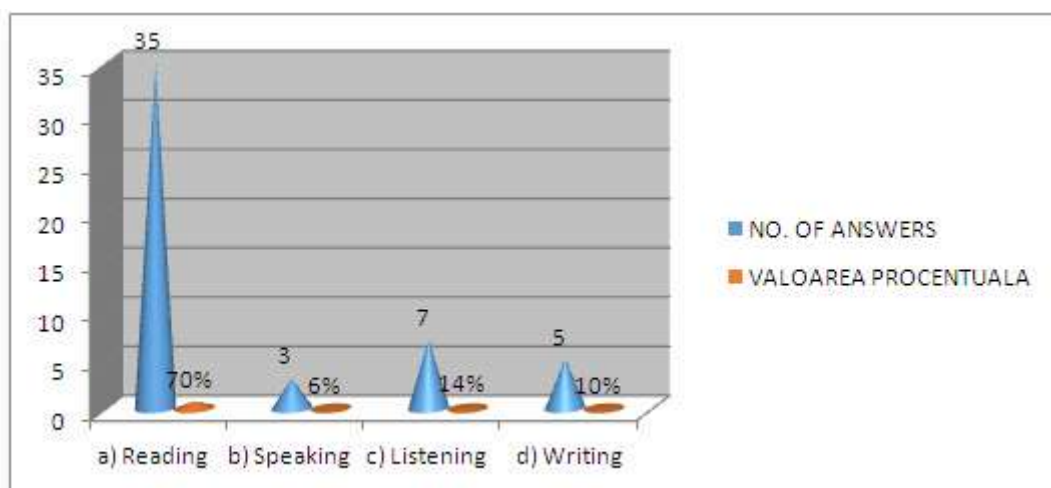
Speaking with natives, that is getting involved in real-world English conversation practice, is one of the most efficient means to improve one’s foreign language, some of the advantages being: learning authentic and practical use of vocabulary, getting used to accent and pronunciation, hence improving one’s listening comprehension skills, and last but not least struggling to express oneself only in the target language. Some of the circumstances favouring this possibility and consequently motivating students are: studying/working/travelling abroad, making pen pal friends or using some of the especially dedicated websites offering a selection of tutors for different skill levels. One efficient tool

the English professor can use at this level is explaining the students the numberless benefits of Erasmus scholarships and internships provided by the university they are currently studying at: experiencing different cultures, growing in self-confidence, gaining a new perspective in both personal and professional development, setting up a wide range of international contacts, enhancing one's employability and of course developing one's language skills.

Question 7: What is difficult for you in learning and practicing English?

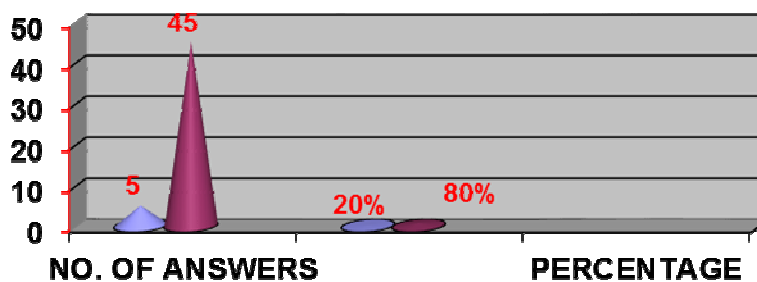
Asked about the difficulties they face in the process of learning and practicing English, 30 % of the students interviewed witness that the toughest task is understanding the use of tenses in English, 40% mention their inability of expressing themselves in English and the remaining 30% refer to the difficulty of translating from their native tongue into English.

Question 8: What type of activities do you like most during the English class?

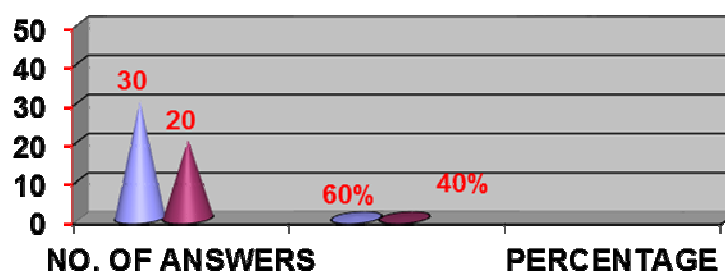
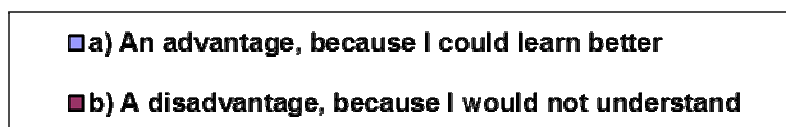


Question 9: Which do you think is most important: thoroughly learning English grammar or trying to use the language in real situations?

- a) Studying grammar
- b) The use of language in real situations



Question 10: If your English teacher chose to speak only in English during the class, would this be an advantage or a disadvantage for you?



2. Rethinking the teaching of English

After having analysed the responses provided by students, hence their level of language awareness, their needs and desires related to language learning, language teaching has to take place in connection with the process of internationalization and globalization, the main task of a language teacher being that of using an appropriate teaching methodology.

2.1. Communicative language teaching

To avoid any possible misunderstanding that might arise from using terminology, we should mention that the communicative approach on foreign language teaching does not refer to teaching communication instead of grammar. Supporters of this method focus on including in their courses open discussion activities. Still, grammatical competence remains an important element in acquiring a language, but learning a foreign language has to go beyond rules. Most learners are not afraid they could not master the rules of sentence building, but they lack confidence in being successful to use language in purposeful communication.

In order to help them master this capacity, the English language teaching should focus mainly on its use in situational contexts of communication, so that language can be understood as a means of communication not as a chain of rules and exceptions to these rules. Furthermore, the focus should be on the use of English in communication situations delimited by specific purposes, in our case economic instances such as finance and banking, tourism, management, marketing accountancy. There is still another aspect to consider when trying to meet the learners' needs, namely the difference between formal and informal speech, as well as between different types of texts: narrative, interviews, reports, conversations on the phone, face-to-face discussions.

At one point in the survey students confessed that their utmost fear is that they cannot understand grammar tenses in English, that is partly because language learning is seen by many as the formation of mechanical habit (Richards, J.K., 2006:p.4) for whose achievement students must reproduce correctly ready-built sentences, the chances of making mistakes being diminished by tasks such as learning dialogues by heart or copying different written texts. In order to help them gain confidence in their abilities and prevent considering language learning as a burden, students can be encouraged to create meaning collaboratively, to try to incorporate what they have learnt in real communication situations favoured to occur during the course, to use proverbs and idioms, as they offer some of the most efficient approaches on the origin of languages. While teaching proverbs

and idioms it could be useful to encourage students finding out similarities and differences between their native tongue and the target language, trying to understand their structure and their origin in order to catch the meaning, analysing various examples where proverbs and idioms can generate misunderstandings, due to either wrong pronunciation, wrongly understood meaning or improper use in context. A conscious understanding of how language works, of how native speakers use their language, can further enhance a better use of language.

Furthermore, classroom activities must always include group work or pair work tasks, helping them get used to actively participating. They will gradually become comfortable with expressing themselves in English, especially if they are not constantly monitored and interrupted by the teacher whenever errors occur in their use of language. So, the role of a perfect, faultless user of the language, often played by the language teacher, should be replaced with the latter's involvement in making students have a different approach on making errors, far be it from an obsession. In this way, the success of learning the language comes through having to communicate real meaning, where form-focused instructions could be integrated. Learners will absorb the new vocabulary items and grammar rules on an unconscious level while challenged to interact naturally in the target language.

Learning can be also personalized by introducing self-study resources covering a wide range of topics of interest for independent study. In this way, learners can assess their own performance and see how they manage when they are physically assisted by their teacher.

2.2. The integrated skill approach

While learning a foreign language, students may face different challenges, be motivated by different contexts and have different individual learning preferences. These various reasons determine them to figure out the four activities listening, speaking, reading and writing as interesting according to their immediate needs or purposes. In order to meet these needs and fulfil their expectations, the English professor should not focus on only one or some of the 4 skills. An efficient learning environment should include all four of them, with the appropriateness of the tasks designed by the professor increasing the chances to keep learners motivated. Besides the proven efficiency of the integrated skill approach in teaching a foreign language, it also increases the chances to satisfy all learners. This is because efficient learning does not depend only on the information taught but also on serving the needs of learners.

Conclusions

In a great number of schools in Romania, English is a compulsory subject in the curriculum. Still, this is not enough, for in order to enjoy the benefits provided by an appropriate acquisition of the language, teachers/professors should get themselves involved in making learners/students, whatever their level of study, aware of the importance of the English language as a global language. Once they have a positive attitude towards the relevance of English language, students will become more confident and hence more responsible for their own learning. Learners could develop a transnational view of the English language and thus become aware of its relevance and usefulness if they are guided to consider language practices in social networks all over the world: starting from interpersonal interaction to mass-communication and communication within and between organizations. The more learners know and get to understand how the target language functions, the more they get to appreciate it.

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QUESTIONNAIRE

Respondent's data:**Name and surname:****Group of study:**

Question 1: What is your level of knowledge in English, according to your own assessment?

- a) Beginner
- b) Intermediate
- c) Advanced

Question 2: Think about top 2 reasons why you may want to become fluent in English. (open question)

Question 3: Has anyone before explained to you the usefulness of the English language as a global language?

- a) Yes, my former teachers of English
- b) Yes, but I have not understood clearly
- c) I have never heard or thought about this

Question 4: If you were aware about the importance of speaking English nowadays, do you think your attitude towards studying it would be a more favorable one?

- d) I do not know
- e) I am not really interested in studying English
- f) Yes, I would do my best to learn it

Question 5: How much do you think fluent English communication skills will improve your employability after graduating the university?

- a) I do not think my chances to get a well-paid job depend on my fluency in English
- b) I think bilingual speakers are the winners in any job competition

Question 6: Have you ever spoken with an English native or have you ever heard an English native speaking?

- a) I have never spoken with an English native
- b) I have spoken with English natives on one/several occasion/occasions.

Question 7: What is difficult for you in learning and practicing English? (open question)

Question 8: What type of activities do you like most during the English class?

- a) Reading
- b) Speaking
- c) Listening
- d) Writing

Question 9: Which do you think is most important: thoroughly learning English grammar or trying to use the language in real situations?

- a) Studying grammar
- b) The use of language in real situations

Question 10: If your English teacher chose to speak only in English during the class, would this be an advantage or a disadvantage for you?

- a) An advantage, because I could learn better
- b) A disadvantage, because I would not understand

EARLY CHILDHOOD EDUCATION, THE KEY INSTRUMENT FOR TACKLING THE NEGATIVE EFFECTS OF POVERTY ON CHILD DEVELOPMENT

Silvia Cojanu¹
Cristina Stroe²

Abstract: *The article aims at reviewing the literature on the impact of poverty on child development and discussing issues to be done in terms of policy targeted towards vulnerable children.*

As many of Romania's children are fighting the soul destroying situation of poverty, it is extremely important for policy makers to clearly understand all consequences, both from the humane, individual perspective, considering the right of every person to fulfil and maximise its own potential and also from the economic perspective, focusing on future labour market performances and quality of Romania's future workforce. Studies in behavioural economics, psychology and neurosciences offer informational inputs that might be useful in order to design the best policy approaches in terms of cost effectiveness.

Key words: *poverty, child development, behavioural economics*

JEL classification: A12

Poverty has been a subject of interest for many years, for researchers of different disciplines (Economics, Sociology, Anthropology, etc) and there are countless studies that approach this phenomenon from different perspectives.

The quantity of scientific material in this field demonstrates the well deserved importance given to this phenomenon, but also the fact that consistent scientific research and also political efforts could not manage to identify a panaceum to this multifaceted problem with different manifestations that affects profoundly the lives of so many people in a rapidly changing and connected world.

In the last years, the economic science has become opened to insights on human behaviour obtained through empirical research in other domains of study, especially psychology and neurosciences. This information might offer the premises for a more adequate understanding of the economic realities, in order to identify the most adequate solutions to societal problems (Frey and Stutzer, 2001). This is, mainly, the role of behavioural economics.

It is very important to integrate these elements of novelty in the research on poverty. Behavioural economics made the first steps in this direction, investigating the way in which poverty impacts on the cognitive, affective and volitional resources of the individual, and implicitly, on the decision making process. Studies show that there is an association between poverty and counterproductive behaviour that might perpetuate the scarcity situation, with less investment in education and preventive healthcare, lower productivity and higher rates of absenteeism, non take up of benefits, etc. (see Mani et. al, 2013).

In line with this approach, researchers tried to gain a clearer understanding on the effects of poverty on child development and individual's future outcomes.

Studies show that a deficit of investment in child development at an early age will have significant repercussions on the cognitive and psychosocial acquisitions of the individual, effects that will mediate later labour market performances and results.

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Child development takes place through the interaction between the genetic endowment and the environmental conditions. There is a developmental progression in orderly sequences considered to be normal, although in an unequal rhythm, with variations from an individual to another, from an area of development to another. Thus, there is an inequality of the developmental rhythm, but without fracturing the sequential construction, as any developmental acquisition is built upon the foundation of previous acquisitions.

A very elegant term used to better explain the developmental process is “nature dancing with nurture over time” (Shonkoff and others, 2012, citing Sameroff, 2010). This expression emphasises the scientifically proven fact that we are a product of a continuous interaction between our genetic inheritance and the external environment that might activate or not certain genetic predispositions.

In fact, although the human brain is characterised by plasticity throughout the life course, there are certain periods of increased neural sensitivity, maximising the impact of certain external environmental influences. Knudsen (2004) showed that early experiences can, actually, change the biochemistry of the brain, with significant stressful events imprinting the genetic structure of the individual.

Research shows that toxic stress experienced in the early years represents a significant risk factor for a number of medical conditions later in life. While a certain amount of stress is an inevitable part of life, toxic stress in childhood is defined as a consequence of “strong, frequent, or prolonged activation of the body’s stress response systems in the absence of the buffering protection of a supportive, adult relationship”, the most important causal factors being child abuse or neglect, parental substance abuse and maternal depression (Shonkoff and others, 2012, pg. 236).

Toxic stress experienced in early childhood is associated to brain changes such as amygdala hypertrophy, generating a hyper-responsive nervous system with a chronically hyperactivated stress response mechanism later in life, associated to an increased potential for experiencing mental health problems such as phobia or anxiety (see Roth et al., 2009). Another area in the brain affected in the exposure to toxic stress is the hippocampus, associated to potential impairments of contextual learning and memory functions. The architecture of the prefrontal cortex is also altered through the exposure to important stressors during early childhood, impairing the development of adaptive responses to stress, associated to difficulties in effectively coping with future stress. See Shonkoff and others (2012) for a detailed explanation of these mechanisms, which they conclude by assessing that “early experiences are built into our bodies” and “stress in early childhood plays an important causal role in the intergenerational transmission of disparities in educational achievement and health outcomes”.

This could be one factor that might explain the identified strong association between early exposure to stressors and later difficulties in acquiring linguistic, cognitive and social skills (see Shonkoff and others, 2012).

Unfortunately, research shows that children living in poverty experience greater exposure to more severe environmental stressors than children of higher socio-economic status (Crockett and Haushofer, 2014, cited in the World Bank Report, 2015). Studies show that lack of a stable source of income is stress inducing for the adults of the household and this seems to be associated to an increased likelihood of inconsistent and unpredictable parenting behaviour (Blair, 2010, cited in the World Bank Report, 2015), thus propagating the scarcity stress to the children in the household.

All these research results may partially explain the identified differences in school readiness between the poor children and the children of better socio-economic status.

Significant gaps were identified, as early as eighteen month, between children from poor families and children of higher socioeconomic status, in terms of language processing

speed (Fernald, Marchman and Weisleder, 2013). Fernald, Marchman and Weisleder (2013) identified a 200 milliseconds difference in mental processing speed, at 18 months, between children in the lower socio-economic status group and higher socio-economic status group. The authors argue that slower processing rates are partly responsible for slower vocabulary growth in the following years. In fact, the authors observed that children with higher language processing speed at 18 months have larger vocabularies at the age of 2 and obtain better scores for standardized tests of language and cognition in kindergarten and elementary school (See: <http://news.stanford.edu/news/2013/september/toddler-language-gap-091213.html>). There is an estimated six months gap between the poor and the rich two years old children in terms of language acquisition, assessed by studying their vocabulary dimension. The authors argue that parental practices are crucial for language development, as the quality and quantity of verbal interaction between the child and the caregiver determine these differences. Language used in the presence of the child, without being specifically addressed to the child, does not help language acquisition.

It seems that there are significant differences between the practices of families from different socio-economic groups, in terms of child-directed speech that significant caregivers provide. As Hart and Risley (1995) showed in their research, children in the lowest socio-economic status group heard an average of 616 words per hour. Children in the highest socio-economic status group heard an average of 2153 words per hour. There was a difference of 30 millions heard words between the rich children and the poor children, by the age of four. Researchers also identified qualitative differences between the child-directed speech of rich caregivers and poor caregivers, with rich and middle class parents rather using questions to encourage curiosity in the child and positive reinforcement (praise), while the caregivers in poor (welfare) families rather using negative reinforcement and commands. There was an identified ratio of six encouragements for every discouragement in the interactions of children of the rich group with their caregivers, while the children of poor families received on average two discouragements for every encouragement. Researchers also found that approximately 90% of the words a child uses by the age of three are derived from their significant caregivers' vocabularies, with significant similarity in speech patterns.

Studies developed in very poor countries also show that various cognitive acquisitions of preschool children vary by wealth, although one might expect them to be uniformly low (The World Bank Report, 2015 details a study that took place in Madagascar, a country where three out of four people live below \$1.25 a day and where cognitive acquisitions, but also non cognitive skills were found to vary by wealth gradients, with the most significant variations in the field of language acquisition and executive function – referring to the ability to sustain attention and the working memory, see Fernald et al., 2011).

Research focused on school readiness also emphasized the important role of non-cognitive skills for school integration and performances. The key aspect for a successful school integration seems to be the formation of the self-regulation ability (see: Blair and Diamond, 2008; Ursache, Blair and Raver, 2012). It seems that, for children living in poverty, the development of self-regulation skills, including impulse control, ability to delay gratification and exhibiting emotional control, might be disrupted by unpredictable environments and toxic stress (as shown in the World Bank Report, 2015).

The parenting styles are extremely important and research investigated parenting practices in high income, middle income and low income countries, with interesting results. Bornstein and Putnick (2012) studied, based on data from 28 developing countries, the association between parenting practices and the country's level of development, assessed through the Human Development Index, focusing on two types of parent-child

interactions - cognitive caregiving and socioemotional caregiving. Results showed that, in general, no matter the level of country's development, mothers engaged more in socioemotional caregiving than in cognitive caregiving. Yet, mothers from countries of high HDI offered significantly more cognitive caregiving activities than mothers in the low-HDI countries.

These results seem to be in line with the theory promoted by Anette Lareau (2003), who focused her research on the parenting approaches of American families and identified two main directions that were associated to the socio-economic status of the families. She observed that rich and middle class families practice the "concerted cultivation" of their children, focusing on offering numerous opportunities to their children to find and cultivate their talents, engaging them in numerous extracurricular and organised activities and offering them the space to express themselves, while the working class and poor families are rather inclined towards the "natural growth" of their children, offering a lot less of extracurricular, organised, educational activities and a lot more room for child directed play, social interaction with family members and other children. Both approaches seem to have both advantages and disadvantages, the author estimates, with middle class children being more prepared to fit in with the demands of the school, easily adapting in organized activities and environment, while working class and poor children benefitting of closer family ties and social abilities, but sometimes lacking the beneficial effects of a more consistent exposure to the demands of organized educational environment.

Longitudinal studies (the most well-known are the Perry Program, the Abecedarian Program and Chicago Child-Parent Centre) show that early age developmental gaps tend to propagate throughout life course and that early interventions have truly positive outcomes. Children with certain socioeconomic characteristics were included in educational and stimulating programs, adequate to their age, offered by specialized professionals. The parents of the children were given information on what a stimulating parenting should consist in, being taught to offer educational activities at home. Subsequently, the educational and professional trajectories of the participants in these programs were tracked for extended periods of time. A common conclusion of these studies was that, in general, the participation in this kind of intervention was associated to improved academic performances, a higher graduation rate and a lower incidence of behavioural problems, comparing to control groups. When reaching adulthood, the participants obtained better results on the labour market – higher earnings, shorter periods of time in social assistance, etc (see: Cunha et al., 2006; Heckman, 2008; Cunha et al., 2010; Cunha and Heckman, 2008).

Thus, these longitudinal studies show that access to high quality early education is crucial not only for school achievement, but also for later higher quality of life, healthier adult lifestyles associated to improved health outcomes and improved labour market performances. It is clear that, in the light of these results, a key poverty reduction policy could focus on significant investments in early care and education programs, particularly for children at risk - whose parents have limited education and low income (see: Cunha et al., 2006; Heckman, 2008; Cunha et al., 2010; Cunha and Heckman, 2008).

In fact, presently, data analysis converges to the conclusion that „early childhood development (ECD) is one of the most cost effective investments a country can make to build human capital and promote sustainable development. Economic analyses from both the developed and developing world point to the same conclusion: Investing in the early years yields some of the highest rates of return to families, societies and countries” (UNICEF Brochure, pp. 2, citing Britto, Engle and Super, 2013).

There are different ways of directing this investment.

Cash transfers to the families are usually used. They have positive effects on multiple levels – they reduce the scarcity induced stress in the household and they free

parental mental resources that can be oriented to the needs of the child, while also offering a chance to improving the child's life quality through better nutrition, an improved housing situation, etc. As studies show (Mullainathan and Shaffir, 2013), poverty imposes a cognitive tax on the individual as scarcity and the problems brought by it capture the attentional resources. This may transfer, with negative effects, on parenting practices and the child-parent relation.

Conditional cash transfers towards families with children represent another possible answer to the problem. Families receiving conditional cash transfers are obliged to comply to certain demands, thus make some behavioral changes.

Conditional cash transfers function on two directions: 1) immediate poverty reduction – through the receiving of cash, 2) long term poverty reduction through human capital development, defined as investing in a person's health, knowledge and skills. (Janvry, Sadoulet, 2006 cited in Fernald, Gertler and Neufeld, 2008, pp. 2)

Fernald, Gertler and Neufeld (2008) showed that children in households that received cash transfers had improved outcomes in terms of both health and development. Their research focused on children in low-income communities, in Mexico, and the authors observed that children in households receiving higher cumulative cash transfers performed better on a scale of motor development, three scales of cognitive development and a scale assessing the receptive language.

Yet, other studies assessing the impact of conditional cash transfers on child development identified only modest positive effects. In a study that took place in rural Ecuador, children in the poorest households eligible for transfers had outcomes that were on average more than 20 percent of a standard deviation higher than those for comparable children in the control group (Paxson and Schady, 2010). Positive effects could be identified both on a physical level, but also on a cognitive and socio-emotional level, with larger effects for the poorer children than for less poor children. Girls and children whose mothers had a higher level of education seemed to benefit more in this intervention. While the participants in the program benefited of improved nutrition, they did not seem to benefit of preventive healthcare services more than controls and the parenting practices of their mothers did not improve.

Yet, other studies assessing the impact of conditional cash transfers show that although their effects were modest, they persisted two years after the beneficiaries exited the program (see Macours, Schady and Vakis, 2012) and this is very important as it implies that positive behavioural changes have been made.

Another direction focused on the psychological elements behind parenting practices and behaviours – values, attitudes, beliefs, thus mental models. It has been shown that many parents are convinced that cognitive attributes and socio-emotional skills are innate and immovable, thus they cannot influence the development of their children no matter what they may or may not do. This belief may be associated to a lack of motivation for investment in their children's development, be it financial or temporal - through parent-child activities that promote the acquisition of cognitive and socio-emotional skills. The World Bank Report (2015) presented the results of an intervention program, focused on changing parental mindsets, that took place in Senegal (the "Renforcement des Pratiques Parentales" Program, of the Tostan NGO). The program's aim was to help parents understand the importance of early verbal engagement for the brain development of their babies. The parents were taught how to interact to their children in a beneficial way for their development: speaking to them using a rich and complex vocabulary, asking the children questions, telling them stories, describing objects in detail to them, etc., while in the same time clarifying to the caregivers that there is, in fact, a scientifically proven link

between verbal engagement and the development of a child's brain, thus offering them the motivation to changing their beliefs and, subsequently, their parental practices.

A follow-up study that focused on lifelong effects of very early intervention (children below the age of two when entering the program) that consisted in giving the mothers all necessary information in order to empower them to be able to offer stimulating, high quality interactions to their children, showed that positive effects were identifiable 20 years later, in labour market outcomes (Gertler et al., 2014). Thus, it seems that changing beliefs of the parents and, subsequently, their parenting approach can have significant and long term effects on children's education and earning outcomes.

Why is this important for Romania?

In 2014, 39.5% of Romanian children (younger than 16 years) were at risk of poverty and social exclusion, while the EU28 average for this indicator was 24.4%. Bulgaria had a slightly higher value for this indicator, while all other EU28 countries were in better positions from the point of view of children confronted to the risk of poverty. Undeniably, the situation has improved in the last decade as this indicator has reduced by 10 percentage points, from 47% in 2007 to 37.3% in 2015.

Yet, it is clear that many of Romania's children are fighting the soul destroying situation of poverty and it is thus extremely important for policy makers to clearly understand all consequences, both from the humane, individual perspective, considering every person's right to fulfil and maximise its own potential and also from the economic perspective, focusing on future labour market performances and quality of Romania's future workforce. As most of the poor children in Romania live in rural areas, key investments should be made in ensuring accessible, high quality early care and education targeted accordingly. Traditionally, in Romania the children under the age of three received mainly care in nurseries, without emphasising the role of education at this point, as before 2011 nurseries were under the responsibility of the Ministry of Health and the services were mainly provided by nurses (see the Summary Report of the PLA on Early Childhood Education and Care in Bucharest, 18-20 March 2013 for a detailed analysis of the development of ECEC policies and services in Romania). After 2011, the new legislation in the field of education included this age group, establishing a curricula and educational targets. As for the kindergartens, the national enrolment rate has been rising in the last decade. There is a difference in enrolment between rural and urban kindergartens, as statistical data shows, with significantly lower enrolment in the rural areas. Yet, as studies show, these children are, actually, the population that would mostly benefit from early education.

A study focusing on the specificities of early education in Romania concluded that "in Romania, the interest in early childhood education and care (ECEC) has increased significantly in the last decade. But for the age group 0-3 years we cannot speak about a functional system of ECEC services, a major deficit being identified regarding the number of existing units, as well as human resources within these units." (Matei, 2014, pp. 117)

Conclusions

Recent advanced research in neurosciences and psychology allowed for an in-depth understanding of human development, underlining the fact that the early years are crucial in this construction and that adversity experienced in childhood imprints in the brain. Poverty puts children at risk of experiencing toxic stress, with negative effects on health and development, but also creates the context of a less stimulating environment. Consequently, there is an identifiable gap between poor children and children of higher economic status, in terms of cognitive skills (mostly language acquisition), but also non-cognitive skills, such as self control. This translates into a gap in school readiness. And, as

skills are built upon other previously acquired skills, it makes it harder for these children to adapt to the routines of the school and to integrate new knowledge in the rhythm imposed by the educational process, as they build their learning on weaker foundations. The gap, thus, continues to manifest throughout the life course, with consequences such as lower educational attainment, worse labour market outcomes and higher dependency on social assistance. Longitudinal studies show that early interventions have truly positive outcomes. A common conclusion of these studies was that, in general, the participation in this kind of intervention was associated to improved academic performances, a higher graduation rate, and a lower incidence of behavioural problems, comparing to control groups. When reaching adulthood, the participants obtained better results on the labour market – higher earnings, shorter periods of time in social assistance, etc. In fact, it is now accepted that the investment in early childhood education and care is the most efficient and cost-effective, with better outcomes than all other education and training programs designed for vulnerable individuals in other age groups. This investment may be oriented towards conditional cash transfer programs that involve transferring money to the poor, if they comply to certain behavioural demands, such as participation in education or preventive healthcare programs. Studies show that the behavioural changes promoted through this kind of policy mediate the maintenance of positive effects long after the termination of the program. Demonstrated positive effects are also obtained through parental education, focused on changing the mental models of parents concerning their abilities to influence the developmental outcomes of their children and, consequently, their parental practices, towards building a more stimulating home environment for children.

This is extremely relevant for the Romanian situation as there is a recognized deficit of the early education and care services, in terms of their availability, especially for the most vulnerable children, and also in terms of human resources within the system.

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SOCIAL AND EDUCATIONAL ISSUES IN A EUROPE UNDER ECONOMIC AND SOCIAL CRISIS CASE STUDY: CRIMEAN TURK-TATARS OF ROMANIA

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Abstract

This paper gives an outlook on social issues with the Crimean Turk-Tatar community and their social and educational challenges in a Europe under social and economic crisis. This research attempts to focus on Crimean Turk-Tatars social issues rather than on historical and political environment, but they cannot be separated.

The aim of my research is to identify the influence of indicators as - historical and political environment, to underline social issues, and how they influenced community's day-to-day life.

This study is based on face-to-face interviews conducted in February, July and August 2016, participant observation and content analysis of documents with the National Archives of Romania, Constanța County District and Constanța County Library "Ioan N. Roman".

Case study of this paper is the ethnic minority of Crimean Turk-Tatars and some of their social and educational issues.

The body of the paper is based on a study done by All Minorities at Risk (AMAR), which qualifies Crimean Turk-Tatars as an ethnic minority at risk, and on the chart provided by UNESCO, which identifies socio-linguistics aspects of endangered languages qualifies the Crimean Tatar language as one of the severely endangered languages. Also, I identified the European Charter for Regional or Minority languages and its educational policies.

Finally, my paper shows the community challenges in building communicational bridges based on mutual respect of differences.

Key words: *social and educational issues, face-to-face interviews, Crimean Turk-Tatars, grassroots, European educational policies.*

1. Introduction

1.1. Evidence in literature

There are some researches about Crimean Turk-Tatars of Dobrodja, but only two main books: Müstecib Ülküsal's work *Dobruca ve Türkler* published in 1966, and Mehmet Ali Ekrem's work *Din istoria turcilor dobrojeni* published in 1997.

However there are a small number of empirical studies on this topic. Lack of evidence indicates that further research is needed into this issue, which is encouraging for our approach. Both works provide general information about Crimean Turk-Tatars of Dobrodja, but nothing about voiceless people, "grass root" people.

This research tends to focus on grass root people of the ethnic community rather than on the general image of the community. Unlike other ethnic minorities, their mother tongue is spoken only on restricted area, by a small number of people. They are categorized by the All Minorities at Risk (AMAR)² as "socially relevant ethnic group", and UNESCO identified their language as one of the severely endangered languages³. In addition, one of the most severe issue except erroneous historical perception and image of the enemy, are the risk factors inside the community, which include social and cultural cleavages that are manipulated by the elite governing the organization of the ethnic community.

Based on my own experience as an ethnic minority and learning from previous years I began thinking about how to respond better to changes and needs of the Crimean Turk-

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² http://www.mar.umd.edu/amar_project.asp, accessed on 30 sept. 2016

³ <http://www.unesco.org/languages-atlas/index.php>, accessed on 30 sept. 2016

Tatars ethnic minority. I agreed that there was a need to redesign the approach and identify ways of being more deeply involved in community's social issues through my studies, and to reach out to the members of the community at large.

1.2. Methods related to research

The case study of this paper is the ethnic minority of Crimean Turk-Tatars. Collecting data for this project was done at regional level. This project is in progress and until now its development was carried out in two stages. The study was conducted entirely through my own financial efforts, during the holidays between semesters.

The most important source of this work is based on face-to-face interviews and content analysis of documents with the National Archives of Romania, Constanța County District and Constanța County Library "Ioan N.Roman". The interviews were conducted in Constanța, and in villages: Amzacea and Tătaru, with some members of my family, but also with people that I never met before this survey. Each question format was drawn based on previous studies and was selected to be illustrative for one approach: age, social status, education and culture. All interviews were conducted from family to family, talking to each member of the family. The interviewer introduced himself/herself and stated his/her age, education and financial status. They were asked about their social status and their position inside the community, family, day-to-day life, mother tongue, Crimea, Turkic world, endangered languages and traditions. Actual data about social status and culture were available for all the interviewed individuals. Therefore, following the completion of an interview it was possible to compare and report an individual's answers with the others.

The purpose of my field survey is to discover the thorough knowledge of information hold by the members of the community, knowledge that I grouped as follows: education, financial income, social status, day-to-day life, ethnicity, culture and traditions. I am dealing also with a significant social impact on day-to-day life of the community's members.

In this study I will analyze only social and educational issues because they have a major influence on community's day-to-day life in the current European context.

1.3. A short overview about the Crimean Turk-Tatars of Romania

The decisive stage in the process of ethnogenesis of Tatar people was the foundation of the Golden Horde in the 1243, and the splitting of the northwest part of the Empire of Genghis Khan. Taking into consideration the Tatar language and its spiritual tradition, within the Turkic world is certain that the Turkic element was decisive to their formation as nation (Fisher 1987: 57).

In the early fifteenth century, it was formed and developed the Crimean Khanate having all the characteristics of a pre-modern state fully developed. The Crimean Khanate claimed its Genghis Khan origin, but in terms of ethnogenesis "Tatars" as they were called in history were formed after their assimilation and integration by the indigenous communities and by European groups existing in the peninsula. The Crimean Tatars were organized within their own state. Crimean Tatars variant was formed totally different from the other Tatars people of Kazakhstan, Astrakhan and Bashkortostan. (Uehling 2004: 28)

The Ottoman state protected them, and they maintained-closed relations with the Turkic world, by the means of language and people. During Czarist Russia after the occupation of the peninsula, followed by Crimean Wars and the Ottoman-Russian War of 1877-1878 led to mass migration of Turk-Tatar population and their departure towards the territories of the Ottoman state. Many of the Turk-Tatars living on today Dobrudja, Romania migrated from Crimea after the annexation of peninsula in 1783 "*The Crimean*

Tatars began leaving their homeland in 1772, when their Khans lost effective political control, and the Russians began intervening forcefully in Crimean internal affairs. The exodus proceeded unabated until 1789, when the Treaty of Jassy cemented Russian control of the peninsula and the steppe to the north of the Black Sea. [...]. This early Tatar emigration played an important role in the subsequent, more extensive exodus, for it provides the opportunity, indeed necessity, for an immigration of Slavic peasants and landowners which would momentum as the century progressed” (Fisher, 1999: 172).

Historical migrations are marked mainly by military condition, and by economic, social and political situation. Human nature try to find better living conditions naturally in regions that offer military and political security and attract population from parts of the world where are not under military conflict. Migration process involves a subject - the immigrant, at least two countries (country of origin and country of destination) and the intention of finding a place in which the immigrant can establish, the country of destination. As, my great-grand father *Hacı İzzet İsmail* and his family left Crimea, Kerç, which was under military conflict, probably around 1875-1877. Their son, my grand father from my father, *Hatip Suleyman Abduraman* son of *Hacı İzzet İsmail*, was born in Crimea, or more probably on their way from peninsula to Ottoman lands (country of destination) and, they came ashore, they did not use waterway. My great-grand father from my mother, *Safadin Semetula*’s parents left peninsula probably after the Crimean War (1853-1856), or may be earlier, and my great-great grand father from my mother, *Reşit Ağa*’s parents left Crimea before the Crimean War.

2. Regional legal standards and policies

2.1. Minorities in Romania

According to the definition provided in 1977 by Francesco Capotorti Special Rapporteur of the United Nations Sub-Commission on Prevention of Discrimination and Protection of Minorities, a minority is: A group numerically inferior to the rest of the population of a State, in a non-dominant position, whose members - being nationals of the State - possess ethnic, religious or linguistic characteristics differing from those of the rest of the population and show, if only implicitly, a sense of solidarity, directed towards preserving their culture, traditions, religion or language¹.

The experiences of minorities across Europe vary widely. While variations exist between countries, different minorities in one and the same country often experience very different degrees of access to education. A crucial difference is between minorities, which can look back to a long history of minority rights protection (as it happens in western countries) to those who were either recognized only recently or have lacked adequate state policies to protect their rights (as it happened in South-East European countries). Minorities in Romania can be divided into three categories, mainly taking the size of the minority group into consideration:

- a) Hungarians, the larger group and well organized;
- b) Roma group, the second most numerous with several political organizations;
- c) 18 other groups with at least one political organization per group (see Table no.1, *The Ethnical structure of Romania’s population, 2011*). The large number of ethnic minorities parties competing for the votes of their own ethnic communities has created a public perception that organizations representing minorities are responsible for the needs and demands of the minority groups. All ethnic groups have at least one political party standing for their representation. Also, there are questions about the problematic legitimacy of reserved seats, and the low vote is regarded as non-democratic and a source of abuse due to

¹ <http://www.ohchr.org/EN/Issues/Minorities/Pages/internationallaw.aspx>, accessed on 5 oct. 2016

the ability of entrepreneurial candidates to negotiate votes in support of their candidacy from groups not related to the minority group. (Oleh, P., 2008:12).

2.2. The Ethnical structure of Romania's population

This part of my study takes a brief look at one of the eighteen groups, the Crimean Turk-Tatars.

As can be seen from Table no.1, *The Ethnical structure of Romania's population, 2011* data from the census population give the following: Romanians, Hungarians, Roma (Gypsies), Germans, Ukrainians, Lippovan-Russians, Turks, Tatars, Serbs (see Table no.1). It is obvious that the minorities represent approximately 10% of Romania's population, their linguistic diversity, and territorial distribution raise specific problems to be solved. Romania officially recognizes 18 minorities, as seen in the above table.

The Ethnical structure of Romania's population, 2011

Table no. 1

Year	1930	1956	1966	1977	1992	2002	2011
Total Inhabitants	14,280,729	17,489,450	19,103,163	21,559,910	22,810,035	21,680,974	20,121,641
Romanians	11,118,170	14,996,114	16,746,510	18,999,565	20,408,542	19,399,597	16,792,868
Hungarians	1,423,459	1,587,675	1,619,592	1,713,928	1,624,959	1,531,807	1,227,623
Roma (Gypsies)	242,656	104,216	64,197	227,398	401,087	535,140	621,573
Germans	633,488	384,708	382,595	359,109	119,462	59,764	36,042
Lippovan-Russians	50,725	38,731	39,483	32,696	38,606	35,791	23,487
Ukrainians	45,875	60,479	54,705	55,510	65,472	61,098	50,920
Turks	26,080	14,329	18,040	23,422	29,832	32,098	27,698
Tatars	15,580	20,469	22,151	23,369	24,596	23,935	20,282
Serbs	50,310	46,517	44,236	43,180	33,769	29,570	

Source: Recensământul Populației și al Locuințelor, Institutul Național de Statistică, 2011 (*The Census of the Population and Dwellings, The National Institute of Statistics*)¹

As it is shown by the 1930 census, in the interwar period, figures corresponding to the number of community's members are very low due to a new wave of emigration towards Turkey. The fact is proven by a high number of passports requested by the community's members. Documents with *The National Archives of Romania, Constanta County District, fund Prefecture Constanta County*² stand for the community's emigration to Turkey. After 1992, it is noted that the demographic evolution with the ethnic minority of the Crimean Turk-Tatars was influenced by a number of factors, among which stands out: freedom of couples to decide on desired number of children, the high level of economic and social costs sustained by the population in the period of transition, lack of housing and limited access of young people to their own dwelling, changes in population's behavior on the formation and division of family, social instability, unemployment. Figures of the table underlines that in today's Dobrudja there are many minorities as Roma people, Lippovan-Russians, Tartars, Turks and Ukrainians sharing together in good will and peace the same territory (Ismail, 2015b: 490).

3. Regional challenges

3.1. Challenges of diversity

If there is one thing that stands out above all else in Dobrudja is its diversity. Each ethnic group living in the area is like a colorful patchwork of language, religion and culture. Every ethnic minority has its own layers of more or less painful memories,

¹ <http://www.recensamantromania.ro/rezultate-2/> accessed on 22 sept. 2016

² <http://www.arhivelenationale.ro/index.php?lan=0&page=145>, accessed on 03 oct. 2016

including the period during the communist regime, when “equality” was translated in various ways, but usually with the result of suppressing diversity. Over the last decades the ethnic minorities of Romania have been striving to redefine their political, social, educational and economic environments.

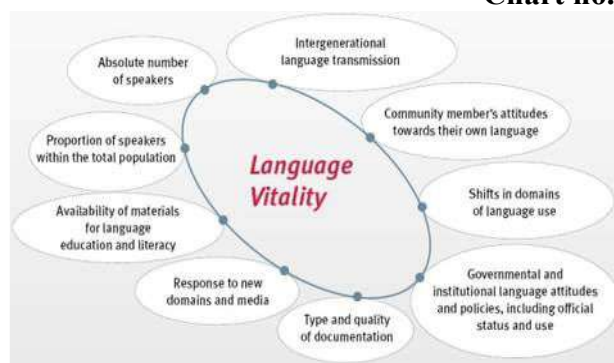
3.2. Social and educational issues

Almost all Crimean Turk-Tatars are descendants of peoples who emigrated from Crimean peninsula over time, since 1783 the annexation of peninsula. Unlike other ethnic minorities of Romania, Crimean Turk-Tatars have no other homeland than Crimea and their native language is not spoken anywhere else than in Crimea (Ismail, 2015: 154). In accordance with All Minorities at Risk (AMAR) project the ethnic minority of Crimean Turk-Tatars is categorized as “social relevant”. The ethnic group is based on members that share the same distinguishing cultural features: common language, religion, and customs, and they constitute one percent of Romania’s population (see Table no.1 *The ethnical structure of Romania’s population, 2011*).

In 2003 an Ad Hoc Expert Group on Endangered Languages of UNESCO elaborated a framework concept entitled “Language Vitality and Endangerment”. In accordance with the nine criteria (see Chart no.1) established by them we can determine the vitality of a language and identify necessary needs to safeguarding the language (Izmirli, 2012: 5).

Language vitality and endangerment

Chart no.1



Source: UNESCO – language vitality and endangerment¹

In accordance with United Nations Educational, Scientific and Cultural Organization (UNESCO) the Crimean Tatar language is qualified as severely endangered language “A language is considered endangered “when it is on a path toward extinction. Without adequate documentation, a language that is extinct can never be revived. This may be the result of *external* forces such as military, economic, religious, cultural or educational subjugation, or it may be caused by *internal* forces, such as a community’s negative attitude towards its own language. Internal pressures often have their source in external ones, and both halt the intergenerational transmission of linguistic and cultural traditions. Many indigenous peoples, associating their disadvantaged social position with their culture, have come to believe that their languages are not worth retaining. They abandon their languages and cultures in hopes of overcoming discrimination, to secure a livelihood and enhance social mobility or to assimilate to the global marketplace²”.

Interviews with the members of the Crimean Turk-Tatars of Romania provided that many members of the community, in special young generation, abandoned their native language because they have no other alternative (the official educational system is in Romanian language). They do not

¹ <http://www.unesco.org/new/en/culture/themes/endangered-languages/language-vitality/>, accessed on 28 sept. 2016

² <http://www.unesco.org/languages-atlas/index.php>, accessed on 02 Oct. 2016

understand the long-term consequences of their choice. Many of my interviewees even the older, when they were being interviewed they began talking in Crimean Tatar, and in the middle of a conversation without even being aware of having done so they switched to Romanian language. Linguists define this type of hybrid usage as “code-switching” (alternating or switching between languages in the same stretch of discourse by a bilingual speaker), which is quite normal in bilingual speaking communities (Eker, 2012: 226). Sureya OMER graduated “Kemal Atatürk” The Muslim Theological and Pedagogic Highschool of Medgidia, Constanta County. She is a teacher of Muslim Religion, but currently has no job¹. There is also a very difficult situation for the members of the community when they seek for a job, as in order to get a job people have no other choice than to switch to Romanian language. In fact, maintaining and using both languages should allow them better chances in life, but in reality they cannot get a job in their native language.

4. Educational policies and European Charter for Regional or Minority languages

4.1. European Charter for Regional or Minority languages

Although considerable research has been devoted to minorities, rather less attention has been paid to their native languages.

The heart of a symbolic system is language, which not only allows people to communicate with one another, but is also a tool for cultural transmission from generation to generation through symbolic learning.

This paper provides results of the Council of Europe, which recognizes the value of regional and minority languages as part of the European cultural heritage and therefore adopted on June 25, 1992 European Charter for Regional or Minority Languages, which entered into force on 1st, May, 1998 (Călușer, 2009: 7).

The Charter is the first international treaty dealing with linguistic diversity and aims to protect minority languages from extinction and to promote them, their use in education, media, justice, administration, cultural, economic and social. The Charter aims to prevent the extinction of regional or minority languages that are increasingly less used and in this context it has established a set of objectives and principles that states undertake to use all minority or regional languages on their territory.

The European Charter for Regional or Minority Languages has been drafted in accordance with the International Covenant on Civil and Political Rights of the United Nations Convention for the Protection of Human Rights and fundamental freedom of the governing board of Europe which supports the importance of knowing the official language of the state and protect regional or minority languages. Charter is organized into five parts and a preamble.

In Part I, the Charter defines the geographic area in which a regional or minority language is used and this language is the mode of expression of a number of people justifying the adoption of the various protective and promotional measures that are set out in the Charter, but it does not specify the principles appropriate measures. It notifies only that the application of the Charter is required where the number of speakers of a minority language justifies its application.

Part II presents general principles that are applied to all regional or minority languages in the territory.

Part III, by Articles 8 to 14 contain provisions in the areas of education, justice, administrative, public service, media, cultural, economic and social life and cross-border exchanges. Article 8 relates to the education system, from kindergarten to university and adult education. By Article 12 it shall ensure the existence and accessibility of cultural activities in regional or minority language.

¹ Interview with Sureya OMER, Amzacea; she is a teacher of Muslim Religion, but jobless in the last years.

Part IV refers to the process of monitoring the implementation of the Charter. Part V includes the final provisions on signature, ratification and entry into force of the document.

4.2. Supporting and developing educational policy

Education is about preserving group identity, but also changing group's perceptions of each other. When we say education we think about supporting difference, but also creating bridges of communication and contact. By education a minority group helps the maintenance of its identity, but it should not reduce the minority identity to folk dance and traditions. Education has the advantage to put together the challenges in addressing the need for a diverse society to accommodate difference without making the difference as the only and most important characteristic of identity.

Minority issues in education should be a part of mainstream educational system, but it has often been as an "add-on" to an insufficiently reformed educational system, leaving the fundamental challenges unresolved. Education for minorities cannot be viewed as a separate piece of the puzzle. Minority language might be a small extra subject focusing on the traditions and culture of the minority, but not the really facilitating the general learning process through teaching general subjects in the minority language.

As Romania signed and ratified the convention¹ there is be the legal framework for educational system in native language - Crimean Tatar language from kindergarden to university. In the educational sector, at the local community level over the past several years many organizations have been working to develop language education programs, and they are engaged in implementing increasingly popular mother tongue education programs.

Since October 2014, the Democratic Union of the Muslim Turk Tatars of Romania started courses of Tatar language in Constanta, Medgidia, Techirghiol, Eforie Nord, Mangalia and in the country side Valea Dacilor, Cobadin, Tuzla, Agigea, Valu lui Traian, Ovidiu, Lumina, Mihail Kogalniceanu. In Constanta, courses are delivered in weekend, between 10,00-12,00 a.m., at the headquarters of the Democratic Union of the Muslim Turk Tatars of Romania². In practice, there is a very different situation, for example, in Amzacea village. My interviewers from Amzacea agreed "At home, we teach Tatar language to our children³", and his daughter in law added, "Last year there was a young lady coming from Constanta and tried to teach Tatar language, but it was a failure. It worked only for a few weeks, and then she stopped coming to our village⁴". Obviously, children living in small villages do not have access to education through the ability of their mother tongue, as is our case in Amzacea, a small village near to Constanta.

A severely endangered language is a language spoken only by grandparents and older generations; while the parent generation may still understand the language, they typically do not speak it to their children⁵. As noticed from the examples with the ethnic community of the Crimean Turk-Tatars, it is next to impossible to transfer their native language to younger generations, as they do not have schools and trained teachers. In villages, the Crimean Turk-Tatars do not have access to literary works, newspapers or visual media in their native language, and as regarding education in Crimean-Tatar language there is also a personnel training issue for someone who would like to be a Crimean Tatar language teacher. In Romania, there is no institution to train teachers for Crimean Tatar language.

At home, only the members of the older generations (who were children, teenagers or

¹ http://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/148/signatures?p_auth=GO9UwWZ5, accessed 15 oct. 2016

² Qaradeniz Mecmuasi (Qaradeniz Magazine), Yil XXV, Sayi 257/10, Ekim, 2014, p.12

³ Sebat OMER, born in 1947, Edlikoy (Miristea)

⁴ Sureya OMER, born in 1982, Amzacea, mother of two children

⁵ <http://unesdoc.unesco.org/images/0018/001836/183699E.pdf> accessed on 24 oct.2016

young adults at the time when their schools were closed, in between 1953-1954) were able to speak their mother tongue. Since the younger generations who were born after 1954 were educated in Romanian language schools and were forbidden to speak their native tongue in public places, language transmission was severely restricted among the ethnic minority of the Crimean Turk-Tatars.

There are still many things to do, as education is crucial in reproducing (and re-creating) the identity of an ethnic minority group. However, understanding how these processes will influence community's life remains a major challenge.

4.3. Implementing European Charter for Regional or Minority languages

According to art. 2 of Law no. 282 Charter applies to the following 20 minority languages used in Romania: Albanian; Armenian; Bulgarian language; Czech language; Croat; German language; Greek language; Italian; Yiddish; Macedonian language; Hungarian language; Polish language; Romani; Russian; Ruthenian language; Serbian; Slovakian language; Tatar language; Turkish language; Ukrainian language. Also, the law identifies minority languages covered by different parts of the Charter. As a result, Art. 5 of Law no. 282 states that the provisions stipulated in Part III of the Charter applies to minority languages, which reduces the purpose of applying to a number of ten languages: Bulgarian language; Czech language; Croat; German language; Hungarian language; Russian; Serbian; Slovakian language; Turkish language; Ukrainian language. According to art. 4 of the Law, the other ten regional or minority languages only apply the provisions of Part II of the Charter. Without a clearly defined territory for each of the 10 languages the principle used in Romania's case is the minimal percentage of the local population. Thus, in areas where territorial delimitation is required, the Charter is applied if the percentage of the minority population of a territorial unit is at least 20% (Călușer, 2006: 11).

To monitor education were conducted interviews with inspectors of those counties where there is education in one of the 10 minority languages, in addition were conducted a series of interviews with members of the national minority organizations. Of the indicators are: number of groups, classes, study lines, schools teaching in minority languages; number of requests (accepted and rejected) regarding the deployment of a part of education in minority languages; training opportunities for teachers in minority's language (Kovacs, 2006: 15).

4.4. Romanian legal framework regarding the right to education in minority languages

Article 32, paragraph 3 of the Romanian Constitution guarantees "the right of persons belonging to national minorities to learn their mother tongue and the right to be educated in that language" specifying that, "the ways to exercise these rights are established by law". Article 8, paragraph 2, of the Education Law no. 84 of 1995 strengthens the right guaranteed by the Constitution, stipulating: In every village is organized and operates schools or study center teaching in Romanian and, where appropriate, with teaching in minority languages or schooling in the mother tongue in the nearest village as possible". Fifteen articles of the Education Law make explicit reference to education of national minorities, most of which (Articles 118-126) are included in Chapter XII, entitled Education for persons belonging to national minorities (Kovacs; 2006: 15).

Conclusions

Within the context of today's Europe, investment and improving ethnic minorities relations is a long-term development assistance to help cultivate the practices of dialogue and understanding, as well as changes in attitudes within institutions and society at large. As regarding educational practices on ensuring the right to education in their mother tongue, there is still a lot of work to do. No single factor is sufficient to assess the state of a community's language. However, taken together, all factors can determine the viability of

social and educational policies, their function in society and the type of measures required for maintenance or revitalization.

The conclusions above, give rise to a series of external influences on economic issues. The most important effects are related to the multitude of dysfunctions in implementing educational policies, as well as a significant social impact on day-to-day life of the ethnic minorities. As regarding the revival of language and culture progress can be achieved if the use of the endangered language of the ethnic minority group is controlled by governing agencies via the provision of educational opportunities in the ethnic minority language.

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EDUCATIONAL LEADERSHIP

Daniela, Muraru (Pahome)¹

Abstract:

The issues presented in this article are aspects subsumed, in the psychoorganizational literature, to the concept of leadership. The knowledge society imposes a multitude of leadership forms: provisional leadership, strategic leadership, dynamic leadership, leadership by objectives and leadership by innovation.

The classification of the leadership forms has been realized taking into account the perspective, the orientation and the finalization of the leadership.

The choice of leadership forms presented has in view organizational efficiency.

The distinctive features of the institutions in the Romanian pre-university education system impose an attentive evaluation and adaptation of the leadership models emerged in non-educational contexts.

Keywords: *innovation, leader, leadership models, graphic syntheses*

JEL Classification: I20

1. Introduction

The notion of leadership is polysemic, due to the fact that it has been a research object for several sciences.

The academic analyses have formulated over 350 de definitions for leadership and thousands of empirical investigations on leaders have been made, without having succeeded in establishing clearly what differentiates the efficient leaders from the inefficient ones, the efficient organizations from the inefficient ones (Zlate M., 2004).

„The definitions of leadership vary depending on the accent put on the leader’s skills, his personality features, his influence relations, cognitive orientations vs. emotional orientation, individual orientation vs. group orientation, accent on Ego vs. accent on collective interests. Definitions vary according to their nature, descriptive or normative and by the accent put on behavioral styles” (Den Hartog and others, 2001).

By leadership one understands „the capacity of a leader, of a manager to determine a group of persons to collaborate with him in the realization of an objective based on their strong implication” (Păuș, 2006).

All these authors designate leadership as the interface between a leader and the personnel following him. At the basis of leadership „is the team spirit, which is the result of the integration of four processes: construction of trust among the persons involved; establishing a mission and clear goals to which the persons can adhere; unfolding participative decisional processes; strong, individual and group motivation, contributing to the realization of common goals” (Păuș, 2006, citing Cornescu, 2003).

2. Educational leadership

According to P. A Wasley (1991) as well, educational leadership represents „the capacity to encourage colleagues to change, to do things they would not usually consider without the influence of a leader”.

The syntagms used to define educational leadership vary from educational administration to educational management and, more recently, to educational leadership (Gunter, H., 2004).

The dimension of leadership includes the concepts of vision, values and transformational aspect (Bush, T., 2015)

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2.1. Forms of leadership

In psycho-organizational literature, numerous forms of leadership have been foreseen. The forms of leadership have in view their efficiency in the pre-university education system (Fig. no.1):

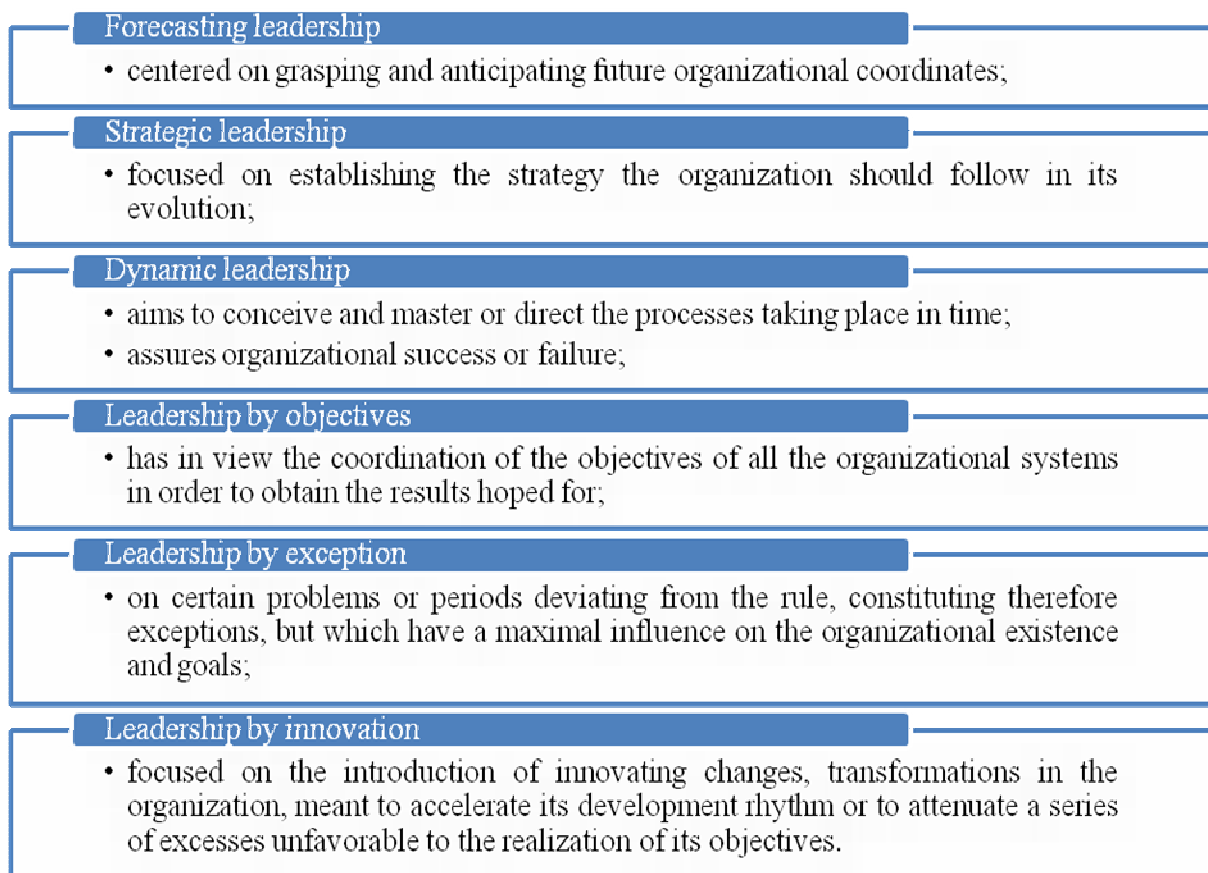


Fig. no. 1. Forms of leadership
Source: processed after Zlate M., 2004)

Numerous studies highlight, therefore, the positive role of leadership on operational performance by organizational involvement (Lowe, K. and others, 1996), satisfaction and motivation (DeGroot, T. and others, 2000) reducing absenteeism (Judge, T. A., Piccolo & R. F., 2004), the quality of the collaborators' results or citizenship (Wang, G. and others, 2011).

The authors define leadership generally as a process by which a person exerts an influence on others, in order to reach a common objective (Northouse, P. G., 2012).

One of the leader's fundamental tasks is to motivate subordinates and teams to realize important things (Grant, A. M., 2012) by promoting a virtuous circle of good practices permitting the mobilization of the individuals, their responsabilization, motivation, the restoration of the trust among the leader and the members of his team.

Educational leadership can also be seen and understood as improvement and extension of the teacher's professionalism by authorizing him to exert leadership, i.e. to manifest his leader skills in his current activity process, as part and parcel of it (Frost D., 2011).

The basic principles of educational leadership promoted internationally now are as follows (Fig. no. 2):

assuring a viable partnership between school and external agencies (continuing training centers, higher education institutions, representatives of the associative sector);
offering mutual support in leader teachers networks / communities;
consolidating a professional culture offering support and feedback to educational leadership;
opportunities for open discussions (values, strategies, leadership);
instruments for recording and highlighting reflections and plans;
instruments to exemplify and illustrate actions;
encouraging teachers to identify their personal development priorities;
facilitating access to relevant literature;
guidance in the domain of educational leadership strategies;
guidance to collected methods and data leading to change;
mobilizing organizational leadership to offer support;
offering professional framework to support teachers in documenting leadership activities;
opportunities to create networks outside school;
opportunities to construct knowledge based on the leadership activities;
recognition by certification

Fig. no. 2

Source: processed Frost D., *International Teacher Leadership Report*, November, 2011, p.11.

In the educational system, leadership is a multilevel phenomenon (Bliese, P. D., 2000).

Moreover, school institutions are in essence a system of multi-levels, being made up of chairs, commissions, services and interdependent individuals. These persons' behaviors and attitudes can influence the teams' functioning and results. Inversely, teams are contexts developing the teaching and non-teaching staff's attitudes and behaviors. Thus, studying the individuals without taking into account this larger context can lead to incomplete models and tendentious evaluations in point of relations (House, R., Rousseau, D. M., Thomas-Hunt, M., 1995).

„Activities undertaken on multi-levels allow highlighting the context surrounding the individual processes, especially when and where they appear. At the same time, they allow identifying individual features, behaviors, attitudes and perceptions contained and forming the collective level. Finally, this allows highlighting actions that ought to be undertaken by the actors, individually and collectively, to obtain organizational benefits” (Klein, K. J., Tosi, H., Cannella, A. A., 1999).

Considering these stakes, it is therefore necessary to rethink the leader's role in the educational system, because they occupy an ideal position for influencing individuals and work teams (Yukl, G. A., 2002).

Analyzing the theories dealing with approaching the leader from the perspective of educational leadership, we shall highlight the following definitions of the teacher-leader (Table no.1):

Table no.1. Definitions of the teacher-leader

Authors	• Definitions of the teacher-leader
P. A. Wasley (1991)	<ul style="list-style-type: none"> Teacher-leaders have the capacity to inspire and encourage other teachers and colleagues in the domain to change and to start to reflect and get involved in activities they would not normally consider.
D. Childs-Bowen et al. (2000)	<ul style="list-style-type: none"> Teachers become leaders when they function efficiently in the learning professional community, managing to: have impact on students' learning, contribute to school improvement, inspire to all the educational actors excellence in their activity and empower / responsabilize all the stakeholders to participate to the improvement of the educational process.
M. Katzenmeyer & G. Moller (2001)	<ul style="list-style-type: none"> Teachers-leaders lead inside and outside the classroom. A teacher-leader is a member and active collaborator of the learning professional community. They influence the continual improvement of the educational process.
J. Murphy (2005)	<ul style="list-style-type: none"> Teacher-leaders have influence outside the classroom as well and are autonomous in their own activity. However, they do not commit to managerial or surveillance activities.

To be able to exert his leadership attributes, the teacher is invested with power and authority.

Authority and *power* are two concepts that have received very many connotations.

Authority is described as „a relation with three terms instituted between a bearer, a subject and a domain” (Arendt H., 1997).

Referring to authority „...since authority always asks for submission, it is usually confounded with a certain form of power or of violence. Yet, authority excludes the use of external means of constraint; where force is used, actual authority has failed. On the other hand, authority is incompatible with persuasion, which supposes equality and operates via a process of argumentation. Where arguments are used, authority is left aside. Against the egalitarian order of persuasion goes the authoritarian order, which is always hierarchic. If one really has to define authority, then it must be opposed to both constraint by force and persuasion by arguments” (Arendt H., 1997).

The model offered by H. Arendt situates authority between power and persuasion, tacitly establishing a relation of a certain type between „authority bearer” and „subject” (Arendt, H. 1997)

To highlight the teacher’s role in the educational process, one must make a distinction between the teacher as a source of authority and the teacher as a source of power.

Power and authority are two key concepts in approaching the control the teacher should exert.

The teacher-leader is the one who possesses epistemic authority. The sources of the power out of which the teacher can derive methods of influence are diverse.

Thus, among the best known, there are (Fig. no. 3):

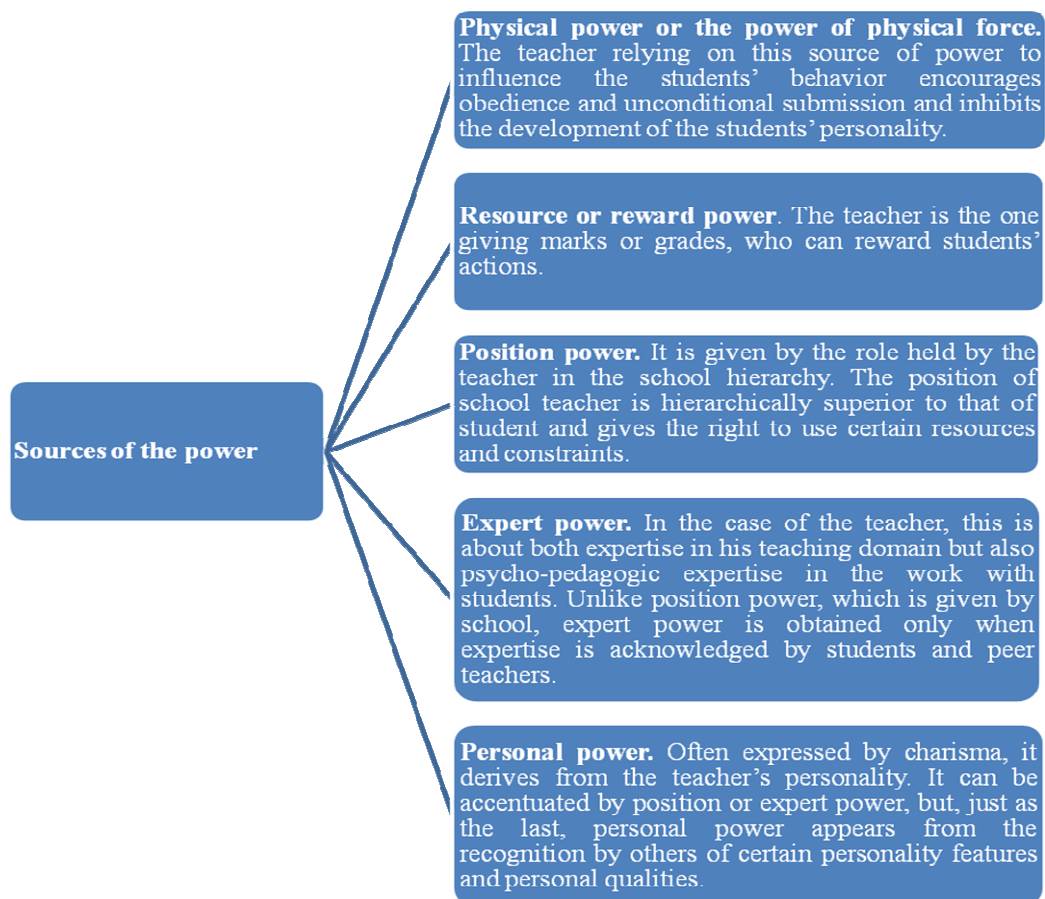


Fig. no. 3. Sources of teacher power
Own adaptation after Baciu S., (2007)

Power sources give the teacher the possibility to use different methods of influence in class: rules and procedures, conviction, personal power.

S. R. Covey (2001) considers that „being honorable means having power” and proposes ten principles by which to develop a leader's honor and power: persuasion, patience, gentleness, willingness to learn, tolerance, goodness, sincerity, understanding debate, consistency, integrity.

Analyzing the roles of the leader teacher, we can notice the delineation of a distinctive portrait, referring mainly to the teacher's leadership activity.

N. Gehrke (1991) underlines the specific of the mission of the leader teacher:

- continual improvement of teaching in class;
- organization and realization of the analysis of the practical activity;
- transmission and promotion of the knowledge concerning curriculum elaboration;
- participation to decision making in school;
- providing continual training services to peers;
- participating to teacher performance evaluation.

A. Harris (2003), suggests that there are four distinct dimensions of the role of teacher-leader (Fig. no. 4):

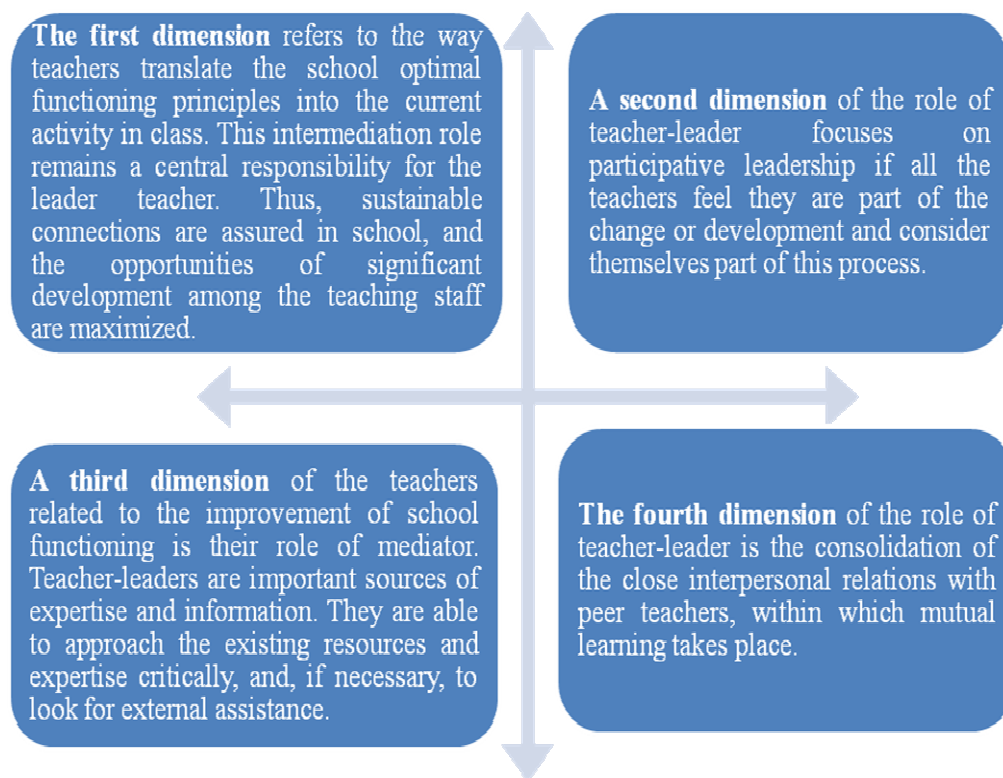


Fig. no. 4. Dimensions of the role of teacher-leader
Own adaptation after Harris A., 2003

The specialized literature states that educational leaders transform schools into learning professional communities, thus contributing to school democratization and improvement. The teacher-leader does not replace the school manager, but collaborates with him in order to make decisions concerning specific aspects of school policy (Gehrke N., 1991)

Teacher-leaders should be capable of collaborating and cooperating with their colleagues, assisting one another mutually in curricular and extracurricular activities, and discussing them later on in a constructive and professionally friendly atmosphere (Seashore Louis K., Marks H., Kruse S, 1996).

The teacher-leader inspires, intrinsically motivates the students, but also his colleagues, maintains the interest for what they are doing and for the values they promote and reward, assuming responsibility and initiative. By all the teaching strategies they apply, they promote meaningful learning and preparation for action. All these facilitate instituting an efficient mentorship system and a continual non-formal training. The respective activities stimulate individual learning and its extension on the level of the academic community, the influence on the changes on the level of the institution and of system. By approaching the teacher in his quality of leader and empowering him, we consolidate his professional status and continuing training becomes a natural process, a process the teacher is profoundly aware of, and intrinsically determined (Goleman D., Boyatzis R., McKee A., 2005).

The stylistic matrix of the activities these teachers are undertaking reflects the relation between leadership and pedagogy, although the phenomenon is not yet totally clarified.

The teachers' daily actions permanently call for making decisions.

A stylistic matrix is therefore necessary to delineate, by plaiting variables from several disciplinary fields. The combinations lead to eight educational leadership styles (Fig. no. 5.):

laissez-faire (permissive) style	<ul style="list-style-type: none"> • it is characterized by a permanent presence of the teacher inside the school organization, without his special involvement;
paternalist style	<ul style="list-style-type: none"> • is characterized by underestimating one's own exigencies in relation to knowledge, in general, and especially to thinking;
authoritarian style	<ul style="list-style-type: none"> • rigid, excessively directive, triggers demotivation.
autocrat-benevolent style	<ul style="list-style-type: none"> • neglects active participation.
purely formal style	<ul style="list-style-type: none"> • expresses the teacher's trust in the institutionalized normative framework, with its different reference levels (central, territorial, local);
friendly style	<ul style="list-style-type: none"> • promotes a pleasant and flexible matrix; in the context of an excessive permissiveness, this style can slide into non-functioning festivism, not structured as values;
manipulative style	<ul style="list-style-type: none"> • its accent falls on tasks and formative participation.
mediator style	<ul style="list-style-type: none"> • favors an efficient work climate; assures the permanent opening of the educational context towards self-improvement.

Fig. no. 5. The style of the teacher-leader

Own adaptation after Cristea, S.

A leader in a school organization, by his **personal features**, **hierarchic position**, **leadership style** and influence of the **external and internal factors** related to the organization in which he is functioning, **permanently acts in a difficult environment**. He is faced with a multitude of situations of diverse natures. By his **competences**, his **experience**, the leader acts and makes decisions that will influence his **performance** in the educational environment.

Conclusions

Leadership belongs to the sphere of the social influence phenomenon.

Leadership forms are classified according to: leadership perspective, orientation and aim.

Leadership activities contribute to the teacher's continual training, providing solutions to the different situations he is faced with, and assure the development of the professional skills in a natural context.

In the framework of all school organizations, considered social microsystems, one can meet persons exerting a certain influence, recognized as *teacher-leaders*, people formally leading the institution or people having the status of leader accredited by other peers but also by the respect and admiration of the community.

Educational leaders turn schools into professional learning communities, thus contributing to school democratization.

The teacher-leader does not replace the school manager but collaborates with him in order to make decisions on specific school policy aspects.

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STUDY ON THE RELATIONSHIP BETWEEN HIGHER EDUCATION GRADUATES AND THE LABOUR MARKET

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Abstract

Nelson Mandela said that education is the most powerful weapon you can use to change the world. Nothing more relevant in today's Europe, dealing with extremely diverse events, the effects of which are sometimes difficult to discern.

The current economy poses to human resources, seen as factors that ensure that objectives are met, the need for on-going training to deal with different, and sometimes harsh, realities. Additionally, the complexity of socio-economic processes generates the need to be adaptable, creative, innovative, engaged and responsible. These elements can be ensured through a certain level of education, through a tailored and adaptable career path.

Europe's strategy of becoming a smart, sustainable and inclusive economy translates into five goals, one of them focusing on education.

This paper aims to surprise on one hand how the Europe 2020 strategy regarding education has been implemented at national level, and secondly to highlight the challenges Romanian higher education goes through when we consider its finality: employability of graduates.

Keywords: *education, higher education, labour market*

JEL classification: I23, J44, J62

1. European objectives on education

Modern society is interested in identifying competitive advantages that allow the maintenance of markets and even entering new ones. The literature considers that at present, competitive advantage comes from being different and being able to do something that cannot be easily copied or replicated by others and that has economic value (Pfeffer J, 2009, p.170). We consider that a viable solution in this regard is the provision of educated human resources. Education has become a subject of focus to all: governments, civil society, educational institutions.

Education is one element that makes the difference not only at micro but also macro level, not only at local but also regional, national, European and international levels. Education today is a differentiating factor that can give a nation superiority, appropriate solutions to overcome crisis situations (L Badea, Rogoianu A., 2012).

The importance of education is generated by the known fact that less educated people can only get poorly paid or low prestige jobs, with better regarded positions requiring skills and special training (Hatos A., 2009)

OECD study shows that the employment rate of adults with high school education is 80% and increases to 82% for those with a bachelor's degree, 87% for people with master's and 90% for those with doctorate degrees, respectively. (OECD, Education at a Glance 2016, <https://www.oecd.org/education/education-at-a-glance-19991487.htm>)

The importance of education is demonstrated through the earnings of people with higher education, as well. Thus, the OECD study shows that, on average, those with master's or doctorate degrees earn twice as much as high school graduates, while bachelor's degree graduates earn almost 48% more. (OECD, Education at a Glance 2016, p.116)

The European Union, through the Maastricht Treaty, title VIII, article 126 paragraph (1), included higher education as area of competence, showing that the community should "contribute to the development of high quality education by

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encouraging cooperation between Member States and, if necessary, by supporting and supplementing their action, while fully respecting Member States' responsibility for the content of teaching and the organization of education systems and their cultural and linguistic diversity ". The consolidated version with regards to the Treaty on the Functioning of the European Union, article 6, also states that the European Union is competent enough to carry out supportive actions, coordinate or supplement the actions of Member States in the following areas: (a) protecting and improving human health; (B) industry; (C) culture; (D) tourism; (E) education, vocational training, youth and sport; (F) civil protection; (G) administrative cooperation. (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12008E/TXT:RO:HTML>)

With regards to education, article 165 of the consolidated Treaty states that Union's action aims to: develop the European dimension in education, particularly through the teaching and dissemination of the languages of the Member States; encourage the mobility of students and teachers, by encouraging the academic recognition of qualifications and periods of study; promote cooperation between educational establishments; develop exchanges of information and experience on issues common to the education systems of Member States; encourage the development of youth exchanges and socio-educational and support youth participation in the democratic life in Europe; encourage the development of distance education, developing the European dimension in sport, by promoting fairness and openness in sporting competitions and cooperation between bodies responsible for sports, and by protecting the physical and moral integrity of sportsmen and sportswomen, especially the youngest. (MARIN George eds., 1999, p. 146)

Moreover, the Commission's strategy "Europe 2020" shows that by 2020 about 16 million new jobs will require high qualifications, while the demand for unskilled workers will decline by around 12 million.

The economic and financial crisis that began in 2007 has revealed, in a complex fashion, the necessity of knowing employees' traits: central, structural and ideal values, capable of change, innovative and adaptable and explaining the sources of motivation and behavioral patterns they generate. In this context, improvement of the education system, at national level, but also more examples of positive behavior patterns can contribute to a change in the attitude of Romanian employees. At EU level, education systems remain the national appanage, union offering support to solve common problems, such as: aging population, lack of skilled workers, technological development or global competition. (http://ec.europa.eu/education/policy/strategic-framework_ro).

European cooperation in education and training has consolidated into the "Education and Training 2020" strategy, with the following goals:

- fulfilling the objectives of the lifelong learning program and mobility program;
- improving the quality of efficiency of education and training;
- promoting equity, social cohesion and active citizenship;
- stimulating creativity and innovation, including those of an entrepreneurial nature.

The benchmarks in the field of higher education, as defined by the Education and Training 2020 strategy, aim to ensure that:

- at least 40% of people aged between 30 and 34 will have completed some form of higher education
 - at least 20% of university graduates and 6% of those aged between 18 and 34 years who have an initial vocational qualification will have completed part of their studies or training program abroad.

This paper aims to highlight the degree to which the objective was achieved European university graduates both at Union level and in Romania, but also to identify the relationship with the labour market.

Table no.1
Indicator development regarding enrollment in higher education,
per country, 2012-2015

Nr. crt.	Country/period	2012	2013	2014	2015	Objective
1.	Lithuania	48.6	51.3	53.3	57.6	48.7
2.	Cyprus	49.9	47.8	52.5	54.5	46
3.	Ireland	51.1	52.6	52.2	52.3	60
4.	Luxembourg	49.6	52.5	52.7	52.3	66
5.	Switzerland	43.8	46.1	49.2	51.4	:
6.	Norway	47.6	48.8	52.1	50.9	:
7.	Sweden	47.9	48.3	49.9	50.2	45
8.	United Kingdom	46.9	47.4	47.7	47.9	:
9.	Denmark	43	43.4	44.9	47.6	40
10.	Iceland	42.8	43.9	46.4	47.1	:
11.	Netherlands	42.2	43.2	44.8	46.3	40
12.	Finland	45.8	45.1	45.3	45.5	42
13.	Estonia	39.5	42.5	43.2	45.3	40
14.	France	43.3	44	43.7	45	50
15.	Poland	39.1	40.5	42.1	43.4	45
16.	Slovenia	39.2	40.1	41	43.4	40
17.	Belgium	43.9	42.7	43.8	42.7	47
18.	Latvia	37.2	40.7	39.9	41.3	34
19.	Spain	41.5	42.3	42.3	40.9	44
20.	Greece	31.2	34.9	37.2	40.4	32
21.	EU (28 countries)	36	37.1	37.9	38.7	40
22.	Austria	26.1	27.1	40	38.7	38
23.	Euro area (19 countries)	35.1	36.1	36.5	37.3	:
24.	Hungary	29.8	32.3	34.1	34.3	30.3
25.	Germany	31.8	32.9	31.4	32.3	42
26.	Bulgaria	26.9	29.4	30.9	32.1	36
27.	Portugal	27.8	30	31.3	31.9	40
28.	Croatia	23.1	25.6	32.2	30.9	35
29.	Czech Republic	25.6	26.7	28.2	30.1	32
30.	Former Yugoslav Republic of Macedonia,	21.7	23.1	24.9	28.6	:
31.	Slovakia	23.7	26.9	26.9	28.4	40
32.	Malta	24.9	26	26.5	27.8	33
33.	Romania	21.7	22.9	25	25.6	26.7
34.	Italy	21.9	22.5	23.9	25.3	26
35.	Turkey	18	19.5	21.5	23.6	:

Source: Eurostat

Higher education is an important topic at regional level, as well, because it can provide graduates with improved competence, which involves innovation in various fields. In this context, European officials appreciate that the potential of European higher education institutions to fulfil their role in society and contribute to Europe's prosperity remains untapped. (European Commission 2011 Supporting growth and jobs - an agenda for the modernization of Europe's higher education systems, <http://ec.europa.eu/education/policy/higher-education.ro>)

Key priorities for higher education in the European Union strive to increase the number of university graduates, as well as the quality and efficiency of education and training, to promote the mobility of students and teachers, the implementation of mechanisms to ensure the governance and financing of efficient higher education systems. We note the inclusion of qualitative targets that take into account the knowledge triangle, namely the academic environment, research and innovation.

The disparities between member states of the European Union are evident when it comes to achieving the objectives of higher education, as well (Table no.1): thus there are 20 countries that have reached and exceeded the European goal, the others being closer (for Austria) or farther away from achieving it. (Romania, Italy).

2. National traits involving higher education

Strategic vision on education and training in Romania, as defined by the Education and Training in Romania for the 2016 -2020 period strategy (http://www.edu.ro/sites/default/files/fi%C8%99iere/Minister/2016/strategii/Strategia_VE_T%2027%2004%202016.pdf) is to give everyone the opportunity to acquire high-level skills relevant to the labour market and to society.

The overall objective of the strategy is to develop a system of education and training adapted to labour market needs and the needs of direct beneficiaries.

The strategic goal set at national level for education obtained through higher education is as follows: 26.7% of people aged 30 -34 years will have completed a form of tertiary education.

The data in Table 1 indicates the growth in the number of people who complete tertiary education from 21% in 2012 to 25.6% in 2015.

Table no.2

The degree of inclusion in various forms of education of the school population

Age groups of school population	Year									
	1990	2000	2007	2008	2009	2010	2011	2012	2013	2014
	UM, %									
Total	63,5	68,9	81,1	85,9	86,5	84,1	80,4	79,6	79,4	73,7
19 - 23 years and over	10,6	32,9	72,5	78,3	76,4	70,1	59,7	55,4	54,5	66,4

Source: INSSE Tempo-online

Regarding the degree of coverage of the school population in some form of education (table 2), an increase from 10.6% in 1990 to 78.3% in 2008, then a 54.5% decrease until 2013 and then an increase up to 66.4% in 2014 can be observed. The decline registered in 2008-2013 could be attributed to the financial and economic crisis that affected much of the population by reducing wage levels but also by decreasing youth interest in education.

To better illustrate the completion of tertiary education by people aged 30/34 years objective, we have created Table no.3.

Table no.3

Evolution of The Number of People Enrolled in Undergraduate Education

Level of education	Age	Year									
		1995	2007	2008	2009	2010	2011	2012	2013	2014	2015
		UM: Number of people									
Total	Total	4703277	4404581	4324992	4176866	4029226	3823515	3734326	3650933	3735552	3642632
	Age 30-34	6077	39110	43024	38423	28326	19350	15808	14192	23918	23004
Undergraduate	Total	336141	907353	891098	775319	673001	539852	464592	433234	411229	410697
	Age 30-34	6077	39110	43024	38423	28326	19350	15808	14192	13803	13425

Source: INSSE Tempo-online

If we look at the absolute number of persons enrolled in undergraduate education (Table no. 3) similar trends are observed, growth up until 2008 followed by decline until 2015.

Table no.4

School population by level of education and area of residence

Level of education	Area of residence	Year									
		1995	2007	2008	2009	2010	2011	2012	2013	2014	2015
		UM: Number of people									
Enrolled students - undergraduate	Total	336141	907353	891098	775319	673001	539852	464592	433234	411229	410697
-	Urban	336141	906842	890659	774852	672522	539455	464397	433040	411070	410508
-	Rural	:	511	439	467	479	397	195	194	159	189

Source: INSSE Tempo-online

Analysing the absolute number of students enrolled in undergraduate, depending on their residence, we see an on-going decrease, such that in 2015 the school population at undergraduate level represented only 45% of students enrolled in degree in 2007 - the year with the highest recorded value. By residence, those from urban areas are included in the 45% compared to those from rural areas which recorded a further decline, representing in 2015 only 36% of the value recorded in 2007.

If we consider the number of students based on majors, the data indicates two periods, 2000-2007 which is a period favourable for economic studies, student numbers increasing from 132,332 to 294,417 and 2008-2013, unfavourable for the economic field, with the number of young people turning their attention to this area reaching only 80,360 in 2013, almost equal to the 1995 level.

Table no.5

School population by level of education and subject

Level of training	Type of Property	Subject	Type of Education	Year									
				1990	2007	2008	2009	2010	2011	2012	2013	2014	2015
				UM: Number of people									
Enrolled students - undergraduate	Total	Total	Total	192810	907353	891098	775319	673001	539852	464592	433234	411229	410697
-	-	TECHNICAL (industry, transport and telecommunications, architecture and construction, agriculture, forestry)	Total	120541	178258	188660	168863	160432	152657	139932	134391	:	:
-	-	Industry	Total	96871	122100	128328	111756	108183	107509	98216	95730	:	:

Level of training	Type of Property	Subject	Type of Education	Year									
				1990	2007	2008	2009	2010	2011	2012	2013	2014	2015
				UM: Number of people									
-	-	Transport and telecommunication	Total	2709	5376	6361	5778	5458	4705	4519	3727	:	:
-	-	Architecture and construction	Total	11148	28187	32250	30093	28861	26248	22872	20230	:	:
-	-	Agriculture	Total	7075	14474	13385	11692	10822	11195	11478	12023	:	:
-	-	Forestry	Total	794	4614	4691	3674	3387	3000	2847	2681	:	:
-	-	Medical	Total	20128	41398	47758	50059	54375	54545	55777	56666	:	:
-	-	Economics	Total	20003	294417	281421	223961	170217	114703	92653	80360	:	:
-	-	Law	Total	3975	116538	127399	112621	96148	67698	48974	42595	:	:
-	-	University teaching	Total	26270	265624	235923	210126	182442	141789	119526	111703	:	:
-	Public Property	Total	Total	:	526844	480239	452982	433063	399464	364916	353988	345336	351450
-	-	TECHNICAL (industry, transport and telecommunications, architecture and construction, agriculture, forestry)	Total	:	166773	174432	155428	148608	143218	132667	129414	:	:
-	-	Industry	Total	:	112963	116988	100799	98520	99854	92392	91892	:	:
-	-	Transport and telecommunication	Total	:	5269	6295	5778	5458	4705	4519	3727	:	:
-	-	Architecture and construction	Total	:	26598	30283	28283	27376	25046	21967	19530	:	:
-	-	Agriculture	Total	:	14131	13010	11292	10398	10803	11122	11688	:	:
-	-	Forestry	Total	:	4305	4211	3406	3135	2810	2667	2577	:	:
-	-	Medical	Total	:	37251	42182	44165	47145	47671	48606	50257	:	:
-	-	Economics	Total	:	125795	102405	93505	81240	66878	58360	52924	:	:
-	-	Law	Total	:	22842	23233	22853	25289	23465	21141	20386	:	:
-	-	University teaching	Total	:	165526	130488	129298	123033	110914	97164	94113	:	:
-	Private property	Total	Total	:	380509	410859	322337	239938	140388	99676	79246	65893	59247
-	-	TECHNICAL (industry, transport and telecommunications, architecture and construction, agriculture, forestry)	Total	:	11485	14228	13435	11824	9439	7265	4977	:	:
-	-	Industry	Total	:	9137	11340	10957	9663	7655	5824	3838	:	:
-	-	Transport and telecommunication	Total	:	107	66	:	:	:	:	:	:	:
-	-	Architecture and construction	Total	:	1589	1967	1810	1485	1202	905	700	:	:
-	-	Agriculture	Total	:	343	375	400	424	392	356	335	:	:
-	-	Forestry	Total	:	309	480	268	252	190	180	104	:	:
-	-	Medical	Total	:	4147	5576	5894	7230	6874	7171	6409	:	:
-	-	Economics	Total	:	168622	179016	130456	88977	47825	34293	27436	:	:
-	-	Law	Total	:	93696	104166	89768	70859	44233	27833	22209	:	:
-	-	University teaching	Total	:	100098	105435	80828	59409	30875	22362	17590	:	:

Source: <http://statistici.inse.ro>

Table no.6

**Evolution of the number of students enrolled in economic studies during 2000-2013,
by types of property**

Types of property	Year													
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	132332	146110	158185	172409	188505	221619	242330	294417	281421	223961	170217	114703	92653	80360
Public Property	71134	83457	92578	101553	109918	118781	126517	125795	102405	93505	81240	66878	58360	52924
Private Property	61198	62653	65607	70856	78587	102838	115813	168622	179016	130456	88977	47825	34293	27436

Source: <http://statistici.insse.ro>

Given the type of property, the number of students enrolled in economic studies showed a 56% increase in public institutions (2000-2006) and 53% for private institutions. In the following period, 2007-2013, public education has registered a continuous decrease, reaching, in 2013, 74% of the number of students in 2000 and 41.8% compared to 2006 (when it peaked). In the same period, private education saw an increase in 2007 and 2008, with the highest level reached being 179,016, while in 2009-2013 this number declined, falling to 45% in 2013 from the 2000 level.

Table no.7

National economy evolution

CAEN Rev.2 (activities of the national economy - sections)	Legal forms	Year						
		2008	2009	2010	2011	2012	2013	2014
Total	Total	776606	801011	768371	734330	794514	862202	871264
-	Companies	548357	535758	486504	440899	467512	472722	475482
-	Freelancers	221902	259341	276420	288575	322142	384809	391346
-	Other legal forms	6347	5912	5447	4856	4860	4671	4436
G Wholesale and retail trade; repair of motor vehicles and motorcycles	Total	268050	260676	244054	229846	240579	274269	273015
-	Companies	210678	194764	179288	162729	167429	166140	163498
-	Freelancers	54131	63066	62153	64747	70847	105892	107410
-	Other legal forms	3241	2846	2613	2370	2303	2237	2107
I Hotels and restaurants	Total	27068	31239	28751	28194	30027	34907	35064
-	Companies	23386	25868	24134	21989	23276	23473	23535
-	Freelancers	3432	5069	4349	5984	6527	11231	11332
-	Other legal forms	250	302	268	221	224	203	197
K Financial and insurance services	Total	8014	8537	8147	1653	8349	10961	10849
-	Companies	6906	7052	6563	0	6715	6971	6832
-	Freelancers	1014	1416	1512	1653	1569	3928	3959
-	Other legal forms	94	69	72	0	65	62	58

Source: <http://statistici.insse.ro>

If we look at the economic situation we see that the situation in higher education reflects developments in the economy, thus from 2008 to 2013 the number of companies, employers of graduates of economic studies, drops from 548,357 in 2008 to 440,899 in 2011, recovering slightly in 2014 to reach 475,482 active companies (table no.7).

In the financial and insurance sector the situation is unfavorable, more specifically from 6,906 active companies in 2008 the number decreased to 6,832 in 2014.

The hotels and restaurants sector recorded a fluctuating evolution, the largest decline being in 2011. It should be noted that the choice of undergraduate studies is the result of several factors, both objective and subjective, and that there may be other elements that generate a choice in favor of or against economic studies.

Table no.8
Evolution of the population with higher education, by age

Level of education	Age group	Period					
		2011	2012	2013	2014	2015	1 st quarter of 2016
		UM: Number of people					
Total	Total	659426	627209	652984	628682	623910	584562
-	25 - 34 years	176864	181294	192960	179626	181188	180903
-	35 - 49 years	208517	195282	201778	204413	208371	200882
Superior	Total	73387	82065	89221	98340	73952	63779
-	25 - 34 years	32458	39505	44087	50790	38437	36991
-	35 - 49 years	13547	16076	16000	19545	16826	16038

Source: Eurostat

The population with higher education increased in 2011-2014, 63.9% for ages 25-34 years and 69.3% for those aged 35-49. 2015 saw a decrease in the number of people with higher education, a trend that continued in 2016.

Regarding the evolution of those unemployed, we refer only to 2011-2016, as data allowing correlation between level of education and level of unemployment can only be found after 2011.

Table no.9
Relative share of unemployed people with higher education

	2011	2012	2013	2014	2015	2016
	%					
Total	11,12	13,0	13,66	15,64	11,85	10,91
25-34	18,35	21,79	22,84	28,32	21,21	20,44
35-49	6,49	8,23	7,9	9,5	8,07	7,98

Source: Eurostat

Most who are unemployed are university graduates, aged 25-34 years, which could be an indicator of their small chance of being absorbed into the labour market, especially since the greatest need identified by employers is of skilled workers.

Table no. 10
Structure of unemployed people with higher education, by age

Total	2011	2012	2013	2014	2015	2016
	%					
25-34	44,22	48,13	49,41	51,64	51,97	57,99
35-49	18,45	19,58	17,93	19,87	22,75	25,14

Source: Eurostat

It is notable that the structure of unemployed people with higher education is dominated by those aged 25-34, people in this category are highly affected: 1 in 5 are unemployed. The reduced preference for graduates when seeking employment is explained by the development of professional skill shortages identified by employers. Higher education facilitates the development of transversal skills but has problems engendering a positive attitude towards work - autonomy and responsibility in the workplace.

3. Conclusions

Education is crucial for any economy, as a factor of growth and value creation. Education gives people the knowledge, abilities, skills to participate in social and economic life effectively, to further develop existing knowledge in order to function and better integrate in the labour market.

In conclusion, the education system is subjected to simultaneous and contradictory pressures: the labour market's need for skilled workers in specific professions, while European policies highlight the long-term need for training in higher professions and superior specialization. In this context a permanent dialogue between the formal education environment and employers, as well as active people, is necessary. Students must have an active approach to their own professional development.

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PERFORMANCE FUNDING – A NECESSARY CHANGE IN THE ROMANIAN FINANCING SYSTEM OF HIGHER EDUCATION

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Abstract.

The financing system of higher education is a relevant tool in order to achieve the objectives of Europe 2020 strategy related to increasing the number of university graduates while ensuring the quality of the educational activities. The accessibility rules to financial resources determine the efficiency of the higher education institutions and, ultimately, the social and economic performance of a country. There is an evident trend at the European level to finance the performance of the universities, not their mere existence in the educational environment. However, Romania did not actually initiate such approaches in financing public higher education, which is why the negative aspects that characterize the tertiary education system are becoming clearer. This paper highlights the negative issues which characterize the Romanian financing system of higher education, compared with current trends related to the modernization of financing system of higher education.

Keywords: *higher education, financing systems, performance*

JEL Classification: I22

Introduction

The interest for higher education in Europe is manifested, on the one hand through the increasing number of diverse population of students and, on the other hand, through the need of the governments to create the conditions to offer such services. Obviously, there is a need to supplement funding for educational services, in order to sustain the massification of higher education. Governments need to allocate financial resources to support universities, but, at the same time, they have to protect the social equity and the quality of the educational processes.

To meet this challenges, many European States have made changes in their traditional systems of higher education funding. These changes are based on the fact that the market economy mechanisms were introduced in the educational policy. Through various financial resources allocation mechanisms, states try to raise the performance of the higher education systems. Diverse financing schemes based on funding formula, performance contracts, negotiation, projects, targeted funding, financing of the service receiver, are used in various proportions and combinations across the Europe. Among them, stands out, as the main way for the financial resource allocation, formula-based block grants. This means the utilization of a mathematical representation to determine the amount of the financial resources that an institution deserves as a whole or for a program at the institution. In these mathematical representations either input indicators or output indicators can prevail.

EU recommends the development of higher education funding mechanisms to encourage performance - in the Conclusions of the Council of the EU (28-29 November 2011) it states the need to “encourage more flexible governance and funding systems in higher education institutions, including mechanisms linked to performance and competition”. As a consequence of such recommendations and because the public financial resources are not as generous as they were in the past, many European countries make efforts to link public funding of the universities with the performances that they are able to prove. Therefore, the current trend regarding the modernization of higher education funding is performance-based orientation

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funding, which aims to not finance the simple enrollments raising but the students' graduation with the skills expected in the nowadays society.

Unfortunately, Romania has not made clear efforts to use financing systems as tools to increase the relevance of the services offered by the universities. Romanian higher education financing system is characterized by the allocation of public funds to support the mere existence of the universities and not their ability to provide to the society the specialists it needs. Hence, the efficiency and quality in the Romanian higher education are problems that are far from being resolved.

The objective of the paper is to present the characteristics of the way in which the Romanian higher education system is financed compared with the performance-based funding principles and with the features of the funds allocation in other European countries, in order to understand one of the causes that determine the problems of the Romanian higher education system and to identify practical solutions to improve the financial resources allocation mechanisms to sustain higher education.

1. Performance-based funding of the European higher education systems

1.1. The performance financing concept in higher education

Due to the multiple implications and to the multifaceted nature of the activities conducted in higher education institutions, it is a challenge to define performance of the universities. Higher education comprises three main orientations: teaching, researching and transfer/exchange of knowledge. Also, the results of the educational processes can be determined at individual or global level, both short term and long term. So, to ensure a complete tackle of the performance issue in higher education, it needs to include all types and levels of results.

According with literature (Aubyn, 2009; Lesyak & Marjeta, 2011) the performance issues in higher education are approached from the perspective of the efficiency as well as of the effectiveness of the use of public funds. Efficiency is about ensuring an optimal rate between inputs (financial resources for personnel costs, material costs, expenditures to support educational projects and human resources development etc. necessary to sustain the educational processes for a certain number of students) and outputs (the immediate results of the educational process. Effectiveness is about achieving long term objectives of the educational process (employability and labour productivity), which have impact on the economic and social development. Thus, performance in higher education is achieved when the funds used to finance educational processes result in appropriate outcomes and outputs. Schematically, this relationship is represented in Figure 1:

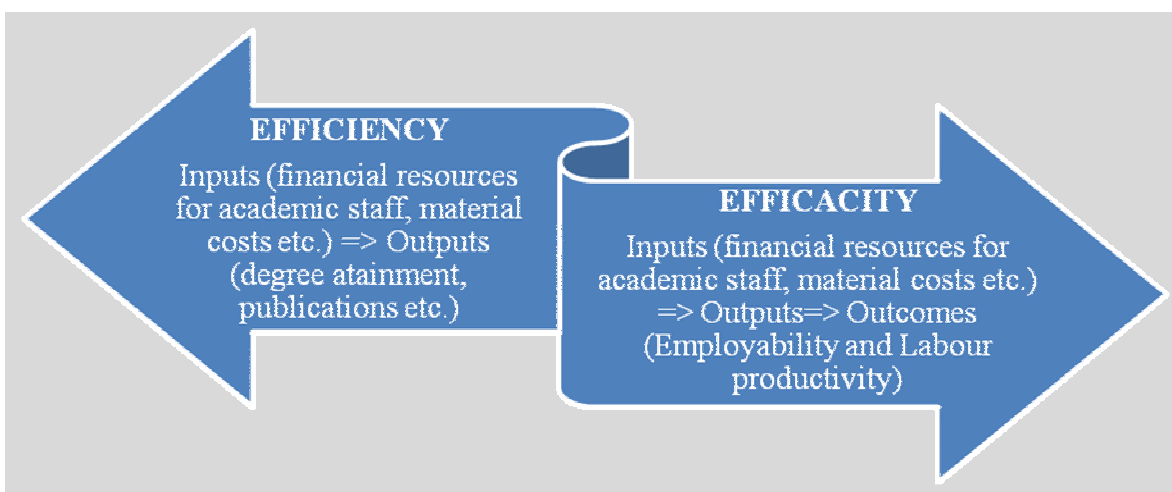


Figure 1. The components of performance in higher education

Source: Development proposed by the authors

The concept of performance funding involves allocating money mainly correlated with aspects that define performance (outputs and outcomes) and not correlated with inputs. Also, performance-based funding is not synonymous with the use of a formula to determine the amount of financial resources to be allocated to higher education institutions but concerns criteria composing the formula. Newer models of performance – based formulas include indicators for measuring progress such as course completion, students who passed a year of studies and credit attainment, not just indicators to assess results.

1.2. Types of indicators used in the financing formulas

Formulas to calculate the appropriate financial allocations for universities were used since 1990s (1993 – Denmark, Deutschland; 1994 – Italy, Portugal, Sweden) and today most countries, including Romania, use formulas to determine the financial resources for the universities. There are countries which use them alone or together with other funding mechanisms, such as: allocation of block-grants through performance contracts (Austria, Germany, Finland, France, Ireland, Italy, Latvia (for teaching funds), Netherlands, UK – England); allocation of block-grants through negotiation/on historical basis (Switzerland, Estonia, France, Norway, Italy, Poland, Sweden Denmark, Estonia, Netherlands, Hungary). (Clayes-Kulik & Esterman, 2015). It is obvious that European higher education systems are becoming increasingly market-oriented, deregulated, liberalised and privatised (OECD, 2010).

Regarding the formulas to determine funds allocation, the analyzes point out that most European countries allocate a portion of public funds based on performance criteria, but the importance of performance criteria differ from one system to another. An European Commission study – *Efficiency and effectiveness of public expenditure on tertiary education in the EU* highlights characteristics of the higher education funding formulas used in the European, as it is presented in Table 1:

Table 1. Types of indicators used in European funding formulas for higher education

Characteristics of funds allocation formulas for public higher education	Countries
Output based formulas	Danemark, Luxembourg, Netherlands
Input based formulas	Bulgaria, Czech Republic, Ireland, Greece, France, Cyprus, Malta, Poland, Portugal, Romania, UK
Balanced formulas	Deutschland, Estonia, Italy, Latvia, Austria, Slovenia, Slovakia, Finland, Sweden

Source: Processed data from *Efficiency and effectiveness of public expenditure on tertiary education in the EU* study

Input-based formulas correlate financing with quantitative elements that define the work in a university, as a rule, *overall number of staff or students*. Their main limit is that encourage enrollments without following the educational process to finality.

Output-based formulas correlate financing with performance criteria which reveal the purpose of the educational process, such as *overall number of graduates, number of repeaters* etc. These formulas can also have undesirable effects arising from concentrating on achieving results without paying attention to quality, respectively to the way in which the results are achieved.

As shown in Table 1, Romania is part of a group of countries in which allocation of the financial resources for higher education is primarily determined by the input indicators. Although Romania is not alone in this group of countries, fact which could be interpreted

as a proof of appurtenance to an European average, certain characteristics of the Romanian financing system of higher education, must be analyzed carefully:

- 72% of funds are allocated based on quantitative criteria, among them the most relevant being *number of students*.
- Number of students in the university is not correlated with the labor market expectations but with the tuition capacity and management's proposals.
- Although the Education Act 2011 requires that additional funding to be made on the basis of qualitative indicators until the present, National Council for Higher Education Funding decided that additional funding should not be allocated on the basis of qualitative indices but, according with a hierarchy of universities built in 2011, which was valid until the academic year 2014-2015. Moreover, all public universities, regardless the hierarchy, receive a share of the additional funding.
- There is no an obvious concern for the evolution and modernization of the higher education funding systems, unlike countries such as United Kingdom or Czech Republic;
- Decreasing in the number of students which caused a surplus of workforce in the universities, had not as consequence organizational restructuring but financial intervention of the government in order to maintain these universities in the educational environment, through allocation of funds for special situations. Moreover, although the funds for special situations are designed to overcome a "special" situation, they are allocated to certain universities for several consecutive years.

Given the fact that studies on the effectiveness of higher education prove that effectiveness is "not where more resources are spent on higher education. It is efficient spending that matters" (St Aubyn et al., 2009), performance orientation of the financing systems of higher education becomes an obligation in the current financial stringency.

1.3. Advantages and limits of the performance based funding

Performance based funding usually generates the following positive consequences:

- *Increasing the completion rate and the quality of the educational services* – by using indicators such as *number of graduates* to calculate the financial resources allocated to the universities, higher education institutions are determined to focus not only on enrolments but on the end product of the teaching and learning process and also on the quality of the educational process, in order to create conditions to graduate for a large number of those enrolled in university. Utilization of the similar input indicator, *number of students enrolled*, focuses the attention on the beginning of the educational process without leading universities to keep students enrolled for as long as possible.
- *Research improvement* - introduction into formulas of the indicators which measure the results of the researching activities (bibliometric criteria, external funding obtained etc.) will motivate the dissemination of the research results and the increase of the partnerships between universities and business and industry partners. This increases the relevance of the research conducted within higher education institutions.
- *Improvement of the managerial performance and of the institutional autonomy* - this effect is particularly evident when allocation is based on performance contracts. This involves a negotiation between representatives of higher education institutions and ministries to establish a series of indicators of educational policy to whose achievement, universities must participate in order to obtain funds.
- *Increasing the efficiency of the public funds* – using performance indicators to fund universities ensure greater transparency in the use of public funds, public authorities being able to highlight the directions to which the financial allocations were directed. Also, it

reduces conflicts arising from confusing reasons for which money were allocated to certain universities over others and streamlines the use of public funds.

Of course, performance-based financing has certain limitations such as:

- *Decreasing the educational quality* – when *number of graduates* influence funding allocated to the universities, the institutions might be tempted to reduce the quality of education and skills expectations of future graduates to facilitate the completion for a large number of students.

- *The inequity of funding allocation* - in cases where research results are used to calculate financial resources for the universities, can occur inequities between higher education institutions, those lacking own resources to be invested in research in order to obtain performance being overshadowed. Likewise, using as an indicator *the number of partnerships with external environment* may favor study programs where is easy to carry out applied research.

- *Excessive focus of the academics on the research to the detriment of the teaching activities* - bibliometric criteria to determine the level of funding may pressure academics to publish to the detriment of the teaching activities.

- *Limitation of cooperation between universities* - public funds are limited which makes the high performance achieved by a university to decrease funding allocated to others. Acting in a highly competitive environment, institutions are no longer encouraged to cooperate.

Noting the advantages and limitations of performance-based funding can be concluded that the development of balanced formulas to transform using of public funds into tools to encourage higher education performance, is a difficult process. In Europe, the Danish taximeter system is considered to be the most performance oriented financing system of higher education. But, European states may apply the US experience where performance-based funding constantly evolves and improves.

2. European experience on indicators for measuring the performance of higher education

As presented before, to develop a funding formula for higher education which can contribute to the achievement of the purpose for which it was created, namely to ensure efficiency and effectiveness of the educational process, ensuring, in the same time, equity in the distribution of public funds between universities and fields of study, is a difficult process. Such formulas must meet several requirements: easy to understand, adaptable, responsive to institutional and social changes, based on verifiable data, balanced, equitable etc.

As regards formulas used by the European states to determine the level of public funding for universities, a study presented at *National Rector's Conference of 21 systems - 2015*, reveals the following:

- Input indicators are most commonly used;
- Most formulas include a combination of input- and output-related indicators;
- The most commonly used indicator is an input one - *no. of BA / MA* - countries that do not use this indicator are Denmark, Finland, Iceland, UK-England. The corresponding output-oriented indicator - *no. of students BA / MA degrees* – is less used;
- The most used output indicator for measuring the relevance of the research is *doctoral degrees obtained*;
- At least used indicator is an output one - *national/international rankings* – just France and Hungary use it;
- The *graduate employment rate* indicator is used in the formulas from Czech Republic, Finland, Hungary, Lithuania, Portugal, Slovakia;
- *Added-value of a diploma* indicator is used by a single country, France;

- *Diversity related* indicators to encourage the students which face barriers to completion, are used just in Germany, Spain and Portugal;

- Indicators mainly cover three areas: Teaching (BA / MA students, ECTS attained, BA / MA Graduates, graduate employment rates etc.); Researching (doctoral students, doctoral degrees, patent application etc.); Other (staff, floor space, review of strategic complained of Universities etc.)

Regarding the structure and the nature of indicators for performance measurement included in the calculation formulas of the financial resources for universities, the authors appreciate that they have to aim possible determinants of performance in higher education, as presented during paper:

- Indicators to measure outputs, such as indicators to measure teaching and researching performance;

- Indicators to measure outcomes, such as indicators to measure employability level of the graduates and labour productivity of the graduates

Subsequently, the selection of the indicators is based on their relevance to educational performance, as well as on the availability of reliable data and the extent to which the indicators can be quantified.

Literature presents various proposals relating to performance measurement indicators that can be used in the formulas for calculation of financial resources for higher education institutions. Agasisti and Johnes (2007) use as indicators to measure results *the number of graduates and the total amount of external grants and contracts for research*. In the same study, in order to evaluate outcomes there are used *employment rates of graduates and the percentage of foreign students*. Other studies that use *the number of graduations* as a measure of outcome are Abbott and Doucouliagos (2003), Flegg et al. (2004), Warning (2004). As regarding the indicators for measuring performance in teaching, there are some controversy (since not always the proposed indicators reflect the true performance of higher education institutions) but, in terms of the indicators for measuring research performance, usually there are used the next: number of patents obtained, publications and citations, government or external research finance attracted by a university.

Specifically, the practice of the countries that have shown interest in funding higher education institutions based on performance, allows emphasizing the use of the following indicators, according with OECD *Study on Performance-based funding for public research in tertiary education institutions*:

➤ *Austria*

- Indicators in the teaching area: Percentage of graduates that finished within their designated years of study ; Percentage of regular students that graduate;

- Indicators in the research area: number of PhD graduates, External funding for research;

- Indicators in the social area: Number of regular students that take part in mobility programmes; Number of female PhD graduates.

➤ *Denmark* – More than half the amount allocated to an university (55%) is determined based on indicators of outputs: external research funding (20%), number of PhD graduates (10%), bibliometric research indicator (25%).

➤ *Finland* – 75% of core funding for the universities is related to education and research and 25% is related on other education and science policy considerations. Within the core funding, 34% of the amount allocated is determined by performance indicators, such as: nationally competing research funding, scientific publications, internationalisation of research.

➤ *Germany* – performance indicators assess teaching, researching equality and/or internationalization. Among the indicators used are: number of doctorates, amount of third

party funding, publications by impact factor, participation in excellence clusters and research centres,

➤ *Norway* – core funding is both for public universities and private universities, according to the following categories of performance indicators: publication points (30%); Funds from the EU Framework Programme for research (20%); funds from the Research Council of Norway (20%); number of doctoral degrees awarded (30%).

➤ *United Kingdom* – performance assessment is related to research, using indicators such as: charity income; volume of business research (income); and volume of postgraduate research supervision.

Analyzing the indicators used in the different funding systems, the authors conclude, on the one hand, that there is a frequently use of some of them and, on the other hand, there is no a common fact to use indicators to measure long-term effects of the educational process.

As regarding the most used performance indicator, *number of graduates*, stirs up controversies. Thus, one of the problem is the extent to which universities should be penalized if the part of the students decide to leave the course at a time, for example, to engage or to transfer to other universities. At the same time, there may be some impediments affecting the ability of students to graduate (financial issues, social issues etc.) which can not be attributed to the universities. The method of calculating indicators related to graduation is also a matter of controversy: number of graduates is an indicator of whose increasing does not necessary sustains the increasing of the graduation rate.

Outcomes measurement is also a controversial process. For example, *employability rate* is an indicator on which it is difficult to determine to what extent depends on the competencies developed during the years of study or to what extent depends on the economic environments, on the local economy, on the social aspects and so on.

With all the limits and controversies they generate, the performance indicators should represent a relevant share of the calculation formulas used to determine the financial allocations to universities. Summarizing, we consider the following issues to be debated about the relationship between funding and performance of higher education institutions:

- Ensure a balance between the input and the output indicators;
- Identifying those indicators which cover all the activities developed by the higher education institutions;
- Assessment of both efficiency and effectiveness of the educational activities;
- Weighting of different indicators depending on the nature of the university and / or study programs

Conclusions

This paper aims to highlight the importance of measuring performance before deciding the volume of financial resources allocated to the universities. The authors consider that financing of higher education has to evolve from a simple tool to allocate financial resources to universities and students to a tool through which public authorities can sustain the maximization of the desired goals of higher education. Therefore, we presented and analyzed different ways of conceiving European financing formulas for higher education in order to highlight the trends in their modernization.

As regarding the Romanian funding system, its features allow to characterize it as a centralized system, because government intervenes with financial support, whenever it needs. Moreover, it is an input oriented system of financing as long as about 72% of funds are allocated based on input criteria.

The authors appreciate that improvement of the method of allocation of financial resources for the Romanian higher education institutions can be an important step towards placing the Romanian tertiary education among those who are valued and recognized across Europe.

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VOICE AND SILENCE IN ROMANIAN SCHOOL ORGANIZATIONS

Elena, Pătrașcu (Suditu)¹

Abstract

Communication is, along with motivation and competence, the key concept for an efficient organization. Even if school organizations should be open for communication, the participant observation leads us to say that, nowadays, the communication deficiencies and especially the organizational silence observed among all actors involved in the educational process encouraged the poor performance of high school education in Romania.

This article examines the concepts of voice and silence as factors that can cause poor performance in school institutions.

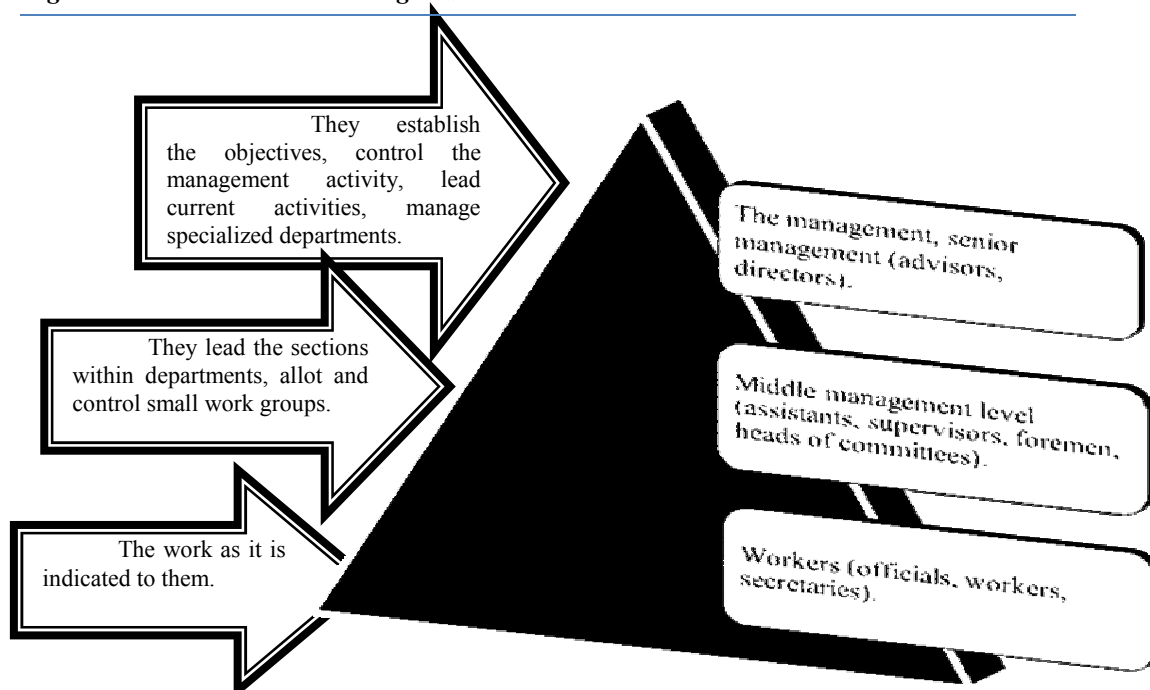
Keywords: organizational silence, organizational voice, school organization, school performance

JEL classification: I20

Organizations are associations of people organizing and coordinating their activity in order to realize specific objectives (Giddens A., 2000). In the 20th century, organizations play a much more important role than during any previous period. Now there is no specifically human activity that does not involve organizations, be they schools, hospitals, agencies or companies.

In each company, formal and informal relations are established. If formal relations are established by the organization's rules, as one can note in Figure 1.1., informal relations are established spontaneously among the employees, depending on: passions, age, ethnic group, etc., in order to meet specific needs.

Figure 1.1. Formal relations in organizations



Source: S. Gregson, F. Livesey, *Organizations and Management Behavior* (1993).

Communication is a binder in this formal structure and, at the same time, is the source of formation of informal relations.

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The principal functions of organizational communication are:

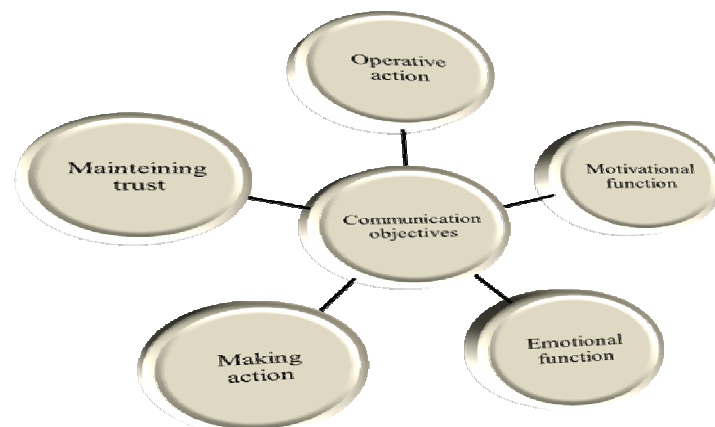
- control;
- information;
- coordination;
- motivation;
- the emotional function.

Organizational communication has the role of clarifying the employees' duties and establishing the organizational authority. At the same time, it provides the ground for the decisions made in the organization, permits synchronizing the activities, establishing a favorable environment for the exteriorization of the members' inner experiences, cooperation and involvement of the members in activities leading to reaching the objectives.¹

1. The process of organizational communication

Optimizing organizational communication can improve the companies' activity. The main objectives of organizational communication are presented in 1.2. Figure.

Figure 1.2. Organizational communication objectives.



Source: Our own realization.

Operative action aims to increase the company's capacity to act coherently, efficiently and rapidly, so as to win in front of its competitors, namely in front of other organizations. Maintaining trust and the relations among the organization members does not aim to make them uniform but to promote tolerance, to accept individual differences. The capacity to make actions and decisions efficient, viewed as a result of the relation between effect and effort, is calculated on the level of the organization as relation between the objectives realized and the means used.

Beside these objectives, we can also enumerate several objectives concerning interpersonal communication, in general, and especially organizational communication:

- persuading the employees,
- synchronizing activities;

¹ Peiró J. M., & Bresó I., *La comunicación en las organizaciones: Una aproximación desde el modelo de análisis multifacético para la gestión y la intervención organizacional (modelo Amigo)*, Universidad de Valencia Recibido, 2012, p. 41-44;

- inter-knowledge/self-knowledge,
- identifying the employees' needs,
- establishing and maintaining relations among the organization members,
- information exchange.

The process of organizational communication supposes five stages:

1. codifying the sense using words, images, position, mimics, sounds, tonality;
2. transmitting the message – choosing an efficient communication channel;
3. decoding and interpreting the message – by deciphering the message and explaining its meaning;
4. filtering – consists in the selection of the information important for the receiver or concerning him explicitly;
5. feed-back – permits the receiver to evaluate the message transmitted interpreted by the receiver.

The specialized literature identifies two forms of the organizational communication process: one bilateral and other unilateral. Bilateral communication supposes a two-way communication activity: from emitter to receiver and from receiver to emitter (Peiró J. M., & Bresó I., 2012)

. This type of communication allows the receiver's intervention and checking the meaning given by the receiver to the message; out of the limits of bilateral communication, we shall enumerate: it is time-consuming and more disorganized than unilateral communication.

Unilateral communication takes place in only one sense: from emitter to receiver; although it has some advantages, such as: rapidity and organization, it has the disadvantage of lack of agreement between the message transmitted by the emitter and the one interpreted by the receiver.

Communication specialists consider that, in an organization, optimal is the use of bilateral communication (Niculae T., Gherghiță I., Gherghiță D., 2006). It allows developing collegial relations and leads to the formation of the organizational culture.

2. *Voice And Silence in Romanian Educational Organizations*

Two of the factors determining the decrease in performances for educational organizations are: the organization's silence and voice. These appear on the background of dysfunctions of the communication systems inside the institutions.

2.1. *Organizational Voice*

The organizational voice is defined in organizational-managerial psychology as attempt of radical change of certain insatisfactory aspects, by individual or group requests, addressed directly to the managers or by turning to an authority that could impose a change. The organizational voice can be expressed by protests or by mobilizing the public opinion (Hirschman A.O., 1990).

Following a study realized by them, the psychologists J.R. Detert and A. Edmondson (Detert J.R. and Edmondson A., 2008) have noticed that communication dysfunctions on the level of the organizations (called by the two authors: *risky communication opportunities*) have two causes: injustices perceived by members (26%) and improvements of the processes that could lead to the increase of the organizational performances (74%). (Avram E. and Cooper C.L., 2008)

There are several forms of the organizational voice, which can be grouped according to four criteria, as one can observe in Table 2.1.

Table 2.1.: Taxonomy of the organizational voice

Organizational Voice	Depending on the character of the presentation in front of the authorities	<i>direct</i> voice – supposes expressing oneself in front of the authorities;
		<i>hidden</i> voice – supposes expressing oneself in small groups, hoping that the information will be transmitted to the authorities by other members;
	Depending on the content of the presentation	<i>subjective</i> voice – refers to discontents that lead to a fall in employees' morale;
		<i>objective</i> voice – contains messages regarding discontents concerning work tasks and institutional procedures;
	Depending on the permissiveness of the presentation	<i>healthy</i> voice – transmits both the personal discontents and solutions to remove these discontents;
		<i>voice of pain</i> – transmits only individual or group discontents; messages are emotional;
		<i>voice requesting treatment</i> – it is formed when solutions are presented for the problems identified;
	Depending on the character of the presentation	<i>employee's</i> voice – the transmission of messages is made by the employees in an isolated manner;
		<i>collective</i> voice – the presentation of the discontents is made collectively, in the context of syndical actions.

Source: E. Avram and C.L. Cooper, *Organizational-Managerial Psychology: Current trends* (2008)

There are psychologists who consider that organizational voice is an open expression of opinions and views of employees, about their job.

In school organizations, the most heard is the voice of syndicate unions. Other voices appear sequentially in school life and are caused mainly by complaints about differences made by principals among employees, workload and the unpaid responsibilities of teachers.

Among the negative effects of organizational voice, recorded by the romanian educational establishments, we can mention:

- decrease of the coordination of the activities in the organization;
- decrease of the employees' motivation;
- excessive filtering of the messages transmitted in the organization;
- decreased efficiency and efficacy in communication;
- creation of a preponderantly conflictual climate;
- increase of the number of conflicts among employees;
- increased tendency of manipulation of some employees;
- preponderance of non-formal communication;
- numerous complaints of the employees;
- exchanges of violent retorts among employees;
- non-completion of the work tasks;
- poor quality results;
- increase of the risk of emergence of physical conflicts;
- non-assuming the organizational rules.

To overcome these negative effects, the director must reconcile the employees and solve their problems. Participant observation leads us to say that most executives solve these problems by transforming organizational voice in organizational silence.

2.2. Organizational Silence

An antonymous notion to the concept of organizational voice is that of organizational silence. It appears on the collective level, due to organizational conditions determining the members who could modify the situation not to express their opinions regarding the organizational problems.

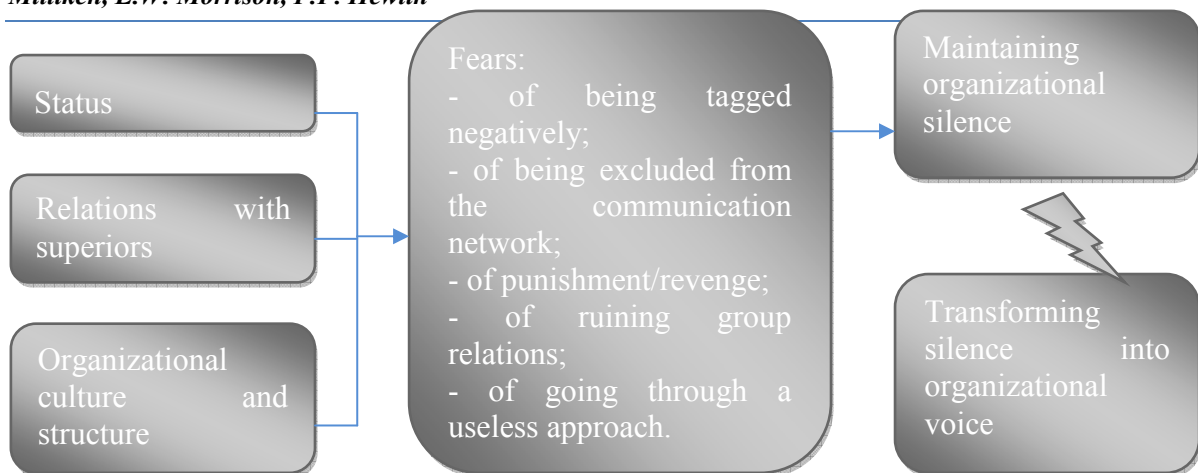
F.J. Milliken, E.W. Morrison and P.F. Hewlin (1996) identify two stages of the organizational silence: first stage - not assuming the risks supposed by the use of the organizational culture, the second stage - evaluation of the risks supposed by expressing the organizational voice.

The first stage of the organizational silence is an affective one and is grounded in the following fears: of being tagged negatively, of being excluded from the communication network or of being sent to the periphery of the network, of punish and revenge, of affecting other members of the organization, of ruining group relations, but especially of going through a useless approach. (Avram E. and Cooper C.L., 2008)

The second stage, i.e. organizational silence, supposes a cognitive approach. During this stage, the organization member(s) will quantify the risks they need to take if they were to transform organizational silence into organizational voice. The factors influencing the transformation are: status, relation with superiors, organizational culture and structure (Milliken F.J., Morrison E.W., Hewlin P.F., 1996).

The decision to maintain the organizational silence is influenced significantly by the other group members, by previous experiences in the organization.

Figure 2.2. Model of organizational silence and voice, adaptation of the model elaborated by F.J. Milliken, E.W. Morrison, P.F. Hewlin



Source: Our own realization starting from the Milliken and Morrison Model.

Organizational silence is a barrier of organizational change and development. It generates employee frustrations, frustrations that lead to loss of performance.

Among the negative effects of organizational silence, recorded by the Romanian educational establishments, we can mention: diminished efficiency and efficacy in communication on the background of the incapacity of expressing discontent, increased teachers' discontent concerning the quality of the educational services offered by the

school institution, preponderance of formal communication, difficulties of adaptation for teachers and decrease of the feeling of belonging to the organization, diminution of the accuracy of the information transmitted, decrease of the contribution of the teaching staff to the development of the organization, feeble anchoring of the school personnel in the activity of promotion of the school image, apparently calm climate, propitious to the school's activities, declining responsibility of the employees, increased passiveness of the employees and poor quality results.

Conclusions

In our opinion, organizational silence is much more damaging for the educational organization than the organizational voice. The main negative effects of silence on organizational communication are: exaggerate filtering of the messages, parallelism between the message thought and the message expressed, duality of feed-back: the feed-back expressed is positive, while the unexpressed feed-back is negative, inhibiting the desire to transmit critical messages or personal ideas and poor performances. These effects lead to the degradation of organizational communication and the instoration of a climate inadequate for organizational development.

Organizational silence offers to the organization's members two alternatives: to look for another organizational environment or to transform the silence into voice. The longer the period of silence, the stronger the voice, especially if the number of those keeping silent is significant for the organization. In this situation, the voice will be mainly of pain and the only form of rehabilitation proposed will aim to collectively remove and stigmatize the members who caused discontent.

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ROMANIAN PEOPLE'S MIGRATION IN THE SOCIO-ECONOMIC CONTEXT

Adriana Păunescu¹

Abstract

The actual moment represents the compact effort of the study's integration about migration containing some tips of the real theories, regarding the reality of this international phenomenon.

The chances of seeing such a phenomenon as an unique event, even unrepeatable, are under the risk of stopping its relation with its origins, as an empirical evidence that is hard to control.

The temporal-spatial circumstances have foreshadowed the occurrence of the migrants' meshes, and plus it represents the base pillar in the research process of some universal principles that clarify the meaning of migration.

The role of different factors, such as the ones of micro, macro and meso-origins, are as a matter of course understood regarding this phenomenological diversity, but unfortunately the concerns related to analogy and prediction, frozen in the augury of a general, unique theory, are fated to failure, being that it hatches the necessity of gap between what is specific and what is bounded to a general frame, which is aimed to help with analyses and references that can be tasted.

Key words: migration, immigration, globalization, demography

Jel Clasification: J61, Z13

1. Short intro about the globalization phenomenon

In a short analysis of this concept, Joseph Stiglitz says that the globalization phenomenon stays in "a stronger integration of the countries and their populations, as a result of the significant reduction of the costs in transportation and communication and into the elimination of the artificial barriers for the goods' market, for the services, the capital, their knowledge and (to a lesser extent) of people between states" (Stiglitz J., 2005, p.38).

Ulrich Beck defines globalization as followed: "Globalization means for enterprises that have a transnational action at the border of 21st century, exactly what social classes represented in the 19th century for the labor movement. With the essential difference that the labor movement was manifested as an opposite power, while currently global produces act in the present moment, in the absence of such a contrary force (transnational)". (Beck U., 2003, p.14)

I find that, taking into consideration the opinions above, the tendency is to enlarge the vision which sustains the fact that the countries that take part in the process of globalization are the small ones, because they don't have the natural resources and the inside market that they need.

That's why this phenomenon of globalization is seen as a cause-effect for the international migration concept. To justify this idea, one is expected to reaffirm the compression concerning the globalization concept and its features.

In these sense, Thomas Friedman argues that an advantage, or respectively a disadvantage provided by the process of globalization is rendered by influencing domestic politics, but also through the specifics of the external relations of the countries involved.

A different opinion concerning this issue, argues that: "globalization is a myth, and does not have a significant role in shaping human relations". (Baylis, j., Smith, s., 2005, p. 26)

Starting from the main theories of international relations: neoliberal/liberal, neorealist/realist, Marxist, those of social constructivism, have highlighted four specific approaches to globalization. According to the neoliberal perspective, the globalization

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process generates global savings which no longer have borders, and non-state actors are those who hold an important role; for neorealist it is important that the process of internationalization, which gave them the role of the main actors of international states. Social constructivism emerges toward perceiving globalization as a dichotomy of relations between North and South, which on the one hand give rise to an imbalance within the states, favouring powerful states, namely corporate power. But all these perceptions of globalization have not surprised the complexity of the process, a fact which indicates the idea of the existence of "followers and opposing parties" (Bill s., 2004, p. 304).

Adherents usually claim positive aspects of globalization, while skeptics argue that the contemporary world is regionalised, economic and political activities are in property of the countries that are members in the Organization for economic cooperation and development (OECD), while the countries from the South area, receive less globalized integration compared to the countries from the North area. Skeptics also assert that the borders of States and nationalism are more important and more powerful now; in fact they say that globalization is just a pro-Western ideology, US hegemony.

Hence arose the need to differentiate the two concepts: globalization and internationalization - the latter concept stating "the interactions and interrelationships among which arise between two or more member states, no matter of their geographical location" (I. Stoica, 2011, p. 305).

However, we cannot assert that globalization imposes a predefined trend, but that it is rather a sum of interactions of global and local forces, which have a certain progress to comply with internal and external developments, generating specific results. Therefore, we can reconsider the globalization as a process of deterritorialisation, whose results cannot be predicted. Inge Kaul claims that "development and human security are integrated results of our economic activities, social and political organisations at a local, national, international level. (Inge k.).

An important role in prefiguring the (in) security belongs not just to the nation states but also to non-state actors: STNs, non-governmental and international organisations, which ensure the conditions of sustainability for the economy of a community.

Thus, there appears a need to develop forces that netted conflicts and generates motivation to abort them. The state-nation maintains its role as the primary mechanism for organizing the society, in the context of globalization.

The social dimension of globalization indicates the role of this process in human's life and work environment (on the level of poverty and income disparities). Globalization has meant both a tool created by the progress: wealth, opportunities in the development of entrepreneurship, as well as poverty, unemployment, marginalization. It is for this reason that globalization has led to destabilisation of political regimes, but also to social crises.

The process concentrates its power and marginalises the poors, countries or people. In addition, the pressure of international financial institutions has constrained the ability of countries in the process of development, to design their own development strategies and to establish fair and equitable relations between host countries and STNs ". (World Bank)

The delocalisation of the economic activities was followed by a reduction in the number of jobs and on the amount of wages.

2. International Migration-the effect of globalization

The dynamics of international migration represents a subject quite accessible in our days as a result of the impact on the development of psycho-socio-economics.

The sociology of migration was defined by the Castle: "Today there are new reasons why research should emancipate from the national divisions. Until recently, the bulk of migration tended to be carried out from a nation state by another and, in general, lead to

the establishment of destination or upon return to their country of origin after a period of residence abroad.

In the age of globalization, there is a proliferation of periodic and circular patterns of migration and, which lead to a greater diversity of the experiences of migration and, equally, to more complex cultural experiences. The altered transnational communities are one of the most obvious expressions of these trends. Approaches centred on the nation state are not adequate to well understand the surroundings."(S. m., 2011, p. 13-14)

By accentuating migrant networks of this approach in certain major currents by a theoretically point of view, it is prescribed an institutional approach to social capital asociated to this network.

This objective is supported by the idea promoted by Arago: "the construction of theories in this area is a problem of the twentieth century, and in particular its last thirds of time. Most of the earlier 1960s contributions are today of historic interest, with the exception of a number of contributions to the special significance of migration and its vocabulary of several notable precursors (Abraham, 200a, 283). [...]. Gravitational models whose origins are linked to the beginnings of concerns for migration (the seven laws set forth by Ravenstein-19th, 1889, developed a century later by Lee), postulates condensation by a certain flow, as a result of the combined action of distance and volume of population in the areas of origin and destination.

By developing this line of research, gravitational models can be considered with difficulty a theoretical guidance itself; they are rather "a collection of empirical regularities" (Massey et al., 1998, 15).

The push-pull models address to migration as a factor of balance, without providing a consistent theoretical perspective. "Although in the approaches on the basis of the model, in push-pull category there are included factors of an economic nature" (Massey et al., 1998,12), the two terms are used in contemporary literature to denote any kind of influence that "pushes" the migration from its origin and/or "attracts" it to her destination. This fact itself is an argument related to the amount of push-pull models, more rather requiring a terminology, than a theoretical orientation" (S. m., 2011, p. 33-34)

"In the context of intra-EU migration, the complexity of the situation is further aggravated by the existence of a suprastatale structure (European Union), characterized by the establishment of an area of free movement and trend of homogenization (or at least the timing), by the migration policies at the over-exposed national level" (S. m., 2011, p. 14).

The situation of the population in Romania, which is included in this phenomenon, has European origins, being exacerbated by the context of multi-destination. At the origin of this phenomenon lies a supranational space context (issue Schenghen), with a major shortage of internal frontiers. I can say that the period of structuring this phenomenon is specific to the period that followed after the revolution, and the authentic-sustainable configuration in the international migration context loomed at the beginning of the 21st century.

According to the dictionary of human geography, migration is a "process by which people change their place of residence permanently or temporarily. The migration occurs outside the borders of a state, as a result of existing economic disparities between states ". Therefore, "international migration involves crossing a frontier, of an official political limit, regardless of the distance tha is travelled" (Mark G., Darlington, 2009, p.126).

In the present studies, migration is perceived as a process, in which "a person is seeking to maximize its utility or to pursue his/her aspirations" (Gordon f. De Jong, Ralph R. Sell).

The drift of persons within the borders of a state, is called internal migration (from the rural to the urban environment); where as the movement of people outside the national borders is called international migration.

According to the United Nation perception, the short-term migration, also known as the temporary migration (seasonal workers, students, prisoners of war), refers to those people who are moving from one country to another for more than three months, but less than a year; while the long term migration, also known as permanent migration refers to the choice of persons to leave their birth country for a period longer than one year.

Voluntary migration is motivated by the existence of better working conditions (being encouraged by the factors of rejection which manifests in the original countries, but also by the attractive factors existing in the countries of destination), or socio-cultural affinities with the country of destination (managers, students, prisoners of war, scientists) (Sable, FL. Miu, 2009).

Involuntary migration (forced migration) arose as a result of a breach of fundamental human rights, conflicts and political repressions.

According to the EU, the difference between emigration and immigration shall indicate the choice of the person to determine the usual place of residence in a member state's territorial area for at least one year, although he has benefited from the resident status in another state or country.

International emigration indicates the choice of an employee with prior residence in a member state, to stop his/her leaving in that state for at least one year.

The difference between the emigrant and immigrant can be achieved by taking as a reference the origin country: if a citizen is leaving he/she is called an emigrant; and from the perspective of the destination country he/she is an immigrant. The concept of immigrant, can have both a positive sense as well as a negative one. The negative sense referring to the man who does not acquire the nationality of the country in which he chooses to continue his existence. In other words, it is about a foreigner in that country, and this context excludes the category of persons which are in transit, traveling on personal or business means or are not part of the armed forces of those countries.

The positive direction of the concept as an immigrant takes into account the period of time during when the human from his country leaves to another country for a period which may not be bounded in time.

"The assessment of immigrant, from a sociological point of view, allows a complex examination of the migration phenomenon, helping us to understand the causes, factors, effects of socio-economic and cultural needs of its heaping.

The most common data about migration, are made known through the media, that is way they have a statistical feature, which relates to the quantitative dimension of the phenomenon; other information are aimed at illegal immigration, being presented by the authorities that deal with monitoring crime.

The sociological research of migration must start from the premise of concept, according to which, in any society there is a variety of stable population of emigrant population and immigrant population.

The delimitation of the three sections of the population and the differences between them is a must to focus the analysis on the phenomenon of migration.

The sociological investigations highlight also another methodological criterion to examine migration, the rate of progress, which leads to the differentiation between the regular migration and the irregular one. Among immigrants who travel in an irregular manner there are also included the clandestines. In fact, the clandestine immigrant is the one who lives in a country without possession of an entry ID or his/her residence permit expired (drawing upon and a change of status from legal immigrant-illegal immigrant). [...]

Potential migration refers to one's intention of leaving his/her city or home country, which can be known, at a individual or group level, via questionnaire or interview. The intention can reflect a strong option (which premerge the act itself of departure) or an

optional choice (involving surrender, if it changes the conditions and factors that necessitate the leaving).

The real migration refers to the concrete, effective movement manifested by the population and it is defined by opposition to the potential or latent migration.

The migration flows relate to movement and take place internally, nationally, interzonally (from urban to rural, from rural to urban, from urban to urban and from rural to rural) and internationally (from poor to rich societies, between rich societies, between poor societies; between continents; between the northern hemisphere and the southern hemisphere; between East and West). " (Otovescu, 2008)

The imbalances occurring at a level of social structure, or at a level of global economy have led to the phenomenon of international migration-like a dimension of globalization.

The causes of migration are numerous, but in reality, people choose to live in the country which respects their right for freedom of expression and where their economic rights are protected (a situation rarely seen in the autocratic regimes of former Communist countries-mostly in Europe, where people migrated and asked for political asylum in the West-in comparison to democratic states). Analyzing the phenomenon we can observe a high share of women in the total number of immigrants that can be explained by the presence of the following factors: an increase in the demand for labor force in developed-country framework (medical care, domestic services or in the sex industry), urging the female labor force, which later prompted the expansion of the right to reunificate the migrants' families.

A indomitable consequence of the international migration over the destination countries, indicates that this phenomenon alters not only the composition of the ethnic, racial, but also those of the receiving culture societies (e.g. Edd, I. Dumitrache, 2009, p. 153): culinary arts, fashion, media, sports, so the concept of mixed cultivation appears which is-a combination of host country and traditionally culture. Under the conditions in which immigrants do not adapt in host societies, there is a risk that social insecurity may arise with protests and violence.

The immigrants' integration into societies is influenced by the following factors:

- The appropriation of the host country's language (outside of this, the immigrants cannot gain access to the traditions, culture and social life of the host community. This is one of the reasons that the European States have made conditions on obtaining the citizenship through knowledge of the language and history of the host community).

-The results achieved in the workplace offer them opportunities to integrate into the host society (G. Lemaitre, 2007).

The immigrants' integration process is influenced by the geographical dispersal policy used by European States. Policies have emerged as a result of immigrants' tendency to socialize more with natives from their country and less with the host country citizens.

The advantage of this tendency is justified by the mutual exchange of information on employment opportunities in the host society; the disadvantage of this tendency is justified by delaying the process of integration into the host community. Temporary migration has a huge effect on the social exclusion of immigrants.

In order for international migration to take place naturally, it requires the presence of three factors: the demand in the possible host countries, the supply of labor in the countries and networks that realize the demand with the supply connection. All these networks have an important role especially in the early phase of migration, later they even become counterproductive, as a result of the need for achieving the integration of immigrants into the host society.

With regard to common policies regarding migration, the need for their coherence and efficiency of the management of migration, the European Commission has put forward ten principles of migration that encourage cooperation and enhancing the local, regional and national level. These principles were arranged on three related EU policy areas: security, prosperity and solidarity. Each of these were followed by practical measures designed to ensure their implementation in concrete terms: migration and security, prosperity and migration, solidarity and migration.

The largest concentration of immigrants is found in Germany (7.3 million), Spain (5.3 million), United Kingdom (4 million) and Italy (3.4 million).

Thus, the phenomenon of migration has had a huge impact on the demographic situation in the host countries (on both the age and on the composition of the population).

At the same time, the fertility rate among migrants is quite high, contributing to the increasing number of population (However, the fertility rate from EU member countries is diminished compared to the perpetuation of the species, level of life expectancy growth, and the European population is decreasing and aging).

This is another reason underlying the phenomenon of migration, encouraging especially from among qualified population, creating viable solutions to the shortage of labor in the labor market (particularly in health, agriculture, tourism, constructions and services).

In almost all European member countries of the OECD it is expected that the population will drop by 10% in the first half of this century.

If migration in developed countries would cease, the population would be reduced significantly by 2050, according to the perspective of the United Nations study in 2000 regarding the population.

Improved public perceptions towards immigrants are an essential condition for the immigrants integration, and they can be achieved by fulfilling the following requirements:

- The transparency of the security policies (public information of what are in reality the causes and benefits of international migration);
- Dialogue with both the immigrants and the organizations where they have chosen to affiliate (this helps prevent crime through knowledge of the culture of the immigrants, the causes of their behaviour and attitudes in the host country, knowledge of the environment in which they grew up. These concerns can help prevent the inclusion of immigrants in criminal organisations or extremist-terrorist)

Migration and social security

The researches (Mital, Beutin r. Horvath, a., Hubert a., Lerais f., Smith, p., Sochachi m.,) revealed that 76% of Europeans consider that large numbers of immigrants that come into their country constitute a major threat to their states. This perception was fuelled by increased social services, housing, good schools, or areas with a pronounced ethnic diversification.

Effect of migration is the emergence of ethnic minorities that can transform a multicultural, multitechnic society different from homogeneous society; Therefore, immigrants are more likely to be a threat to religious and cultural values than to social host society. These are the reasons which have led to the emergence of social security to a much-needed conceptualization to reduce efforts that threat modern societies.

The existence of links between social identity and security, exacerbate xenophobic feelings premises, causing politicians to decide what points will be secure, the secure manner, with consequences for civil liberty; otherwise, it increases the likelihood occurrence of the phenomenon by social insecurity for both natives and receivers companies for immigrants.

The insecurity of the latter occurs as a result of the border control's strictness, the abuses by exploiting to which they are exposed in the labor market; native insecurity arises as a result of failure in the implementation of border control within the limits of acceptable costs, but also in terms of diminishing the sense of national security.

3. The migration phenomenon in Romania's actual context

The developments at a national and an European level, recorded after 1990, prompted Romania to generate a complex system that will enable the management of the phenomenon on migration. This systemic approach can create adequate space, reduce the negative economic and social effects: the shadow of economy, the smuggling of people, the ethnic conflicts, the negative effects of the social security system and the effects of radical attitudes.

The field of legislative reform was expedited by the changes with impact on our country:

-The prospect of EU membership (this one has generated new responsibilities for Romania: acceptance of refugee communities, as a result of natural disasters occurring in the country of origin, the climate change or natural disasters).

According to the estimations by the European Institute of Romania, if only 10% of the immigrants present in Romania might fall into the category of those requesting assistance, unit costs would be returned to a witnessed 10 times lower than those registered, the effort of the Romanian state would rise from 0.6 to 20 million euros, in comparison to the medium variant of an amount of 6 million euros annually. (Carlos D, 2004).

-After 1990, Romania became both a transit country and a host country for the migration phenomenon;

-Migration flows have been encouraged by the Romanian authorities, as a result of the need to cover labor shortages that emerged as a result of emigration of the local population.

Domestic policies related to the migration phenomena are assumed to establish institutions with major powers in this domain, such as the adoption of normative acts and last but not least, cooperation between states.

After the second world war there has been a pretty low participation in the process of individualisation, the only type of movements being represented by the migration of Hungarians into the Transilvania area, to the state of the nation's own ethnic migration. The motivation to encourage them is justified by Hungary's interest, expressed towards Romania in a co-ethnic style, through the help of structures of civil societies.

Also in the period 1950-1992, a number of 500,000 ethnic Jews left Romania for Israel and for the United States.

Temporary migration for employment and education was imitated by the Countries from Israel, USA, Germany with which Romania had signed agreements: one of the rules forbidding the reunification of families (Focus Migration 2007).

After 1970, the Romanian state has stressed the existence of agreements with the German state, agreements that facilitated benefits for the Department of economics.

During the Communist regime, just authorities had the opportunity to elect the temporary migration, particularly those in certain fields of activity: construction, agriculture, oil industry, those who visited the socialist countries, members of the communist elite or to study abroad. (Focus Migration 2007)

Despite the restrictive measures, there were Romanians that succeeded to migrate, this fact being permitted to persons uncomfortable with the communist regime, the aim being to reduce the number of persons who wanted political regime as in the West (the gesture performed by the Romanian communist authorities as an obliquity of the image management is liable to attract the attention of foreign governments, in a negative sense).

(C. Mueller, 1999) "The migration of refugees, largely for political reasons, did not have, for Romania, a consistency of the other tates of movements with the communist bloc. The revolution in 1956 from Hungary, the Prague Spring (1968), the imposition of martial law in Poland (1981) are events that have given rise to substantial political refugee movements (Fihel et al., 2). The case seems to have been all about individual projects and finding the "lonely" road to the Western democracies.

The European fever for labor migration in the 1950s-1970s did not contaminate Romania in any way. Movements, in order to work outside the borders of the country, took place in restricted programmes implemented by the communist authorities with other partners of European Socialists (the former German Democratic Republic and the USSR) or the "friendly" Arab States. More than the other countries of the former communist bloc Member, Romania was before 1989, in a situation of isolation (one might say "abnormality") from the point of view of international migration: the state exercised strict control over the exits and entries from/into Romania, there by reducing the international mobility up to extreme limits. The repatriation of ethnic minorities or the controlled migration for employment are the types which were characteristic to the communist period. The rest motivations of migration (political, economical) could have been implemented in fundamentally outside the law. Family reunification represented one of the few mechanisms for extern mobility." (Serna M., 2011)

The process of industrialization in that period of time, has encouraged internal migration from rural areas toward urban areas (restricted trend in the 1980s, to reach the highest level in the 1990s).

In 1948, almost 80% of the Romanian population was living in the rural areas (Jordan v. Cucu,i., 1984). The poverty rate, though low after 2003, has increased the rate of migration in urban-rural areas.

The framework context of the migration phenomenon

Economic context

The economic decline of Romania in December 1989, was followed by a marked structural disorganization. Hard-tested areas were: industry, agriculture and scientific research; the unemployment rate increased from 0% in ' 89, at 8-9% in the 1990s; the economic transition from the period 1990-2002 was followed by job losses-particularly in the industry, which led to an increase in poverty. These issues have encouraged romanians to emigrate either temporarily or permanently, legally or illegally, in order to improve their financial situation.

Political context

The social policy of the EU, USA, Australia, Canada, concerning attracting qualified labor in preparation, skill, partnerships between the rest of Europe and Romania, the political convulsions that arose after the 90s, have denigrated the image of our country: those who supported these negative influences were young people with higher education.

Romania's accession to the EU constitutes a point of reference in the evolution of migration. (Ibekwe c. 2007). If before the year 2000 there were concluded agreements relating to the integration of labor only in the countries of Lebanon and Germany, during 2001-2002 political agreements have also included countries such as Spain, Portugal, Luxembourg, Switzerland, Hungary and Italy.

Educational context

After 1990, Romania has carried out a series of cooperative programmes: Erasmus, the open society Foundation Soros, which have received EU funding through the World Bank.

These programs facilitated and encouraged academic mobility: students and teachers from Romanian universities participated in various activities from abroad, realizing cultural exchanges. These programs have encouraged recipients to return to their

countries of origin. However, there have been situations when students, as a result of contacts with other countries, have chosen to migrate.

Currently, the trend is towards migration for work, circulatory and this phenomenon is three times higher than in 2002: 60 percent of romanian workers are going to work for short periods (motivation is the legal contract work or the university education) and only 5% are leaving without proposing to return (this choice is motivated by marriage, the request of political asylum as the U.S. Green Card type). Thus, leaving to work abroad has become an everyday reality (Ibekwe c., 2006), even a strategy for life. Because hiring remains a strict legal requirement in the labor market, the same are generated by the opportunity to travel as a tourist, bringing new opportunities for getting a job in the informal economy.

4. Conclusions

This references rushes for a better living, we can locate our temporal space, after the 1989 revolution, which marked a period of socio-professional insecurity, a real imbalance in terms of the economy and social order. Since that time, it has been initiated a process of reconstruction of the Romanian territory, exposed to more and more poverty, urban growth and overall mortality.

Observable differences in regional and territorial developments have imposed a new trend among romanians, namely of initiation a new individual life strategies, a real ordeal for the elderly, which is booming, but also for the remaining teens home.

In my opinion, sociological approach to the migration phenomenon, requires some demonstration of a relational reciprocity between migration and socio-economic attributes that govern the personal motivation of the migrant to accede to a new residence.

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LEARNING ORGANIZATION – A NEW CHALLENGE IN PRE-UNIVERSITY EDUCATION

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Abstract: *In a learning organization, the activities are conducted in a dynamic stimulating environment whereas the human resource is involved in a continuously creating, acquisition or knowledge transfer activity. The learning organization in the pre-university environment represents that place where the teaching staff learns on a continuous basis in order to adapt to the training needs of their pupils and the requirements of the labour market. Teachers have the possibility to permanently develop both professionally and personally. They do not cease to grow, they are not content with mediocre results, they are constantly involved in developing their creativity and didactic innovation. The organization's success relies on a continuous learning process and encompasses elements achieved in common, within departments and individually, through personal efforts. This research presents the most important results on the challenges faced by teaching staff within a learning organization. The data were collected following application of a questionnaire on a representative sample of teaching staff in pre-university education in the county, teachers who carry out their activities in academic, technological and vocational high schools. The data were used to outline an overview on the performance of the activity of the teaching staff within a large organization based on an ample learning process.*

Keywords: *learning organization, human resource, learning process, performance*

JEL Classification: M530, J24

Introduction

Any organization is mostly the result of what its members think and how they interact. In a learning organization the employees have the feeling that they achieve something important to both them and the others; they develop professionally and personally using new thinking methods and continuous learning, combining individual performance and performance of the organization. Collective decisions rely on dialogue and innovation; people are willing to take risks. Seeing each experience as an opportunity to learn together, employees develop their capacity on an ongoing basis, they achieve the results targeted; they aspire to performance and acquiring knowledge. Having ideas is always essential in the learning process; however, failure to implement them in order to obtain corroborated results at both individual and organizational level means that the organization limits itself to the stage of development and improvement of their activities. Learning organizations are able to transform the knowledge acquired into concrete manners of action, reacting to the changes occurred from the outside.

Relevance and Importance of Research

Building a learning organization is a difficult task that managers undertake, a task which starts with a positive attitude in relation to learning and with the prospect of a visionary process. The key word of such organization is “they learn together, the team’s experiences and the learning collaboration-based process trigger benefits for people, groups of employers and organizations”.

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Theoretical approaches

Senge argues that the development of an organisational learning culture entails following five disciplines:

(1) The first discipline is called personal mastery – the discipline of personal development. It is concerned with fostering people who are willing to learn, and who can stand the tension between personal visions and objective reality;

(2) The second discipline referred to as is based on the concept of ‘theories-in-use’. These theories must be made explicit in order that the whole company can discuss them and develop collective mental models; Challenges and open questions raised by the concept of the learning organisation;

(3) The development of shared visions is the third discipline. A vision is ‘a purpose put into practice’. Such visions must be ‘owned’ by every employee and thus become the mission of the whole company;

(4) Team learning is the fourth discipline. According to Senge, teams are the basic learning units of modern organisations. (From his practical experience, however, he reports that a team of enthusiastic managers, who had individual IQs of over 120, showed a collective IQ of 63! Therefore, he proposes techniques for dialogue, so that the collective potential can be harnessed.);

(5) The fifth and last discipline – systemic thinking – is the most crucial one for Senge – hence his book is called ‘The fifth discipline’. Systemic thinking comprises all other disciplines and contributes to their integrated development and is based on ‘systemic archetypes’.

Materials and Methods

The investigative endeavour regarding the challenges to which teaching staff within a learning organization are subjected has used a complex research strategy which combines both quantitative and qualitative investigation methods. We are presenting below the set of methods and techniques used to collect information as well as their objective.

The objectives of the research are:

- Identifying characteristics of a school as a learning organization.
- Transforming the capacity of communication and collective thinking in order to develop the learning capacity as a team.
- Structuring some managerial competences for headmasters within a learning organization.

The qualitative research regarding the challenge to which a school as a learning organization is subjected is based on the following **hypotheses**:

- As a permanent learning unit, the team is characterized by a permanent adaptability to newness, creativity, intuition, systematic thinking and imagination.
- The attitude towards continuous learning is positive and based on how the team thinks and acts.

Documentary Analysis

In their approach of the learning organization, the branch literature classifies the contribution to the development of this concept into: founders, real-world Definitions and Critiques, Promoting Continuous Improvement, Innovation, Stakeholder Collaboration, Organizational Learning and Organizational Outcomes and Today's Approaches for Building Organizational Learning. One may get an overview of the founders of this concept from the table below:

Table no. 1 **Literature about learning organization**

Name	Categories	Publication	Description
Peter Senge	Founder (father of organizational learning)	The Fifth Discipline in 1990	he writes that a learning organization values, and derives competitive advantage from, continuing learning, both individual and collective
Chris Agyris	Founder	„Good communication that blocks learning”	how learning can improve organizational development success
Donald Schon	Founder	Theory in Practice and Organizational Learning	have a significant impact on the conceptualization of organizational learning
Margaret Wheatley	Founder	Leadership and the New Science	"chaos and complexity have emerged as serious branches of science."

Source: made by authors using data from Rebecca Cors, What is a learning organization?

Real-World Definitions and Critiques Since the 1990 publishing of Senge's The Fifth Discipline, many have attempted to promote learning at their organizations.

Below are perspectives from some of these practitioners about what a learning organization means is presented in the table below:

Table no. 2 **Definitions and Critiques about learning organization**

Definitions and Critiques	Name	Describes a learning organization
What Defines and Propels a Learning Organization?	Linda Levine	The organization remembers and learns Public recording is unobtrusive and useful in the execution of work processes and decision-making. Principles and concepts may refer to a group, an organizational unit(s), or a community, suggesting notions of scalability and tailoring. The notion of learning is different from the additive sum of individual contributions (the whole is more than the sum of its parts). Learning is applied to produce or modify individual dispositions, policies, processes, and procedures.
	R.P. Mohanty's Costa Mesa's	Customer power Information power Global investors power Global market power Power of simplicity Power of the organization Worker-executive dialogue about building the new facility was critical for engaging workers and improving designs. Cross training makes jobs more interesting, teaches employees new skills, and reduces injuries. Learning incentives promote cross training and reward good performance. Including workers in shift scheduling is one way to promote a strong work/life balance.

Source: made by authors using data from Rebecca Cors, What is a learning organization?

Quantitative Research on the Need for Training

The relation between Promoting Continuous Improvement, Innovation, Community Building and organizational learning is presented in the table below:

Table no.3

Definitions and Critiques	Name	describes a learning organization
Quantitative Research on the Need for Training	Deane Clark	make an interesting link between learning organizations and performance in their article "Creating a Learning Project Environment."
Learning Organizations Promote Innovation	Ramus and Steger	builds on parallels between the characteristics of learning organizations and those described in the literature on organizations that are designed to support innovation and employee creativity
Learning Organizations Foster Community Building	Dori Digenti	"Toward an Understanding of the Learning Community," explores the theory of a learning community as a mechanism for creating the learning organization

Source: made by authors using data from Rebecca Cors, *What is a learning organization?*

Many experts suggest that an assessment tool is a highly effective way to promote organizational learning. Recent investigations are developing ways to measure the impact of organizational learning on outcomes such as financial performance, productivity, waste production, continuous improvement, customer focus, and employee behaviors, satisfaction, and performance.

To become a "learning organization" one has to create a learning atmosphere (Rothwell 2002). The question is whether the team as a learning organization has, within a school, the conditions required to transform the attitude towards continuous learning into a positive experience based on thinking and action at group level and not in an individual manner.

Results

The sample of the teaching staff in the pre-university education in Dâmbovița County used for the quantitative research is made of 295 teachers of 1267 in total.

The distribution of the sample in line with the type of education establishment where teachers perform their activities and their residence area is presented in the tables below:

Table no. 4 **Distribution of the sample**

SAMPLE SIZE	TYPE OF EDUCATION ESTABLISHMENT					
	ACADEMIC		TECHNOLOGICAL		VOCATIONAL	
	number	%	number	%	number	%
295	112	37.96	122	41.35	61	20.67

source: <http://statistici.insse.ro/>

As data provided by the National Institute for Statistics in 2014 indicate, in Dâmbovița County there are 30 high schools in total in which 1267 teachers work (482 teachers teach in academic high schools and colleges, 442 in technical high schools, 83 in resource major and 260 in vocational schools). In terms of their representation by sex, in Dâmbovița County there are 393 male teachers and the rest of them are female teachers.

The distribution of the sample on the age criterion shows similes with the academic seniority criterion and is similar to the distribution by age bracket in the total of the teaching staff in the county as shown in table 5:

Table no.5 Distribution of the sample

AGE BRACKET (YEARS)	TEACHING STAFF INTERVIEWED (%)	ACADEMIC SENIORITY (YEARS)	TEACHING STAFF (%)
below 30	4.3	below 5	5.6
31-40	33.5	6-10	9.0
41-50	42	11-20	39.5
over 50	20.2	over 20	45.9

Source: made by authors using data from the quantitative research

A higher weight is held by teaching staff in the urban area that carry out their activity in technological high schools, academic high schools and colleges, vocational high schools; most of these education establishments are situated in towns/cities, as indicated by the table below:

Table no. 6 The distribution of the sample

TEACHING STAFF/RESIDENCE AREA	RURAL %	URBAN %
295	22.4	77.6

Source: made by authors using data from the quantitative research

Most of teaching staff interviewed (89.4%) reached a high degree of didactical maturity (didactical qualification: level I – 60.3%, didactical qualification: level II – 23,5%, PhD 5,6%). In selection of teaching staff account was taken of the curricular area to which they belong: mathematics and sciences 22.3%, language and communication 20.1%, technologies 34.9%, arts and sport 3.5%, man and society 19.2%.

Discussions

Starting from the capacity of a team to create the results at which all the members aim, the respondents perceive the capacity to relate and act in a group as a challenge which relies on understanding the processes which encourage and support learning. The responses on the situations for which learning in a team is required are highlighted below:

Table no. 7 Situations requiring learning in a team

Team learning situations	%
Implementation of new processes	19
Restructuring the activity within the organization	12
Innovation in didactic activity	26
Change of organization's values	20
Change of working practices	23

Source: made by authors using data from the quantitative research

Referring to team learning and how this can be achieved within a school, teaching staff interviewed consider this type of education as follows:

Table no.8 Team learning achieved within a school

Forms of achieving team learning	%
Exchange of information between colleagues	19
Exchange of expertise between colleagues	21
Access to common knowledge	22
Sharing observations and personal conclusions	9
Developing organizational competences	29

Source: made by authors using data from the quantitative research

The learning process is difficult and specialists believe that it may create barriers for the performance of new activities and the emergence of management forms within the organization. With regards to the elements of the organizational culture generating knowledge, the teaching staff interviewed express their options as indicated in the table below:

Table no.9 Elements of organisational culture

Elements of organizational culture facilitating knowledge	%
Encouraging change	27
Expressing ideas	15
Participation	25
Communication	22
Dialogue	11

Source: made by authors using data from the quantitative research

Using some specific techniques enables the team to have the maximum efficiency, especially under circumstances of the diversity of its members. As shown below, fulfilment of tasks is most times prevented by:

Table no.10 Problems occurring inside the team

Problems occurring inside the team	%
emotional	34
social	58
other human needs	8

Source: made by authors using data from the quantitative research

One has observed that when the team members are very different, there will be strong conflicts in its early development as a team, conflicts which, if properly mediated, will reduce in time and the team will be highly efficient as a result.

In terms of diversity within the learning organization, the respondents consider as most beneficial the following situations:

Table no.11 Diversity manifestation directions

Diversity manifestation directions	%
Background variety	42
Numeric equality (women/men)	25
Collaboration at national level (variety of cultures)	33

Source: made by authors using data from the quantitative research

The opposite responses, which refer to sources of inhibition with regards to learning in a group, are presented in the table below:

Table no.12 **Diversity manifestation directions**

Diversity manifestation directions	%
Resolving disputes for personal interests	12
Significant age differences	27
Different personalities	33
Identical thinking/comfortable existence	9
Lack of creativity/innovation	19

Source: made by authors using data from the quantitative research

Conclusion: The discipline of learning in a team is built on the dialogue that allows discovery of meanings which are rarely encountered in the individual learning model. People think together and actively participate to identification of the best solutions possible, with a medium and long-term impact.

See below the characteristics of the learning organization:

Table no.13 **Characteristics of the learning organization**

No.	Characteristics	Relating to school as a learning organization
1.	Continuously provides learning opportunities	Continuous improvement/training programmes ensure learning opportunities at individual level. Team learning is based on knowledge and expertise of team members in problem solving
2.	Uses training to achieve goals	Solving problems starts from team members' knowledge and expertise. Organizational goals and individual goals intertwine.
3.	Identifies the connection between individual performance and organizational performance	Rapid and efficient transfer of knowledge to organization involves combining personal goals and group goals.
4.	Encourages dialogue and creates an environment for the employees to express opinions and take risks	Supports open communication and makes people feel safe in relation to asking questions and manifesting curiosity
5.	Uses creative tensions as a source of energy and renewal	Inside a homogenous team people indulge themselves in self-satisfaction; creativity and innovation are inexistent. Tensions develop imagination and innovation towards task fulfilment.
6.	Becomes aware of the relation with the environment where their activity is performed	The school operates in a dynamic, complex and competitive environment, and a continuous learning process is vital to excel in such an environment.

Source: made by authors using data from *Rebecca Cors*

It is essential to have new ideas in the educational process. Implementation of such ideas corroborates individual aspirations and organizational aspirations in an open vision which leads towards performance.

A school as a learning organisation has the capacity to change and adapt routinely to new environments and circumstances as its members, individually and together, learn their way to realising their vision.

Within a learning organization, teaching staff will not limit themselves to what they already know; they will not be satisfied with mediocre results. Conversely, they “will constantly develop their capacity to generate the results targeted” and will permanently adapt to new generations of students.

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E-LEARNING ENVIRONMENT AND CAMTASIA

Carmen Răduț¹

Based on social constructionism teaching/pedagogy, people learn best when they are engaged in a process of social construction of information that can serve to others. "Social process" shows that the study is done in groups, so that learning becomes a process of information exchange within a culture that shares the same symbols and traditions. This exchange of information is becoming a social constructionist process, a process that arises due to the need to incorporate new teaching methods despite existing ones.

Key Words: e-learning, e-pedagogy, e-training, e-skills

JEL Classification: L86, L96, M15

1. History on E-Learning educational projects

Computers and new technologies (equipment, technology and software) provide tools and ways of forming a new vision on education, research and innovation. The first project about virtual education demonstrates how innovation in education and research is to be valued. Founded in 2003 as a result of challenges from the early 2000s, the information society technologies (ICT), has proposed the following strategic objectives:

- Goal - Implement the Information Society Technologies (IST / FP6 / FP7 / Horizon 2020) to the European Union requirements
- Specific objectives - Develop research projects and applications in the areas of E-Learning, Software and Educational Management (Models and methodologies, technologies, software solutions)

Stages of this project are:

- Phase I - Period 2000-2010: Research, Education and Training - eLearning, Virtual Reality

- Phase II - 2010-2020 period: digital skills in the online, virtual education and Training Procedures

- Phase III - 2020-2030 period: Smart Education, Knowledge Society and Culture Learning

Educational and research projects address both authors of e-Learning products and educational software, specialists, teachers, researchers, students and pupils, all active in the field of educational technologies supported models, methodologies and software solutions. There were meetings of the platform users of e-Learning Moodle addressed environmental education, academia and public institutions with the following areas of interest: e-Learning, e-Pedagogy, e-training, e-Skills, and presented the Moodle in school education - Moodle projects and examples and university education - projects and examples; Moodle training tool).

E-Learning technologies have exploded growing worldwide and the need, effectiveness and benefits of new learning methods are supported by educational specialists. Digital textbook concept is an ongoing concern of the various protagonists in the educational process for the use of ICT in education. Developing a digital manual using the contribution of psychologists, learning specialists in the design, programmers, graphic designers and teachers that are experienced in Romanian education is a necessity. To implement new approaches to learning journey, teachers must have higher education in the field of knowledge; have experience on computer training and ICT for education; to know and be

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able to implement the methods and modalities offered by modern pedagogy in the use of new technologies.

It can be concluded that the term "virtual education" is not replacing traditional education forms and ways to eliminate the role of teachers in the teaching process, but on the contrary should represent shapes and modern ways to achieve a higher level of teaching and learning by ICT-evaluation.

Almost 40% of urban schools in Romania do not use electronic equipment in teaching the class, according to the study "The role of electronic equipment in the educational process", requested by Epson and conducted online, between 3 to 8 June 2015.

According to the study, more than 6 in 10 said the main advantages of using electronic equipment in the educational process are to increase student attention and learning faster and developing technical skills.

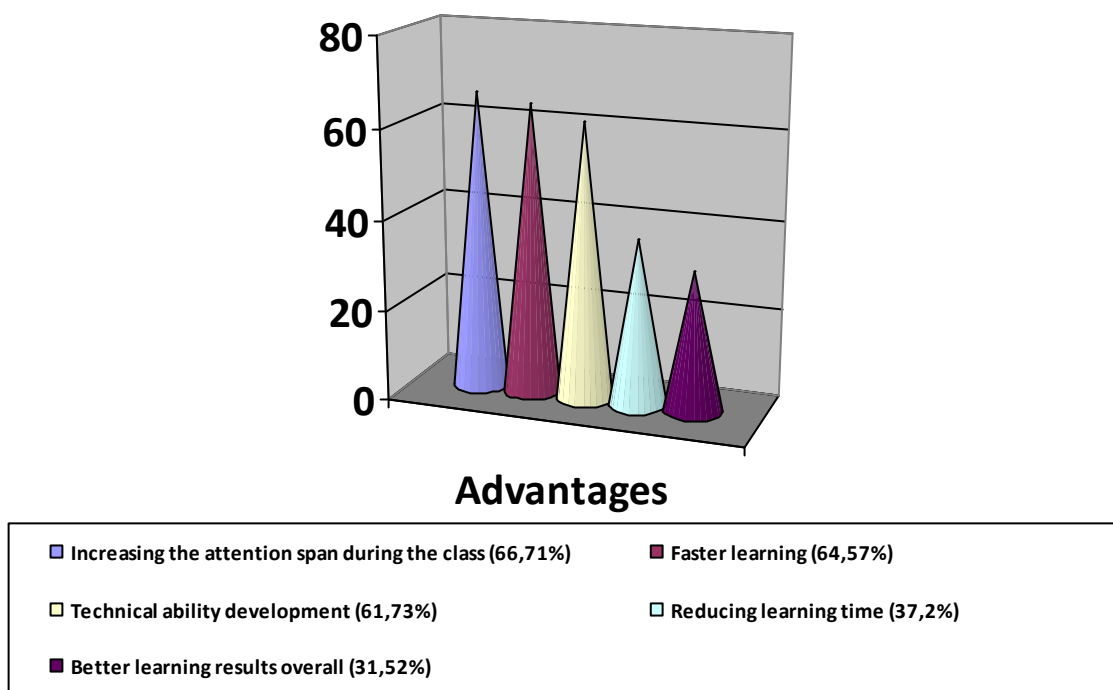


Figure 1. The electronic equipment advantages

In order to implement new approaches to learning journey, teachers must have higher education in the field of knowledge; have experience on computer training and ICT for education; to know and be able to implement the methods and modalities offered by modern pedagogy in the use of new technologies.

It can be concluded that the term "virtual education" is not replacing traditional education forms and ways to eliminate the role of teachers in the teaching process, but on the contrary should represent shapes and modern ways to achieve a higher level of teaching and learning by ICT-evaluation.

About 90% of parents believe that the use of such devices in classes is required. Type of electronic equipment used in education - computer desktop (the 72.59%), video (69.38%), the printer (51.98%), audio (39,13%), laptops (37.62%).

Types of electronic equipment to exposed children in the family - TV (87.19%), tablet (71.53%), computer desktop (70.94%), laptops (69.75%), the printer (52 19%), audio (46.26%), DVD player (38,55%), video (5.46%).

2. About Moodle

People live in a virtual world, virtual communities, working in cyberspace and even learn in a virtual space. Basically, a virtual human life is increasingly more common. There is a problem: the virtual learning (eLearning) is not to be considered a step towards robotic humanity. What are the implications of using such learning? Can the need of people discovering themselves be fulfilled in such a world? What advantages involves eLearning?

The advantages that eLearning has are considered from the perspective of individual and institutional:

- Paced learning, people planning their own agenda
- Applications are flexible in space and time
- Their performance can be corrected easily
- Education still means responsibility even if it's virtual
- Practice repetitions are possible

Using e-learning platforms in the future will increase, however, keep in mind that eLearning will never remove human interaction. Social construction philosophy promoted by Moodle has given and will always give results given the fact that it relies on communication and collaboration between teacher and student and between student and student, so learning is both ways. Students will benefit from a new approach to the didactic script to learning and assessment, improve their skills to collect, select and present information through project work and teamwork Moodle platform.

In this context required training and professional development of teachers is a must.

- Improve both vocational competences and language development – building teaching process facilities using Moodle (lessons, files, hiperlinks, forums, questionnaires)
- Identify new techniques for transforming theory into practice by installing platform resource for students.

The basic principle in Moodle is social construction, which involves collaborative learning, project-based and individual and group tasks.

Teaching innovation requires creativity, design, invention. The teaching-learning-assessment resulted from the execution of creative activities. They are pleasant and increases the feeling of self-worth of the student. We cannot ignore the effect they have in motivating the teaching hours. From the student, the usually expectation is to embrace new skills, knowledge, techniques and views created by others. Creative work is important because each teacher develops students' ability to think creatively and solve problems, increase motivation, creates the opportunity to explore their feelings and to develop skills of personal expression. Education means more than the accumulation of knowledge and skills work. Students need to practice their imagination and explore feelings and perceptions.

With Moodle, the teacher can propose the following activities:

- Posting lessons, bibliography, themes
- Revision sheets, worksheets, tests knowledge assessment
- Evaluation and self-knowledge;
- The creation of virtual classrooms collaboration between schools;
- Organizing competitions;
- Common virtual classroom courses;
- Preparation for national testing;
- Communication and socialization;
- Development of projects between schools;
- Surveys.

An e-learning solution should be viewed as an application customized for every beneficiary, offering the following benefits:

- consultancy on e-learning solution;
- platform e-learning;
- custom design platforms variations
- resources management;
- training and documentation for users

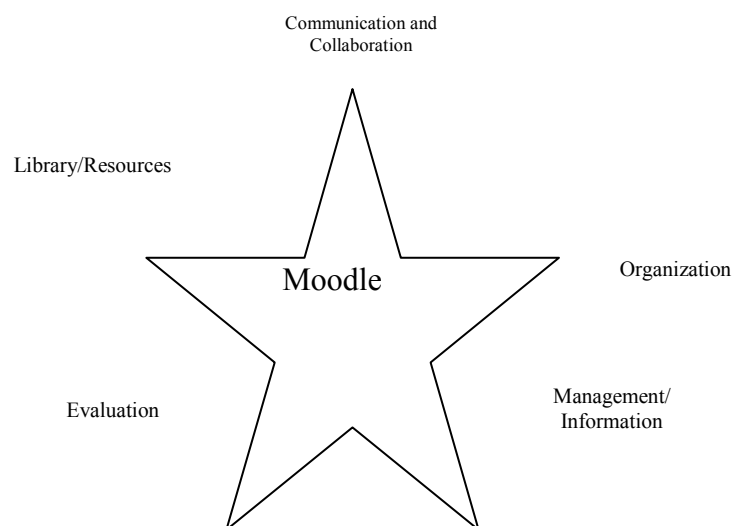


Figure 2. The platform functionality

The benefits of Moodle are: Moodle enables networking through a communication channel that can be used with ease; Very important is the platform functionality that comes to pre-meet future needs - to store and analyse information on student performance. Thus, it provides a tool that can measure and subsequently improve educational processes administered.

The most important functionalities of the platform are summarized in Fig. 2.

3. About Camtasia

Camtasia is a program to be used on a desktop. It can capture the activity on screen and assign final video product overlap voice. Besides video capture software has a very good editor that can model the video. The final product can be saved screencast.com (storage service offered by TechSmith), where we have 2 GB of storage for free, or we may want to use to add to our list YouTube. For integration into a platform for e-learning, Camtasia provides a function extremely useful to wrap the video with a web player, so whoever wants to post the movie online simply point at the html file in the folder. It is mainly used by professionals for creating tutorials for software applications and educational environment because it gives both the student and the teacher's ability to rapidly access the content presented. Like eLearning software solution does not replace the teaching, but becomes a real aid in its deployment.

Camtasia Studio component comes with a series of props: MenuMaker, Player, Recorder, Theatre, and the software package (separate installation) comes along and Snagit - complex solution for image capture. When we open (Welcome) window appears choice of the activities that we want to conduct:

- * Record the screen - creating a video capture
- * Record voice narration - creating a voice support
- * Record PowerPoint - creating a snapshot of PowerPoint Import Media - adding media Recent projects - open an existing project Mainly using the application Camtasia

Studio to pursue a video tutorial assumes the completion of steps: recording (Record), editing (Edit), production (Produce) and sharing (Share).

* **Record** what we want, in any size and decide how we want to use it later **Capture** records of screens in high quality **Edit** faster with tools intelligent and add various effects **Add audio** now or later **Convert PowerPoint** to video login with our audience by webcam **Registered** podcasts

* **Edit** to fine and improve to clarify and amplify our message to be completed viewing the result before publishing to perfection **Take** control zoom and image shift **Add images** and music **Add subtitles** add interactivity **Flash**, without requiring programming skills Measure the impact through questionnaires

* **Share** our creations anywhere, in multiple formats **Save Environmentally** desirable - Web, CD, blog, iPod ExpressShow - create a file SWF Flash that can be included in any website, blog or multimedia project Produce a variety of formats (MP3 , AVI, RealMedia, iPod video, animated GIF, Flash, QuickTime MOV, executable EXE) Include a table of contents Share oScreencast.com or YouTube.com

Functions Camtasia are: **HD video quality for web** • Edit independent audio and video • Hotkeys for editing • (re) use of video elements from various sources - **MOV files, movies** • Jing and other 3D effect Tilt • Control improved effects • pre-sets for Screencast .com • Library - store notes, securities or even an entire introductory sequence • Copy and paste - **reuse transitions, zoom effects and other effects** • You Tube Upload - produce and upload videos in HD on YouTube without leaving • Camtasia Studio Callout sites improved - **new styles and an easy way to create your own** • types Callout sites for keystrokes - **can show the public keys** • Press during recording Callout sites type sketch - captured attention with callout sites that appear to be • drawn by hand precise control volume • Effects editable cursor • SmartFocus improved • new interface, improved • Motor recording improved - increasing rate images captured • up to 50% media elements available in the library comics professionally since • Digital Juice TechSmith Camtasia Studio allows you to easily record your screen, PowerPoint presentations, voice, and web camera to create video tutorials, presentations for lectures and demonstrations rich sales delivered on the web or CD-ROM. In this study I present my project “ Database”¹, used TechSmith Camtasia Studio.

Conclusion

In Romania in early April 2015 a total of 286 sites were registered as Moodle sites. Moodle is used in Romania mainly in universities and schools, but is also used by other public or private institutions such as: ANPCDEFP, Institute of Educational Sciences, ON (g) LINE etc.

Learning becomes effective when the teacher builds a learning material for her/his students to interact with the learning material and build the experience to understand the curriculum. In this context, the student is part of a learning community, it is able to understand what to do and to explain to others and do it together.

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¹ In PowerPoint Presentation

STATE, DEMOCRATIC FUNCTIONING OF ECONOMY AND EDUCATION

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Dumitru, Ciucur, profesor emerit²

***Abstract:** The democratic state is an important feature of the market economy which exists and works as a real mixed economic system. The state democratically establishes the economic mechanisms of general operation, bringing together, on the basis of some uniform rules, the interested behavior of free competitive market actors. Under these circumstances, economic education becomes an essential component of economic culture, compatible with democratic and efficient functioning of the economy. Education must be a national priority, thus stimulating the development of democratic society and enhancing the human with its interests made aware in a free way.*

Keywords: democracy, education, state

JEL Classification: E00, A20, I25

1. Introduction

Epistemologically, we point out that the effective functioning of the economy involves its linking with the existence and the dynamics of democratic state. Hence the requirement for understanding the mechanism of the market economy as an expression of the real way of making economic activities, as they are translated into economic policy decisions and legal norms. This mechanism represents the interdependence of specific vectors of economic resources and social needs at all levels of aggregation.

Democratic economic operation takes account of the entire system of interests of owners followed on the short, medium and long term, systemically optimizing the socio-economic and ecological efficiency, based on scientific criteria of training, management and use of financial and economic resources.

In such circumstances the democratic state is an important feature of the market economy. The state establishes economic mechanisms democratically, bringing together interested behaviors of economic actors. If these interests should be allowed to manifest themselves completely unrestricted, this would trigger tensions and economic disarray.

Through its institutions, the state - particularly the government - influences both the economic goods market and the capital market. The economic goods market is influenced in two ways: the first aspect consists in purchasing economic goods produced by companies, which stimulate demand; the second aspect represents taxes which diminish request because taxes lead to reduced disposable income and reduced consumer spending.

Capital market is influenced by the state when it borrows to cover expenses, because expenses are greater than income or for redemption of government debt when tax revenues exceed expenditures.

Also, we must take into account the management system of taxes and fees (in 2015 there were over 300) to ensure the financing of useful and realistic socio-economic projects. Currently, we pay more to the state. Instead, the burden of taxes and fees has led to a hidden economy of about 28% of Romania's gross domestic product, 10% higher than the EU average.

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The way of working in public institutions and the inappropriate relationships with people is an important reason for the population to mistrust the state institutions, a state which wants to be democratic.

These issues may correlate with the fact that in 2015 there were about 100 institutions and control bodies, sometimes with overlapping responsibilities and deadlines. Therefore, we support like other specialists, the introduction, appropriate and effective of a single control body that encompasses all the current ones, being a highly effective model in Germany.

2. Democracy, state, education

Another tough state-democratic reality in Romania is represented by the minimization of actions in education. Education, research, innovation and institutional structures of elevated scientific knowledge society have not enjoyed the attention it deserves. It was used in economic communication language the expression of information society, then the knowledge society, eluding that human society has evolved ever since the appearance of man, based on knowledge. Of course, initially it was an empiric knowledge, unorganized, without an earlier special training. Subsequently, we went to systematic scientific knowledge, based on a special professional and cultural education, with the first industrial revolution in the world.

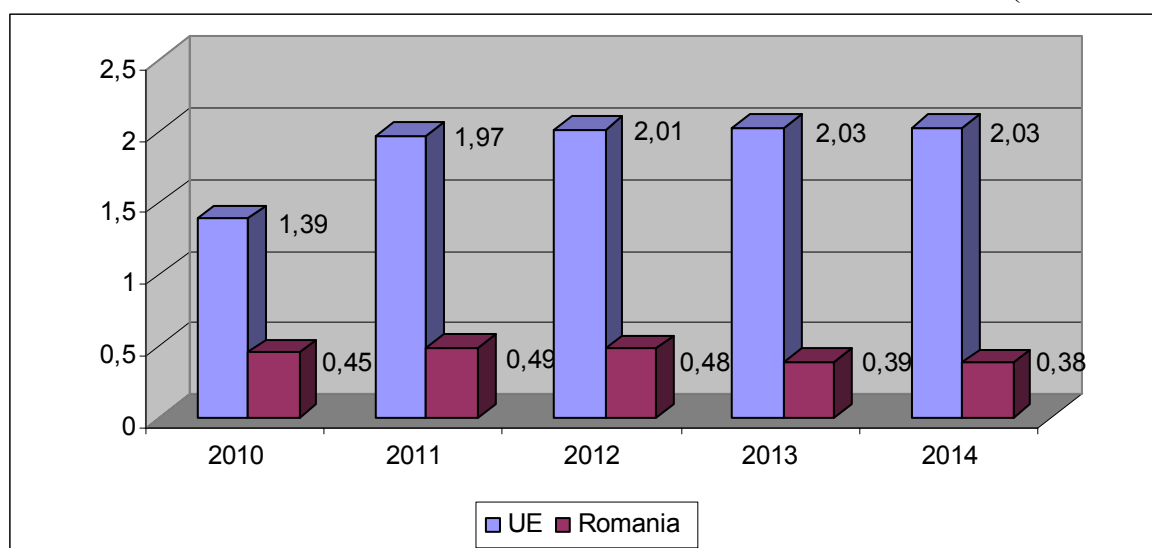
Today it is about a new leap in scientific knowledge to elevated and wise knowledge (not scientific discoveries for sophisticated weapons of mass destruction). This means the systematic and permanent assimilation of scientific novelties, of innovation, a priority for peaceful construction in all areas (nature, society, economy, culture, education, etc.).

Education harmonized with scientific research must be a national priority, as a coherent system, promoted as community monopoly, as a public good, regardless of ownership, thus stimulating the development of democratic society and highlighting the human with its interests, freely made aware.

In Romania, the costs of research development are significantly lower than the average European values. Values in the last five years are shown in the chart. 1.

Chart no. 1. Expenditure on research development

(% of GDP)



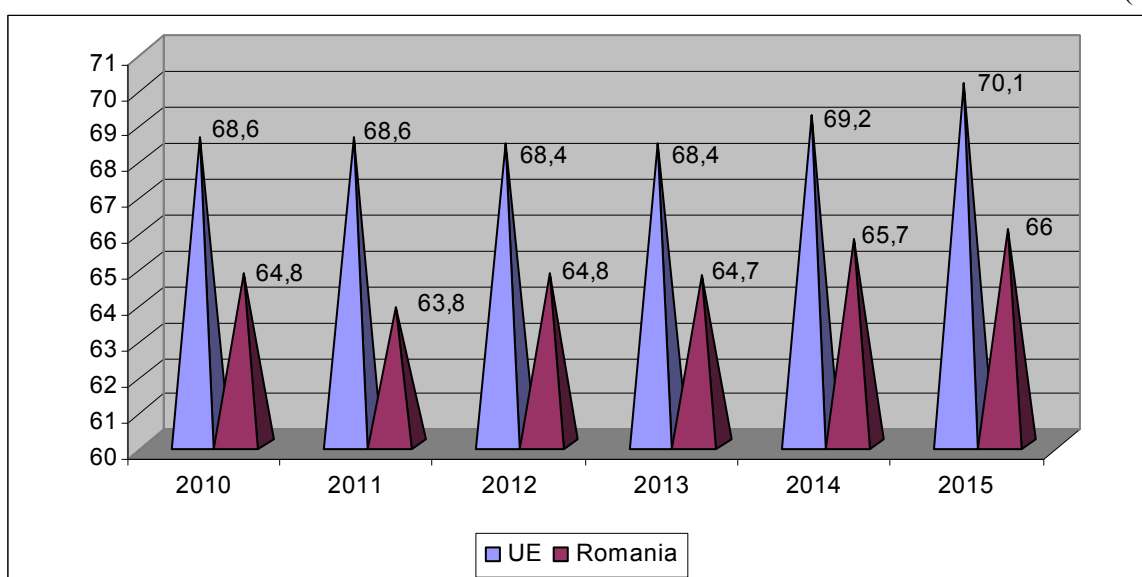
Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_20&plugin=1

Expenditure on research development in our country experienced a downward trend during 2010 - 2014. This represented 0.45% of GDP in 2010, rose to 0.49% of GDP in 2011, then decreased each year, reaching to 0.38% of GDP in 2014. At European level, expenditure on research development recorded an upward trend, being 1.39% of GDP in 2010 and 2.03% of GDP last year.

In these circumstances, the school, in all its structures must ensure training and education so that the process of optimal insertion of graduates on labor market to be improved. During their schooling they must acquire the necessary skills to quickly adapt to the first job requests for the studies they followed, and also complete integration and maintaining on a modern and flexible labor market. The labor market in Romania is in a continuous transformation, but it ranks low employment rate compared to those in Europe.

Chart no. 4. The employment rate

(%)



Source: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_10&plugin=1

Both in our country and in the European Union, the employment rate has seen an upward trend between 2010 - 2015. There were small oscillations in the examined range, but the employment rate increased in Romania from 64.8% in 2010 to 66% in 2015, while at the level of the European Union increased from 68.6% to 70.1%.

A further increase in the employment rate shows that there is a correlation between graduates' skills and labor market requirements. In this way, the school would fit the requirements of the XXIst century, and graduates of secondary school or university would be required and easily assimilated into the labor market. As schooling will improve, future specialists will realize better the relationship between effort, efficiency and personal and social interests, primarily in Romania.

Currently, economic education, starting from the individual becomes an essential component of economic culture, compatible with democratic and efficient functioning of the economy.

Economic culture generates major effects such as:

- Developing the capacity of elevated knowledge and proper understanding of financial and economic phenomena.
- Creating and permanent manifestation of a highly modern behavior;

- Fair perception and democratic acceptance of the role and obligations of everyone to society;
- Awareness of the organic relationship between freedom, discipline, responsibility, in order to not mistake democracy with disorder or chaos in the economy;
- Modernizing and civilizing the state, with its status as a political decision maker and also the citizen, in his capacity as contributor and beneficiary of the efficient functioning of the economy.

Economic culture is becoming increasingly important and necessary in a difficult period with a high global risk. Economic culture fosters national solidarity by raising awareness of the significance of integration and globalization of the world. It promotes optimal functioning of the economy, based on genuine, sustainable, economic growth, being found in a higher level of prosperity for the population.

3. Conclusions

In the spirit of deep democracy, the whole development of Romania's economy has and must have a specific social - human purpose reflected in the quality of life of the entire population. Currently, in Romania the building of a market economy is strongly influenced by the effects of the functioning of the global economy. Therefore, in the complex process of valorization of action it is aimed, if not always explicitly, the achievement of a new normality as an expression of a new economic world order.

The economic world is preparing for a new long economic cycle. The engines of the global economy will require new and larger resources, sophisticated new technologies and techniques, all making sure they have well trained and educated people but having needs widely replicated in terms of quantity, quality and structure.

The very purpose of social- human finality will be facing new challenges, asking the strengthening of human issues, as neofactor of economic development and the amplification of the positive effects that he wishes to feel in his complex biological and social life.

Man is both the premise of market economy development and its natural consequence. The quality of human life can be appreciated by means of complex matrices in which to include multiple variables with adequate socio - human dials regarding the size and dynamics of income distribution as a key vector. They incorporate concrete, tangible elements, such as property and income, as intangible cultural-spiritual elements, being found in a certain standard of economic welfare or economic poverty.

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EFFECTS OF EDUCATION ON UNEMPLOYMENT AND POVERTY IN ROMANIA

Andreea Claudia, Șerban¹

Abstract: *Although it has always been a decisive factor of economic development, education is becoming increasingly important in today's societies characterized by a more dynamic rhythm of change. Individuals must face the new challenges of the labour market imposed by the new knowledge economy. Considering this conditions, equip individuals with the needed knowledge and skills is an important factor of the progress of the societies as a whole. This paper aims to analyze the positive implications of education on employment and unemployment in Romania. Education provides greater stability on the labour market, it guarantee decent income and increased opportunity to refocus quickly to other jobs requiring different knowledge which reduce the risk of poverty and longterm unemployment. The analysis aims to identify the differences in terms of education by residence area, age or gender and their implications on labour market.*

Keywords: *education, unemployment, poverty, social exclusion, knowledge economy*

JEL Classification: J24, I24, J21

1. Introduction

For individuals from the modern society, education is more important than ever. The globalization of production and trade, new technologies and their impact on individuals, the knowledge economy that characterizes the fifth major Kondratieff cycle represent challenges for the workforce of the world in which we live. Ensuring continuity of employment becomes much more difficult compared to few decades ago. This is explained by the rapid changes that require frequent reconfigurations in terms of labour demand profile. Labour supply must be able to respond as quickly as possible to these changes. A delay or fail to adapt represents the enter into a vicious circle of lack of education needed by current labour market.

Increasing the level of education ensures better adaptation to the labour market and reduce the risk of poverty and social exclusion. In addition, revenue growth granted by the increased level of education ensure the accumulation of new knowledge throughout life.

2. Literature review

Increasing the level of education is a fundamental requirement of innovation needed to increase competitiveness, GDP and social cohesion (Comm 2016b). To produce such effects, the educational system must be supported by public policies that aim at reducing disparities between the categories of individuals who meet on the labour market, between the business cycles phases.

Increased emphasis on education as a result of its direct correlation with increased incomes explains, together with other factors (changes in labour legislation or diversification of atypical employment) the trend of reducing the number of hours worked starting from 2012-2013 as a signal of resuming the pre-crisis reduction of working hours (Comm, 2015).

Studies show that there are gender differences in terms of implications of educational attainment on employment. Women have lower employment rates than men. The gap can be reduced with increasing level of education. In addition, the income earned by women is lower compared to men having the same level of education (OECD, 2015).

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As a result of the economic crisis, more young people have been oriented to continue their education, in response to reduced successful prospects on the labour market. This explains the reduction in labour force participation rates of young people. This evolution of school expectancy is interpreted as a natural correction of the downward trend during boom periods, when people with low level of education enter the labour market attracted by the favorable and growing opportunities (Comm, 2015). Such cyclic pattern of orientation of people with low level of education to continue school/education, adversely affect them in times of recession, when the need to be more adaptable increases as a result of reduced activity of companies and reorientation of employees towards other activities that are growing.

Education must be analyzed as a tool for automatic stabilization of the labour market, as an anti-cyclical tool. Education should be used as a safety net for those who become unemployed or beneficiaries of social protection aids. Governments should support education for those who in other periods would have found some labour market opportunities for new jobs. Recession questioned the correlation between what individuals want and what the labour market offers, greatly affecting young population, due to the reduction of opportunities and job creation (which suffer most in recessions). Longer periods of waiting or searching may damage the abilities and reduce the desire to work. Although these effects are harmful to individuals of any age, for young people is even more destructive, because they are willing to experiment more than the older population, they have short periods of job search due to the tendency and desire to experiment to find a job according to their expectations and knowledge. Although in terms of economic growth the process is beneficial for both individuals and society as a whole, in times of recession, it becomes dangerous (Pissarides, 2011).

Therefore, the solution is provided by the Nordic States, where learning is understood as lifelong learning, constantly the individuals having the opportunity to refocus in terms of employment. As a result, employment rates are the highest in the European Union and the rates of poverty and social exclusion are among the lowest. Level of education and poverty are related because poverty is a multifunctional concept that refers not only to the lack of income but also to equal access to various public services such as education, training and retraining (Duiella and Turrini, 2014). People affected by poverty and social exclusion risk to be caught in a vicious circle of poverty, social exclusion and low education.

Studies show that disparities between labour markets can be absorbed by migration for employment purpose in a short time, approximately 1 year (Jauer et. al, 2014). However, migrants who raise concerns in terms of the possibility of labour market integration are those from the third countries. Currently, the European Union is facing massive immigration from third countries, affecting educational systems. Third country nationals have reduced prospects for integration on the labour market, often low level of education, do not speak the host country language which entails greater risks in terms of employment and social inclusion compared with native residents (Comm 2016b, Comm 2016c). Participation rates in education for immigrants are much lower than for the native population, knowledge and education are key engines of integration into new countries (OECD / European Union 2015). More than three quarters of migrants are aged up to 40 years and most of them have low educational level which causes obstacles to their integration (Arpaia et.al, 2014).

3. Education and its implications on labour market in European Union and Romania

An important indicator of evaluating the education as a progress factor of the society is the level of education of the population on various split-components: age, gender, residence

etc. Figure 1 shows the level of education of working age population (15-64 years) but also some subgroups by age. The population is divided into 3 groups according to level of education, each group having associated two or more levels of education corresponding to International Standard Classification of Education 2011 (ISCED 2011). In 2015, the population Less than primary, primary and lower secondary education (ISCED level 0-2, 2011) represented 26.9% of total population in the European Union and 29.4% in Romania. The largest share of the population was represented by the group Upper secondary and post-secondary non-tertiary education (levels 5-8, ISCED 2011) 46.4% of total population in the EU and 55.6% in Romania. Population with high level of education, Tertiary education (levels 5-8, ISCED 2011) owns at the EU average the same share as the first group, 26.7% in 2015. In Romania the share of population with high level of education (often understood as university diploma or more) ranks at a much lower level, 15.0%.

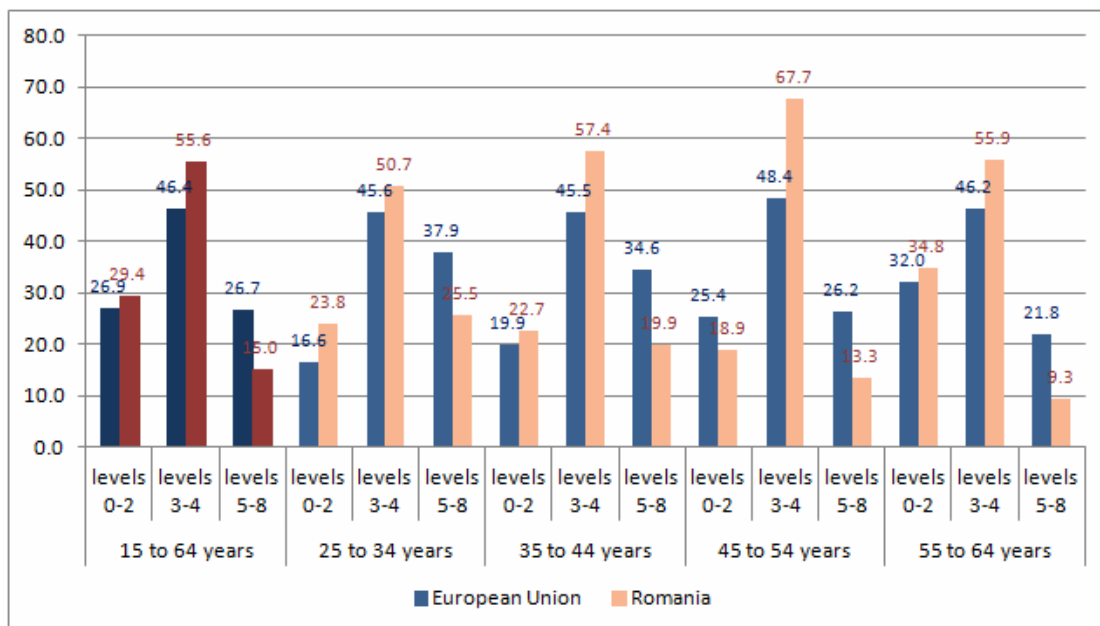


Figure 1: Population by educational attainment by age group, European Union and Romania, 2015

Source: Eurostat Statistics

Analysis by age groups shows significant differences between the population with high level of education and the other two groups. The population aged 25-34 years had the highest level of education both in the EU and in Romania. This is the part of the population which was formed during accelerated changes on the labour market and globalization, when appeared the new knowledge economy. Thus, understanding the new realities and the ability to cope with them by a higher level of education have led the trend to continue studies for a larger part of the population. As a consequence in this age group the share of population with tertiary education is higher: 37.9% of the total population in the EU and 25.5% in Romania. As age increase, the share of the population with higher education decreases, reaching for the group that is closer to the exit from the labour market (55-64 years) at 21.8% in the EU and 9.3% in Romania. This very reduced level of the population with tertiary education in Romania pose serious problems in terms of adapting of workers who lose their jobs to the new conditions. Often the low level of education and the lack of desire of training or retraining which it assumed (because this is the manner to reached this age without increasing the level of education) determine the persons who lose their job at an age close to the statutory retirement age to remain dependent on social protection systems, by unemployment benefits and subsequent they use different ways to retire:

medical retirements of early retirements. White Paper on reforming pension systems (Comm, 2012) suggest as a solution to demographic aging and increasing life expectancy, raising the retirement age, solution already put into practice in most of EU states. It also aims to limit access to early retirement by tightening the conditions and increasing penalties.

Implications of the level of education are reflected in the labour market participation rates, activity, employment and unemployment of the population of different levels of education. Inactivity and unemployment have negative implications on the economy as a whole, due to the fact that unused labour at a specific time cannot be used later, due to the risk of losing skills that people have and due to the risk of becoming dependent on social protection systems and to perpetuate this situation. Romania's unemployment rates are significantly lower than the EU average, the explanations being related firstly to the workforce employed in the subsistence agriculture (not employees) with low incomes and limited opportunities to develop, and secondly to labour migration to other states of EU (this phenomenon reduce the basis for calculating the indicator and therefore the overall result).

Viewed in greater depth, by educational level, unemployment rates show a reduction of the indicator as the level of education increase, something that underlines once again the importance of education for successful transitions on the labour market. The more educated a person is, he will be able to adapt to changes required by the knowledge economy, globalization, cyclicity of certain activities determined by the phases of the business cycle etc. The largest difference between Romania and the EU stands for population with low education, for which the unemployment rate is about one third higher than the total unemployment rate. For the EU, the unemployment rate for the population with low education rate is almost double compared to the total rate.

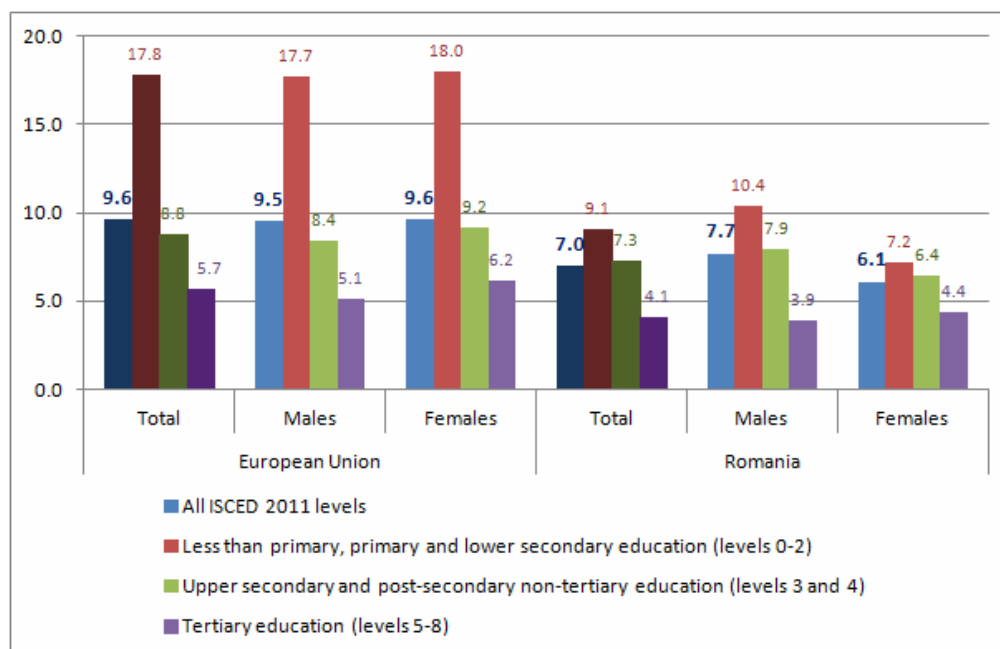


Figure 2: Unemployment by education attained and gender

Source: Eurostat Statistics

In terms of gender differences, unemployment rates are lower for women than for men in Romania, unlike the EU where the situation is reversed (Fig. 2). Unemployment rates for women, although lower than total and than for population with low and medium education are higher for women with high education compared to men with the same level

of education, a situation similar to that registered in the EU as average. This can be explained by the availability of highly educated women to seek jobs suited to their training or by voluntary acceptance of different discontinuities to cope with temporary family situations.

Young population is most susceptible to cope with rapid changes of the world economy and of the labour markets as a consequence. The possibility of becoming adaptable on the labour market traces its roots back in childhood, when parents' care for education has left its mark on the path that future young will follow in terms of education and on his caring for continuing education that becomes a necessity in modern society.

In less developed countries in European Union, access to education is dependent on many other economic and social factors, education being a greater extend the responsibility of the families. Under these circumstances, the level of education of parents significantly influence children's education (Aceleanu, 2012). Viewed from this perspective, as the education level of the parents is lower, the poverty risk or social exclusion of their children is higher (Fig. 3). In Romania this risk is highest compared to the European Union, 46.8% of the total population under 18 years being at risk of poverty of social exclusion. Romania is followed by Bulgaria with 43.7% and Greece with 37.8%, the EU average being 26.9%. Countries which performs best on this indicator are the Nordic States: Sweden 14%, Finland 14.9% and 15.7% Denmark.

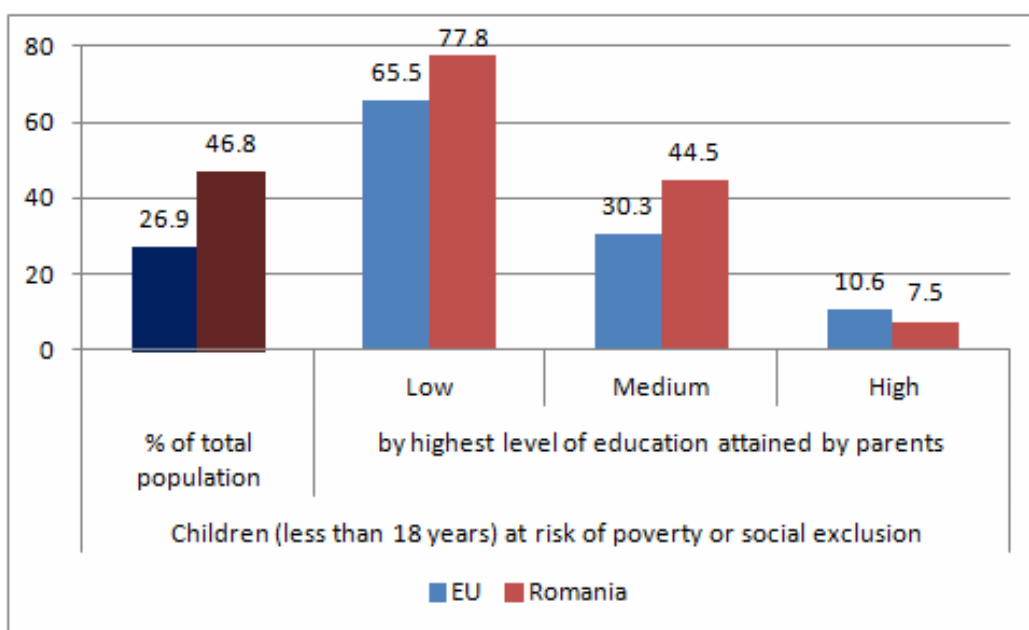


Figure 3: Children at risk of poverty, % of total population

Source: Eurostat Statistics

The risk of poverty or social exclusion increases as decreases the level of education of parents. Thus, in 2015 in Romania, 77.8% of the population aged 0-17 years with parents with low education is at risk of poverty or social exclusion. Children from families with parents having tertiary education have a much lower risk of poverty or social exclusion. For this category, according to Eurostat, the risk is much lower than the European average, 7.5% comparing to 10.6% of the EU average, Romania ranking among the countries with the lowest risk of poverty for children with parents having tertiary education, having values comparable to Sweden (7%), Denmark (7.2%) and Finland (7.5%). This underlines the increased importance that education has in Romania and the positive effects that it generates. Unfortunately, as shown in Figure 1 the share of population with tertiary education in Romania is much lower than EU average. Increasing

the level of education of the population, will create a virtuous circle with effect on employment, income, possibility of supporting lifelong learning and education of children.

Current trends on the labour market shows that education is a factor of stability and progress, the more educated the workforce is, the more adaptable and open to new perspectives imposed by the new knowledge society becomes.

4. Conclusions

Current trends in terms of education indicate a growing interest of various categories of population for training due to the favorable effects that it generates on income levels, on working time and on the possibility to make rapid changes on the labour market.

Economic crisis shows that flexibility of workers is very important in times of recession because it provides individuals the tools to faster overpass the periods of discontinuity, thus avoiding the risk of poverty and social exclusion. The most adaptable are used to learn, generally those with higher level of education. They have, as a result of the shorter periods of searching on labour market and higher income, the lowest risk of poverty or social exclusion.

Economic policies must support the investments in public education because they reduced the counter-cyclicity of the educational process that it is estimated that it has yet. Education must become the catalyst of the process of adapting labour supply to lower and changing demand from recessions. In these periods, educational processes known significant changes both in structure but also the level of education as a result of advances in knowledge, innovation and research.

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POLICIES IN VOCATIONAL EDUCATION AND TRAINING (VET) IN THE EUROPEAN UNION

Daniela, Stan¹

Abstract:

The world has realized that the economic success of the states are directly determined by the quality of their education systems and that the most effective factor of production is human capital expressed in knowledge, skills, creative abilities and moral qualities of individuals in society.

The specialists consider that in the economy of the 21st century the education system became a priority branch of production, being regarded as an occupational field, as a profitable investment sphere. This conception concerning the mission of education will dominate the educational policy of most countries in the world in the next period.

Improving the quality of the education and training systems is one of the core components of the cooperation between Member States by creating academic networks, study visits and partnerships. The communication from the Commission of the European Communities emphasizes the role of universities and research programs in the Europe of knowledge.

The cooperation regarding the policies in the education and training field began with the adoption of the White Paper on education and training "Teaching and learning-Towards a Learning Society", by which the European Union defines itself as moving toward a learning society based on acquiring new knowledge and lifelong learning.

Keywords: education, policies on quality education, quality culture, Learning Society

A new impetus for European cooperation in Vocational Education and Training to support the Europe 2020 strategy

1. INTRODUCTION

The quality of human capital is crucial for Europe's success. The Europe 2020 Strategy puts a strong emphasis on education and training to promote "smart, sustainable and inclusive growth". Europe 2020 seeks to enhance the attractiveness of vocational education and training (VET) and maps out its potential with respect to the Flagship Initiatives "An Agenda for new skills and jobs" and "Youth on the Move", including its Youth employment framework.

VET must play a dual role: as a tool to help meet Europe's immediate and future skills needs; and, in parallel, to reduce the social impact of and facilitate recovery from the crisis. These twin challenges call for urgent reforms. The case for better skills development (the term "skill" subsumes knowledge, skills and competences as defined in the European Qualifications Framework) in Europe is even more urgent in the light of the global race for talent and rapid development of Education and Training (E&T) systems in emerging economies such as China, Brazil or India. Forecasts of future skills needs show a greater demand for medium and high level qualifications up to 2020 (according to the forecasting of future skills needs up to 2020 carried out by Cedefop in February 2010, there will be 15,6 millions new jobs in the EU for tertiary graduates and 3,7 million new jobs for secondary level graduates. In contrast, there will be a decline of 12 million jobs for those with no or low qualifications). The continuing ICT-driven evolution of products and processes, coupled with the need for a low-carbon economy as well as population ageing will mean that jobs and social structures will change: education and training, including VET, must adapt accordingly. **Initial vocational education and training (IVET)** must equip young learners with skills directly relevant to evolving labour markets, such as e-skills (COM-2007 "e-Skills for the 21st

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Century"- it is forecasted that within five years 90% of jobs will require ICT skills), and highly developed key competences; such as digital and media literacy to achieve digital competence; it has a particular role to play in addressing Europe's high youth unemployment. In addition, as the traditional life sequence of "training-work-retirement" will be modified with mid-life changes of careers and occupations, adults must be able to update their skills and competences through **continuing vocational education and training (CVET)**. The Experts Report on New Skills for New Jobs contains a series of recommendations for both parts of VET systems.

VET has also a responsibility to respond to broader societal challenges, particularly to promote social inclusion. Empowering all people of working age to participate in economic and social life through accessible and equitable training opportunities is crucial.

Greening our economy offers new jobs and they require new skills. The VET systems should be adapted to ensure that the workforce can adjust their skills to the labour-market needs of an environmentally sustainable economy founded on competence-based training concepts.

VET in Europe covers diverse national systems, rooted in their specific economic and social environments. IVET is normally part of upper secondary education (the average proportion of students enrolled in VET at upper secondary level -ISCED level 3- in the EU was 51.5%, with wide differences of 13% in Cyprus to 77% in Austria) but includes also tertiary level (called 'Fachhochschulen', 'universities of applied sciences' or 'vocational colleges' in many countries). According to the Commission study on VET pathways, across the EU approximately 13% of students are enrolled in tertiary VET and around 10% of working population holds a post-secondary non-tertiary education degree. CVET includes a range of vocationally-oriented training provided by a variety of training providers. IVET takes place within relatively regulated frameworks while CVET is often unregulated. What is common is that all are facing challenges, all need to be modernised.

Article 166 of the Treaty on the Functioning of European Union states that the "*Union shall implement a vocational training policy which shall support and supplement the action of the Member States...*". The Copenhagen process launched in 2002 has supported the Member States in modernising VET systems. It has boosted the development of the learning outcomes approach, the lifelong learning perspective and has supported the development of common reference tools (Europass, European Qualifications Framework - EQF, European Credit System for VET – ECVET and European Quality Assurance Reference Framework for Vocational Education and Training – EQAVET).

2. A NEW IMPETUS FOR VET

Vocational education and training in Europe by 2020 should contribute to both excellence and equity in EU lifelong learning systems and thereby to the Europe 2020 objectives of smart and inclusive growth, with:

- *IVET as an attractive learning option with high relevance to labour market needs and pathways to higher education,*
- *easily accessible CVET for people in different life situations facilitating skills development and career changes,*
- *flexible systems based on the recognition of learning outcomes, including diplomas, and supporting individual learning pathways,*
- *adequate support for those at a disadvantage, and*
- *cross-border mobility as an integral part of VET practices.*

This Chapter outlines key elements to be taken up in the re-launch of the Copenhagen process. It draws on the four priorities of the Strategic framework for

European cooperation in education and training up to 2020 - lifelong learning and mobility, quality and efficiency, equity and active citizenship and innovation, creativity and entrepreneurship. It includes also an aspect of international cooperation in the area of VET.

2.1. A key role of VET in lifelong learning and mobility

As the structure of the European population shifts and as mid-career changes become more frequent, the need for constant upgrading of skills increases and with it the relative importance of CVET. Therefore, access to training opportunities at different levels should be maximised. This may imply substantial changes in how, when and by whom VET provision is organised, delivered and financed.

Flexible access to training and qualifications

There appears to be a need for greater flexibility regarding how learning outcomes are acquired, how they are assessed and how they lead to qualifications.

Employers' role in the provision of CVET is increasing and, as change accelerates, they must provide their employees with opportunities for intensive periods of training. Traditional initial training providers such as VET schools might need to introduce flexible "à la carte" CVET concepts for heterogeneous groups of learners. Higher education institutions will probably need to open up to the provision of CVET, offering customer-oriented training adapted to the needs of employees and employers, particularly micro and small businesses. Flexible access to training will have to be combined with flexible work organisation and labour market arrangements. A specific challenge will be to reconcile work, learning and family in order to increase a participation of women.

Validation of non-formal and informal learning (European guidelines for validating non-formal and informal learning-Cedefop 2009 are a direct outcome of the Copenhagen process) provides pathways for up-skilling and reintegration of people to the labour market. The adoption of an outcomes-based approach for vocational qualifications, as promoted by the EQF and ECVET, is key to achieving this: it must become embedded in all parts of the E&T system.

The general trend to "up-skilling" has implications for the relationship between VET and higher education (HE). Contributing to the Europe 2020 headline target of boosting the share of tertiary graduates to 40%, genuinely open pathways between VET and HE have to be ensured as well as tertiary VET should be strongly supported. Comprehensive national qualifications frameworks referenced to the EQF will help the permeability between VET and HE: the highest levels of qualifications frameworks should cover both sectors, with strong convergence between ECTS and ECVET systems.

Lifelong learning opportunities in both initial and continuing VET must be coupled with guidance and counselling services to facilitate transitions from training to employment and between jobs. Guidance from public employment services must work in a close cooperation with guidance provided by E&T systems. Both young and adults have to be empowered to master transitions through the development of career management skills. Guidance should be redirected from a "testing" to a "tasting" approach, providing young people with an opportunity to get acquainted with different vocational trades and career possibilities. Specific attention should be paid to the issue of gender equality to encourage young people to consider occupations beyond traditional gender profiles.

Strategic approach to mobility in VET

There appears to be an urgent need to strengthen the transnational mobility for learning purposes in the area of VET, in particular in initial vocational training including apprentices. Mobility can help to overcome language barriers as well as to develop self-confidence, adaptability, a sense of responsibility, employability and intercultural competence. The Europe 2020 Strategy and its Youth on the Move initiative underline the

value of learning mobility and propose that its benefits should be made more available to all young people. In line with it, new innovative approaches should be explored on how mobility in VET, particularly of apprentices, can be strengthened.

Periods of study or training in other countries need to become a normal part of vocational training pathways, both for learners and VET professionals. Foreign languages in VET programmes are of particular importance in this context. Recognition of the mobility training experience has to be ensured through the use of ECVET. Training Placements in Enterprises face the particular challenge of involving businesses, generally SME, in the process. Based on the results of pilot project Mobility for apprentices, appropriate mobility support structures run by the networks of competent VET stakeholders should be set up to this end. "Virtual mobility" through the use of ICT (e-learning) should be promoted to complement physical mobility. Given the particular challenges which exist within VET, the proposed benchmark on mobility being developed within the OMC for E&T should set an ambitious target specifically for VET.

The modernisation of VET systems for lifelong learning and mobility will require a strong involvement and commitment of all stakeholders. Public authorities at all levels play different but crucial roles. Social partners should be supported to play their part in the organisation, provision and financing of training, but should also play an active role in promoting and facilitating mobility. Individuals need to be motivated to engage in mobility and to take up lifelong learning through efficient and sustainable financing tools and schemes (e.g. training vouchers, individual learning accounts, training funds and others).

The key actions in VET to support lifelong learning and mobility should focus on:

- *flexible "à la carte" concepts to maximise the access to continuing VET delivered by employers, traditional training providers and higher education institutions and coupled with appropriate financial incentives;*
- *genuinely open pathways from VET to HE and development of tertiary VET programmes;*
- *high degree of validation of non-formal and informal learning;*
- *integrated guidance and counselling services to facilitate transitions and learning and career choices;*
- *by 2020, systematic use of EQF, ECVET and Europass aimed at transparency of qualifications and portability of learning outcomes;*
- *transnational mobility strategies at the level of VET providers facilitated by appropriate mobility support structures.*

2.2. Increasing attractiveness and excellence of VET through quality and efficiency

The attractiveness and excellence of VET depends on multiple factors. For an individual, attractiveness depends on short and long-term outcomes in terms of easy school-to-work transition, demand for specific professions (according to Manpower "Hot jobs 2009" analysis, the current skills shortages are reported mostly in traditional craft trades-carpenters, welders, plumbers), wage levels and career prospects. From an overall perspective, the attractiveness of VET depends on its quality and efficiency, high standards of teachers and trainers, relevance to labour market needs and the pathways it opens to further learning without dead-ends, including at tertiary level.

Implementing quality assurance in VET

While the importance of quality assurance is generally recognised, the establishment of a quality assurance policy and of a "quality culture" in VET appears not to be achieved yet. The recently adopted European Quality Assurance Reference Framework (EQAVET) outlines an agenda for **quality** in both initial and continuing VET. It increases transparency and helps build mutual trust between national VET systems. At European level, the

cooperation between national reference points for quality assurance (QANRPs) will be ensured through the EQAVET network. At national level, arrangements will be needed to set a framework for quality assurance, including support activities to training providers in order to guarantee the implementation and commitment at all levels.

Evolving roles of teachers and trainers

The role of teachers and trainers is crucial in the modernisation of VET with a special focus on how they are recruited, their professional development and status in society. The changes announced for future presents new challenges for both teachers and trainers in VET (Cedefop, Finnish National Board of Education-2009: Competence Framework for VET professions), involving new pedagogies, curriculum design, quality assurance, management and administrative tasks.

There is a convergence in the roles of teachers and trainers: a trainer in a work-based setting will need more pedagogical competences and must play a supportive and mentoring role; while a teacher in a school will need, like a trainer, a good understanding of work practices. This convergence should be reflected in policies for recruitment and continuing development of skills and competences, which should be validated and reflected in their career status.

Professional excellence combined with well developed key competences

The focus on key competences is becoming an urgent priority also in vocational education and training (Council Conclusions 11.05.2010 on competences supporting lifelong learning and the new skills new jobs initiative). Key competences are the foundation for lifelong learning and success in individuals' careers and professions. The development of key competences has to continue beyond compulsory education, in both initial and continuing VET. At the same time, rapid technological change implies constant improvement of "hard" professional/vocational skills (the EU is hampered by a shortage of ICT skills and could lack the skills to fill as many as 700 000 IT jobs by 2015 – chapter 2.6 COM "A Digital Agenda for Europe"). The challenge is to achieve the best possible combination of vocational skills and key competences both to a high standard.

In order to maximise the relevance of VET provision to labour market needs, use of different forms of work-based learning should be strengthened. Research indicates that work-based learning tends to increase employment opportunities in early working life. Work-based learning also facilitates the development of the learning outcomes approach in VET with the shift towards competence-based learning, competence-based qualifications and assessments (skills demonstrations). Therefore, employers should be encouraged to maximise the offer of apprenticeship and traineeship placements.

Efficiency and labour market relevance through partnerships

As highlighted in the Europe 2020 Strategy, partnerships between stakeholders in VET and in particularly the involvement of social partners in the design, organisation, delivery and financing of VET are a prerequisite to **efficiency** and relevance to labour market needs. In many countries these partnerships take the form of skills councils (a Commission study on Sector Councils on Employment and Skills at EU level), which are involved in monitoring labour markets, development of skills profiles, curricula, certification and others.

The labour market relevance of VET can be strengthened by the development of forward planning tools to match skills and jobs (Expert Group Report on New Skills for New Jobs -2010). Based on such matching, VET providers in cooperation with local labour market representatives should be able to adapt curricula accordingly to reflect skills shortages, surpluses, skills gaps or obsolescence. Improvements of methodologies are needed to make anticipation tools coherent and comparable, including the development of

a common system of classifications for skills, competences and occupations based on learning outcomes.

The key actions to improve the quality and efficiency of initial and continuing VET should aim at:

- *implementing quality assurance systems at national level, as recommended by EQAVET framework;*
- *developing a competence framework for teachers and trainers in initial and continuing VET;*
- *providing the workforce with high quality labour market relevant vocational skills by increased use of different forms of work-based learning;*
- *strengthening the development of key competences to ensure the adaptability and flexibility of learners and workers;*
- *making VET provision more responsive to evolving labour market needs based on forward planning tools in cooperation with social partners and public employment services.*

2.3. Equity and active citizenship

Education and training plays a major role in promoting equity, social inclusion and active citizenship. Social exclusion of the low-skilled, learners from a migrant background, the unemployed and those with special educational needs is often the result of cumulating elements such as low formal qualification and the lack of basic skills and transversal competences. Education and training can be important forces to counter social exclusion; VET systems have a particularly important role to play (Council Conclusions 11.05.2010 on the social dimension of education and training).

Inclusive VET for inclusive growth

Reducing the share of early school leavers to 10% in both general education and VET is one of the headline targets of the Europe 2020 Strategy. Examples from some countries with high quality training provisions including apprenticeship schemes show that there is a potential for VET to provide drop-outs with an option for getting back to learning. Use of non-classroom, work-based learning with close links to the local labour market and integrating non-formal and informal learning can provide an attractive alternative for learners who are less academically oriented.

VET adapted to the individual needs of learners is important for increasing inclusiveness. The training offer should be made more flexible and modularised and should offer individualised learning pathways. Such approaches are more effective when the training is a part of a mainstream VET and not structured as specific courses for target groups. However, integration of some groups, such as disabled people or people from migrant backgrounds, might require additional support, for instance validation of non-formal and informal learning and specific language courses for migrants.

The more VET is fully integrated into the overall E&T system, the more it can play a significant role for social equity. Developing the level of excellence in VET, opening pathways from VET to higher education and strengthening tertiary VET programmes can raise expectations for VET students and provide pathways for upward social mobility.

All this needs to be supported by accessible and targeted guidance services, providing additional support at key transition points for learners at risk of underachievement. Furthermore, there is a need to constantly monitor the employment rates of VET learners, in particular of those belonging to groups at risk, including data on the socio-economic profile of learners and of dropout rates in VET (as described in indicators 5 and 6 of the EQAVET Recommendation).

The more vocational education and training goes beyond the pure labour market aspect, the more it will promote equity. VET can support both development of people's professional and social identities and their sense of belonging to communities of practice. This contributes to social capital, trust and integration in societies. Key competences for active citizenship can be developed through curricula, participative working methods, through learners' participation in decision making and through partnerships between VET providers, local communities and civil society organisations.

Initial VET can contribute significantly to combat drop outs, improve educational equity and promote upward social mobility of groups at risk by:

- *Providing high quality training focused on work-based learning adapted to individual needs;*

- *pathways from VET to HE accessible to groups at risk;*

- *appropriate "tracer systems" to monitor the employment rates of VET students, in particular of those belonging to groups at risk.*

Continuing VET is particularly well placed to increase the labour market participation of groups at risk through:

- *flexible and modularised individual learning pathways;*

- *work-based learning focused on the acquisition of key competences;*

- *guidance services and validation of prior learning, particularly for migrants in order to facilitate their integration into society.*

With a view to development of the key competences for active citizenship:

- *partnerships between VET providers, local communities, civil society organisations, parents and learners should be strengthened.*

2.4. Innovation, creativity and entrepreneurship

As stressed in the Europe 2020 Strategy, E&T systems should focus their curricula on creativity, innovation and entrepreneurship. In order to fulfil its role, vocational education and training has to reflect changes in the economy and in society.

A vision of fostering **creativity and innovation** is needed that focuses on individuals within modernised, excellent and high quality VET systems. VET providers, in partnership with authorities and enterprises, should foster creativity and an innovation-conducive framework which encourages risk-taking and experimentation.

VET providers should use experience-based learning and expose learners to non-routine work and non-typical situations. There appears to be a need to promote active learning in both work and school-based VET and give individuals the opportunity to control and develop their own learning, also through the use of innovative, creative and tailored made ICT tools, including e-learning, to improve the access to and flexibility of training.

At the same time, education for **entrepreneurship**, meaning a sense of initiative, ability to turn ideas into practice, creativity and self-confidence, should be encouraged and accessible to all VET students, across all curricula and fields of study (Expert Group Report on Entrepreneurship in VET-2009). It should build awareness of self-employment as a career option and train them to start one's own business. Entrepreneurship must become a normal part of the competence framework of teachers and trainers. At European level, different initiatives, such as the creation of networks, the Erasmus for Young Entrepreneurs pilot project, exchanges of educators and entrepreneurs to promote entrepreneurship as well as good practices in the field of entrepreneurship education should be supported and further developed.

VET can support creativity, innovation and entrepreneurship of learners by:

- *providing experience-based and active learning to promote the acquisition of e-skills, a risk-taking culture, initiative, curiosity, intrinsic motivation and the critical thinking of individuals;*
- *including entrepreneurship in the competence framework of VET teachers and trainers.*

2.5. International cooperation in the area of VET

EU policy on VET should be a subject for further policy dialogue and mutual learning with the international community, including both third countries and relevant international organisations.

Structured cooperation could be launched with Neighbourhood countries and further extended with Enlargement countries with the support of ETF which has proven its value-added in supporting the development of VET curricula and quality teaching methodologies in these countries. The European common reference tools and the policy approaches provide an important reference for the modernisation of VET systems in partner countries, including for those involved in accession to the EU. This cooperation has potential to contribute to trans-national collaboration, regional development, an improved management of legal mobility and to combat illegal migration.

Cooperation could further be fostered with OECD, UNESCO (specifically with UNEVOC) and ILO in the research activities and evidence-based policy making in the area of VET (cooperation on PIAAC).

3. A NEW AGENDA FOR EUROPEAN COOPERATION IN VET

European cooperation in VET so far has been successful, particularly in the establishment of a number of EU common tools to enhance transparency and portability of qualifications. However, the agenda set in Europe 2020 clearly calls for a much bolder approach to reforms of VET systems. The Commission therefore calls on EU Ministers in charge of VET and European Social Partners: to endorse an ambitious VET modernisation agenda, to define concrete deliverables for the next decade and to make a strong commitment to its implementation within the Europe 2020 national reform programmes.

The next will be the time for delivery, starting with a rapid implementation of the EU common reference tools, such as EQF, ECVET, Europass and EQAVET. The Member States have the prime role, in partnership with social partners and involving, regional and local authorities, vocational providers, teachers and trainers as well as learners at all levels. At the European level the existing platforms such as Directors General for Vocational Training (DGVT) and Advisory Committee for Vocational Training (ACVT) as well as relevant EU programmes will be used to support the design and delivery of agreed actions. In addition, as called for in the Europe 2020 Strategy, social partners at European level should develop their own initiatives to contribute to the attractiveness of VET.

The Community instruments play a crucial role to support both modernisation agenda and mobility in VET. The Leonardo da Vinci Programme has supported more than 600 000 training placements for young people, 110 000 exchanges of VET teachers and trainers and 2000 innovative projects.

The governance of the re-launched Copenhagen process shall be coherent with the framework of the Open Method of Coordination in Education and Training and linked to the Europe 2020 Strategy taking into account the profile of the European Union as a global actor. Evidence-based policy making will continue to be supported through the research, expertise and analysis of Cedefop and ETF as well as statistical evidences provided by Eurostat.

Conclusions

Promoting adult learning

Why is it needed?

More adult learning can help Europe overcome the economic crisis, meet the need for new skills, and keep its ageing workforce productive. Learning is also essential for social inclusion and active citizenship. These days, people cannot just rely on the skills they acquired at school to last them till the end of their working life.

The participation of adults in learning varies significantly between EU countries: from 1.4% to 31.6% (2012 figures), and the overall trend is that numbers are stagnating. Participation rates are especially disappointing for low-skilled and older adults. Action at European level will increase knowledge about successful policies, provide support, and enable a better exchange of experiences between countries.

What has been done so far?

To support policy developments:

- EU countries have set a target for adult learning: by 2020, 15% of adults aged 25-64 should be taking part. In 2012, average participation was 9% and only 5 EU countries had reached the target rate;
- The Commission publishes indicators and data on the current situation in member countries, reports on progress in implementing policies and proposes new policy;
- The Commission facilitates exchange of good practice and peer learning on policies in the Education and Training 2020 work programme, working groups English, and networks on dedicated themes have been convened for limited periods;
- The Commission has commissioned studies that bring evidence and data to support more effective policies.

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THE IMPACT OF CONSUMPTION FROM OWN RESOURCES ON THE RATES OF SEVERE POVERTY AMONG THE PERSONS FROM HOUSEHOLDS IN ROMANIA

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Silvia Cojanu²

Abstract

The own consumption is an important component in the framework of the income and expenditure of the population, that oscillated over the past 5 years between 14-18%. At the same time, the own consumption is an indicator that reflects to a great extent the level of the welfare of the population. The paper focused on the influence of own consumption on the severe poverty rates (a form of extreme poverty). Severe poverty rates have been estimated, determined at the threshold of 40% of the median income, for persons in the households, considering some of the main features of the household - the residence area (the component of own consumption is particularly important in the rural area), the number of people in the household, considering also age and gender. The severe poverty rates have been determined using the available income in which the component of own consumption has been included and then excluded and, through the differences obtained, we were able to analyze the influence of own consumption on households' severe poverty and how this influence has evolved in the period in question. Data used in simulations are part of the Household Budget Surveys (National Institute of Statistics, 2011-2014).

Keywords: *Severe poverty, consumption from own resources, impact, dynamics, households*

JEL classification: I3, D1

1. Introduction

The consumption from own resources (with other name as the own consumption or the equivalent of the consumption of food and non-food products from own resources) is an important component in the frame of households' income and expenditure. In this study, we focused only on income and not on the expenses, as the severe poverty rates and also the relative poverty rates are calculated at the available income level and not at the expenditure level. It was found that the level of consumption from own resources changes under the influence of the dynamics of the total income of the household and has significant value in rural households, but also in the case of more prominent poverty, if the possibility of consuming from own resources exists. Then, the paper is focusing on the influence of consumption from own resources on the severe poverty rates, determined considering the available income of the persons in the households, at the threshold of 40% of the median income. Thus, the severe poverty rates have been simulated, for the first phase, by including consumption from own resources in the available income, then excluding it from the available income of the persons of the households, calculated per equivalent adult, at the threshold of 40% of the median available income at individuals' level (these analyzes can be performed for household level also). We will analyse the impact of consumption from own resources on poverty by assessing the differences between the severe poverty rates taking and not taking into account the consumption from own resources. The microdata used in simulations and analysis were obtained through the Household Budget Surveys of the National Institute of Statistics for 2011-2013/2014. These aspects in dynamics are analyzed considering the various determinants of the

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household, such as area of residence, the size of the household, the age of the head of the household, the gender dimension, etc.

2. Consumption from own resources - important part of the income and expenditure of the households

Consumption from own resources is an important component in the framework of the income and expenditure of the population, representing in the period 2011-2014 between 14.2-16.5% of the total income of households and between 15.6-18.2% of the total expenditure of the households, according to the data provided in the Statistical Yearbooks of Romania, of the National Institute of Statistics. Even if these shares of the values of consumption from own resources are on a descendant trend for the four analysed years, regardless of analysing them as percentage of income or as percentage of expenditure of the households (fig. no. 1), they are situated at significant, important quotas for the households, especially for the poor households.

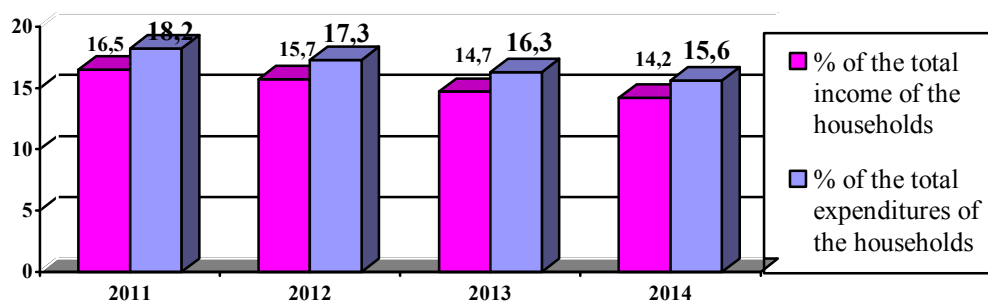


Figure no. 1. The share of the equivalent value of the own consumption in the income, respectively in the total expenditure of the households (%)

Source: The National Institute of Statistics, online tempo

As the income from wages stands for nearly half of the monetary income obtained by households, and the benefits of the social assistance contribute with about a quarter to the monetary income, consumption is an important component in particular in the framework of the income of households in the rural areas, where the equivalent of the consumption from own resources has exceeded 3 to 4 times the value recorded in households in the urban area for 2001-2015 (fig. no. 2), according to the data provided by the National Institute of Statistics (tempo online database).

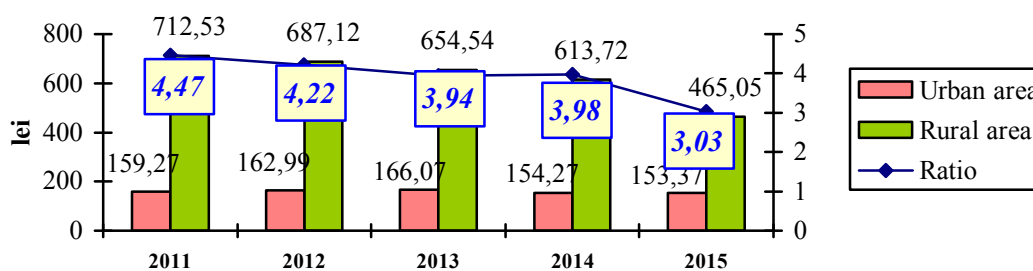


Figure no. 2. The equivalent value of the own consumption on areas of residence (lei) and the ratio of the equivalent value of own consumption in rural and in urban areas

Source: The National Institute of Statistics, online tempo

On income deciles at household level, regardless of the reporting year of the period 2011-2014, the higher values of the equivalent value of consumption of agricultural products from own resources, of more than 25%, are to be found, as expected, among households whose total income is in the first 3 deciles of income (i.e. households with the

smallest incomes), consumption from own resources for these households is between 30-48%, compared to the upper deciles (deciles 8-10), of households with the highest total incomes, where the consumption from own resources represents less than 9% of total income over the reported period.

Among the lower deciles of income, the percentages of consumption from own resources were diminishing from one year to another (fig. no. 3), as the share of monetary income increased in the total income of the household, as there was also an increase in the total income of the households (and of the margins of total income per person afferent to deciles). For the first income decile, the consumption from own resources represents 43-48% of total household income, which is significant for these households with the smallest total incomes.

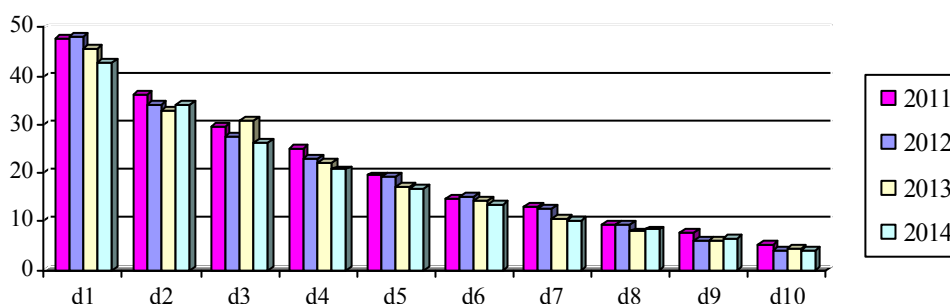


Figure no. 3. The share of the equivalent value of the own consumption in the total income of households, by decile, in dynamics for 2011-2014 period (%)

Source: The National Institute of Statistics (NIS), online tempo

Therefore, the consumption from own resources changes under the influence of changes in the total income and of the monetary income of the population, but also under the influence of potential behavioural changes of the concerned segments. This would mean that households in which the total incomes are reduced, might have to choose a forced replacement in consumption, and, if possible, consume from own resources. Therefore, in times of poverty growth, it has been found that “the level and share of consumption from own resources increases” (research results of 2 projects of the University of Agricultural Sciences and Veterinary Medicine Cluj-Napoca, 2009). In these projects, researcher’s affirmations emphasized the idea that, vice versa there is a similar connection, as “an income increase up to a level considered sufficient, upon subjective criteria, is not reflected in immediate and significant changes of the level of consumption of food from own resources”. At the same time, it is appreciated that “a certain behavioural inertia maintains for a period of time the level of consumption from own resources, but its share in the total expenditure of consumption decreases due to increases of monetary expenditure for consumption”. Whereas in this paper we refer to income when analysing consumption from own resources and its relation to households confronted to severe poverty, the claim of the authors of the above mentioned study referring to expenditure can be applied in the case of the analysis at total income level and monetary income level. On the basis of the theory of permanent income proposed by the economist Milton Friedman (1957, pp.16), who claims that “individuals adapt their behavior of consumption not only to the level of current income of, but also to the entire income, present and future”, it can be assumed that the consumption from own resources can follow the same trend, being correlated to these incomes, obviously for the households where the consumption from own resources is possible, and here we refer either to households in rural areas (where consumption from own resources is better highlighted than in the urban area), or even to those urban households that can access their own production from the rural areas, but also

to households in rural areas, in particular the poorest, for which consumption from own resources represents an important basis for daily living and even for survival, etc.

At the same time, certain socio-economic features of the persons / as well as certain households characteristics may be considered influencing factors, often important determinants in increasing the risk of poverty and, therefore, it is important for these variables to be included in the analysis for a complete and complex image.

Consumption from own resources has a strong influence on the poverty rate, leading to reducing the incidence of poverty in a significant proportion, especially taking into account certain characteristics of the household. And the significance of the consumption from own resources will be seen, in particular, in the analyzes considering the area of residence, the household composition, in particular in the households which are affected to a greater extent by poverty and for which measures must be taken to reduce poverty in a far greater proportion and faster, as these types of households are poor, maybe the poorest, traditionally, but also their share in the total population is high.

3. Severe poverty - the severe poverty rates, households affected by severe poverty

In the specialized literature on the issue of poverty and its severe and extreme forms, in the National Strategy on Social Inclusion and Poverty Reduction for the period 2015-2020 (GD no 383/2015), but also in the EU Strategy of economic growth (Europe 2020 Strategy) which makes reference to the increase of social inclusion and reducing poverty, the principal indicator regarding poverty is the risk of poverty rate determined at the threshold of 60% of the median income per equivalent adult. At the same time, another indicator is the one referring to severe poverty and it is calculated at the threshold of 40% of the median income (all these strategic documents, but also the specialized literature, make reference to other indicators for the quantification of poverty and social exclusion, but in the present study we will only refer to the severe poverty).

The component of consumption from own resources is an important segment of the incomes of the population, also showed by the EUROSTAT statistical data at the European level (table no. 1) which makes reference to the relative poverty considered standard (determined at the threshold of 60 % of the median income) and to the severe poverty (determined at the threshold of 40 % of the median income).

Table 1. Proportion of population at risk of poverty, excluding and including production for own consumption, Romania, 2012 (% population in each category)

At risk of poverty threshold, 60% median of income		At risk of poverty threshold, 40% median of income	
<i>As usually measured</i>	<i>Including production for own consumption</i>	<i>As usually measured</i>	<i>Including production for own consumption</i>
22.42	20.96	10.92	9.48

Source: European Commission, Employment, Social Affairs and Inclusion, calculations based on European Commission, EUROSTAT, cross-sectional EU-SILC 2013 UDB August 2015, The EU Social Situation Monitor

According to European statistics, “by raising the effective level of income of those whose income is relatively low in cash terms, the inclusion in disposable income of the production of goods for own consumption tends to reduce the proportion of people at risk of poverty (defined as having income below 60% of the median). The effect is especially significant in Romania, where it reduces the proportion at risk from just over 22.5% of the population (the second highest figure in the EU) to less than 21%. For an at-risk-of-poverty threshold of 40% of the median income, the effect of including production for own consumption in the measurement of income is to reduce the proportion at risk in Romania

from just below 11% (the second largest in the EU) to 9.5%”. The European statistical data shows that, regardless of the fact that we make reference to the standard relative poverty, or to the severe poverty, the component of consumption from own resources plays an important role in the quantum of available income, helping to reduce poverty with 1.4 percentage points, both in the case of standard poverty (1.46 pp.), and in the case of severe poverty (1.44 pp.).

To analyze the impact of consumption from own resources on severe poverty, the severe poverty rates determined at 40% of the median income per equivalent adult were estimated. The simulations were carried out on the basis of micro data from the Family Budget Surveys / the National Institute of Statistics, for 2011-2014. These aspects caught in dynamics will take into account the different characteristics of the household, such as area of residence, size of the household, age of the head of the household, the gender dimension, etc. These analyzes will be carried out at individuals’ level (they may be carried out at household level) first taking into account the consumption from own resources in the frame of available income and the rates of severe poverty will be estimated / simulated considering these features, in dynamics, then these analyzes will be carried out once again under the same conditions, with the extraction from income of the component of consumption from own resources. The impact of consumption from their own products (consumption from own resources) will be deducted from the differences obtained from the two rates of severe poverty, on the various characteristics of the analyzed households. The estimates in dynamics of this impact will highlight the extent to which the consumption from own resources has a certain influence on the severe forms of poverty for certain households, also taking into account the specific characteristics of the households.

The calculation of the severe poverty rates in the analyzes below (starting with fig. no. 3) was made at the level of persons in the household, based on the available income, including and then excluding consumption from own resources, in order to analyze the importance of the consumption from own resources within the framework of the available income of the households, and to amend the rates of severe poverty in the presence or in the absence of the type of consumption, in the 4 years of analysis (2011-2014).

3.1 Severe poverty - total households

Even if the severe poverty rates determined at household level present some variations, recording both increase, as well as some reductions in the period 2011-2014, the differences between the rates of poverty are not that significant from one year to another (fig. no. 3).

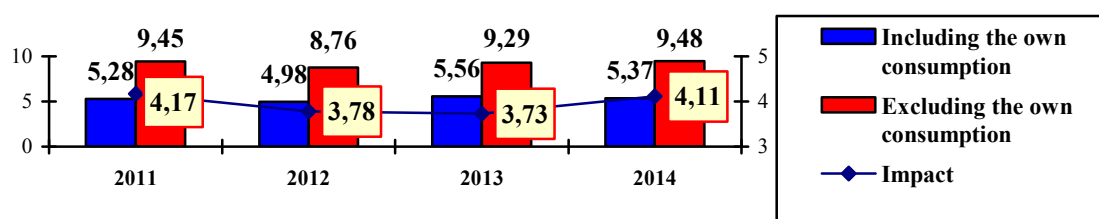


Figure no. 3. The severe poverty rates among the persons in households, determined at the threshold of 40% of the median income, when including and then excluding in/from income the component of the own consumption, in the period 2011-2014 (%)

Source: Simulation/analysis of data from Household Budget Survey, NIS, 2011-2014

Thus, the severe poverty rates, calculated when the component of consumption from own resources has not been taken to account, reached a maximum of 9.48% in 2014 and a minimum of 8.76% in 2012. By including the consumption from own resources in the available income, the poverty rates significantly decrease, drifting around the threshold

of 5%, with a minimum recorded in 2012 (4.98 %) and a maximum reached in 2013 (5.56%). Thus, according to the calculations, from the differences obtained between the 2 values of severe poverty rates, the component of consumption from own resources is underlined, showing that it influences to a significant extent the available income of the persons in the household and contributes to a significant reduction of severe poverty, with 3.73 to 4.17 percentage points over the period in question.

3.2 Severe poverty - area of residence

Considering the area of residence, the influence of consumption from own resources on available income is very diverse, being much more significant in the rural area, where it contributes to a reduction of the severe poverty (fig. no. 4 and 5).

Thus, at the level of persons from households in the urban areas, the rates of severe poverty are relatively small, regardless if the component of consumption from own resources has been taken into account or not within the framework of the available income (rates of poverty between 2.53-2.62% when it includes the consumption of own resources and rates between 2.98-3.60% when excluding the consumption of own resources from the available income), which means a reduced impact of consumption from own resources for these people from private households in the urban areas, of less than 1 pp. (fig. no. 4).

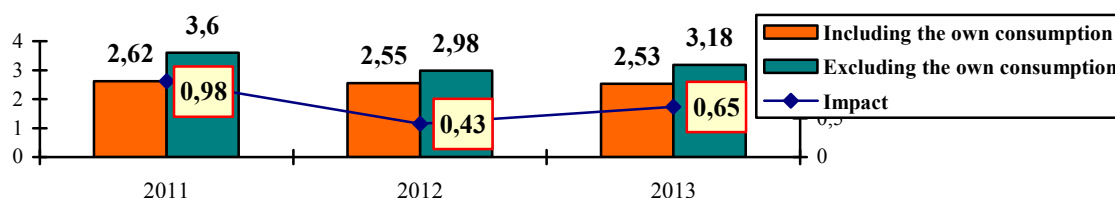


Figure no. 4. The severe poverty rates among persons from households in urban area, determined at the threshold of 40% of the median income, when it includes/and then excludes the own consumption in/from the income, 2011-2013 (%)

Source: Simulation/analysis of data from Household Budget Survey, NIS, 2011-2013

In exchange, the values are much more nuanced in the rural area (fig. no. 5), where the rates of severe poverty calculated are much higher, 3.1-3.6 times higher than those recorded in the urban area, between 7.91-9.22% when including consumption from own resources in the income of the persons. If the consumption from own resources is not taken into account, persons in the rural households are faced with a significant situation of severe poverty, with much higher rates, between 15.76-16.66%. Thus, for these households in the rural areas, consumption from own resources is an important component in the framework of personal income, contributing to a significant reduction of severe poverty, between 7.44-8.03 pp. over the period in question.

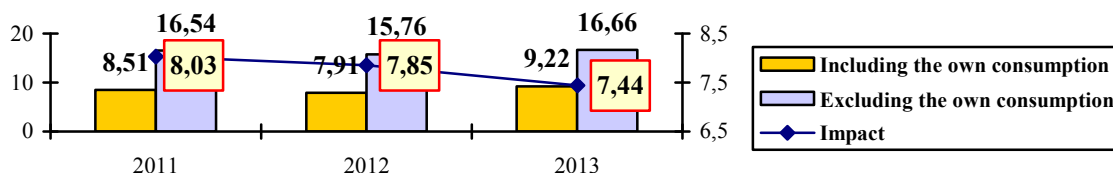


Figure no. 5. The severe poverty rates among the persons from households in the rural area, determined at the threshold of 40% of the median income, when including and then excluding the component of the own consumption in/from the income, in 2011-2013 (%)

Source: Simulation/analysis of data from Household Budget Survey, NIS, 2011-2013

3.3 The severe poverty - household components (number of persons)

Considering the size of the household, respectively the number of persons who live in the household, the severe poverty rates are presented below (fig. no. 6-7).

A relevant impact is noticeable for large households, with 5 members, where the consumption from own resources contributes to the reduction of severe poverty in a visible way. At the same time, in the absence of the consumption from own resources, the rates of severe poverty are very high, so that these households are faced with a situation of accentuated severe poverty, where the rates are placed between 13-15%. Consumption from own resources is an important element for the available incomes of these households, so for these households there is a significant impact of consumption from own resources and the differences between the two poverty rates, when including and then excluding the consumption from own resources, are also very important, reducing poverty with 5.52-6.53 pp. (fig. no. 6).

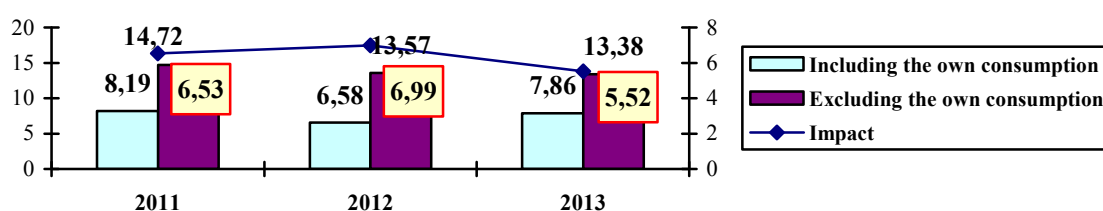


Figure no. 6. The severe poverty rates in households consisting of 5 persons, determined at the threshold of 40 % of the median income, when including and then excluding the component of the own consumption in/from the income, 2011-2013 (%)

Source: Simulation/analysis of data from Household Budget Survey, NIS, 2011-2013

For large households, consisting of 6 persons, the rates of poverty in the presence and absence of consumption from own resources are large: when the consumption from own resources is taken into account, the rates oscillate between 12.94-14.28%, while when this type of consumption is excluded from the income, severe poverty reaches very high rates of 21-23%. Also, this type of consumption is much more important in the framework of the income of households with many members comparing to those made up of fewer people, this is visible in the large differences between the two rates of severe poverty, between 7.91-8.97 pp. (fig. no. 7). Thus, for households with many members, which are facing a situation of severe poverty, this type of consumption contributes significantly to the reduction of severe poverty.

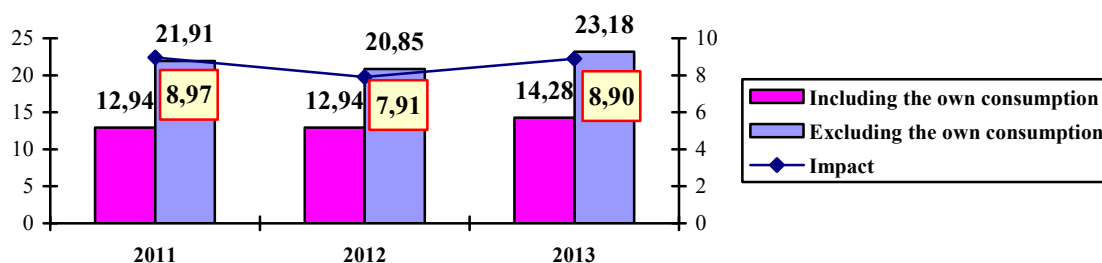


Figure no. 7. The severe poverty rates in households consisting of 6 persons, determined at the threshold of 40% of the median income, when including and then excluding the component of the own consumption in/from the income, 2011-2013 (%)

Source: Simulation /analysis of data from Household Budget Survey, NIS, 2011-2013

Conclusions

Given the dimensional restrictions of the paper, but also because of the differences between the severe poverty rates with and without consumption from own resources are not that significant for certain characteristics of the household (gender and age of the head of the household), these have not been referred to in these analyzes.

The most important results that have demonstrated the relevant impact of the consumption from own resources on the incomes available to persons from households and have led to a profiling of those households, after certain variables / features, for which the higher differences have been obtained for the severe poverty rates, when taking into account and not taking into account this type of consumption, were as following:

- Consumption is an important component in incomes and expenditures of the population, representing in the period 2011-2014 between 14.2-18.2%;
- Analysing at households' level, the difference between the consumption recorded in the rural area and the one in the urban area is important and is approx. 3-4 times higher in favour of households from rural areas;
- On income deciles at households' level, the most representative values of the own consumption are in households with total income in the first 3 deciles of income (most reduced incomes), consumption from own resources representing 30-48% of income;
- At the level of the households' individuals, the rates of poverty without consumption from own resources were situated between 8.76-9.48% in the period 2011-2014. By including the consumption from own resources in the available incomes, the rates of poverty significantly decreased oscillating between 4.98-5.56%. So, the component of consumption from own resources has significantly influenced the available incomes of persons from the households and has contributed to a significant reduction of severe poverty, with 3.73-4.17 pp. over the period in question;
- Considering the area of residence of the households, in the rural area this type of consumption is an important component of the income, contributing to a significant reduction of severe poverty, between 7.44-8.03 pp. in the period under consideration, while for the urban households, the consumption from own resources has contributed with only 0.43-0.98 pp. to the reduction of poverty;
- Considering the number of persons in the household, the highest rates of severe poverty shall be found for the large households, with more than 4 members, severe poverty increasing strongly, extending up to approx. 24% (in the case of households with 6 members), compared to the 9.5% as it was recorded on the total, at the level of persons from the households. For these households with many members, confronted with high rates of severe poverty (but also standard poverty), consumption from own resources contributes substantially to the reduction of severe poverty, reducing it with 4-9 pp., which means a considerable reduction, with a major impact of consumption from own resources on increasing available income and on severe poverty reduction.

So for these rural households, but also for the large households which have more than 4 members, a considerable impact on the consumption from own resources on the available income of the persons is noticed, contributing to a large extent to the reduction of severe poverty, which decreases considerably when consumption from own resources occurs. The situation is even more dramatic when the two variables concerning the residence (households in rural area) and the number of people who make up the household (large households with more than 4 members) correlate, respectively in the case of households with many members from the rural area, as they are confronted to high rates of severe poverty (and relative poverty). And this is all the more worrying as part of household members are children that contribute to the increase in consumption, without

bringing in the household additional sources of appropriate income, which leads to a poverty more accentuated for these segments of the population.

Even if the estimates have been carried out in this study only for 3-4 years, we want to emphasize an image of severe poverty, but also of the influence that consumption from own resources might have on personal incomes of households, clearly contributing to the reduction of severe poverty. Certain features of the households influence the consumption from own resources; inclusion of the own consumption into the households' incomes contributes to a great extent to the reduction of severe poverty and standard relative poverty, especially for some households' types (from rural areas or with many members). The high values of the severe poverty for these households, even when the consumption from own resources is included in the available income, must be considered alarm signals and these households confronted with severe poverty should represent a priority as target groups for the policies to reduce poverty and its severe and extreme forms.

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ASPECTS CONCERNING DECISION OF CHOICE OPTIMIZATION OF CLOUD COMPUTING SERVICE AMONG YOUTH

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Abstract: Decision making is an important and frequent activity, which involves choosing a variant of several possible depending on certain criteria of analysis. When it comes to choosing cloud storage service, things get more complicated, those who intend to use such a service having access to a multitude of offers. This paper uses the Martin - Deutch algorithm to determine the optimal solution and prioritization of alternatives in three cloud computing services: Dropbox, Google Drive and Microsoft One Drive, to support young people who are usually most attracted to using this type of services, to achieve the best choice.

Keywords: cloud computing, optimization, line moment, column moment

JEL Classification: C61

1. Introduction

The term "cloud computing" is defined by the National Institute of Standards and Technology (NIST) as follows [3]:

“Cloud computing is a convenient model for enabling ubiquitous, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.”

Using a simplified definition we can say that the term "Cloud Computing" refers to an innovative technology, constantly developing, which allows storing and accessing data and software via the Internet.

Therefore, users will minimize the costs for IT infrastructure, will benefit from synchronization and data accessing wherever they are, on multiple devices, the only condition being the existence of an Internet connection.

In fact, the term "cloud computing" derives from a common symbolic graphical representation of the Internet, cloud-shaped ("the cloud"), used when the Internet technical details can be ignored (Fig.1) [2].

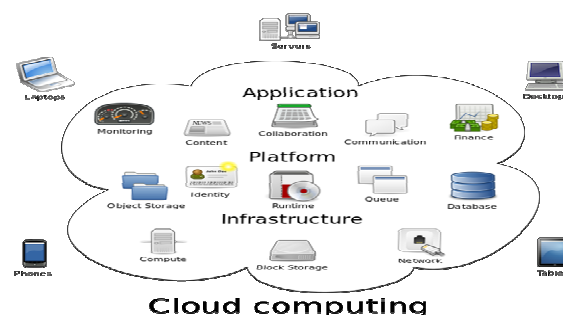


Fig.1. Conceptual diagram of Cloud Computing
Source: https://ro.wikipedia.org/wiki/Cloud_computing

2. Aspects concerning cloud computing

The emergence of cloud computing has revolutionized the IT industry, users having the possibility of hiring, on request, the necessary hardware and software resources, based

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on a "pay only what you use" principle. As a result, more and more companies use cloud computing services, from a desire of:

- optimizing resources (servers, networks, etc.);
- decreasing the costs in IT infrastructure;
- the possibility of accessing applications from any Internet-connected device (laptop, smartphone, etc.);
- working to increase speed and storage capacity.

According to data provided by Eurostat [5], in 2014, in Romania, only 5% of companies used cloud computing services, given that the average use of this service in the EU-28 was 19%, especially for email and storing files electronically. In 2015, the number of companies from Romania who used cloud computing services increased to 8% [6].

The first place is owned in 2015 by Finland by 53%, increase compared to 2014 being of 2%.

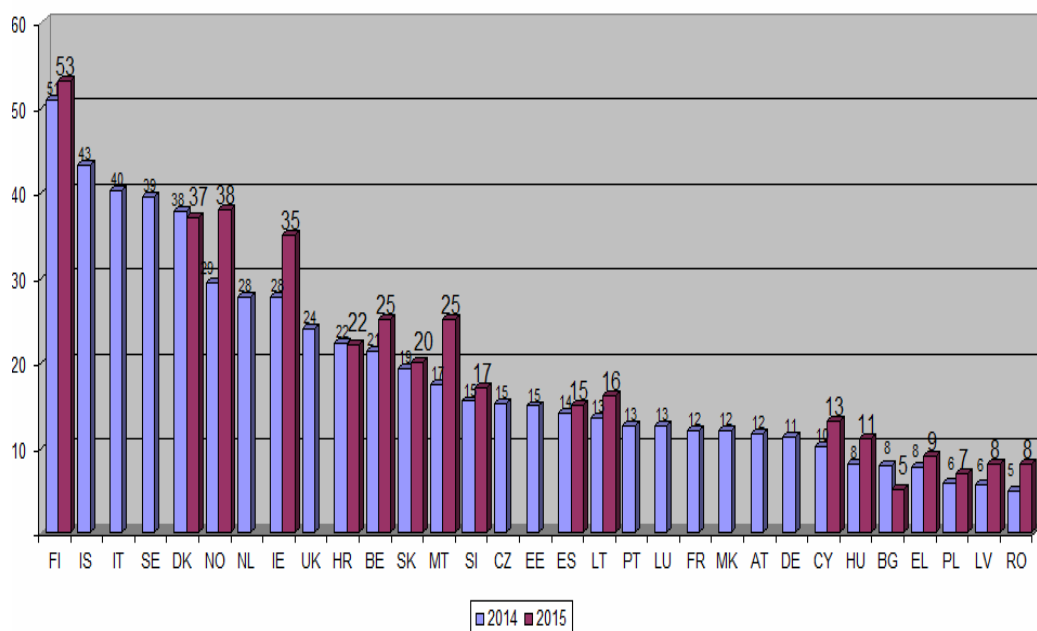


Fig.2 The use of cloud computing services, 2014 - 2015 (% of companies)

Source: Created by authors based on data available at

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_cicce_use&lang=en

Observation 1: Values plotted in (Fig.2) are part of the latest update on cloud computing service conducted by Eurostat in 10/17/2016. It should be noted that at that time not all countries had reported the values of using this service.

On the first place in the EU-28 in the use of cloud computing services were companies in the IT sector (45%), followed by the professional, scientific and technical ones (27%) (Fig. 3).

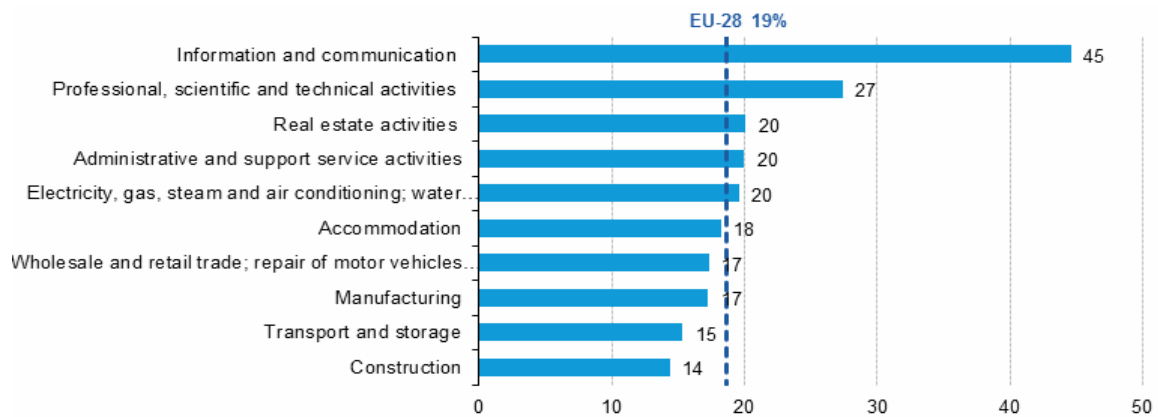


Fig.3 The use of cloud computing services according to economic activity, EU-28, 2014 (% of companies)

Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Cloud_computing_statistics_on_the_use_by_enterprises

The main reasons why the companies are cautious about the use of cloud computing are related to data security, 57% of large companies and 38% of medium and small companies having this opinion (Fig. 4).

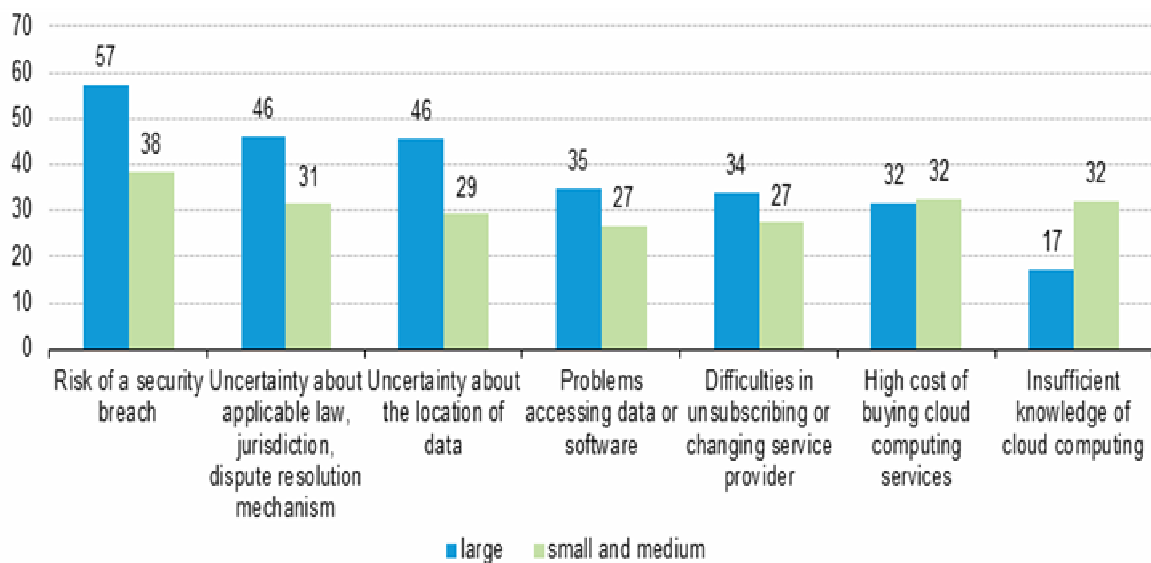


Fig.4 Factors limiting the use of cloud computing by enterprises, EU-28, 2014 (% of companies)

Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Cloud_computing_statistics_on_the_use_by_enterprises

The statistical data provided by Eurostat [18] shows that 21% of Europe's population in 2014 used storage services via the Internet. It should be noted that 35% of them were young people aged between 16 and 24 years. Cloud computing services have been used in European states as follows:

- Denmark: 42% of the population;
- UK: 38% of the population;
- Luxembourg, Spain: 35% of the population;
- Lithuania, Poland, Romania: 8% of the population.

These data on our country should not surprise us, since in the year 2014, 39% of Romania's population did not use the Internet. However, of those who use cloud computing services in our country, the structure depending on their age is:

- 20% are aged between 16 and 24 years;
- 8% are aged between 25 and 54 years;
- 2% are aged between 55 and 74 years.

In the publication of the National Institute of Standards and Technology in 2011 "The NIST Definition of Cloud computing" [3], cloud computing services are classified, depending on the implementation models in:

- Private Cloud (or internal cloud), where the IT infrastructure is used by a single company comprising more consumers (eg. Departments). Infrastructure management can return to the company, to a third party or to a combination of both. Private Cloud can improve resource allocation within the company and minimizes security fears many companies have. It may physically exist within the organization or outside it.
- Community Cloud, where infrastructure is shared by several organizations of a certain group with common concerns (eg. The mission, security requirements). Owning and managing its IT infrastructure may return to one or more community organizations, to a third party, or a combination of both. It may physically exist within the organization or outside it. In other words, the community cloud can be regarded as a public cloud but with the security and privacy levels of a private cloud.
- Public Cloud, where the IT infrastructure is owned and operated by a service provider (eg. Commercial, academic or governmental organizations) and is available to the general public via the Internet on the basis of "pay only what you use" principle.
- Hybrid cloud, where the IT infrastructure totals 2 or more cloud infrastructure like those described above and are considered as a whole.

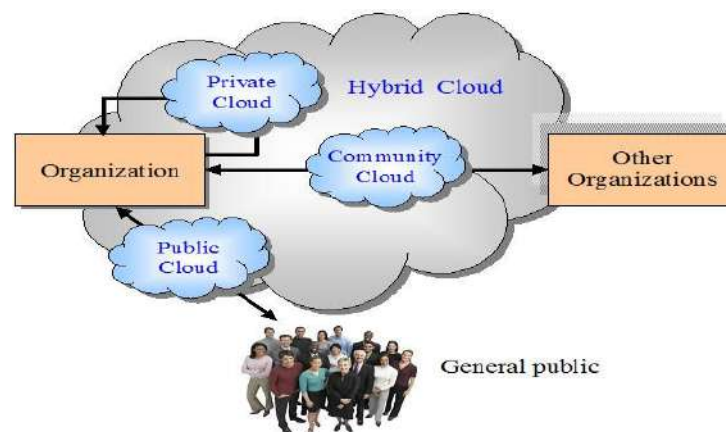


Fig. 5. Classification of cloud computing services depending on the implementation models

Source: <http://www.jmir.org/2011/3/e67/>

Another classification of cloud computing services is performed according to service models [3] [4]:

- Infrastructure as a Service -IaaS
- Software as a Service
- Platform as a Service

The characteristics of these service models are presented in graphical form in (Fig. 6).

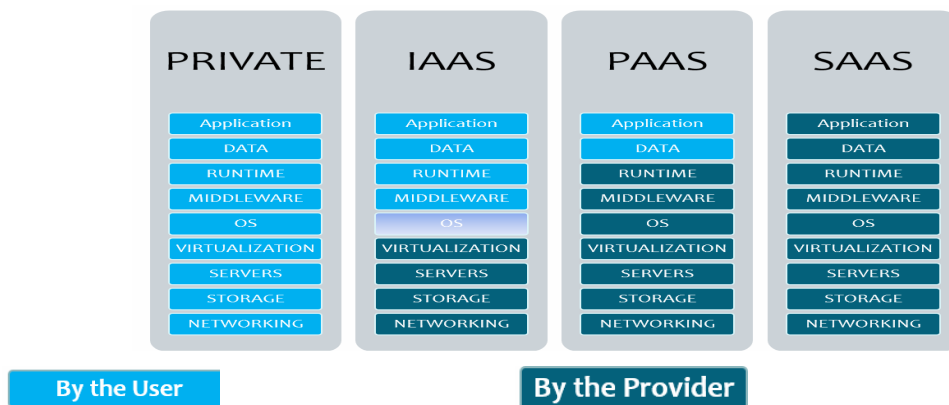


Fig.6. Classification of cloud computing services depending on service models

Source: <http://www.seeci.org/EL2013/Program/025.htm>

3. Optimizing decision in conditions of certainty

Companies like Microsoft, Amazon, IBM, Google, occupying the top places in a ranking of providers of cloud computing, offer a wide range of cloud services for both individual users and companies, regardless of their size. But this diversity of services offered challenge those who intend to use such a service and must make a choice here.

Starting from this aspect, we propose to determine the optimal solution and prioritize alternatives in three cloud computing services that offer storage space for data, services of data synchronization and client software. It is about Dropbox, Microsoft OneDrive and Google Drive, all supporting operating systems Windows, Mac, Android and iOS.

We consider four criteria of evaluation, represented by fundamental characteristics of these services, all equally important for the user in determining the optimal variant (Table 1).

Table 1. Characteristics of cloud computing services

	Cloud service	Free storage capacity	Tariff plan for 1TB/month/user	File size restrictions	Free space bonus
Assesment criteria		C₁	C₂	C₃	C₄
V₁	Microsoft OneDrive	5GB	7.22 €	10 GB	da
V₂	Google Drive	15GB	9.03 €	10 GB	nu
V₃	Dropbox	2GB	9.99 €	20 GB	da
		Criteria of maximum	Criteria of minimum	Criteria of maximum	Criteria of maximum

Source: [7]- [12]

To optimize decision it is used the algorithm developed by S.B.Deutch and J.J.Martin, which involves the following steps:

Step1: It is determined the matrix noted $R = (r_{ij})_{i=1,3, j=1,4}$ whose elements are calculated as follows:

$$r_{ij} = \frac{a_{ij} - a_j^{\min}}{a_j^{\max} - a_j^{\min}}, \text{ for a criteria of maximum} \quad (1)$$

$$r_{ij} = \frac{a_{ij} - a_j^{\max}}{a_j^{\min} - a_j^{\max}}, \text{ for a criteria of minimum} \quad (2)$$

where $A = (a_{ij})_{i=1,3, j=1,4}$ is the matrix of characteristics measurements from

(Tabelul 1).

Observation 2: We granted value 1 for cloud service that offers free bonus space and value 0 for cloud service that does not offer free bonus space.

Using relations (1) and (2) obtain values:

$$r_{11} = 0.23, r_{21} = 1, r_{31} = 0 \quad (3)$$

$$r_{12} = 1, r_{22} = 0.34, r_{32} = 0 \quad (4)$$

$$r_{13} = 0, r_{23} = 0, r_{33} = 1 \quad (5)$$

$$r_{14} = 1, r_{24} = 0, r_{34} = 1 \quad (6)$$

$$\Rightarrow R = \begin{pmatrix} v_1 & 0.23 & 1 & 0 & 1 \\ v_2 & 1 & 0.34 & 0 & 0 \\ v_3 & 0 & 0 & 1 & 1 \end{pmatrix} \quad (7)$$

Step 2: There are calculated the line moments noted M_i^l (for each line) and the lines of matrix R are ranked in ascending order of line moments values.

$$M_i^l = \frac{\sum_{j=1}^4 j \cdot r_{ij}}{\sum_{j=1}^4 r_{ij}}, \text{ for } i = \overline{1,3} \quad (8)$$

Thus, we obtain the following values:

$$M_1^l = 2.79, M_2^l = 1.25, M_3^l = 3.5 \quad (9)$$

\Rightarrow The matrix obtained after rearranging lines depending on the values of line moments is:

$$R_1^l = \begin{pmatrix} v_2 & 1 & 0.34 & 0 & 0 \\ v_1 & 0.23 & 1 & 0 & 1 \\ v_3 & 0 & 0 & 1 & 1 \end{pmatrix} \quad (10)$$

Step 3: There are calculated the column moments noted M_j^c (for each column) and R_1^l matrix columns are ranked in ascending order of column moments values.

$$M_j^c = \frac{\sum_{i=1}^3 i \cdot r_{ij}}{\sum_{i=1}^4 r_{ij}}, \text{ pentru } j = \overline{1,4} \text{ for} \quad (11)$$

The column moments obtained with relation (11) are:

$$M_1^c = 1.18, M_2^c = 1.74, M_3^c = 3, M_4^c = 2.5 \quad (12)$$

Therefore, columns 3 and 4 are reversed and we get the matrix:

$$R_1^c = \begin{matrix} v_2 \\ v_1 \\ v_3 \end{matrix} \begin{pmatrix} 1 & 0.34 & 0 & 0 \\ 0.23 & 1 & 1 & 0 \\ 0 & 0 & 1 & 1 \end{pmatrix} \quad (13)$$

Step 2 of the algorithm is resumed and we get the values:

$$M_1^l = 1.25, M_2^l = 2.34, M_3^l = 3.5 \quad (14)$$

Because $M_1^l > M_2^l > M_3^l$, there is no longer needed sorting the lines in case of variants.

Step 3 of the algorithm is resumed and we get the values:

$$M_1^c = 1.18, M_2^c = 1.74, M_3^c = 2.5, M_4^c = 3 \quad (15)$$

Because $M_1^c > M_2^c > M_3^c$, there is no longer needed sorting the columns.

Therefore, the determining variants order is: V_2, V_1, V_3 .

4. Conclusion

The result obtained means that the best option is to choose Google Drive cloud service, this surpassing the other two alternatives: Microsoft OneDrive and Dropbox. This also represents, in fact, ranking decisional variants depending on the number of variants outclassed.

We believe that the future of these services belongs to young people as inside the population structure using cloud computing services they hold the first place in terms of weight. The coming years will show an increase in the proportion of young people who will use these services both at European level and in our country, because it is desired that by 2020 the percentage of Romanians who have never used the internet to be reduced to 30%.

In terms of using cloud computing services by companies, it is forecasted a growth of the private sector, but not only of this one, because the increased number of users will reduce the costs of these services.

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THE CONSEQUENCES OF PARENTS LEAVING FOR WORK ABROAD, UPON THEIR CHILDREN

Magdalena Tudor¹
Ileana Safta²

Abstract: *Consequences of parental migration , as shown by survey data and interviews are contextual and they should not be exaggerated or generalized. Parental migration does not always affect children directly but rather indirectly, by producing effects that lead to family dissolution. School plays an important role in this process, mostly an informal one, by providing social services to children whose parents (one or both) are temporarily abroad.*

A direct consequence of parental migration is child deprivation of parental affection and supervision ,necessary for his/her normal development. In the cases when parents leave for longer periods of time and children remain in the care of people who do not have the ability or the oportunity to offer them emotional support and proper education, this can lead to negative effects upon their health and psihical development, upon their academic performances and further more, it can lead to their involment in deviant activities, inappropriate for their age, or even to exploitation or abuses of many kinds.

Keywords: *migration, teenagers, consequences*

JEL Classification: I20, J61

1. Introduction

As data of the surveys and interviews show, the consequences of parents' migration abroad depend on social context and should not be exaggerated or generalized. Parents' migration does not have a direct impact on children, but an indirect one, whose effects lead to the decay of the family. School plays an important role - most of the time an informal one - in providing social services to the children whose parents (one of them or even both) are temporary abroad.

The following material has studied the impact produced by parents' decision to leave to work abroad, on the school results of their children left at home. School success is partially influenced by family's resources (finances, education, spending time together, attention, helping the child with school work, emotional support and supervision). The departure of one or both parents abroad for a longer period of time may cause problems in school performance of the child, unless the parents' responsibilities are taken over by someone else in their absence (the other parent - in case only one of them leaves - the other members of the family, the person or the family who is legally supposed to take care of the child). On the other hand, not only the resources of the family or the involvement of the parents could lead to good school results; there are also other factors which influence this aspect.

In the context of globalization and large phenomena which nowadays are taking place, and also because our country is a member of the EU, Romania has known a series of economic and social changes. One of the phenomena, which strongly damage both the society and the economy of the country, is the migration with the purpose of working abroad. The nature of the migration is strongly related to the life situation of the family of the individual, to the migration experience, to the connections between the community-region contexts and to the available capital.

The process of migration has aroused a lot of controversies not only inside the political circles, but also among the people of the society, which is at an interpersonal level, splitting friends, families and communities emotionally and physically. One can

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observe the negative effects of the emigration in the case of the families which decide to split; the birth rate decreases and the sense of independence is strongly supported, lowering the number of marriages and increasing the number of people who decide to marry at an older age.

The departure of one of the family members abroad for a period of time might lead to changes within the family regarding the roles and the attributions: one of the family members left at home will probably take over the attribution of the head of the family. The effort of the other members who are here of trying to fulfill the attributions of the one who has left, might have a negative effect. School success is partially influenced by family's resources (finances, education, spare time, attention, helping the child with school work, emotional support, supervision). The departure of one or both parents abroad for a longer period of time may cause problems in school performance of the child, unless the parents' responsibilities are taken over by someone else in their absence (the other parent, in case only one of them leaves, the other members of the family, the person or the family who is legally supposed to take care of the child). But there is also the possibility of reducing the negative effects of this by taking into consideration the positive effects of the departure: the increase in the living standards, the higher opportunity of the child to travel abroad and to get to know another culture. Basically, during the last years more and more people who are part of the modest or the poor level of the society, decided to leave the country because of the poverty, because they did not have a job in their own country or because they wanted a higher salary. In most of these situations, the children are affected and the phenomenon of the children left at home by parents who went abroad to work has drawn the attention of the press, especially in the individual cases with a big impact on the media.

The social-economic instability in Romania and the endless transition have determined a big part of the Romanians to go abroad in order to be able to support their family. The earnings are indeed important to both the family and the Romanian economy, but this migration has also aspects which are less wanted, such as: the disorganization of the family and the "abandon" of the children to their grandparents or to other relatives, aspects which might have serious psychological consequences on them, visible in time.

In Romania, over the past decade, more and more children have been left "home alone", because their parents looked for a job abroad in order to provide to their family a decent living. In most of the cases, one parent leaves at first, followed later by the other one, because they consider this is the easiest way to earn money in order to return home faster. Most of the times, this theory is nothing but a fantasy, because once they get abroad, their wishes will become bigger, and their absence from home will be longer. Meanwhile, the children who were left at home in the care of some close or far relatives (till the 4th grade of kinship), are living with the hope that their parents will return home soon, but parents' absence increases, therefore, children's need of physical presence of their parents will disappear. But for most of these children, the absence period of their parents is longer and longer, causing negative effects on children's physical and emotional growing process. The schools in Arges County declare every year that more and more children are in the situation of moving to their relatives because their parents have gone abroad to work. There have been psychopedagogical counseling requests for these children in order to treat them, and because there are not enough specialized and well done materials, we have thought it is necessary an evaluation of the actual concrete situation. Therefore, we have chosen a well defined period of life, that is the adolescence, in order to estimate a few of the psychological development aspects.

2. Materials and Methods

From our class master position, we wanted to identify the school results of the children whose parents are abroad and to establish a hierarchy of the factors which influence these results.

Based on the theory, we have assumed that these children have bad school results. The analysis of the researches that have been made are focused on studying the influence of the factors which are related to the family and the child, in order to see if the family can manage the situation without any external help.

The group which is the most disadvantaged by the situation is the categorie of children who have both parents abroad; this situation causing more negative effects than just the low social status or the damaged structure of the family.

The representative group who is part of this study contains 29 teenagers, who are between 15-17 years old, students of the Theoretical Highschool “Ion Cantacuzino” – Pitesti. The group is formed of 6 boys and 23 girls, of which 19 come from urban environment and 10 from rural environment. The students have participated to the examination voluntarily and we have used the survey (self-administration) and the interview as methods of research. This investigation has a few steps, summed up in: the preparation of the investigation, which contains a set of actions regarding the nomination of the targets and of the assumptions of the examination, the selection of the people who will be part of the investigation (the representative group); the drafting and the application of the survey according to the way of applying it, which has been established before, during which it is solved the problem of the possible types of questions and it is tested the project of this survey; the processing and the interpretation of the data of the investigation. If the obtained results confirm the initial hypothesis of the investigation, they must be presented objectively. It has been used the school register in order to identify the school results of the children before and after their parents have gone to work abroad. We have considered that it will be relevant for our study to present the school average of the children on each semester.

Question 1: “Witch is your locative situation during the school year?”

Students answers:

with the parents	in a dormitory	rent/lodgings
22 – 75, 86 %	None	7 – 24, 13%

Question 2: “Which is your family status?”:

Students answers:

I live with my parents	My parents are divorced	One parent is dead	My Parents are working abroad
23 – 79,31%	3 – 10,34%	1 – 3, 45%	2 – 6, 90

Question 3: “Do you want to live with your parents? Why?”

Students answers:

Yes - A better financial situation	Yes - Moral support	Yes - No responsibilities for the students to take care of	None
6 – 20, 69%	18 – 62, 07%	5 – 17, 24%	- Others

Question 4: “How do you describe your relation with your family?”

Students answers:

The parents are too strict, they have too many rules	They agree with everything I do	They are indifferent, they do not care what I do	They support me in everything I do
1 – 3, 45%	5 – 17, 24%	None	23 – 79, 31%

Question 5: “Which member of your family is more interested in your school situation?”

Students answers:

Mother/Father	Grandmother/Grandfather	Aunt/Other relatives	Someone else (who?)
27 – 93, 10%	2 – 6, 90%	None	None

Question 6 : “What is the average of your school results at the end of the first semester?”

Students answers:

below 5	between 5 and 7	between 7 and 9	between 9 and 10
None	None	15 – 51, 72%	14 – 48, 27%

Question 7: “Which are the causes of your school difficulties?”

Students answers:

The absence of the parents	Teachers who are not so sympathetic	Family problems	Misunderstandings with the friends	Others
None	None	None	None	29 – 100%

Question 8: “Have you had any dispute with one of your teachers? Why?”

Students answers:

Yes	No
None	29 – 100%

Question 9: “It has ever happened to you to skip school? Why?”

Students answers:

Not interested in one specific subject	Boredom	The habit of skipping school	The fear of receiving a bad grade	Others
2 – 6,90%	3 – 10,34%	None	15 – 51,72%	9 – 31,03%

The information obtained from the students highlighted two important aspects of the adolescence period: the detachment from the parents and the need of finding their own personality. We assist to a grown-up of the personality and independence and autonomy in plans and decisions; on the other hand we observe an internal manifestation of the need of affective security by getting more close to the parents, family and by constantly communicating with them.

Some of the aspects noticed after the investigation of the surveys:

19. The need of independence and growing up – reflected on one hand by the components which express the achievement of individual autonomy (one student lives in lodgings), such as solving some daily problems on their own; and on the other hand, it is reflected by the tendency of overanalyzing the situation and looking for new possibilities.
20. The adaptability of the two teenagers whose parents have gone to work abroad, to their actual life situation was possible through a very good communication between them and the people around them (the school environment – both students have a good communication level with their desk mates, teachers, class master, friends and relatives) and through getting used to the school environment and to the school requirements, generally speaking.
21. The need of integration into a family, into a family home – those two students which were interviewed, show an ambivalent position in what they feel. On one hand, they say they got used to the situation, but on the other hand, they claim they miss their parents and the frustration caused by the absence of the family time moments is quite visible.

22. Regarding the way of maintaining the relation with their parents who are abroad, the students think that they can keep in touch with their parents through phone and Internet. The fact that they celebrate constantly together some of the religious events every year, gives to the children the opportunity to evaluate and rebuild their relationship with their parents.

3. Conclusions

As the data of the investigation and interviews show, the consequences of parents' migration depend on the social context and should not be exaggerated or generalized. Parents' migration does not have a direct impact on children, but an indirect one, whose effects lead to the decay of the family. School plays an important role - most of the time an informal one - in providing social services to the children whose parents (one of them or even both) are temporary abroad.

One direct consequence of this phenomenon is depriving the child from parental affectivity and from the surveillance needed for his/her normal development. Considering parents leaving abroad for longer periods of time and considering children's staying at home in care of some people who might not have the capacity and/or the ability to offer proper moral and educational support, these two consequences may take a turn to negative effects regarding the child's health and psychological development, regarding his/her involvement in school activities and its results; this might bring about an inappropriate behavior and child's submission to exploitation or other types of abuse.

The previous material has studied the impact produced by parents' leaving to work abroad on the school results of their children left at home. School success is partially influenced by family's resources (finances, education, spare time, attention, helping the child with school work, emotional support, supervision). The departure of one or both parents abroad for a longer period of time may cause problems in school performance of the child, unless the parents' responsibilities are taken over by someone else in their absence (the other parent, in case only one of them leaves, the other members of the family, the person or the family who is supposed to take care of the child). On the other hand, not only the resources of the family or the involvement of the parents could lead to good school results; there are also other factors which influence this aspect, such as the children's features (their mental ability, their attitude toward school and study, how interested they are in school and how much time they spend doing homework and studying; the teachers' features (how good they are, how interested and how much help they offer to each student, school's equipment); the friends' influence on them who are on the same age as them (aspirations and behavior models) ; and the influence of the mentors or the people who the children admire. Therefore, there is also the possibility of reducing the negative effects of this by taking into consideration the positive effects of the departure: the increase in the living standards and the higher opportunity of the child to travel abroad and get to know another culture.

This study describes both the negative and the positive effects of parents' migration. The most important positive aspects are the wellbeing wealth of the students (better living standards, cell phones and very advanced computers) and the possibility of traveling abroad. Among the negative ones, we shall recall the loneliness and the hole in the emotional part.

Summing up, the results of the investigation showed that the children whose parents have gone to work abroad do not have worse school results than the other ones; one of the students who is a girl, is actually among the best students with very good school results. The other one, who is a boy, has a school average lower than the girls but this might be because of his medical condition, hence he is under medication.

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- SECTION STRATEGIC MANAGEMENT –

HOW THE COMPANIES KEEP THEIR VALUABLE EMPLOYEES. AN EMPIRICAL STUDY

Abrudan, Denisa Bogdana¹

Abstract:

Employees will leave organizations if they are not happy with various factors related to the company. Regarding the main reasons why employees leave, we can mention: lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures.

In this context, a coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

The present paper work aim is to identify and analyze the compensation and benefits system implemented within one of the largest retail networks in Romania and prove that a possible solution for keeping the valuable employees is to have an adapted C&B system to the needs and specific nature of this business.

Key words: *compensation, motivation, satisfaction, performance*

JEL Classification: M12, M50, M52

INTRODUCTION

It has been suggested that employees will leave organizations if they are not happy with various factors related to the company. There are several main reasons why employees leave: lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures. All these factors are closely related to HRM practices and therefore, a good understanding of the relationship between HRM practices and employee retention will help organizations make the correct decisions in achieving business results while maintaining an optimum level of resources. In our opinion, this is crucial to ensure scarce resources are spent correctly and wisely and a safe, harmonious workplace is sustained to encourage employees stay employed in the organizations.

LITERATURE REVIEW

Designing an appropriate compensation and benefits program has the ability to achieve employee satisfaction and employee retention, as it comprises of financial and non-financial rewards that attract, motivate and satisfy valuable human capital, retaining effective performers as the compensation system recognizes desired behavior towards aiding competitive advantage of the organization (apud Osibanjo & all).

Most importantly, compensation does not only influence hiring and retention decisions, but it is also important to align employees' interest with organizational goals by designing and providing rewards for meeting specific goals assigned to them. (Johari & all)

Seen as a cumulative financial and non-financial rewards payable to employees in return for their services, compensation system is usually based on the value of job, level of

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personal contributions, efforts and performance. At the organization level, compensation is critical in attracting, retaining and motivating the employees to continue contributing towards organization's success. The reason being is that compensation is important to influence individuals' choice to work with an organization. Many organizations use the compensation system to reward and recognize employees' efforts and contributions and also as a motivation tool to improve employees' productivity (Abrudan, 2010).

Used in addition to the base pay and salary, the benefits an employee receives are getting more and more attention. The money might still be the number one reason people will choose a company over another, but the benefits he receives have the potential of offering more rewarding experiences for that employee.

There are many ways an employee could receive benefits, and it is recommended that the benefits will be offered on a flexible base, from which people can choose what best fits their lifestyles: housing, group insurance which can cover health insurances, dental insurances and life insurances, daycare (some companies even have the company kindergarten where the parents can leave the child while at work), sick leave, paid vacation, professional trainings.

According to the most widely used pay programs, the key dimensions which the managers must take in consideration for a suitable compensation package are: payment method, the frequency of payouts, the nature of the performance measure and who is typically covered under the different plans (Gerhart & all).

Table no.1-Comparison of different pay programs

	Individual Incentives	Merit Pay	Merit Bonus	Gainshairing	Profit Sharing	Ownership	Skill Based Pay
Payment Method	Bonus	Changes in base pay	Bonus	Bonus	Bonus	Equity Changes	Changes in base pay
Payout Frequency	Weekly	Annually	Annually	Monthly or quarterly	Semi-annually or annually	When stock sold	When skill required
Performance Measurement	Output, productivity, sales	Performance rating	Performance rating	Production or controllable costs	Profit	Stock value	Skill acquisition
Coverage	Direct labor	All employees	All employees	Production or service unit	Total organization	Total organization	All employees

Source: Gerhart & all, Employee compensation: Theory, practice and evidence

In compensating employees, an organization does not have to choose one program over another. Instead, a combination of programs is often the best solution. For example, one program may foster teamwork and cooperation but not enough individual initiative. Another may do the opposite. (Gerhart B & all)

- Compensation and benefits system – illustrative cases

A coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

EX: At Xerox, the salary package is set after the following criterions: the level of experience, competence and qualification of the employee, performance in the fulfilling of the objectives, the job's responsibilities, the salary package offered by the competition or other international companies in Romania. There is a formal procedure of salary reviewing, once a year, considering all these criterions.

EX: The employees who work in middle management at Henkel can benefit by the following: meal tickets, cooling drinks, transport subvention, social activities, subvention for sports activities, gifts for special occasions, substantial discounts for company's products, subscription for medical services.

- Creative and competent employees are the key to Henkel's global success

The company's human resources strategy focuses on attracting the best junior managers, offering them attractive career perspectives and actively developing their skills. This is based on international training programs, systematic knowledge management and innovative coaching methods.

RESEARCH METHODOLOGY

The present paper work aim is to *identify some aspect regarding compensation and benefits system* implemented within one of the largest retail networks in Romania: PROFI ROM FOOD Ltd.(<http://www.profi.ro/>) and prove that a possible solution for keeping the valuable employees is to have an adapted C&B system to the needs and specific nature of this business.

To achieve this purpose, the objectives of this research study are:

- Identifying the motivational factors for employees;
- Identifying the salary and non-salary techniques of employees motivation;
- Evaluating the working environment and the organizational climate.

The research method is based on a questionnaire survey. As a research tool was used the questionnaire, which contains a set of 15 questions. The data was collected from 27 employees belonging to the HR Department at Profi Food Rom Ltd., Timisoara. It can be mentioned that the 27 respondents representing 90% of the total number of the employees from the HR Department, where they carried out the investigation. Data processing was done using Excel in Microsoft Office.

DATA ANALYSIS AND OBJECTIVE

After analyzing the data and interpreting the results, were found interesting aspects in the structure of employees in the company:

- The majority surveyed subjects fall into the age category between 18-30 years or 36-40 years old which means that in this company both people mature and young are encouraged and supported to professional development;
- In the HR Department, most of the employees are female respondents (93%),
- According to the level of education among those surveyed show that the employees within Profi Timisoara have a master degree or a bachelor degree. An important thing is the fact that Profi Timisoara encourages the hire of bachelor graduates or students, without a certain labor experience;
- Concerning the labor seniority, 60% of the employees are present on the labor market for more than 5 years, 12% between 3 and 5 years and 28% of them started working for between 1 and 2 years or less than 1 year.

To highlight how employees perceive the company's compensation and benefits system and if they are satisfied with it, we will present interesting results obtained at PROFI ROM FOOD Ltd. Timisoara (selected questions).

Question: Are you satisfied with the salary package you beneficiate of? Yes/ No

Regarding the answers gave to the question: *Are you satisfied with the salary package you beneficiate of?*, most of the investigated employees (81,5%) are satisfied with the salary package they beneficiate of, while just 18,5% of them are not satisfied with their salary package.

Question: The earnings I have motivate me

- a) *Totally agree*
- b) *Agree*

- c) *Neutral*
- d) *Disagree*
- e) *Totally disagree*

According with the statement *The earnings I have motivate me*, if 56% employees tend to agree with the statement, 30% of them agree with it totally. However, there are 14% of them who are neutral and against it as well.

This answer is important because it shows us that a key motivational factor for the employees from Profi Rom Food Ltd. Timisoara is earning (the money obtained in return for labor or services).

Question: My boss appreciates me correctly every time

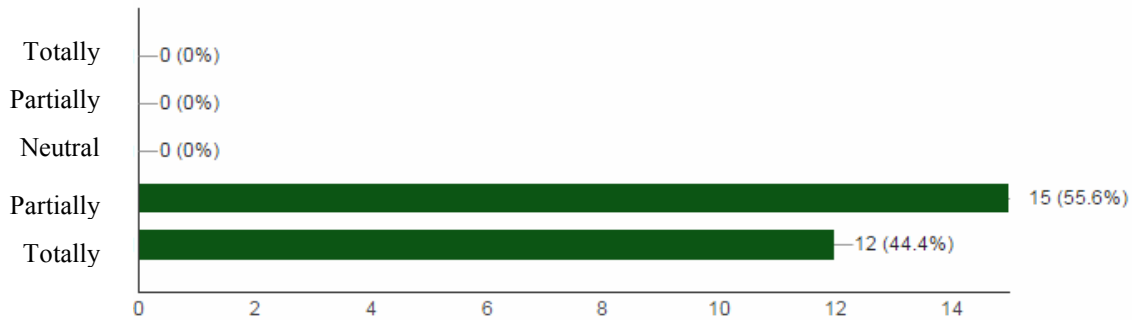


Fig. no.1-Correctly appreciation from perspective of the boss

Regarding the statement “My boss appreciates me correctly every time”, how much do you agree with it?” almost 56% of the employees are partially agree, whereas 44% of them are totally agree with this statement, as it can be seen in Fig.1.

Question: Which benefits are included in your salary package?

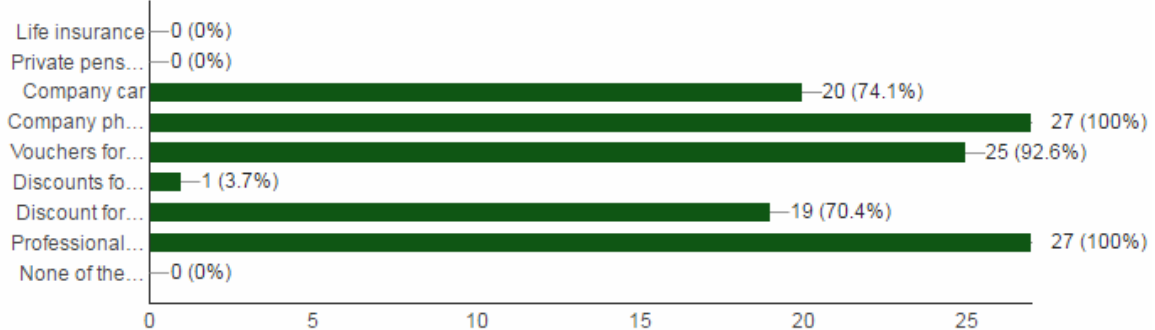


Fig. no. 2-Benefits included in the salary package

As it is seen in Fig. 2, almost all the employees have many benefits included in their salary package.

In their salary package are included benefits such as: company car, company phone or free telephone services, vouchers for partner companies, professional trainings and discounts to auxiliary services (gym pass, travel agencies etc.).

Regarding the statement: *I think I have to be remunerated more for my work*, all the subjects think that they have to be remunerated for their work, agreeing with this statement and it caring about this right that belongs to them.

According to the following statement: *I would not leave the actual work place for another one better paid*, most of the employees (82%) feel satisfied with their workplace, so that they wouldn't leave it for another one better paid. However, there are 8% of them who are not satisfied and would leave their actual workplace as soon as they will get a better job offer. 10% are neutral.

Hence, it can be that the employees opinions tend to be slightly different.

FINDINGS

The objectives established in the research have been met.

Objective 1: Identifying the motivational factors for employees

The earnings are a key motivational factor for the employees from Profi Rom Food Ltd. Timisoara and the compensations and benefits policy adds to the overall satisfaction.

Objective 2: Identifying the salary and non-salary techniques of employees motivation

In Profi Rom Food HR Department, the salary method of employees motivation for performance is based on wage. The employee's perception regarding salary is that is satisfying their expectation in most of the investigated subjects but there are some employees who doesn't agree this.

Regarding the non-salary motivational factors which can motivate the employees from Profi they are: company car, company phone and telephone services, vouchers to partner companies.

Objective 3: Evaluating the working environment and the organizational climate

More than 70% of the employees state that they are satisfied with their working environment and they would not leave the firm for a bigger salary at another company. This is important for our conclusion regarding the compensations and benefits policy implemented by Profi Rom Food Ltd.

CONCLUSION

Profi Profi Rom Food Ltd. manages their compensations and benefits policy really well. Although most of their employees are happy with what they receive, there are some minor places where things could go better.

In Profi employees need to feel that their contributions to the organization are valued.

Profi Rom Food Ltd. know that to keep employees in the company, they need to feel as a part of the organization because here they find a good working environment , a workplace which provides an image of the day to day lives of people who come to work, do their jobs and live within the framework of company regulations.

Profi's employees expect at least a core benefit package healthcare, pensioned and paid leave and managers who do not provide a benefit is facing a problem to hire qualified employees.

Regarding the main reasons why employees leave, we can mentioned : lack of recognition, low pay, unfulfilling jobs, limited career advancement, poor management practices, untrustworthy leadership and dysfunctional work cultures.

In this context, a coherent compensation and benefits system is considered one of the main advantages of an interesting job offer and has the purpose not only of bringing talented employees to the company but also of keeping them as long as possible. However, as long as a system, as good as it looks from the outside, is not adapted to the needs and specific nature of each business, it can be a simple waste of resources.

Profi Rom Food Ltd. understand this, in addition realizes that the benefits of a company who offers a fair balance between the payment system and the compensations and benefits are multiple.

The present paper work identified some aspects regarding the compensation and benefits system implemented within PROFI ROM FOOD Ltd. , one of the largest retail networks in Romania- and prove that a possible solution for keeping the valuable employees is to create and develop whenever needed an adapted C&B system to the specific nature of this business, a C&B system which must to included: competitive salaries, comprehensive benefits, incentive programs- within increase employees' commitment and satisfaction.

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EXPLORING SMES DISTRIBUTION IN ROMANIA. A SPATIAL CLUSTERING PERSPECTIVE

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Abstract

Entrepreneurship plays a key role in regional development and competitiveness, but is far from achieving its true potential in Romania. This paper aims at outlining the regional patterns of Romanian entrepreneurship using various statistical methods. We found that SMEs spatial distribution is marked by significant inequalities and a clear divide exists between the Western and Eastern parts of Romania. Using the appropriate spatial investigation techniques, we identified several spatial clusters of low SMEs density, mostly in less developed zones, with little business opportunities, from the Eastern Romania.

Keywords: SMEs density, spatial clustering, Moran's I, county.

JEL Classification: L26, O11, R19

1. Introduction

Entrepreneurship and SMEs matter. The scientific recognition of the fact that entrepreneurship enhances economic growth has led to the formulation of a clear political mandate to promote private enterprise in EU. Moreover, current European policies include a clear and complete recognition of the fact that the independence and creativity of the entrepreneur is essential for sustainable economic development. The Lisbon Agenda (2000) stressed the need to create a favorable environment for the creation and development of small and medium enterprises and the emphasis on entrepreneurship and the role of SMEs was resumed by the Europe 2020 strategy, which is aimed at correctly opening up the single market for small businesses.

In the context of the collapse of the command economies in the late 80s, a unique and unprecedented historical evolution begun in Europe, Romania being also engaged in it. Among the processes that have occurred, the change of ownership is the most important through its role and consequences. One of the main features of structural transformation in Romania throughout the transition period is the emergence of entrepreneurship and SMEs. Unfortunately, in the past 25 years, entrepreneurship developed in Romania against an improper background, as follows: transfer of public property to "private owners" (corporations and entrepreneurs) was made in a disorderly manner by unprofessional public authorities, generating waves of unemployment and spoliation of the country's natural resources (oil, gas, timber, farmland, etc.); an excessively bureaucratic restructuring of the manufacturing industries and transfer of the industrial property to unsuitable investors that closed many big enterprises shortly after their privatization, with disastrous effects for skilled labor in some sectors of the economy, triggering high unemployment and massive migration to developed EU countries; the rise of bureaucracy to the detriment of productivity and efficiency; abandonment and decline of most rural areas.

In this context, the measures included in the Operational Programme "SMEs Initiative" Romania, supported by the Regional Development Fund (ERDF), aimed at enhancing the competitiveness of SMEs, by putting a special focus on their innovative

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capabilities.) Another important program meant to encourage SMEs creation and the development of entrepreneurial initiatives is the National Program for Rural Development, which has funded between 2007 and 2013 many projects run by women and population less than 40 in age, through the Measure 312 “Support the creation and development of new enterprises” and Measure 313 “Encouraging touristic activities”. The current Operational Program “Human Capital” 2014-2020 aims, through one of its measures that provide micro grants, to support entrepreneurship within communities: the ultimate goal is self – employment, and consequently new jobs creation. The novelty of the program consists of the exclusion of Bucharest – Ilfov area from funding, its focus being mainly on less developed geographical regions.

Only a few Romanian studies approached the issues related to the regional distribution of SMEs, focusing on the spatial dynamics of SMEs, their contribution to the territorial development of Romania, access to funding, effects of the economic crisis, etc. (Cojanu, 2006; Isaic-Maniu, 2008; Platon 2009; Hunya, 2011; Dudian, 2014; Nicolae et al., 2016). Over the last 15 years, the White Cart of SMEs presented the annual situation of the Romanian SMEs, undertaking only a descriptive statics approach, aiming at a static radiography of the phenomenon, rather than statistical modeling meant to capture relations and dynamics.

We aim to add a new territorial perspective to previous research on SMEs by employing special methods of spatial analysis that help identify the regional patterns of Romanian entrepreneurship. Our endeavor brings new insights to the topic, allowing for a deeper understanding of SMEs spatial distribution and providing useful information for regional policy-makers.

The remainder of this paper proceeds as follows. Next section provides a brief overview of previous research on the territorial distribution of SMEs. Section 3 introduces the methods employed in the analysis, together with the variables and data. Section 4 presents the results of the empirical analysis on SMEs density, focusing on the spatial clustering and discussing the policy implications of our findings, while section 5 concludes.

2. Literature review

Entrepreneurs contribute through their actions to the changes in the rate, shape and location of economic development. That is, the number and quality of available entrepreneurs is an important determinant of economic growth and development in any region. Entrepreneurs tend to migrate from one region to another in search of more profits or less effort to achieve their goals (Grigore and Dragan, 2015).

In international literature, there are several studies which link economic growth and entrepreneurship (Ács et al., 2013; Szirmai et al., 2011; Caree and Thurik, 2010; Walzer, 2009; Audretsch et al. 2006; Dejardin, 2000, Klepper, 1996). Furthermore, international organizations, governments and policymakers have shown greater attention to the functions carried out by entrepreneurship and its role in generating economic growth. Local literature, dedicated to SMEs and entrepreneurial phenomenon, focused largely on descriptive and qualitative analysis (Marchiș, 2011; Pîslaru și Modreanu, 2012; Nicolescu, 2016), as well as quantitative (Armeanu et al. 2014, Grigore and Dragan, 2014), reveals that the difficulties that SMEs faced did not allow them to develop to their true potential, limiting the contribution of this sector to GDP.

Nicolae et al. (2016) reinforced the idea that entrepreneurship is not only a national phenomenon, but also a regional one. Investigating three regions (Bucuresti-Ilfov, Centre and North-East), they stated that “despite the increasing importance of the territorial dimension in supporting economic growth at policy and declarative levels, in practice, in

Romania, the territorial structure and spatial organization of the economy contributes little to the national added value” (Nicolae et al., 2016, p.394).

Another author that related entrepreneurship with territorial development and competitiveness was Cojanu (2006); he identified three areas of development: counties that lack entrepreneurial capability, those that expose a high potential and counties that fare remarkably well in this area. His study (as others: Isaac-Maniu, 2008, Nicolae and Ion, 2016, The White Paper of SME’s in Romania from 2007 until 2016) has shown that entrepreneurship is unevenly developed across Romanian counties.

Dudian (2014) trying to capture the economic situation used four indicators (turnover, net income, profit margin, and labor productivity) for assessing performance for SMEs in Romania during 2004 – 2013 and the result was also that the regions are different. The most performant region in Romania in terms of the analyzed indicators was the West region, and the lowest performant region was the South-West Oltenia.

3. Method and Data

In this paper we undertake a county-level research on SMEs density in Romania, using both descriptive statistics and specific methods of spatial analysis.

Firstly, we are going to analyze the territorial patterns of different groups of SMEs based on county shares in total, as well as on individual county rankings, focusing on the extreme (high/low) values. We will also measure the territorial dispersion of SMEs density by size of the enterprises, as follows:

$$\sigma = \sqrt{\frac{\sum_{i=1}^n (D_{ik} - \bar{D}_k)^2}{\frac{n}{D_k}}}, \quad (1)$$

where σ is the coefficient of variation across counties, D_{ik} is the density of the SMEs in county i and size group k , and n is the number of counties.

Theory and empiric research in regional economics revealed that neighbor regions often tend to share common characteristics, therefore we will test for spatial dependence in SMEs density by employing the traditional Moran’s I indicator (Anselin and Rey, 1991) that compares the SMEs density in each county i with the weighted average of the values of its neighbors j :

$$MI = \frac{n \sum_{i=1}^n \sum_{j=1}^n w_{ij} (D_i - \bar{D})(D_j - \bar{D})}{(\sum_{i=1}^n \sum_{j=1}^n w_{ij}) \sum_{i=1}^n (D_i - \bar{D})^2}, \quad (2)$$

where D_i and D_j represent the values of the SMEs density in the counties i and j respectively, \bar{D} is the average (national) SMEs density, and w_{ij} represent spatial weights capturing the “spatial influence” between county j and county i . Moran’s I requires that the local neighborhood around each geographic unit is defined based on a weights matrix. In this paper we use a first-order queen contiguity matrix, i.e. $w_{ij} = 1$ if regions i and j are

neighbours and $w_{ij} = 0$ otherwise. Moreover, we apply a permutation test to check if the computed value of Moran's I is statistically significant (Anselin and Rey, 1991).

Since Moran's I is a global indicator of spatial autocorrelation, it is useful to measure the spatial association for each individual location i as well. To this end we use the LISA (Local Indicators of Spatial Autocorrelation) indicator, defined as follows (Anselin, 2005; LeSage and Pace, 2009):

$$LISA_i = Z_i \sum_{j=1}^m w_{ij} Z_j, \quad (3)$$

where z_i and z_j are the standardized scores of SMEs density in the counties i and j respectively, j representing only the neighbors of county i (as defined by the weights w_{ij}). The Cluster Map associated to the Local Indicators of Spatial Autocorrelation in Geoda points to significant cases of local spatial dependence by type of spatial correlation (positive-similar or negative-dissimilar).

In this research we are going to use data on the number of SMEs by company size, according to the number of employees, as follows: microenterprises (less than nine employees), small enterprises (between 10 and 49 persons), and medium-sized enterprises (more than 50, but fewer than 250 employees). Data on SMEs, as well as the number of population and GDP at county (NUTS) level, come from the Romanian Institute of National Statistics TEMPO database. Own computations were undertaken to determine SMEs density by size and county and GDP per capita.

4. Results and discussion

SMEs density is an appropriate indicator to capture the true entrepreneurial spirit in a region, as it reflects the degree of entrepreneurial initiative of the population, the local economic environment, the investment attractiveness, the business climate, etc.

Statistical data for 2014 show that the higher is the development level of a county the higher its SMEs density. The values of the coefficient of correlation between GDP/capita and the SMEs density are very high for all three groups of SMEs, the strengths of the correlation increasing with the size of the enterprise: 0.885677 for the microenterprises, 0.896199 for small enterprises and 0.899061 for medium-sized enterprises. In 2014 most SMEs (21.49%) were located in Bucharest Municipality, the best developed area in Romania, while the fewest (0.65%) belonged to a rather poor county - Mehedinti.

In each Romanian county, microenterprises represent the overwhelming majority of the total number of enterprises, ranging from a minimum of 86.13% in Satu Mare to a maximum of 90.44% in Teleorman. The share of small enterprises is much more modest, ranging from 7.62% in Teleorman to 11.76% in Covasna, while the medium-sized enterprises are quite few, their share varying from 1.06 in Mehedinti to 2.27% in Sibiu.

The coefficient of SMEs density variation among counties is very high for each group of enterprises when the number of companies is analysed (Table 1, column 1).

Table 1. The territorial coefficient of variation for SMEs

Company size (number of employees)	Coefficient of variation for:	
	Number of SMEs	SMEs density
<i>0</i>	<i>1</i>	<i>2</i>
Micro (up to 9)	1.3367	0.4357
Small (10-49)	1.3505	0.4383
Medium-sized (50- 250)	1.1952	0.4128
Total	1.3605	0.5126

Source: own processing

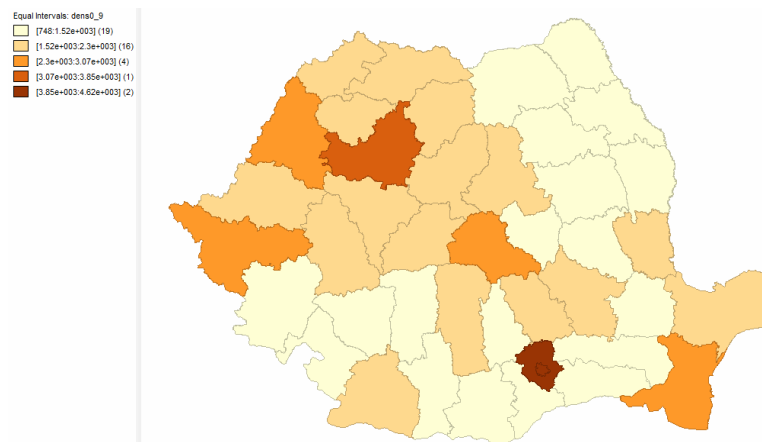
Since Romanian counties differ in size, population, development level, etc., statistical comparability requires that we consider the number of enterprises in relation to a relevant variable of reference. Consequently, we used for comparisons the SMEs density, computed for each county as number of enterprises per 100000 inhabitants, and the new coefficients of variation, although still significant, diminished considerably (Table 1, column 2). The highest territorial variation among the SMEs groups is for small enterprises (10 to 49 employees).

The three maps in Figure 1 show the spatial distribution of SMEs density by main size groups according to the number of employees: 0 to 9, 10 to 49 and 50 to 249.

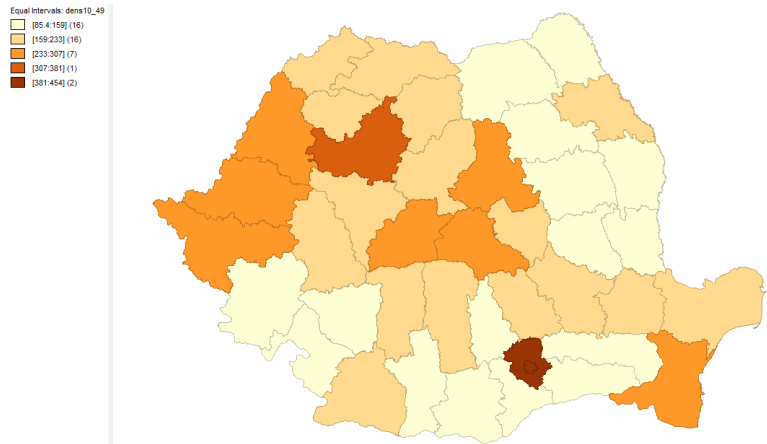
The maps suggest the existence of spatial clusters (i.e. neighbor counties tend to have similar levels of SMEs density) for all three groups of enterprises: microenterprises, small and medium-sized.

There is a clear delimitation of high/low SMEs density areas, the Bucharest-Ilfov region and the Western part of Romania displaying higher densities for all groups of enterprises (Figure 1, (a)-(c)), while the East and South (except for Bucharest-Ilfov region) belong to the lowest density group.

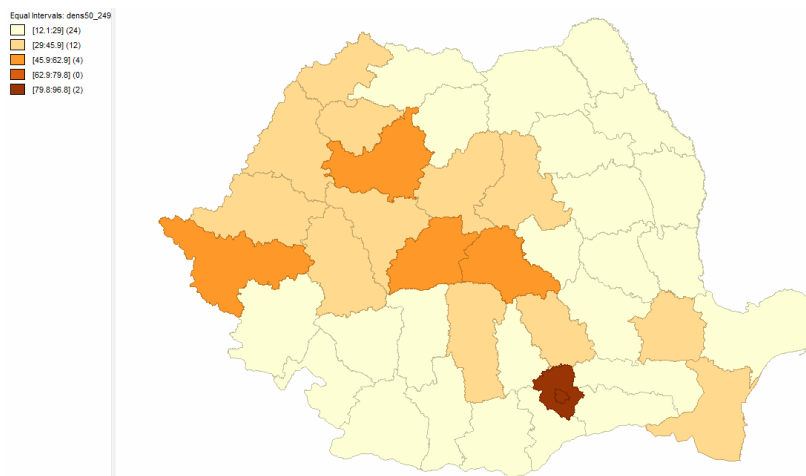
It is not by chance that Bucharest-Ilfov, the wealthiest and most investment-attractive region in Romania, has by far the highest density of SMEs. Bucharest-Ilfov concentrates over 60% of the FDI stock, over half of the national R&D potential, the most educated labor force and offers the best opportunities for business.



(a) Microenterprises



(b) Small enterprises



(c) Medium sized enterprises

Figure 1. SMEs density by company size, 2014

Source: own processing in Geoda

Table 2 displays the extremes (highest / lowest) SMEs density by company size, across Romanian counties, in the year 2014. The rankings show many similarities between SMEs groups, the microenterprises and the total being identical because the group of smallest SMEs owns a very large part (about 90%) of the total number of SMEs in Romania.

Table 2. Counties having the highest / lowest SMEs density by company size, 2014

Company size (no. of employees)	SMEs density (no. of enterprises per 100000 inhabitants)	
	top 5	bottom 5
Micro (up to 9)	Municipiul Bucuresti Ilfov Cluj Timis Brasov	Botosani Vaslui Mehedinti Dambovita Teleorman
Small (10-49)	Ilfov Municipiul Bucuresti Cluj Bihor Timis	Botosani Vaslui Teleorman Dambovita Mehedinti

Medium-sized (50-250)	Ilfov Municipiul Bucuresti Brasov Cluj Sibiu	Mehedinti Vaslui Botosani Dambovita Olt
Total	Municipiul Bucuresti Ilfov Cluj Timis Brasov	Botosani Vaslui Mehedinti Dambovita Teleorman

Source: own processing

A variety of local factors might foster/hinder the emergence of new enterprises in a region, as well as their economic success and sustainability. Among these determinant factors are the education and expertise of the entrepreneur and, equally important, the availability of qualified staff. Socio-political factors and especially geographic location are also important. Regional economics shows that neighbor regions often tend to share common characteristics and entrepreneurship is no exception.

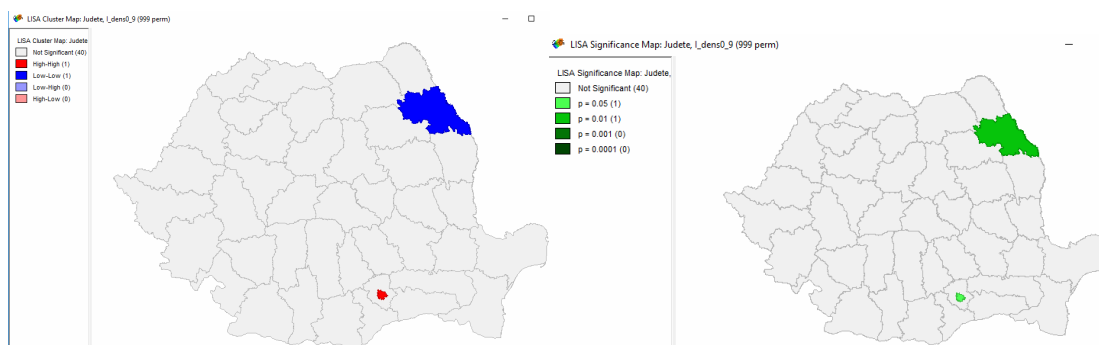
Table 3. Diagnostics for spatial dependence of SMEs density in Romania (Moran index)

Company size (number of employees)	Moran's <i>I</i>			
	Index (pseudo p-value)	Mean	S.D.	Z-Value
Micro (up to 9)	0.3437 (0.0020)	-0.0182	0.0873	4.1476
Small (10-49)	0.3556 (0.0010)	-0.0239	0.0878	4.3233
Medium-sized (50- 250)	0.4189 (0.0010)	-0.0266	0.0879	5.0674

Source: own processing in Geoda

We tested the spatial dependence of SMEs density in Romania using a common indicator in spatial statistics, namely the Moran index. The results (Table 3 and Appendix) reveal moderate but highly significant spatial correlation of SMEs density between each county and its neighbors.

LISA cluster maps for 2014, illustrated in Figure 2, confirm the previous findings, revealing a few significant spatial clusters.



(a) Microenterprises

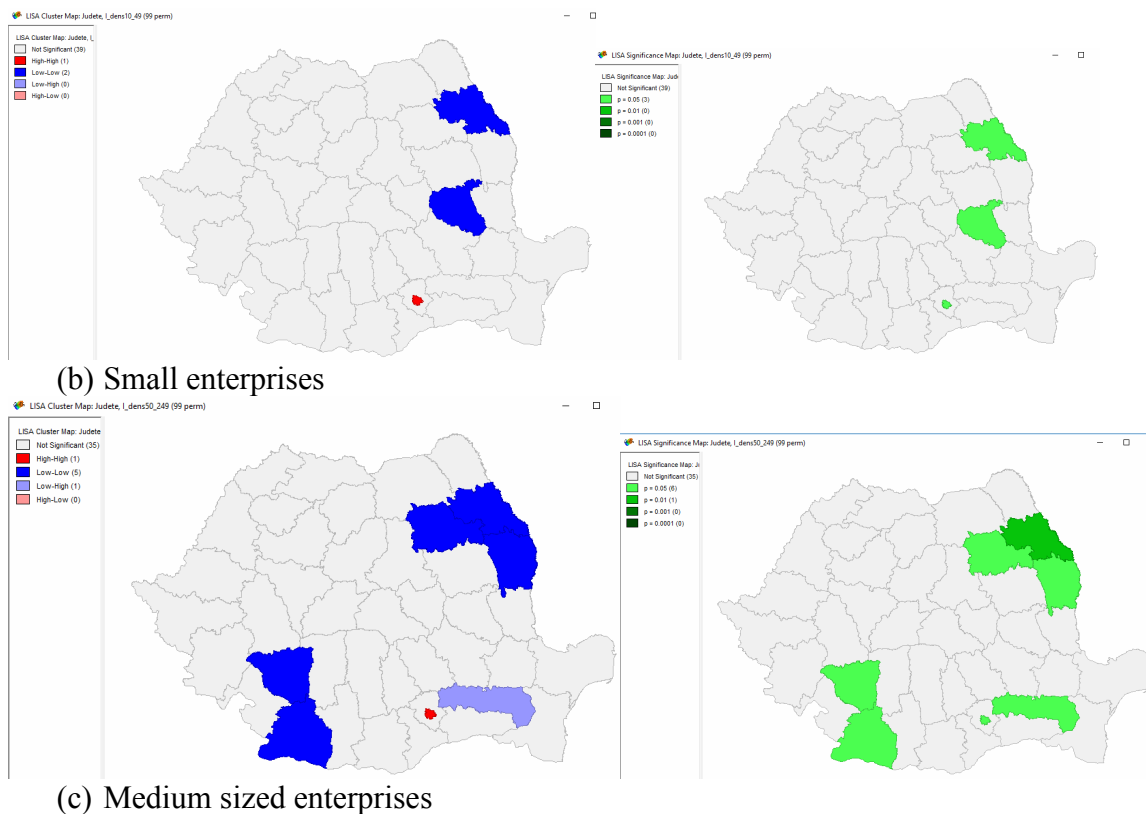


Figure 2. LISA Cluster Maps and Significance Maps for SMEs density, 2014

Source: own processing in Geoda

The cluster maps point to significant cases of local spatial association by type of spatial correlation: bright red for the high-high association, bright blue for low-low, light blue for low-high, and light red for high-low. The high-high and low-low locations suggest clustering of similar values of SMEs density, whereas the high-low and low-high locations indicate spatial outliers. The associated significance maps identify the counties having significant local Moran statistics.

The number of spatial clusters increases with the size of the SMEs: 2 clusters for microenterprises, 3 for small enterprises and 4 (much larger) clusters for the medium-sized enterprises. In the case of microenterprises, there is a clustering of similar values of SMEs density: the high-high cluster identifies Bucharest Municipality as an area with big density of SMEs, being surrounded by another high density zone – Ilfov County, while the low-low cluster points to the opposite situation – Iasi county, belonging to the lowest density group, is surrounded by counties with similar small SMEs density (Botosani, Suceava, Neamt, Bacau, Vaslui).

In the case of small enterprises group, a new low-low cluster adds to the previous two: it displays Vrancea in the center, surrounded by Bacau, Vaslui, Galati, Braila, Buzau and Covasna. Actually, since the two low-low clusters are neighbors, it is one very big cluster covering a large part of the Eastern Romania. This is a less developed zone, having little business opportunities, less skilled labour and fewer investments.

The map for the medium-sized enterprises brings two new and larger clusters of the low-low type. The first one comprises Iasi, Neamt and Vaslui in center, together with their neighbors: Botosani, Suceava, Harghita, Covasna, Vrancea and Galati, while the second one is located in South-West and consists of Gorj and Dolj in the middle, surrounded by Mehedinti, Caras-Severin, Hunedoara, Valcea and Olt. Again, these are groups of less developed counties. Likewise the micro and small enterprise groups, Bucharest

Municipality and Ilfov County form another high-high cluster for the medium-sized enterprises. There is also a low-high outlier on the third cluster map: Ialomita County has a few medium-sized enterprises and is surrounded by high-density counties, but this is an exception bearing little relevance to our analysis.

Different historical conditions across the country resulted, as expected, in different evolution in time of SMEs configuration. Our results point toward differences between areas that used to be under opposite cultural influences. In fact, our findings are in line with the idea of “existing significant development gaps between the historical regions of the country which allegedly exposed different regional economic traditions” (Cojanu, 2006, p. 176). An entrepreneur is, to a significant extent, a product of its regional culture. Besides the personal characteristics of an entrepreneur (gender, education, age, personality traits), entrepreneurship is highly influenced by local factors, (surrounding environment) as well as by more general, but still regional factors, like infrastructure, the level of economic development and some political influences. Of course, to the above we enlist the threats and opportunities that trespass the regional specifics: taxes, credit access, national economic strategy, et.al.

5. Conclusions and directions for future research

This paper addressed the topic of SMEs density in Romania based on special methods of spatial analysis. SMEs spatial distribution is marked by significant inequalities, with high coefficients of territorial variation among counties. We found a clear delimitation of high/low density areas, with Bucharest-Ilfov region and the Western part of Romania displaying much higher SMEs densities compared to the East and South. Another important finding is the strong positive link between the development level of a county and its SMEs density.

The entrepreneurial environment, through its organizational endogen and exogenous elements, impacts the entrepreneurial activities on various levels (Nicolescu, 2008). The results of our analyses highlight districts with an outstanding entrepreneurial spirit (Bucuresti-Ilfov, Cluj, Timis, Brasov), and others situated at the opposite (very poor entrepreneurial density) such as Botosani, Vaslui, Mehedinti, Dambovita, Teleorman. There is also a third category with a promising entrepreneurial effervescence, like Prahova, Arges or Dolj. A closer look on this cluster reveals however that these counties benefit from the involvement of strong investors: automotive industry (Dacia, Ford) or oil companies. It is not therefore the entrepreneurship that triggers this result, a fact that confirms once again that the value of any statistic investigation lies in its ability to explain the findings in strict relation to reality (Cojanu, 2006). The richer regions fail to induce a natural tendency toward capital concentration, and act as “economic vampires” against their poorer neighbors, by polarizing their most precious resource: the labor force. To advocate our statement, we refer to the schoolbook example of the Bucharest area against its neighbor counties Dambovita, Calarasi, Giurgiu, Ialomita, and Teleorman. Prahova county, though neighbor as well, is an exception because it is “on the right direction” Brasov-Sibiu-Timisoara.

There are many voices, equally among scholars, practitioners and mass – media, stressing the opinion that, without help in coherent action, the gap between regions will deepen, in line with the general law that “the rich will be richer and the poor will be poorer”. There is no doubt that the measures considered by the European strategy of regional development had, and still have positive, quantifiable results, but in our opinion they are below a threshold of intervention able to reverse the current paradigm. Perhaps governments to follow will take a different approach and work to establish a consistent and sustainable development strategy toward reducing excessive bureaucracy, and choosing a

better resources allocation. A natural consequence may be, we dare to claim, the opportunity of rethinking the territorial administrative structure.

Our paper opens new avenues for future research. Firstly, given that the two clusters of low SMEs density that we have identified in the Eastern part of Romania are partially overlapping, in future research we aim to test new spatial weights matrices accounting for a larger neighbourhood. We are going to extend the order of contiguity by adding the second-order neighbours, i.e. the counties contiguous to the first-order neighbours of each county. This means that the density of SMEs in a county is not only affected by the immediately contiguous counties, but also the second order contiguous counties are taken into account, as potentially influencing the target county, while identifying the clusters. Secondly, since we found high spatial dependence in SMEs density, the analysis should be continued with spatial regression models able to account for it. Such models could assess the likely impact of SMEs density (as a proxy for the entrepreneurial initiative in a county) on GDP or FDIs, or might indicate its main determinants.

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FORECAST OF ECONOMIC INDICATORS OF A COMPANY FROM RETAIL FOOTWEAR

Podașcă Raluca¹

Abstract

The analysis of economic processes and phenomena aims knowledge of their trend and repeatability that they manifest in different times and over a period. This analysis is fundamental to making forecasts for future changes that will be recorded by the analyzed processes and phenomena. Nowadays, economic activity become more complex, the economic correlations between phenomena multiplies and diversifies so forecasting activities is an imperative and indispensable condition to substantiate decisions. The financial crisis and the entry of a large number of foreign players have changed the balance of power in local retail footwear. In 2015, Deichmann took over the leadership. In contrast, Leonardo SRL company which operated chain stores with the same name became bankrupt after almost two decades of leadership (1994-2013).

Key words: forecast, turnover, profit, footwear industry

JEL Classification: M10, M20

1. Introduction

The Romanian market of clothing, footwear and sports equipment, valued at about 16 billion lei, received at the beginning of 2016, ten new names. Thus, existing brands strengthened their existing portfolios with new marks and new brands have chosen to open first unit in Romania. Romanians allocate around 4% of their incomes on clothing and shoes, the highest share in the region. Although in Romania the wages are eight times lower than in Germany, but the prices on clothes and shoes are similar, Romanians allocate the largest share of monthly income for fashion purchases. The situation is similar if Romania is compared with Poland, Hungary or Czech Republic. Thus, Romania is considered a key market for all companies in the fashion industry.

2. Presentation of clothing and footwear market in Romania

Romanians' consumption behavior is actually one of the determining factors for retailers who choose to invest in the local market. Moreover, the decision comes as consumption increased last year by almost 9%, the strongest advance after 2008. It has become the main engine of the economy, a sign that Romanians regained their confidence and are more willing to spending. In this context, groups such as H&M and Inditex (local fashion market leaders) have strengthened their portfolios with new names like COS and Uterque. Sensing Romanian consumer appetite for fashion, the Spanish company Inditex recently brought in Romania the eighth brand group, Uterque. Unlike the rest of the companies, who entered in the local industry first offline and then online, this brand entered directly online, afterwards will test the physical operations. Another example is Peeraj, the most powerful group of fashion franchises in Romania, with a total of 14 brands, including 4 brought last year. Peeraj Group owns in Romania an extensive portfolio of fashion brands including footwear retailer CCC, one of the strongest in the market, the French fashion brand Pimkie and the Swarovski jewelry. Last year the company has extended its portfolio with Armani Jeans, Max&Co, Tous, Pimkie and Boggi.

Thus, these giants of the fashion world are added dozens, even hundreds of local and international companies, which want to activate on the 16 billion lei market. Moreover, not only players with a turnover of hundreds of millions or billions of dollars enter in Romania, but also retailers that are at the beginning, as Lanidor of Lynne. Some brands

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enter the market directly, especially those who already have experience in Romania. Others choose to come through local or international franchisees. They are testing the business and then decide the following strategies. A similar model practiced Zara and Mango.

Table no.1. Brands that entered on the Romanian market in 2016

Brand	Group	Country	Stores in Romania	Presentation form	Segment
COS	H&M	Sweden	Calea Victoriei, Bucharest	Direct	Premium
Uterque	Inditex	Spain	only online	Direct	Premium
Forever 21	Forever 21 Retail	USA	Park Lake mall	Franchise	Mass-market
Lanidor	Lanidor	Portugal	Park Lake mall	Franchise	Mass-market
Boggi	Boggi	Italy	Baneasa Shopping City	Franchise	Premium
Tally Weijl	Tally Weijl Holding AG Group	Switzerland	Afi Palace Cotroceni Bucharest	Franchise	Mass-market
Cerruti 1881	Cerruti	Italy	Baneasa Shopping City	Franchise	Lux
Lynne	BSB	Greece	Afi Palace Cotroceni Bucharest	Direct	Mass-market
Chopard	Chopard	Switzerland	Baneasa Shopping City	Franchise	Lux
Tezenis	Calzedonia	Italy	Afi Palace Cotroceni Bucharest	Franchise	Mass-market

Source: Financial Newspaper, edition of 02.06.2016 www.zf.ro

Regarding the retail market footwear, Deichmann remained in 2015 the leader with a turnover of 328,5 million lei (73 million euro). In 2015 it sold 2,87 million pairs of shoes, an increase of 4% compared to the previous year, at an average price per pair of about 115 lei. By the volume sold in the financial year 2015, Romania was responsible for 1.7% of global sales of 172 million pairs performed on 23 European and US markets.

Deichmann has entered the local market in 2007, one of the last years of economic boom. Having an aggressive expansion, it reached a network of about 70 stores. They counted on a volume business, targeting customers with low and middle income. A similar business model had from the beginning Leonardo footwear retailer, created in 1994 by entrepreneur Florin Panea. Leonardo has been the market leader since its foundation until 2013, when its place was taken by the Germans from Deichmann. During the boom period, Leonardo reached over 200 stores in Romania and neighboring countries and a turnover of over 130 million euro. With the coming crisis and the entry of foreign retailers in the local market headed by Deichmann, Leonardo business began to collapse. Thus, in the second part of 2009, the company Leonardo SRL became insolvent with a total debt of 100 million

euro and entered into a reorganization process for three years. In 2013, the company became bankrupt. In a time when Deichmann has risen sharply, Leonardo went into bankruptcy. The two companies had different investment patterns. While Deichmann was visible in all these years, investing in communication and being present in all environments, Leonardo was not present. Given that many consumers did not know that Leonardo is a Romanian company, the fall of Leonardo wasn't caused by the preference of Romanians for a foreign brand.

Table no.2. Top ten largest Romanian footwear retails in 2013

Rank	Company	Shareholding	Year of market entry	Turnover in 2013 (mil lei)	Turnover in 2009 (mil lei)	Evolution (2009-2013) (%)
1	Deichmann	Foreign	2007	203	54	278
2	Leonardo (bankruptcy)	Local	1997	161	410	-61
3	Otter Distribution	Local	1999	95	69	39
4	Benvenuti	Local	2004	67	35	92
5	Leather & Shoe	Foreign	2008	46	18	152
6	Pestos	Local	1999	30	13	140
7	Constar Haulica (insolvency)	Local	-	30	-	-
8	Ecco Shoes Romania	Foreign	2004	23	-	-
9	Mexxem (insolvency)	Foreign	2007	22	47	-52
10	Louis Vuitton Romania	Foreign	2008	20	18	8
Total	-	-	-	698	665	5

Source: National Trade Register Office www.onrc.ro

3. Adjustment of time series based on tendency functions

Adjustment and forecasting based on tendency function is a commonly used method in the prevision activity. It relies on adjusting the dynamic series using mathematical (analytical) functions appropriate to the evolution form. Analytical methods of adjustment are more accurate than mechanical ones because take into consideration all terms of the series. The main problem in applying these methods lies in choosing the right type of function that esteems the central tendency of the series. (Anghelache et. al., 2016)

After identifying the type of function that approximates the evolution of actual data, the parameters will be estimated, operation that is realized in most cases by least squares method. Adjustment function thus obtained explains the phenomenon evolution tendency in the previous period, but also values the terms of predicting time series terms. Most commonly used functions for adjustment and forecasting of dynamic series are: linear, parabolic, exponential, logarithmic and logistic. (Lazar et. al., 2009)

Linear trend function is used in case of linear evolutions, like the medium gain method. It has the following form:

$$\hat{y} = a + b \cdot t \quad (1)$$

It is assumed that the process which will be forecasted has the following form:

$$y_t = \hat{y}_t + e_t \quad (2)$$

t- Time variable

e_t - prediction error

4. The calculation of statistical indicators

Statistical indicators calculated will mainly be indicators of time series, used to analyze the evolution of turnover and profit for Rieker Romania SRL according to the official data available on the official site of Ministry of Public Finance.

Table no.3. Indicators according to the balance for Rieker Romania SRL

Year	Turnover (lei)	Profit (lei)	Debt (lei)
2010	133.222.971	1.546.848	650.389
2011	337.861.521	3.864.433	38.277.660
2012	269.631.141	2.748.508	25.081.382
2013	220.906.815	3.558.360	35.622.586
2014	361.224.796	3.918.108	36.232.985
2015	261.735.593	3.171.824	18.747.968

Source: Ministry of Public Finance <http://www.mfinante.gov.ro>

Analyzing the data presented in table no.3 it can be noted that turnover almost tripled in 2011 and 2014 compared with the value registered in 2010, increasing with 204.638.550 lei, respectively with 228.001.825 lei. In 2010 was recorded the lowest level of profit compared to previous periods. During 2010-2015 the profit fluctuated continuously, due to the level of debts.

Table no.4. The calculation of statistical indicators for turnover

Year	Turnover (lei)	Absolute growth (lei)		Growth rate (%)	
		Fixed base	Mobile base	Fixed base	Mobile base
2010	133.222.971	0	-	0,00	-
2011	337.861.521	+204.638.550	+204.638.550	+153,60	+153,60
2012	269.631.141	+136.408.170	-68.230.380	+102,39	-20,19
2013	220.906.815	+87.683.844	-48.724.326	+65,82	-18,07
2014	361.224.796	+228.001.825	+140.317.981	+171,14	+63,52
2015	261.735.593	+128.512.622	-99.849.203	+96,46	-27,54

Source: own calculation based on official data

Analyzing the statistical fixed base indicators it is noticed that highest growth of the turnover of 171.14 % was recorded in 2014 compared to 2010, in value of 228.001.825 lei and the lowest growth of 65,82% was recorded in 2013 compared to 2010, in value of 87.683.844 lei. Regarding the statistical mobile base indicators it is noticed that highest

growth of the turnover of 153,60% was recorded in 2011 compared to semester 2010, in value of 204.638.550 lei and the highest decrease of -27.54% was recorded in 2015 compared to 2014, in value of -99.849.203 lei.

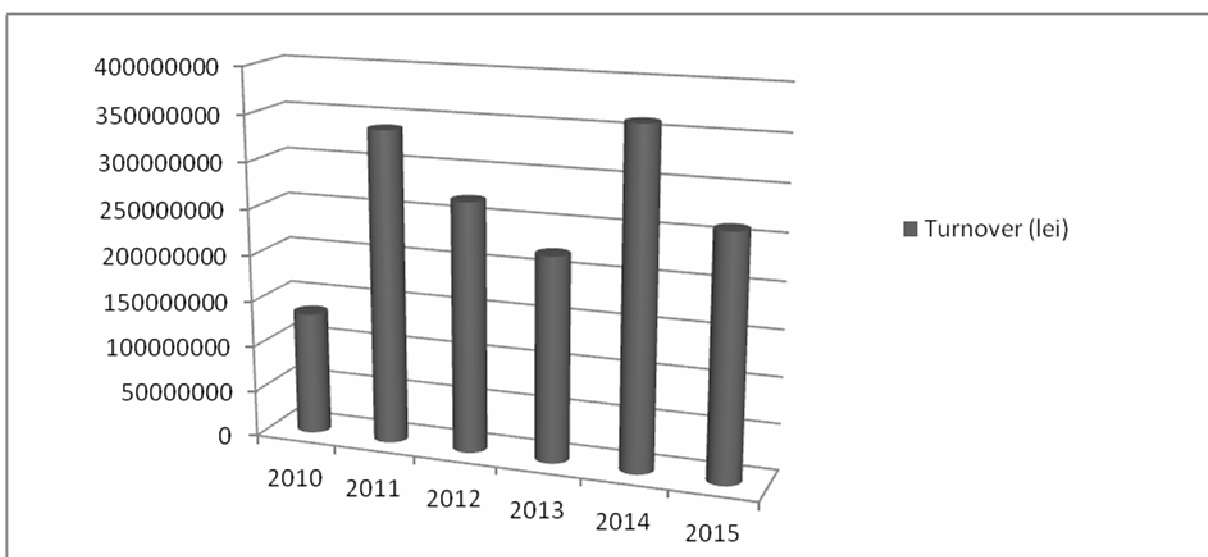


Fig. no.1. The evolution of the turnover in 2010-2015 of Rieker Romania SRL

Table no.5. The calculation of statistical indicators for profit

Year	Profit (lei)	Absolute growth (lei)		Growth rate (%)	
		Fixed base	Mobile base	Fixed base	Mobile base
2010	1.546.848	0	-	0,00	-
2011	3.864.433	+2.317.585	+2.317.585	+149,83	+149,83
2012	2.748.508	+1.201.660	-1.115.925	+77,68	-28,88
2013	3.558.360	+2.011.512	+809.852	+130,04	+29,47
2014	3.918.108	+2.371.260	+359.748	+153,30	+10,11
2015	3.171.824	+1.624.976	-746.284	+105,05	-19,05

Source: own calculation based on official data

Analyzing the results from table no.5, it is noticed that the highest increase of profit (+153,30%) was registered in 2014 compared to 2010. Analyzing the values of fixed base growth rate is observed that profit of Rieker Romania SRL registered a continuous increase compared to 2010. Also, values of dynamic mobile base rate reflects the fact that biggest profit growth rate was recorded in 2011 compared to 2010 and the highest decrease was recorded in 2012 compared to 2011 (-28,88%).

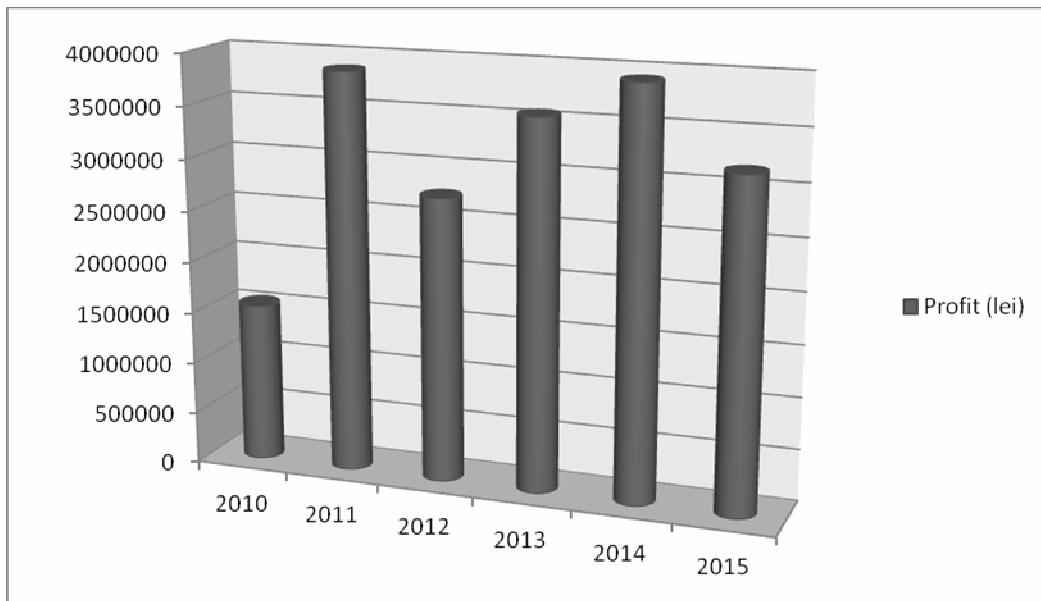


Fig. no.2. The evolution of profit in 2010-2015 of Rieker Romania SRL

Table no. 6. The adjustment of turnover by linear model

Year	Turnover (lei)	t	t ²	t · y _t	\hat{y}_t
2010	133.222.971	-3	9	-399.668.913	223.003.558,45
2011	337.861.521	-2	4	-675.723.042	236.701.418,8
2012	269.631.141	-1	1	-269.631.141	250.399.279,15
2013	220.906.815	1	1	220.906.815	277.794.999,85
2014	361.224.796	2	4	722.449.592	291.492.860,2
2015	261.735.593	3	9	785.206.779	305.190.720,55
Total	1.584.582.837	0	28	383.540.090	1.584.582.837

Source: own calculation based on official data

$$\left\{ \begin{array}{l} n \cdot a + b \cdot \sum t = \sum y_t \\ a \cdot \sum y_t + b \cdot \sum t^2 = \sum t \cdot y_t \end{array} \right. \Rightarrow \left\{ \begin{array}{l} 6 \cdot a = \sum y_t \\ b \cdot \sum t^2 = \sum t \cdot y_t \end{array} \right.$$

$$\left\{ \begin{array}{l} a = \frac{\sum y_t}{6} = \frac{1.584.582.837}{6} = 264.097.139,5 \\ b = \frac{\sum t \cdot y_t}{\sum t^2} = \frac{383.540.090}{28} = 13.697.860,35 \end{array} \right.$$

$$\hat{y}_{t_0} = a + b \cdot (-3) = 264.097.139,5 + 13.697.860,35 \cdot (-3) = 223.003.558,45 \text{ lei}$$

$$\hat{y}_{t_1} = a + b \cdot (-2) = 264.097.139,5 + 13.697.860,35 \cdot (-2) = 236.701.418,8 \text{ lei}$$

$$\hat{y}_{t_2} = a + b \cdot (-1) = 264.097.139,5 + 13.697.860,35 \cdot (-1) = 250.399.279,15 \text{ lei}$$

$$\hat{y}_{t_3} = a + b \cdot 1 = 264.097.139,5 + 13.697.860,35 \cdot 1 = 277.794.999,85 \text{ lei}$$

$$\hat{y}_{t_4} = a + b \cdot 2 = 264.097.139,5 + 13.697.860,35 \cdot 2 = 291.492.860,2 \text{ lei}$$

$$\hat{y}_{t_5} = a + b \cdot 3 = 264.097.139,5 + 13.697.860,35 \cdot 3 = 305.190.720,55 \text{ lei}$$

It is noticed that the sum of the initial values of turnover equals the sum of adjusted values. So it may be considered that the turnover has a linear trend. Further is presented the forecast of the turnover based on the linear model.

$$\hat{y}_{2016} = 264.097.139,5 + 13.697.860,35 \cdot 4 = 318.888.582 \text{ lei}$$

$$\hat{y}_{2017} = 264.097.139,5 + 13.697.860,35 \cdot 5 = 332.586.442 \text{ lei}$$

$$\hat{y}_{2018} = 264.097.139,5 + 13.697.860,35 \cdot 6 = 346.284.303 \text{ lei}$$

Table no. 7. The adjustment of profit by linear model

Year	Profit (lei)	t	t ²	t · y _t	\hat{y}_t
2010	1.546.848	-3	9	-4.640.544	2.514.094,80
2011	3.864.433	-2	4	-7.728.866	2.720.956,59
2012	2.748.508	-1	1	-2.748.508	2.927.818,38
2013	3.558.360	1	1	3.558.360	3.341.541,96
2014	3.918.108	2	4	7.836.216	3.548.403,75
2015	3.171.824	3	9	9.515.472	3.755.265,54
Total	18.808.081	0	28	5.792.130	18.808.081,02

Source: own calculation based on official data

$$\left\{ \begin{array}{l} n \cdot a + b \cdot \sum t = \sum y_t \\ a \cdot \sum y_t + b \cdot \sum t^2 = \sum t \cdot y_t \end{array} \right. \Rightarrow \left\{ \begin{array}{l} 6 \cdot a = \sum y_t \\ b \cdot \sum t^2 = \sum t \cdot y_t \end{array} \right.$$

$$a = \frac{\sum y_t}{6} = \frac{18808081}{6} = 3.134.680,17$$

$$b = \frac{\sum t \cdot y_t}{\sum t^2} = \frac{5792130}{28} = 206.861,79$$

$$\hat{y}_{t_0} = a + b \cdot (-3) = 3.134.680,17 + 206.861,79 \cdot (-3) = 2.514.094,80 \text{ lei}$$

$$\hat{y}_{t_1} = a + b \cdot (-2) = 3.134.680,17 + 206.861,79 \cdot (-2) = 2.720.956,59 \text{ lei}$$

$$\hat{y}_{t_2} = a + b \cdot (-1) = 3.134.680,17 + 206.861,79 \cdot (-1) = 2.927.818,38 \text{ lei}$$

$$\hat{y}_{t_3} = a + b \cdot 1 = 3.134.680,17 + 206.861,79 \cdot 1 = 3.341.541,96 \text{ lei}$$

$$\hat{y}_{t_4} = a + b \cdot 2 = 3.134.680,17 + 206.861,79 \cdot 2 = 3.548.403,75 \text{ lei}$$

$$\hat{y}_{t_5} = a + b \cdot 3 = 3.134.680,17 + 206.861,79 \cdot 3 = 3.755.265,54 \text{ lei}$$

It is noticed that the sum of the initial values of profit equals the sum of adjusted values. So it may be considered that the profit has a linear trend. Further is presented the forecast of the profit based on the linear model.

$$\hat{y}_{2016} = 3.134.680,17 + 206.861,79 \cdot 4 = 3.962.127,33 \text{ lei}$$

$$\hat{y}_{2017} = 3.134.680,17 + 206.861,79 \cdot 5 = 4.168.989,12 \text{ lei}$$

$$\hat{y}_{2018} = 3.134.680,17 + 206.861,79 \cdot 6 = 4.375.850,91 \text{ lei}$$

5. Conclusions

Valued at over 16 billion lei, the Romanian clothing and footwear market will continue to grow encouraged by the companies that have launched in the past two years, of which only this year were ten brands. Although there is a potential for development of this market, there are companies that even if they want to enter the market, have very specific

requirements related to space, others are obstructed by bureaucracy. Romanian retailers are few and have low economic power, which prevents them promote and develop. In terms of brands that access the market for the first time, Romania was more attractive than countries like Britain, France or Canada, being surpassed only by Asian countries such as Hong-Kong, Singapore or Japan. The advance from 2015 is a record for Romania which in 2013 and 2014 attracted 25, respectively 21 new retailers to the market. Bucharest, the ninth most attractive retail market in 2015 was surpassed by London, Dubai and Beijing and has been over Doha, Vienna and Paris. In the choice of place of opening of the first store, retailers prefer famous areas in 94% of cases within shopping centers. Nowadays it is noticed that while Romania attracts international brands, local retailers also become increasingly interested in export, names like Musette of Nissa having well-defined plans for more markets.

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THE STATISTICS OF THE CULTURAL-EDUCATIONAL ORGANIZATIONS IN ROMANIA

Funieru, Constanța¹
Păun, Maria²

Abstract

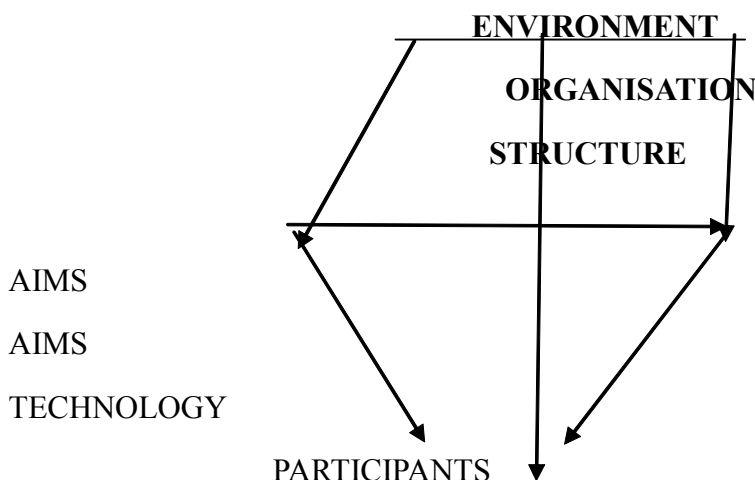
The current article has as theme the cultural-educational organisations. It is structured in two parts: one of theoretical nature, and the other of practical nature. Throughout this article is presented the concept of organization according to contemporary literature. The plus that is brought is the fact that cultural-educational organizations are presented from a statistical point of view. The starting point of the scientific development was represented by the fact that the cultural-educational environment contributes to the development of the individual. The main conclusion of the article highlights the fact the statistical indicators corresponding to the areas analysed present the alternation of the growth stages with the diminishing ones.

Key words: organization, culture, school, education

Jel: I 21

Theoretical approach

The organisation represents a tool that is responsible for achieving some aims, has a set of objectives and an internal structure made in such a way that it contributes to the achievement of the objectives. Levitt developed a model focused on five variables: organizational goals, technology, structure, people and environment. With the help of this model can be explained the variations that exist within the organizational structure (fig no 1).



Source: Levitt H, 1972

James E. Grunig underlines the importance of correlating organisation-environment with the objectives proposed by the manager. He declared that the practitioners must be able to demonstrate that their efforts contribute to the organizational aims, building long – term behavioural relationships (James E, 1993).

From the theory of human relationships up to the one of the management of human resources, the importance of social contact between employees and manager was much emphasized. The relation individual-organization in the informational society translates through the relation human resource-manager, whose exhaustive analysis involves the examination of the ways managers and employees stand their relationships (Ghilic M, 2001).

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The performance of the organization is determined mostly by the formulation of the strategy which takes into account the analysis of the two factors: internal and external (fig no 2).

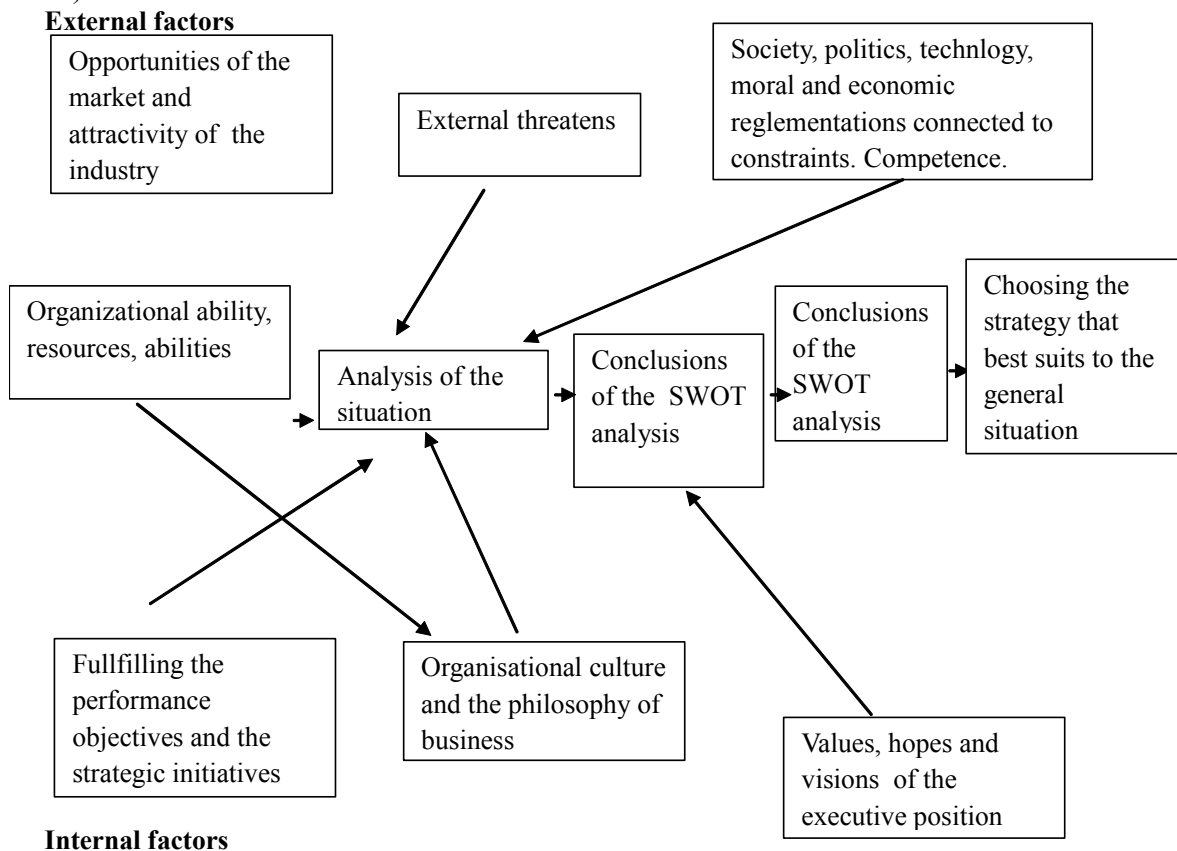


Fig no 2. The model of choosing the strategic alternative
 Sorce: Duică A, 2008

The management of organisation has as main aim finding and maintaining the balance between organisation and its environment. The aim of such an approach is that of facilitating the use of this conclusive information in the other stages of the process of substantiation of the strategy of the company(Naneş M, 2001).

2. Practical approach

2.1. The methodology of research

Aims: the analysis in the dynamic of the changes in the cultural-educational organizations.

Objectives:

O1. Knowing the changes that appear at the level of cultural organizations;

O2. Identifying the trend of school organizations in the last 5 years.

Hypotheses

H1. The number of cultural organizations present a tendency of development.

H2. The trend of school organizations do not present linearity.

This is a quantitative research based on the analysis of secondary sources (information taken from the national statistics). The collectivity under analysis: the cultural-educational organizations. The analysis was conducted for the period 2010-2015.

2.2. Obtained results

The data obtained from INS were taken and processed. The presentation of the data received was done on two levels: cultural organizations and school organizations.

2.2.1. The analysis of the cultural organizations

The relevant data can be seen in table 1 and table 2.

Table 1. Number of libraries

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
11829	11630	11309	11176	10845	10111

Source: <http://statistici.insse.ro/shop/>

The analysis of the number of libraries at national level for the period 2010-2015 reveals the fact that this statistical indicator analysed has diminished in the last five years with 1718.

Table 2. Number of cinemas

Years				
2010	2011	2012	2013	2014
UM: Number				
68	76	81	76	78

Source: <http://statistici.insse.ro/shop/>

The second statistical indicator analysed from the cultural domain is the number of cinemas. If in the case of the libraries the trend was almost a linear one, in this case periods of increasing and diminishing take place.

The analysis of school organisations

The level with number two presented during this scientific approach is the one dedicated to schools.

Table 3. School units

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
7588	7204	7069	7074	7127	7108

Source: <http://statistici.insse.ro/shop/>

The statistic of school units at primary, secondary and high school levels show a decrease of them in a period of 5 years with 480.

Table 4. Faculties on forms of public property

Years					
2010	2011	2012	2013	2014	2015
UM: Numbers					
629	614	596	590	583	567

Source: <http://statistici.insse.ro/shop/>

According to the previous table the number of faculties public property at country level decreased since 2010 until 2015 with 62.

Table 5. Number of faculties on forms of public property

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
422	410	405	405	403	409

Source: <http://statistici.insse.ro/shop/>

The indicator number of private faculties and public faculties in the last five years show a diminishing of them with 13.

Table 6. Number of faculties on forms of private property

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
207	204	191	185	180	158

Source: <http://statistici.insse.ro/shop/>

The indicator number of private faculties shows the fact that from 2010 until 2015 their value reaches 58.

Table 7. Number of classrooms

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
119570	116515	119188	120757	120287	119280

Source: <http://statistici.insse.ro/shop/>

Number of classrooms reached in 2015 at the value of 119280.

Table 8. Number of school laboratories

Years					
2010	2011	2012	2013	2014	2015
UM: Number					
26031	26106	26112	26668	26156	26300

Source: <http://statistici.insse.ro/shop/>

The last indicator analysed is the number of school laboratories, and the analysis from a statistical point of view shows an increase of them in the last five years.

Conclusions

During the two levels, analysed in the practical part, were achieved the objectives stated within the research methodology. The first hypothesis of research was confirmed only on half, and the second hypothesis is verified. The first hypothesis is not totally

confirmed because only the number of cinemas records an increase for the analysed period, while the number of libraries diminishes. The number of school organizations (primary, secondary and high school level) and the number of faculties (private and public) fell significantly during the last five months.

In conclusion, the analysis of the statistical indicators of the education and culture domains show an unfavourable situation.

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RESEARCH ON PERSONALITY TYPES IN THE DYNAMICS OF ORGANIZATIONAL MEETING

Maria-Elena, Gheordunescu¹

Abstract:

The concept of personality apparently seems simple, but in reality there is a wide growing range of phenomena, structures and sizes. There exists a wide range of definitions of personality, and this phenomenon shows no nonsense but an attempt to cover all aspects related to this structure bio-psycho-socio-cultural.

Throughout his professional life, every individual experiences different organizational roles and responsibilities derived from the specifics varied of their professional tasks group to which it belongs at a time or organization constitutive objectives. Rarely, it may happen that an organization people working absolutely alone; Typically, they are trapped in a specific network of interactions, which requires cooperation and coordinate their actions in an effort to achieve the objectives. Networking with a difficult person is tiring and frustrating, whether it's about someone in the family about a boss or colleague, collaborator or a mere acquaintance. If we do not understand how that person think, in which category is and how he sees reality different from us, it is unlikely to succeed to communicate and have a good relation ever. Instead, if we understand their way of thinking and we know the logic behind it, we can approach each one in the best way which help us to collaborate and to avoid conflicts with them.

This paper aims to study the personality types at work within an organization and what effects may occur. Based on a quantitative, but also qualitative, this paper constitutes an exploratory research, particularly by highlighting relevant information from the field.

Keywords: *personality, organization, conflict, work, employee.*

Clasificare JEL: *I15*

1. Introduction

"The concept of the person designate human individual concrete. Personality, contrariwise is a theoretical construct developed by psychology for understanding and explanation by the level of scientific theory of the manner of being and functioning characterizing person as psycho-physiological body." (Dafinoiu I, 2002)

By personality is understood usually "human subject" considered as bio-psycho-social unit, as a carrier of epistemic, pragmatic and axiological functions. Psychology considers personality like a macro operational and, information having defining characteristics for the subject. (Gheordunescu M., 2013).

Allport defines personality as "dynamic organization within the individual of those psychophysical systems that determine the thinking and characteristic behavior".

Norbert Sillamy sees personality as "stable element of a person's behavior, what characterizes and distinguishes it from another person". For Sociology personality is "sociocultural expression of human individuality." (Zamfir N., Vlăsceanu L., 1998).

As reality, personality is all psychological characterizing and individualizing a particular human. She is the living human, concrete, empirical, passionate, rational, so human as he felt outside ourselves or in our being. (Zlate M.,2000). So, knowing the personality, personality traits is important because it puts consistent person and career, which intends to develop.

Personality is very important in the context of work, discovering that it does predict happiness but also specific behaviors work. These behaviors include: performance, absenteeism, counterproductive behavior, efficiency in work, teamwork. Anișei M., (2013).

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Managers take into account the personality when hiring a new person, personality weighing harder in manager decision than intelligence. A lot of studies have shown how important is personality as a predictor of performance. Personality predicts a variety of behaviors very important for managers, including counterproductive behavior, desire to leave the organization, delays in the workplace, organizational citizenship behavior, job satisfaction, performance goals and leadership. (Landy & Conte, 2010).

Thus, the ability to integrate and to carry out effectively in a team are among the most requested things, but it is necessary and knowledge of typical traits of personality both employees and employers, in order to be use within the team. Gherman L., Dindire L., Pănoiu L., Popa L., 2013).

We appreciate that individual personality while developing permanent, in time under the influence of all the environmental, social, educational and cultural factors that human comes in contact along its development.

2. Research Methodology

The research purpose is to highlight the personality type that can have subjects within an organization and how it affects the life and work of those investigated.

In the current context was formulated following *hypothesis*: suppose that in analyzed society exists subjects with different types of personality, considering object of activity and they interact differently thus creating environment organization.

The main research objective is to highlighting the types of personalities taken by employees of an organization and how they react in different situations and how they interact between them.

This paper demonstrates the existence of several types of personalities within an organization and how they interact, shaping the environment company and helping achieve objectives in the most efficient way.

This paper focuses on a exploratory research which was conducted in March of 2016 and uses as research method quantitative and qualitative method. Personality type assessment was made by applying standardized questionnaire (S. Jenner, 2010), looking the type of personality. It consists of 15 questions, which give both activities of daily life of an employee and the tasks that it has to fulfill. Each question is one answer "YES" or "NO".

3. Analysis and interpretation of results

Socio-economic characteristics on subjects

Research had a total of 10 subjects, employees of the banking institution, aged 22-45 years, of both sexes, with a councilor current operations, counselor CLIPRI, charge current operations and cash desk functions. They seniority between 2 years and 20 years, all with higher education. Their main task is to realize current and counseling operations for customers natural or legal persons.

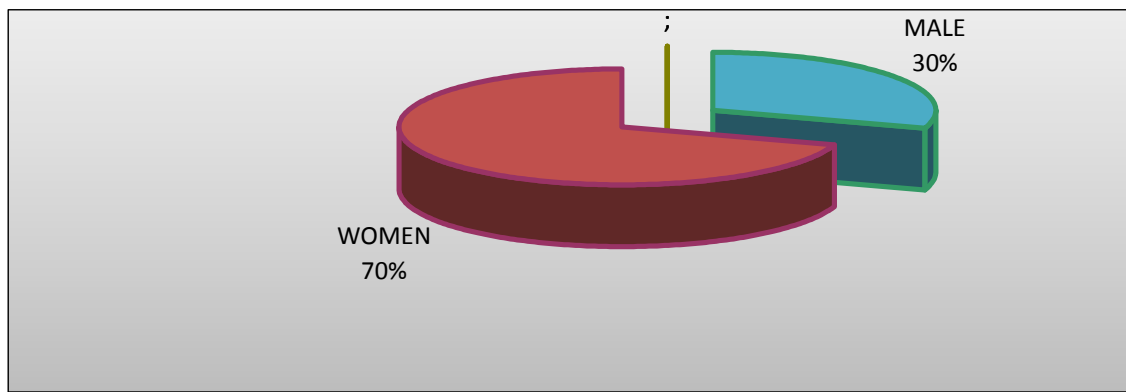
To identify the type of personality held by most employees was completed by them a personality questionnaire and responded to questions on the way to react to certain situations.

Following the responses of those we managed to identify personality type predominant in the company and how it helps or not to achieve the objectives and professional environment of the company.

Table no. 1
Characteristics of investigated subjects

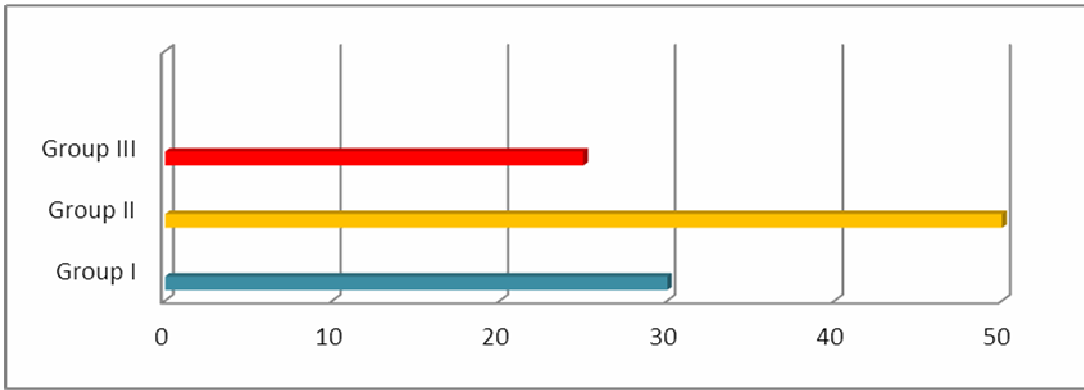
Category	Features	Nr.	%
Sex	Male	3	30
	Female	7	70
	Total	10	100
Age	25	1	10
	30	2	20
	32	2	20
	35	1	10
	36	1	10
	37	1	10
	43	1	10
	45	1	10
	Total	10	100
	Education	University	10

From *Figure no.1* we can see that in the company prevails female, which is almost 70%



(Figure no. 1). - The percentage of subjects by gender)

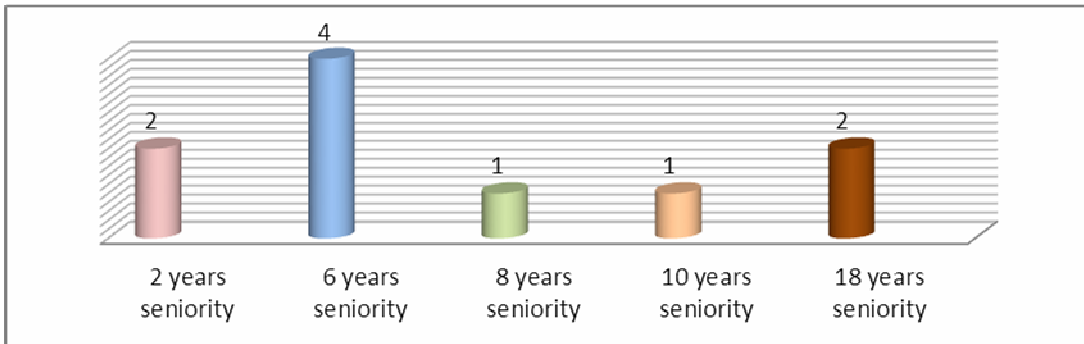
Taking into account demographic characteristics, subjects are divided into the following age groups: Group I consists of employees aged between 20 and 30 years, group II consists of employees aged between 30 and 50 years and group III consists of employees aged over 20 years. Figure No. 2, indicates that the majority is the group II of age, consisting of employees between 30 and 47 years.



(Figure no.2). *Share subjects by age group*

For a better delimitation of the existing kinds of personalities, subjects were divided according to the age they have in the bank.

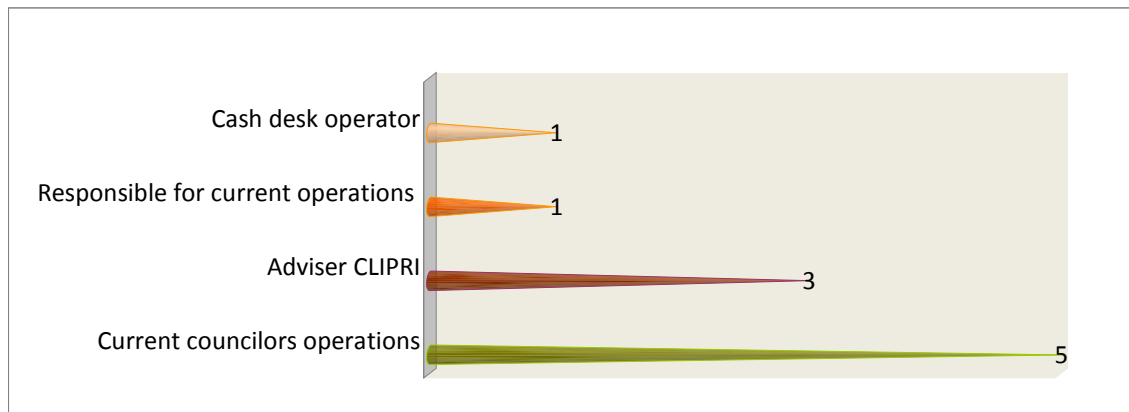
In *Figure No.3* we see differentiation of employees according to their seniority within the bank and note that most employees share is 6 years old, followed to equal by those with seniority to 2 and 18 years. Of those 10 employees surveyed only 1 have experience in BRD of 8 respectively 10 years.



(Figure No. 3) *Number of employees based on work experience*

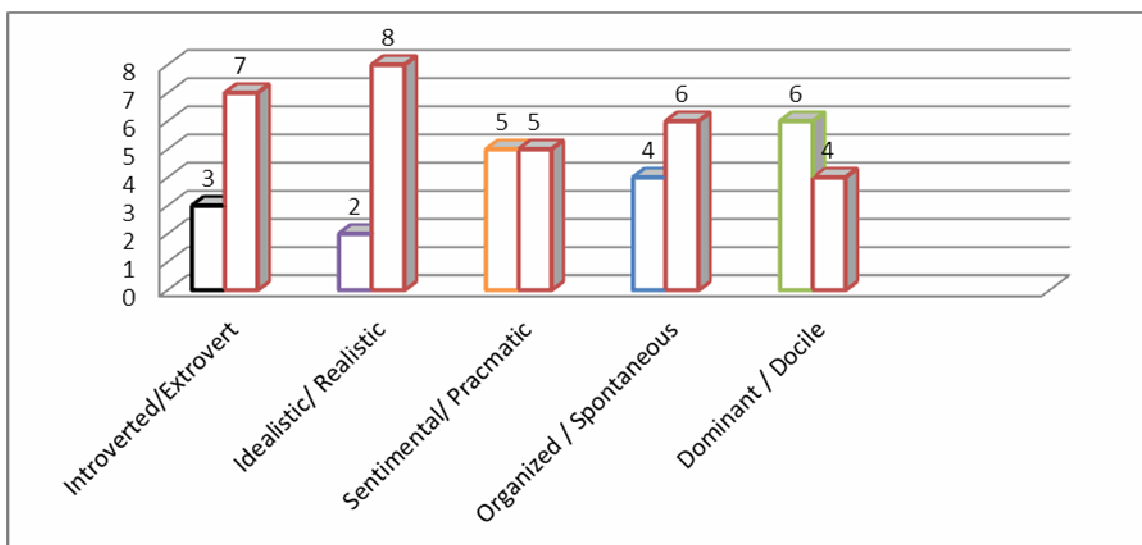
Figure No.4 exemplifies the number of subjects by position held and we can see that most are current councilors followed by adviser CLIPRI, these two functions assuming work continues both with customers and with monetary and involves an increased level of stress and responsibility, so it is necessary that individuals who occupy these positions hold a stronger type of personality to be able to fulfill its remit and objectives in a professional manner.

Function of responsible for current operations primarily requires that the subject to be the dominant type to be able to exercise management and control function, but this type of personality if used excessively and in the wrong way can generate labor disputes.



(Figure No.4) Number of subjects by position held

From *Figure No.5* we conclude that the following answers given by employees in the questionnaire, the first set of questions predominate extrovert type more exactly most employees prefer the company of other people, making them happy linking social relationships. This type of employee is sociable, loves fun activities, has many friends, feel the need to talk to people and does not like to read or study alone. Easily assume risk is adventurous and hazardous. Reach for strong emotions, desires commotion, acts as the inspiration of the moment and is generally impulsive. He likes to make jokes, tricks, and often he has an answer prepared in advance. He is oscillating, uncaring, optimistic, likes to laugh and be merry. It tends to be aggressive and easy to lose self-control.



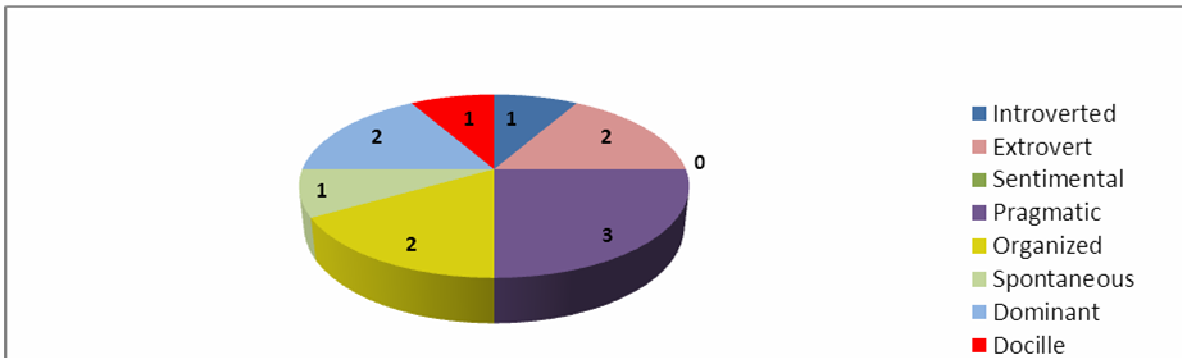
(Figure No. 5) Distribution of employees by type of personality

- Although prevail extroverted type there are also introverted people who do not like to be in the spotlight, contrariwise like loneliness. Such people prefer to solve problems themselves and complete the actions it started.

- From the same figure infer that the company most often meet people realistic that focused more on reality and less on the possibilities, perceiving the strict sense of things and prefers realism to the detriment of the possible things that cannot see or imagine

In smaller numbers, there are idealistic and people who like to imagine all sorts of scenarios and possible things they love ideas new visions and implications. Another feature of these people is that largely focuses on the future and what might be, rather than what it is now.

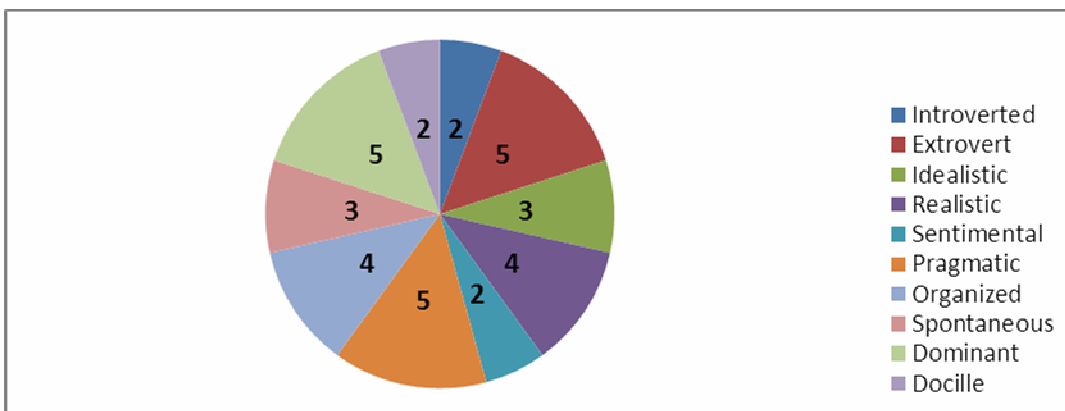
- In this organization meet 5 people sentimental and 5 pragmatic, which gives a favorable balance to the company .Sentimental type of employee tends to focus on feelings and personal values, and the pragmatic type are turning to analysis, rules, laws and policies.
- Maybe considered both an advantage and a disadvantage of the company that most employees prefer to be spontaneous, namely preferred targets without deadline and is characterized by flexibility, adaptability to change. Organized people prefer planning and fixed objectives with deadlines.
- Most of employees are the dominant type, being people decided, authoritarian, but we meet and docile, passive, people who do not like to take the lead company.



(Figure no.6.) Personality traits obtained from male employees

In figure no.6 we represented the result of male staff within the company and we can say that the three men who took part in the test, none of them are *sentimental*, all three being *pragmatic*, namely oriented analysis , rules, laws and policies. Here we see also that most are *organized*, loving them planning and fixed objectives with deadline. Another *dominant* is that are extroverts, preferring the company of other colleagues and law social relations.

Also most prefer to be dominant and only one in three is docile, being a passive person does not like to take over the team.

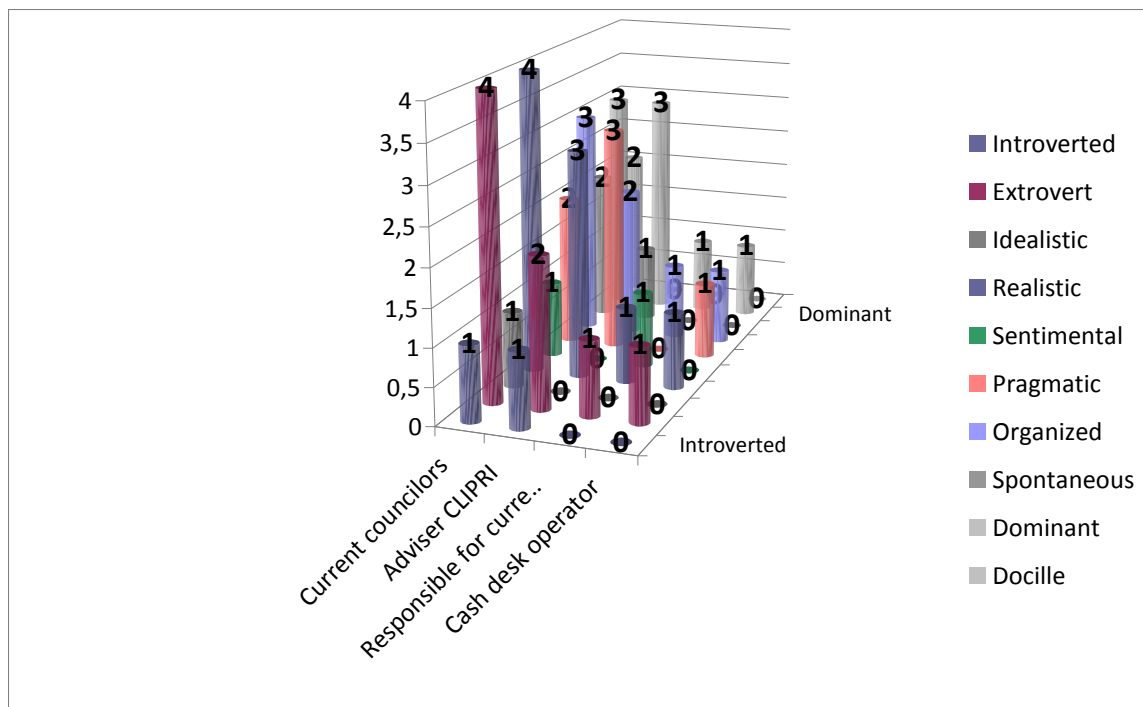


(Figure no.7). Personality traits obtained by female employees

From Figure No.7 arising dominant traits hold by female employees. Although there are people *introverted*, *extroverted* people prevails, preferring to socialize, linking social relationships and be and be different lumber many people.

Females are in a appropriated proportion both *idealistic* and *realistic* creating a balance between those who imagine scenarios and possible things that I love the new views and the implications and those focusing more on the reality who perceive the strict sense of things and prefer realism instead of idealism.

Another pronounced feature is that most is *pragmatic*, focusing on analysis, rules and laws and less on emotions and personal value. As with male employees and most of female employees fall to *dominant* personality type, being authoritarian and very determined.



(Figure No. 8) Types of personalities in relation to the position held

Analyzing subjects personality in relation to the position held from *Figure No.8* see that *counselors current operations* most often encounter extroverted person, realistic, spontaneous, organized and dominant, but also introverted, idealistic, sentimental, pragmatic and docile, but in small proportion. For *CLIPRI Counselors* most common personality types are extrovert, realistic, pragmatic, organized and dominant. Idealist personality type has not been seen in any subject who holds an adviser CLIPRI.

If the *person responsible for operations* only meet extrovert personality type, realistic, sentimental, organized and dominant. The same situation we have and if *the cash desk operator* with the difference that we have in this pragmatic personality at the expense of the sentimental type.

Based on the analysis conducted after completion of the personality questionnaire by the subjects we conclude that most employees are extrovert loving them to socialize, to work in a team, which is very important in an institution of this kind.

Another trait is that they are realistic, focusing on reality and less on what could be.

Type of activities performed by them are to prevail pragmatic personality turning to analysis, rules, laws and rules, but there is and sentimental subjects which is focused on feelings and personal values. Organized or spontaneous personality type is found in 50% each, so some of the subjects prefer planning and deadlines fixed, while the other is spontaneous is characterized by flexibility and adaptability to change.

Although there are many types of personalities within the organization, the environment is productive labor conflict is beneficial because it creates positive competition among employees to achieve targets.

Conclusion

Personality is formed at birth and continues to develop throughout life, based on heredity and being strongly influenced by interpersonal and social relations.

Personality is a relatively stable configuration of mental qualities which manifests itself in constant behavior, giving uniqueness and individuality of the person. Personality traits are characterized as usual manner of perceiving the environment and oneself, and the way they behave and react an individual.

Given the present judges the types of personality are essential in creating the environment in the workplace due to their generating and conflicts are at work, which may have a positive effect.

Scientists say that about half of the human personality variations are defined by genetic factors. However, personality is constructed of two completely different traits: character and temperament. But personality traits are predominant, and they dictate our basic personality. The difference is given any figures of its dominant features. Of all the features that you hold an individual, he prefers to use consistently the best defined. Other features, less developed, are somewhat neglected in comparison with them.

Thus, through this research, we could see that in the analyzed company activate all personality types in different proportion, without take account of gender or seniority.

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.IN SEARCHING FOR A LEADER. STUDY CASE: CONTINENTAL AUTOMOTIVE TIMISOARA ROMANIA

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Duda-Daianu, Codruta²**

Abstract:

Being a leader is not a job, it is a calling.

It is about passion, confidence, dedication, energy and committed.

A leader must know how to guide his team to challenging situations and sometimes the company depends on the decision he takes.

The main propose of this paper work is to identify and analyze the particular ways of leadership style within a multinational company from west part of Romania, highlighting how the leaders are perceived by the employees, what are the most powerful qualities of a Romanian's leader which can inspire and motivate the employees for performance .

Key words: *leadership, communication, trustworthiness, commitment to excellence*

JEL classification: M12, M50, M53

INTRODUCTION

The global development of world economy has led to the improvement and development of business and the emergence of people who with its innovative approach, intelligence, and its will rise business processes to a higher level. In recent decades, until now these people are almost identified with firms and companies in which they work, simply because the whole process of development is based on them, they willingly and using words motivate employees to identify with the companies in which they work. These people are leaders or the contemporary leaders of the development.

LITERATURE REVIEW

Due to globalization, companies are changing their structure and competing in a bigger arena. Most of these organizations used to think of capital simply as shares, cash, investments, or some sort of wealth. Over the years, these organizations have changed their views and have added employee development and performance management as a strategic business priority to set them apart from their competition.

In this context, leadership plays a significant role in employee performance and productivity because when a good leader support his employees, they will be more willing to perform and overcome their duties in a more efficient and effective way.

Having a variety of definitions and interpretations, leadership could be 'getting others to follow' by setting a clear vision and persuading employees into accepting and understanding the future of the company or as a combination of certain traits, skills and knowledge.

It is difficult to give an accurate meaning because it involves activities with groups, dealing with different types of behavior.

Building the relationship between a leader and his/her followers requires an appreciation from the leader for the personal values of those who would be willing to give their energy and talents to accomplish shared organizational objectives (Bass, 1985).

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Being a leader is not a job, it is a calling. It is about passion, confidence, dedication, energy and committed within the employees. When employees are engaged, they are emotionally connected to others and cognitively vigilant to the direction of the team and when employees know what to expect, have the resources to complete their work, participate in opportunities for growth and feedback, and feel that they contribute significantly to the organization.

- **Something about leadership styles**

Leadership is less about your needs, and more about the needs of the people and the organization you are leading. Leadership styles are not something to be tried on like so many suits, to see which fits. Rather, they should be adapted to the particular demands of the situation, the particular requirements of the people involved and the particular challenges facing the organization.

Daniel Goleman describes six different styles of leadership (Goleman et al, 2013). In his opinion, the most effective leaders can move among these styles, adopting the one that meets the needs of the moment. They can all become part of the leader's repertoire.

Visionary. This style is most appropriate when an organization needs a new direction. Its goal is to move people towards a new set of shared dreams. "Visionary leaders articulate where a group is going, but not how it will get there – setting people free to innovate, experiment, take calculated risks," write Goleman and his coauthors.

Coaching. This one-on-one style focuses on developing individuals, showing them how to improve their performance, and helping to connect their goals to the goals of the organization. Coaching works best, Goleman writes, "with employees who show initiative and want more professional development." But it can backfire if it's perceived as "micromanaging" an employee, and undermines his or her self-confidence.

Affiliative. This style emphasizes the importance of team work, and creates harmony in a group by connecting people to each other. Goleman argues this approach is particularly valuable "when trying to heighten team harmony, increase morale, improve communication or repair broken trust in an organization." But he warns against using it alone, since its emphasis on group praise can allow poor performance to go uncorrected. "Employees may perceive," he writes, "that mediocrity is tolerated."

Democratic. This style draws on people's knowledge and skills, and creates a group commitment to the resulting goals. It works best when the direction the organization should take is unclear, and the leader needs to tap the collective wisdom of the group. Goleman warns that this consensus-building approach can be disastrous in times of crisis, when urgent events demand quick decisions.

Pacesetter. In this style, the leader sets high standards for performance. He or she is "obsessive about doing things better and faster, and asks the same of everyone." But Goleman warns this style should be used sparingly, because it can undercut morale and make people feel as if they are failing.

Commanding. This is classic model of "military" style leadership – probably the most often used, but the least often effective. Because it rarely involves praise and frequently employs criticism, it undercuts morale and job satisfaction. Goleman argues it is only effective in a crisis, when an urgent turnaround is needed. Even the modern military has come to recognize its limited usefulness.

Depending upon the circumstances, leaders will use different leadership styles. The most affective leaders know how to adapt their style to every different and unique situation that can arise and face to the challenges of the environmental conditions. They know how to generate viable business approaches and maintain organizational stability.

For achieve performance at organizational level, leaders understand there is more than just motivating their employees, they have to focus towards creating an environment

of engagement. This means a complex process, that requires time to fully develop it being supportive and offering the right vision regarding long term goals. Knowing how to increase satisfaction and the level of engagement help prevent having a disengaged workforce.

RESEARCH METHODOLOGY

The present paper work aim is to identify and analyze the particular ways of leadership style within a very important company from west part of Romania, highlighting how the leaders are perceived by the employees, what are the most powerful qualities of a Romanian's leader which can inspire and motivate the employees for performance.

The company is Continental, a German automotive manufacturing company which is the world's fourth-largest tire manufacturer. Our research is realized on Continental Automotive Timisoara, Romania, IT department.

In this respect, the purpose of our study case is to find the existence of the leadership components in company Continental Automotive Timisoara and to highlight the most powerful qualities of the Continental leaders.

The research method used was the questionnaire survey and the research tool, questionnaire. The questionnaire has 10 questions and it was distributed to 34 employees where from 4 with managerial position and 30 with executive position.

The people questioned represent 90% of the employees from IT department, Continental Automotive Timisoara. Data processing was done using Excel in Microsoft Office.

DATA ANALYSIS AND FINDINGS

After analyzing the data and interpreting the results, were found interesting aspects regarding the most powerful qualities of the Continental Automotive Timisoara leaders and leadership style implemented here.

Question nr. 1:

Employee	Does your leader help you understand the new assignments and procedures?
Leader	Do you help your employees understand the new assignments and procedures?

One of the characteristics of a great leader is the ability to help their employees when it comes to assignments and procedures. Every leader should tell the employees which are their responsibilities and what to do to receive great results.

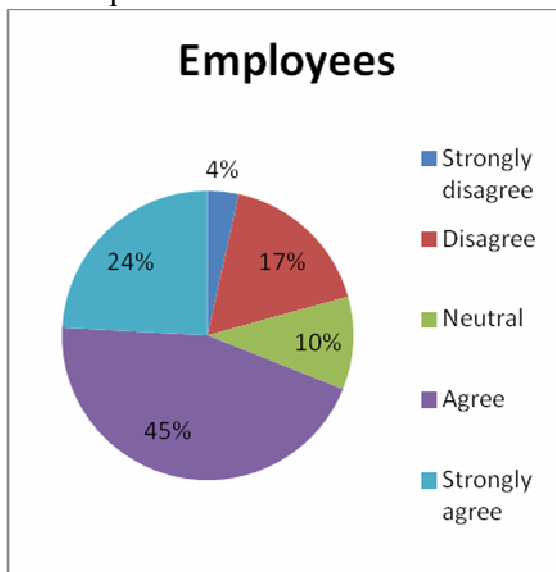


Fig.1.1.

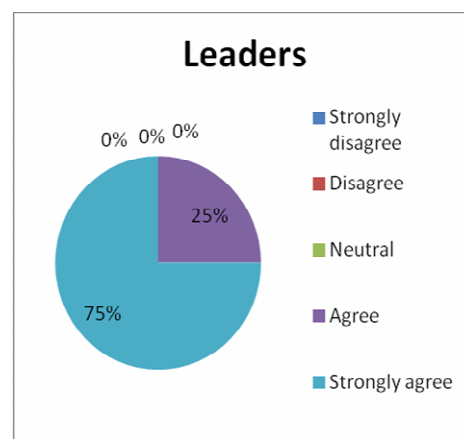


Fig.1.2.

These results represent a positive aspect because when the employees understand the tasks they have to execute, the chance that they feel frustrated because they do not know what to do at the workplace, is about to decrease.

These answers also represent a positive aspect because managers are disposed to give a hand to the employees and they fulfill their responsibilities as a good and devoted leader.

Question nr. 2

Employee	Does your leader take prompt decisions relating to your work?
Leader	Do you take prompt decisions relating to your employees' work?

The changes that might arise in business challenge the companies to be more flexible and to be more focused on adopting new innovative ideas which might assure them an advantage in the business world competition. They should be more proactive than reactive. All these elements are survival elements for a company. This kind of situation constrain the leaders to take prompt decisions without affecting their quality.

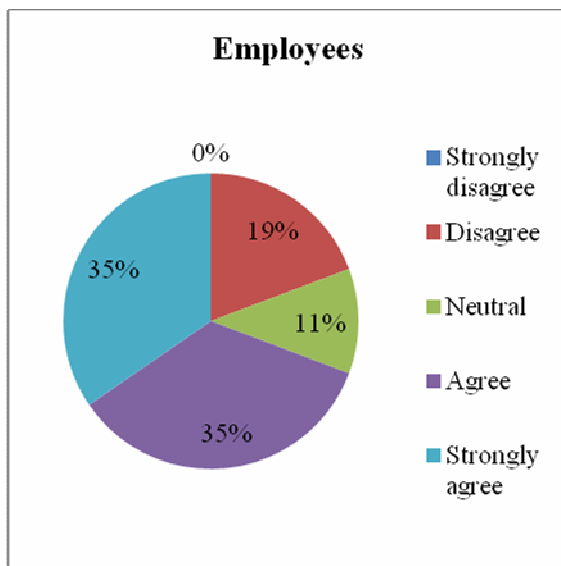


Fig.2.1.

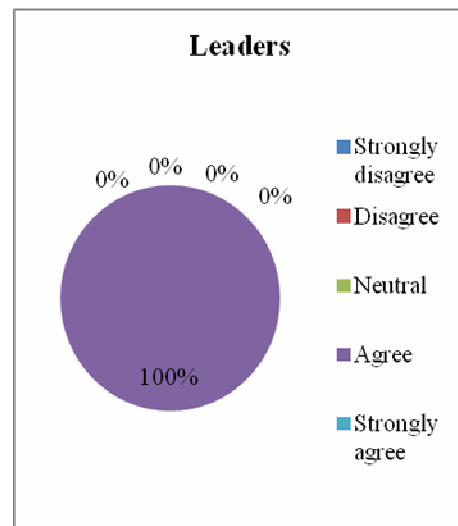


Fig. 2.2.

The employees' answers shows that the majority are satisfied with the prompt decisions that their leader takes, but a percent of 19 disagree with them. Perhaps they believe that the quality of the decisions is affected by external factors.

As stated above, all the leaders questioned said that they had agreed with the second question from the questionnaire.

There is a discrepancy between the answers of the employees and the managers in as far as 5 of the employees would not rather say that the leader's decisions are prompt.

Question nr. 3

Employee	Does your leader decide the specific objectives of your post?
Leader	Do you decide the specific objectives for your employees?

The specific objectives determined by the leader for the employees have a huge influence in the development of a company because these objectives can stimulate and excite the employee in reaching his goals. Deciding the objectives both the employee and the manager at the same table, working together to conceive them can make the employee understand exactly which is his role in the company and what exactly he has to work for.

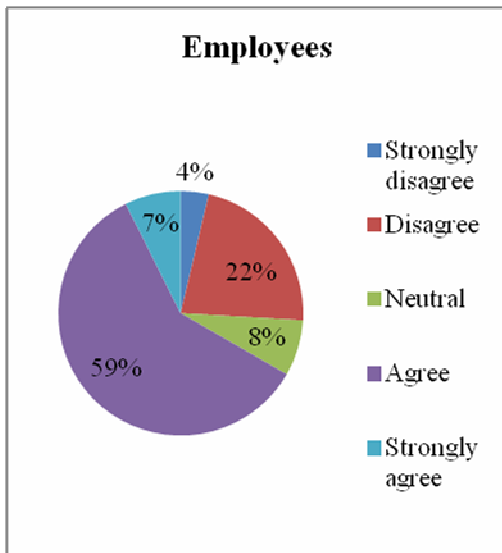


Fig.3.1.

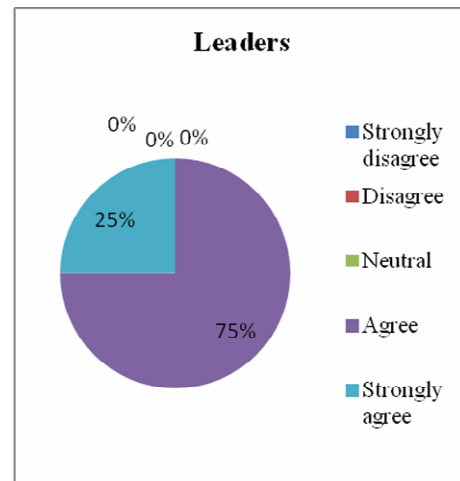


Fig.3.2.

The information we received shows that more than half of the employees believe that they receive specific objectives of their post while the others feel that little information about the objectives of their post was given to them by the leader.

In comparison with what the employees answered, the leaders claimed that they decide the specific objectives with the consult of their employees.

There is a difference between what both sides answered and it might occurred because of the incapacity of the leaders to give specific targets to the employees. Even if they are right-minded, some of the employees are not getting the message properly.

Question nr. 4

Employee	Does you leader give you the responsibility and the authority of taking decisions to fulfill your duties independently?
Leader	Do you give to your employees the responsibility and the authority of taking decisions to fulfill their duties independently?

Delegation is the tool the employees use to share different task to his team members. Nowadays, in modern companies it is commonly used the authority delegation. It is considered to be very efficient. Some of the modern leaders use this type of delegation because they want their employees to feel important and trusted.

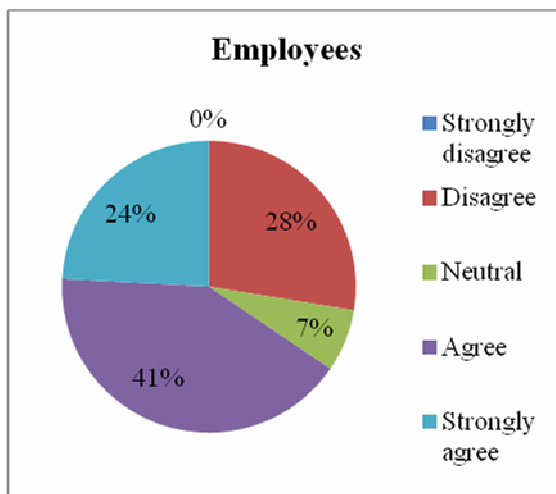


Fig.4.1.

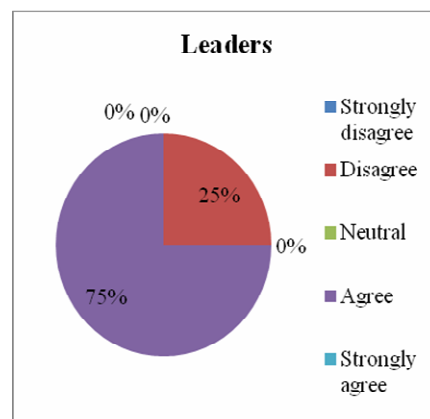


Fig.4.2.

As we can see the 28% of the Continental (IT department) employees do not agree with the question. This means that they do not feel independent enough at the workplace.

Even though, the majority affirmed that their leader gives them the responsibility and the authority they need to take decisions and to fulfill their duties independently.

All the questioned leaders agreed and strongly agreed with this question. This means that they believe they give the employees the authority they need to do their jobs independently.

There is a contradiction between the answers of both sides and the reason might be the employees' desire for more independency from the leader.

Question nr. 5

Employee	Does you leader put effort into making the group remarkable through great results?
Leader	Do you put effort into making the group remarkable through their great results?

This question refers to the engagement of the leaders in planning the work in the department. The leader represents an inspiring model for the subordinates.

He is the one who promote the enthusiasm, the one who take risks and also the one who makes sure that the workplace is charged with positive emotions, so that the employees can work in an a pleasant atmosphere.

The leader builds the team and bring the team spirit among the employees, he highlights their abilities and this is how the leader bring out into relief his team.

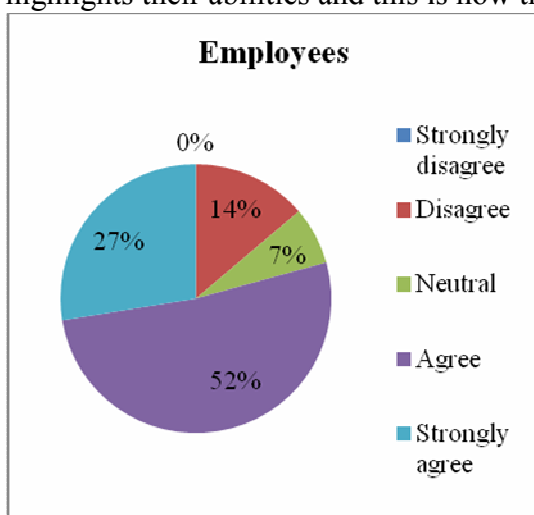


Fig. 5.1.

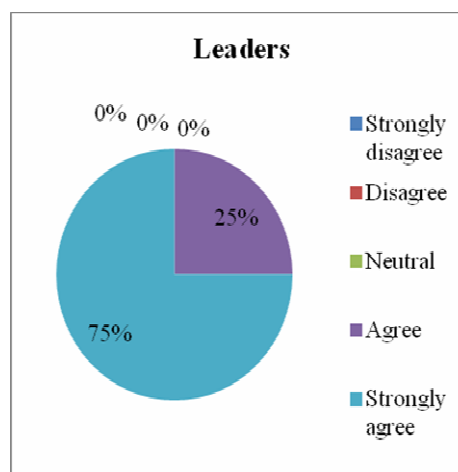


Fig. 5.2.

A percentage of 14% do not believe that their leader put effort into making the group remarkable and this is why they disagreed the question. 7% are neutral and the rest appreciate the work of their leader.

These answers show that the leaders are involved in planning the work of the department and that they pay close attention to the results obtained by the group. The leaders are interested in developing both the team and each member of it.

Question nr. 6

Employee	Does you manager help you improve your professional performances?
Leader	Do you help your employees improve their professional performances?

Improving the employees' professional performances means developing the company. Not only that the leader must inform the employees about their professional results, but he also must give them advice to improve them. This might happen only if the leaders are open-minded, communicate with the employees and are involved in helping the employees grow.

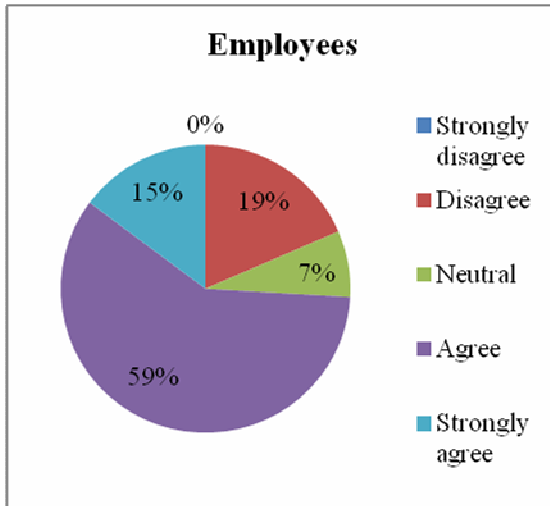


Fig.6.1.

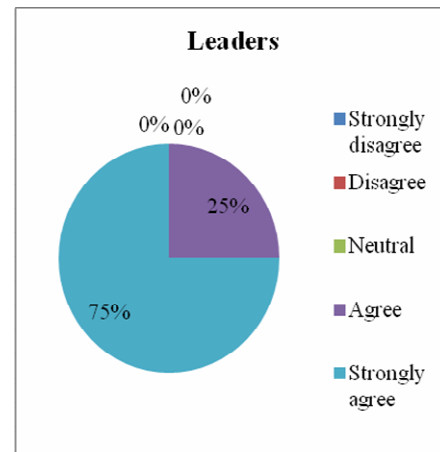


Fig.6.2.

In the main, in the IT department of Continental Timisoara the employees are satisfied with the way the leader help them develop. A small part of them think that the leader should try to help them more than he does.

These answers show that the leaders inform the employees about their professional results and they give them advice to become better employees and this way the company will develop.

Question nr. 7

Employee	Does your leader express his critics in a right and objective way?
Leader	Do you express your critics in a right and objective way?

The leader is the one who has to explain to all the employees the tasks they have to fulfill, he is the one who assigns the specific objectives for every post together with the employees. He also gives feedback to the employees for their work and sometimes this is a difficult moment. The leader must know how to give the feedback to the employees. It had to be given in an objective way and is has to motivate the employee to become greater, not to deter him.

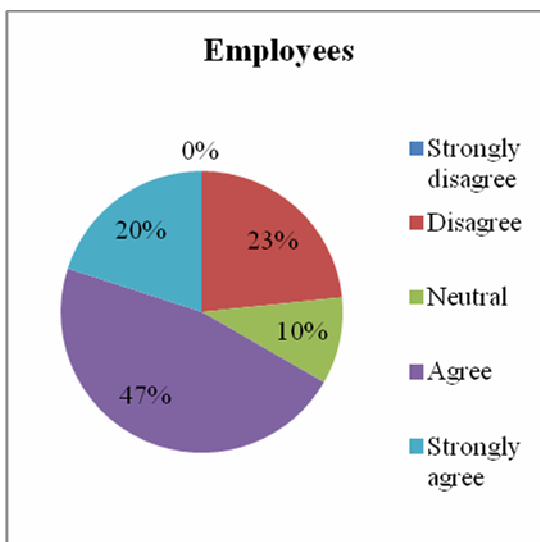


Fig.7.1.

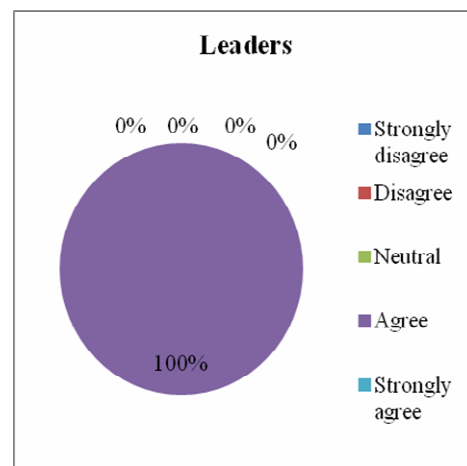


Fig.7.2.

For the most part, the questioned employees agreed with the question. 23 percent of them would like their leader to be more cautious while giving feedback and to be fairer.

The managers have the desire to motivate the employees and try to express their critics in a right way and this is a positive aspect of the company.

Question nr. 8

Employee	Does your leader take into consideration your personal opinion?
Leader	Do you take into consideration the personal opinion of your employees?

This question highlights an important quality of a leader, more exactly the trust that the leader gives to his employees. Taking into consideration the personal opinion of the employees gives them more self-confidence, which is very important for the development of the company. The uninvolved employee, in the activity of the organization, will determine a decline of the performance of the organization, the employees will not be motivated and satisfied of what are they doing. Therefore, taking into consideration the opinion of the employees is essential for the success of the organization, especially in this period, when the economical changes from business are very fast and unpredictable.

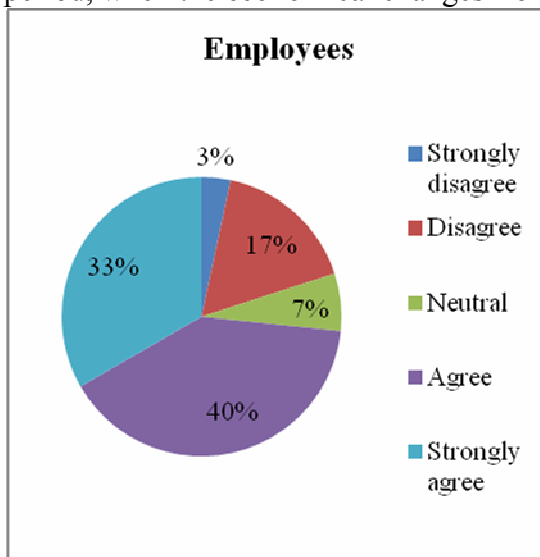


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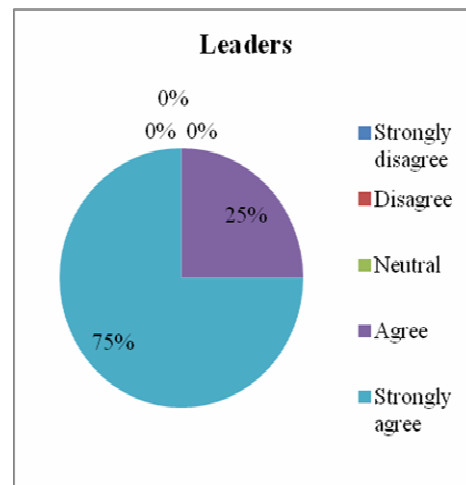


Fig. 8.2.

A percentage of 73% consider that their leaders take into consideration their personal opinions (40% agree; 33% strongly agree), but exist 20% that do not consider that their leaders take into consideration their personal opinions (17% disagree, 3% strongly disagree).

The circumstance that the opinion of over a half of the employees coincides with the opinion of the leaders, shows that the leadership style is a good one.

Question nr. 9

Employee	Does your leader treat you respectfully and thoughtfully?
Leader	Do you treat your employees respectfully and thoughtfully?

An extremely important aspect for the employee is to be treated respectfully and carefully by the manager. There are leaders who through their actions and their words make the employees feel aggrieved. In this way, the employees will not contribute to brainstorming or to activities at the workplace. As result, the performance of the company will decrease and the employees will be less motivated and they might leave the company.

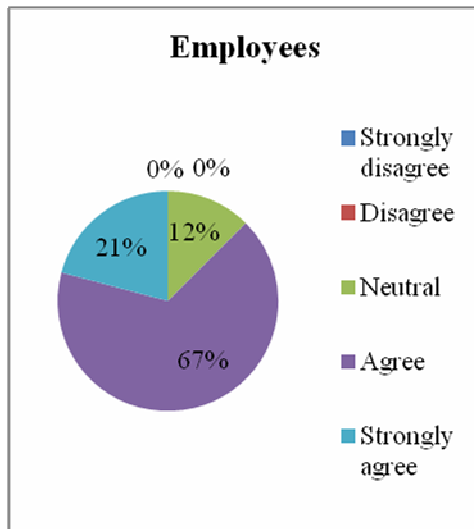


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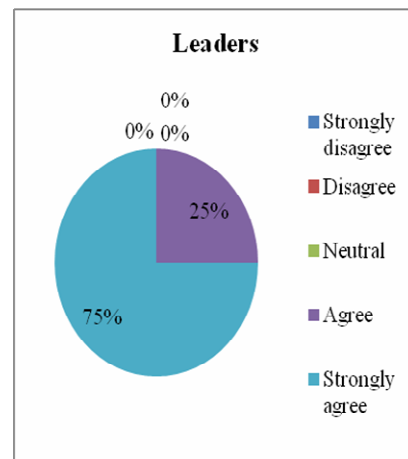


Fig. 9.2.

The employees of Continental feel respected by the leaders and this is the reason why there was no employee to disagree the question.

The leaders of Continental are focused on making the employees feel appreciated and respected. A percent of 25 agreed and a percent of 75 strongly agreed the question.

Question nr. 10

Employee	Does your manager intervene in workplace conflicts?
Leader	Do you intervene in workplace conflicts?

A conflict appears whenever exist disaccord between two or more persons. A conflict may have even positive effects (when it comes to benefic effects for work, relation, building a big step to development), and also negative effects (when it deteriorate the interpersonal and group relations, darkening the process and development). A leader must adopt an assertive attitude. An assertive person, has self-confidence, thinks positive, earns the respect of others, know how to negotiate for solving a conflict. A leader must know how to manage a conflict and to brave openly any conflict.

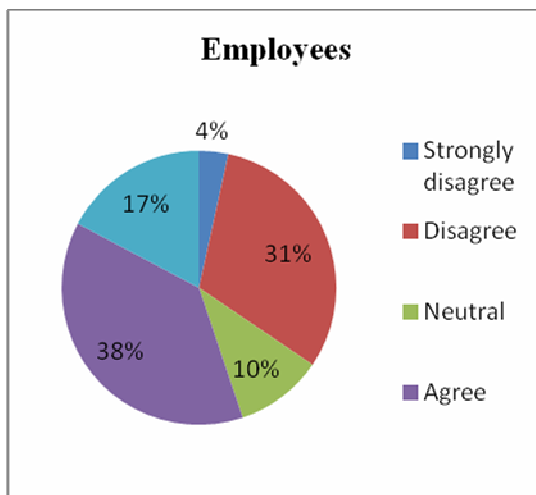


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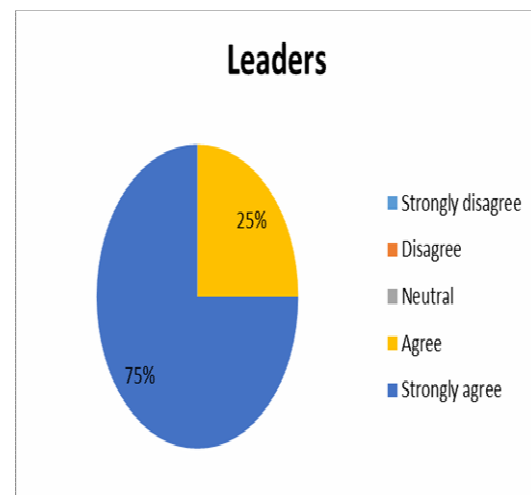


Fig. 10.2.

In the IT department, we observed that the leader's opinion coincides in majority percentage with the opinion of their employees regarding the conflicts defusing from organization.

CONCLUSION

After the interpretation based on the questionnaire distributed to the leaders and employees in IT department from Continental Automotive Timisoara, we obtained a general view over existence of the leadership components and what are the main characteristics of the Continental Automotive Timisoara leaders.

The leaders are involved in employees development and this generated a high level of motivation and loyalty within the personnel. The communication between the leaders and employees is important in this company and they build a relationship based on trust. This highlights the good relation between the leader and his employees and shows us the great level of communication and the relations between them. (Q2; Q3; Q7; Q8; Q10). The leaders help the employees understanding the tasks, offers them a pleasant atmosphere at work and give them a fair feedback and with this they can help their employees to change their perception which they have about the organization. (Q1; Q4; Q5; Q9). The organization offer good opportunities of development of the professional career and leaders help their employees to improve their professional performances. (Q6).

Within this research we discover some qualities that characterized the leaders at Continental Automotive Timisoara. These qualities are: trustworthiness, commitment to excellence, being careful in encouraging and supporting the professional development of the employees.

The Continental Automotive Timisoara leader is a positive model for his team and he shares the passion for achieving the goals with his group members.

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INFLUENCE OF EMERGING PSYCHOSOCIAL RISKS AND WORKPLACE STRESS

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Abstract

The tough economic competition the present social life experiences, is considered to be one of the signs or reactions generating what has passed into the daily language under the name of “professional stress” or “occupational stress”, and work security and health is approached increasingly frequently from the perspective of emerging psychosocial risks. Stress and the psychosocial risks emerging at the workplace have a significant impact on the health of the people, of the organizations and of the national economies. The emergence of stress and of other psychosocial risks in the work processes require the adoption of an anticipative attitude and a constant level of vigilance, to identify and evaluate them.

Key words: stress, emerging psychosocial risks, risk anticipation, risk evaluation

JEL classification: O15

1. Emerging psychosocial risks

The notion of emerging risk can be ambiguous and, consequently, misunderstood and misinterpreted. It tends to consider that risks are antagonistic, and especially that emerging risks are opposed to classical risks, whereas actually they entail each other.

Psychosocial risks are caused by the precarious design, organization and management of the activity, and by an inadequate social context at the workplace and can have negative psychological, physical or social effects, such as workplace stress, exhaustion or depression.

The term “emerging risk” has the advantage of permitting the realization of a distinction compared to the traditional risks which remain true: falling from a certain height; falling from stepping level by imbalance or sliding; weight transport and manipulation, these constituting actually at present the main reasons of work accidents.

The European Agency for Security and Health at Work (EU-OSHA, 2016), to realize a distinction as clear as possible, approached during a first stage the definition of emerging physical risks.

An emerging risk is both new and growing.

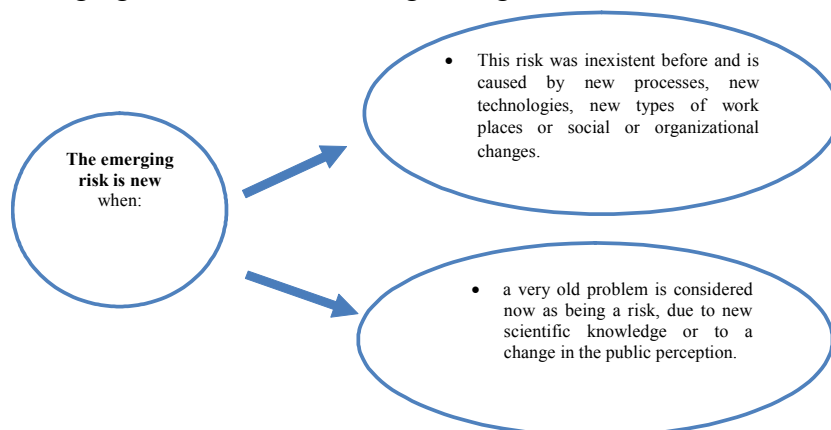


Figure 1. Character of novelty attributed to emerging risk

Source: [1], modified by the author

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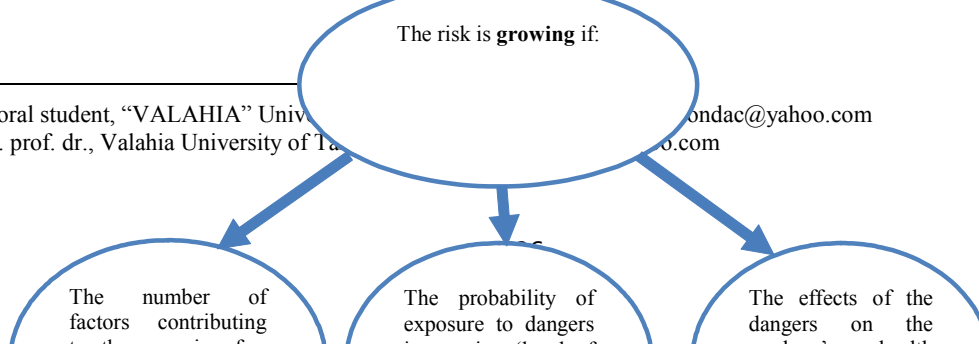


Figure 2. Conditions of risk increase

Source: elaborated by author

The aspects constituting the focus of emerging physical risks are:

- thermal discomfort;
- lack or insufficiency of physical activity;
- combined exposure to musculoskeletal disorders (MSD) and psychosocial risks;
- multifactorial risks;
- increased vulnerability of lower level workers;
- growing complexity of the new technologies;
- exposure to ultraviolet radiations, vibrations, uncomfortable work positions.

A rigorous classification of emerging risks is a difficult and complex approach, since the categories identified and inventoried are characterized by sometimes vague limits, which can even overlap or interpenetrate.

It is considered adequate to rather classify emerging risks depending on the factors that generate them rather than on the consequences induced, all the more so as the resulting pathologies or accidents are caused by the action of several factors.

The preoccupations of the different factors affected and /or interested in the domain of security and health at work are focused on the emergence of risks triggered by the following three main categories of factors:

- work processes evolution;
- development of new technologies and activity sectors;
- emergence of new professions, corroborated with specific demographic evolutions.

The psychosocial aspects of work hold a main place in the set of emerging risk factors. Psychosocial risks emerge from the influence of the human, organizational, social and technical context of the work process on the worker.

Stress at the workplace tends to become a generic term designating the set of psychosocial risks. This set is analyzed as a manifestation of the imbalance between the worker's obligations and the means and skills available to him to accomplish his task at work. Stress at the workplace, hard to quantify *per se*, can be appreciated via indicators such as absenteeism and personnel fluctuation in companies.

A favorable psychosocial environment increases performances and personal development, as well as the workers' psychophysical welfare. When demands at the workplace go beyond the workers' capacity to accomplish them, the workers are affected by stress. Beside the problems of psychic health, the workers dealing with prolonged stress

can develop later on serious physical health problems, for example cardiovascular or musculoskeletal disorders.

The negative effects on the level of the organization are:

- generally poor economic performance,
- increased absenteeism,
- increased presenteeism (workers' presence at the work place when they are diseased or when they cannot accomplish their tasks efficiently)
- multiplied wounding and accidents.

Absences tend to be longer than those based on other reasons, stress at the workplace being able to contribute as well to the increase of the early retirement rate, especially among office employees.

The estimates of the costs the companies and the society bear because of stress at the workplace are considerable, i.e. billions of euros nationally.

2. Stress at the workplace

Stress is one of the highest emerging risks for health and security at the workplace.

The major changes in worldwide work have been triggering new challenges for the workers' security and health. These changes are at the origin of emerging psychosocial risks.

Such risks, which are related to the way work is designed, organized and managed and to the economic and social context of work, trigger stress level increase and can lead to serious deterioration of the physical and mental health.

The psychosocial risks generating the most serious consequences are:

- uncertain contracts in the context of an unstable labor market;
- increased vulnerability of the workers in the context of globalization;
- new forms of work contracts;
- the feeling of lack of job security;
- aged labor force;
- prolonged working hours;
- labor intensification;
- competitive output and outsourcing;
- high emotional demands at the workplace;
- an inadequate balance between professional and private life.

For example, the use of unsure work contracts together with the tendency towards a competitive production (producing goods and services with fewer losses) and towards externalization (turning to external organizations to carry out the work) can affect the workers' health and security.

The workers hired in the framework of unsure contracts tend to realize the most dangerous works, to work in more precarious labor conditions and receive less training in the domain of labor security and health. Work in the framework of an unstable labor market can give birth to feelings of job uncertainty and may trigger an increase in work-related stress.

A larger work volume and a higher number of requirements imposed on a lower number of workers could trigger work-related stress increase and affect the workers' health and security.

Problems caused by violence and harassment at the workplace can affect all the occupations and activity sectors. Both for victims and for witnesses, violence and harassment result in stress and can seriously affect both the mental and physical health state.

Before the awareness and the definition of emerging risk, the preventive action was focused mainly on proven professional risks whose professional origin was indubitable.

At present, the attention is focused on less known risks, interpreted as emerging, although some of them existed previously as well. They acquire their emerging character due to their meeting of one of the following two conditions:

- risks are better measured, quantified and evaluated, or;
- the society's awareness is growing in relation to the nature and potential consequences of the respective risks.

Unsure job, large work volume and variable or unpredictable work programs, especially when the employee cannot adapt them to his personal needs, may trigger the emergence of a conflict between the professional life and the private life demands. The result is an inadequate balance between professional and private life, with a harmful effect on the workers' welfare.

A successful stress and psychosocial risks management at the workplace will help maintain the welfare of the labor force. The workers' involvement, commitment and innovation will increase. Work-related stress can also contribute to higher rates of early retirement. A positive work environment, on the other hand, will contribute to maintaining such workers in activity.

3. The need to understand and anticipate psychosocial risks and stress

Psychosocial risks and stress at the workplace generate significant costs for organizations and for the national economies. It is very probable for the workers to be missing from work for a considerable period of time when affected by work-associated stress and other psychological problems.

When they suffer from work-related stress, the workers also tend to come to work without being able to function to their full capacity. This phenomenon is known under the name of *presenteeism*. This triggers reduced productivity and, consequently, a lower profitability of the company.

It is considered that the changing world needs to overcome the strict framework of analysis of workplace-specific risks. The approach ought to be, from now on, anticipatory and global at the same time. The accent will be put on the need to recognize from an incipient stage the negative effects generated by these mutations and on finding innovative solutions.

The need to identify risks as "upstream" as possible, to facilitate a fast determination of the prevention measures, largely explains the creation of permanent monitoring "cells" and information exchange networks.

To the complexity of the work environment have been added recent changes, such as restructuring, re-dimensioning, privatizing the great companies, the new contractual relations (for example, subcontracting and temporary work) and distance work etc. Moreover, the decentralization and diversification of the decisional levels and of the key actors suppose an increasingly dispersed risk management.

The risks identified as emerging suppose, among others, the development of adequate prevention methods. Out of the preventive actions approached at present, those aimed at professional risk are very well documented. Work-related stress is already seen as emerging professional risk, which has to be prevented as such by the employer, although, legally, in almost all the countries, its pathological consequences are hard to distinguish.

As feedback and stimulus, the employer will gain higher output and lower absenteeism.

In exchange, there is no clearly established connection between stress and a certain precise pathology. But, if it lasts for a long time, stress is strongly suspected of exerting

negative effects on the workers' mental and physical health. At the same time, it can be a direct or favoring cause of accidents.

The new risks call for the adoption of an anticipatory attitude and a constant level of vigilance, to identify and evaluate them. Considering this situation, professional risk prevention organisms get organized to anticipate and consequently reduce the duration of time between highlighting a new risk and practically applying an adequate prevention measure.

A series of principles that can guide the approach of prevention of emerging risks are:

➤ **Promoting security starts with education and attitude change.**

Promoting security calls for positive attitudes. Integrating the promotion of security is closely related to attitude and behavior. It needs to be realized as soon as possible and it is essential that the ideas promoting security be integrated in the education systems.

➤ **Promoting security goes further than respecting the legislation**

While *accident prevention* can be a legal obligation, *promoting security* is closely related to the introduction of innovation in the initial processes. The promotion of security cannot be imposed by the legislation.

➤ **Promoting security and preventing accidents complete each other.**

We need to add good practice elements to the requirements imposed by the legislation. Good practice examples are becoming increasingly important, because the legislation only assures a general framework.

➤ **Compared analysis applied to performance in matters of security.**

Many companies compare their own performances in matters of security to those of the competition. To promote security, it is necessary to encourage inter-sectorial and societal comparative analysis.

➤ **Work security represents a human and societal value.**

It is necessary to develop a positive risk management culture. Risk management is part and parcel of the company and should be taken into account.

Security must be integrated even since the incipient stages of the production process, such as the design stage.

Stress and motivation can be viewed as two faces of the same coin. The adequate combination of labor features can stimulate both motivation and mental health, and output performances.

This "successful combination" ought to include: high level (but not too high) of requirements, variety of skills, control over one's own work, support and feedback on the social level, clear identification of the work task, reasonable safety of the workplace and adequate retribution.

Healthy work is usually also productive work, but there can appear stress reactions when work organization does not manage to assure an adequate balance of these features

(e.g.: excessive requirements, insufficient autonomy). Prolonged exposure to these risk factors and insufficient recovery can lead to serious disease.

Risk evaluation must help both the employers and the employees to approach psychosocial risks in a manner based on facts, yet easy to use. This involves:

- risk evaluation;
- intervention projection;
- implementation and monitoring of the interventions;
- evaluation and review.

Risk evaluation has been adapted so as to approach psychosocial aspects, promoting realistic improvements in point of labor conception and management. This reflects a holistic, organizational approach, involving the active participation of both employers and employees.

Conclusion

Preventing and managing psychosocial risks represents an important task and will lead to a healthy and productive labor force, reducing the level of absenteeism, accidents and damage and to maintaining the workers at the workplace longer. The result is a better general performance for the company.

From a positive perspective, by the creation of an adequate labor environment from a psychosocial perspective, the employees will be healthy and productive at the workplace. The absences caused by work-related stress will be less numerous or inexistent. At the same time, the costs the company will have to bear for lost productivity will be low.

Successful stress and psychosocial risks management at the workplace will help maintain the welfare of the labor force. The workers' involvement, commitment and innovation will grow.

Labor-associated stress can also contribute to higher early retirement rates. A positive work environment will contribute to maintaining such workers in activity.

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CONSTANTA PORT – ECONOMIC BENCHMARKS OF LONG PERSPECTIVE SINCE ROMANIA'S PRE-ACCESSION PERIOD UNTIL 2020 YEAR

Ion Gr., Ionescu¹

Abstract

The efficient functioning and implementation of the economic dynamism and flexibility, in the modern state of its infrastructure, it is a method which ensures economic efficiency. There are two methodological approaches for to define the essence and content infrastructure industry (defined as a set of economic sectors, providing general conditions of reproduction) and functional (defined as a specific set of organization, production and social functions), which in our case, lends itself pretty well.

Constanta seaport, is a public-private port, owned by the Romanian state, which ensure the regulation and functioning of the assigned tasks and performed by C.N. Maritime Ports Administration S.A. Constanta (EPA) and the Romanian Naval Authority (ANR), both institutions are subordinated to the Ministry of Transportation and Infrastructure.

Key words: *Constanta Port, facilities, terminal, trafic*

JEL Classification: *M31*

1. Introduction

Known since antiquity and located at the crossroads of trade routes, linking the developed countries of Western Europe and in developing markets, of the Central Europe, of suppliers of raw materials in the Commonwealth of Independent States (CIS - the ex-Soviet), Central Asia and Transcaucasus, Port of Constanta it is the main romanian port and the largest of Black sea's basin.

2. Performances

When signing the Treaty of Accession of Romania to the European Union, on 25 April 2005, it have a total area of 3.926 ha, with a length of 29.8 kilometers of piers and a total of 145 berths, of which 119 operational.

Through him, menus more than 1/4 of maritime traffic of export-import goods. Located on an open shore, exposed to northern and northeastern predominantly winds, the port includes, by constructive point of view, two main sectors: the old port, where deep pools, not exceeding 10 m and the new port, with depths of 14 m, entrance and 11.5-13.5, along fronts mooring (Caraiani and Serescu 2005, p. 44).

It is a modern port, well-equipped, in terms of technical, with wharf portal cranes, floating cranes, tractors, trailers, adequate infrastructure etc. Mechanized index of the handling operations, exceeds 96%. The port has also facilities, for ship bunkering, supply crews for ship repair, if necessary. Pilotage is compulsory in port (Alexa 2005, p. 107).

Potential operating capacity of the port, is 105 million tonnes / year. According to different analysts, Constanta port enjoys a strategic geographical location, being situated on the route of two transport corridors pan-European, namely road transport Corridor and rail IV and river transportation Corridor VII, which links the North Sea with the Black Sea, by waterway Rhine-Main-Danube.

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3. Opportunities in 2006 (pre-accession stage)

Constanta port offers a number of advantages, including: (Caraiani and Serescu 2005, p. 40)

- is a multipurpose port with modern facilities, with water depths in the port basin, for berthing of the largest vessels passing through the Suez Canal and the Turkish Straits;
- has specialized terminals for operating any type of cargo;
- has direct access to Pan-European Corridor VII Danube, by the Danube-Black Sea Canal, becoming and river port, thus offering an transportation alternative to Central Europe, shorter and less expensive than routes that use ports of the northern Europe;
- has good connections to all means of transport by rail, road, inland waterway, air and pipeline, which is achieved through a developed infrastructure; new container terminal on Pier II S, which increases the operating capacity of 375,000 TEU containers; Ro-Ro Ferry Terminal and Boat suitable for the development of coastal navigation
- he serves Serving the countries around of the Black Sea and the Danube;
- the new status of "port customs facilities", allows setting of the framework necessary to facilitate foreign trade and transit of goods to / from Central and Eastern Europe, correlated with simplification of customs procedures;
- the status of "safe harbor" obtained by the rehabilitation of dams Housing and adoption of supervision and safety of maritime traffic VTMISS;
- future developments planned by a Master Plan.

The upward trend of the national economy and the strategy of National Company - Maritime Ports Administration SA (NCMPA), the attracting of the goods flow, is reflected in port traffic that is compatible with international traffic (Branch, 1992, p. 202). Thus, such as the statistics show, for example, in early 2004, it increased by 7%, over the previous year, reaching a volume of 43.245 tons, due to increased shipping traffic which reached at approximately 34,000 tons.

But the most significant development, registred in recent years, in Constanta port, is the increase of the container traffic, last year, by over 50%, compared with the preceding. This is the largest increase, ever recorded, in container traffic, in the Port of Constanta.

4. Prospects until 2010 (immediately post-accession phase)

The second phase of development has been designed to increase operating capacity by 1 million. TEU*, until 2010.

Other completed projects were:

- Port of Constanta, port with customs facilities (necessary arrangements, amounting to EUR million, were realized from own CNAPM SA;
- switching to 110 KV, IV and expanding the Port Station 110 kV - Eforie Nord (investment worth EUR 4,900,688, financed by a loan from the EIB, the European Investment Bank).

In the investment program of the NCMPA SA Constanta, there were implemented the following projects:

- CNAPM SA projects for the improvement of Harbor transport system, as well as they were recommended by JICA;
- barge terminal which will be financed by EBRD-European Bank for Reconstruction and Development, through a loan without the state guarantee, worth 16 mil. EUR and 8.6 mil. EUR from its own sources of NCMPA SA Constanta.

- completion of the northern breakwater, which will be financed from the state budget, estimated value is 80 mil. EUR, scheduling of 10 years.

With regard to projects for environmental protection, we can talk about the project on the environment and infrastructure in Constanta Port - which was funded 49% by the EIB, the European Investment Bank and 51% own sources CNAPM SA, consisting in a loan worth 8.6 mil. EUR BRD Group Société Générale, which will conclude a contract.

The project components are:

- Incinerator,
- Build green
- Wastewater treatment plant,
- Waste collection ship.

Particular attention is given to projects of tourist interest and improving the business environment. Thus, CN APMC SA investment program has included the following projects:

- passenger terminal which is financed partly from the state budget and partly from its own sources NCMPSA SA Constanta. The estimated value of this project is EUR 4.284 million, of which the effort NC MPA SA is estimated at about 2.5 mln. EUR.
- pedestrian walkway and port agreement project - Mamaia Casino area, the estimated value of the project is 6 mil. Euro, supported entirely from own sources

CNAPM SA Also consider projects such as:

- creation of a mole on North Pier, achieving a grain terminal, a terminal processing and soy crops, a terminal for liquefied petroleum gas (LPG);
- an oil terminal;
- modernization of road transport within the port and building wind farms in Constanta.

Other projects with tourism character, has target complete arrangement of Tomis turistic Port (Marina), such as and building of an International Business Hub, in the Port of Constanta.

Another important issue on the agenda of CNAPM SA it was the rentability a some activities within the company.

Thus, in accordance with Government Decision no. 1293 of 4 November 2003, aimed at implementing the government program and provide realization of the privatization strategy for companies / national companies and companies which operated under the Ministry of Transport, Construction and Tourism, CNAPM SA Constanta considered necessary decentralization following activities within company:

- 1) the guard enclosure port;
- 2) construction activity in the Port Services Branch;
- 3) service dendrofloricol material production, development, maintenance and modernization of green areas within the harbor;
- 4) Service repair ships from the Branch Technical Ships;
- 5) prevention services and firefighting ships and floating ports of Constanta, Midia, Mangalia, and Tomis;
- 6) pollutant dam installation services for vessels from ports of Constanta, Midia and Mangalia;
- 7) waste collection services in the ports of Constanta, Midia and Mangalia.

Currently, longer envisages further development of other feasibility studies on opportunities for efficiency enhancement activities undertaken by the Port of Constanta Branch Energy, Communications Branch Branch port and port services (Moldoveanu 2005, p. 10)

În linii mari, acestea au fost principalele direcții ale Strategiei de dezvoltare a Portului Constanța. Realizarea susținută a acestora are ca punct de plecare aderarea României la structurile Uniunii Europene, confirmând rolul Portului Constanța de „poartă durabilă către lume”.

Broadly, these were the main directions of development Strategy of Constanta Port. Their sustained achieving, has starting point, Romania's accession to EU structures, confirming the role of Constanta Port of "gateway to the world sustainable".

5 Perspectives until 2020 year

In order to align, further, of Constanta Port, to the requirements and Imposed standards, by the European Union, since 2001, it was finalized by the Japanese Government - through its agency, officialy responsible for implementing technical cooperation programs - JICA (Japanese International cooperation Agency), at the request, of the Romanian Government, a "feasibility Study, related to on the Constanta Port Development Project". The two objectives of the study are:

- formulating a master plan for the Port of Constanta including port development strategy until 2020 and;
- - Drawing up a development plan in the short term, until 2010.

This study led to the development strategy of Constanta Port. "Master Plan Constanta Port", according to the JICA, identify projects of particular importance regarding: meet demand for goods in the future (the container terminal and terminal grain), improve the operation of the port (strengthening terminals through which the export of steel products , strengthening terminals through which the export of timber, general cargo terminals reorganization) and improvement of port transport (improving river barge, road improvements inside the port, improving the port railways)

Following the suggested lines, by the Master Plan of Japanese International Cooperation Agency, Constanta Port has structured and organized the investment projects Plan, to meet the new requirements imposed by Romania's accession to European structures. A first achievement in implementing the Master Plan, is the completion of the first stage of development of the container terminal on Pier II S, located in the south of Constanta Port, which încaderază, according to JICA category in projects meet the demand for goods in the future. The terminal became operational in November 2003.

6 Conclusion

At such investments and perspectives, increased interest in trade through the port of Constanta, which turned the system of quays, terminals and facilities for logistics, export policy objectives around which revolve companies with a large number of staff and employees, estimated that the population of a small town. Usually every day, they enter through the gates of the port, hundreds of trucks loading and unloading cargo from and to storage operators in port and which, in turn, are sorted and loaded on ships calling annually in the largest Romanian port.

In this situation, the administrative overheads aims traffic port and provides essential services. As a result of the vast investment, are employed which protect economic activity by interfering with technical vessels, if fire or if contamination with toxic substances.

Constanta port has much larger potential, but it also needs a powerful management.

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CASE STUDY: A NEW DEVELOPMENT AT MINOTECH

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Doina Muresanu²

Abstract:

The story of the case A NEW DEVELOPMENT AT MINOTECH takes place in a medium sized company located in the Canadian province of Quebec having the main activity in the field of manufacture and repair of commercial and industrial equipment for the mining sector. Thus, the company Minotech decided to develop a new department of research and development in order to provide a "turnkey" service to their clients. This structural change, considered very good for the profitability of the company, arrived with a lot of discontent on the part of employees. Because of the existence of change flaws both in the design and implementation, some employees decided to leave the company to return later, and others didn't stop to ask questions about the change impacts on themselves and the organization.

Key words: mining sector, research and development, human resources management, change management

JEL classification: M12 Personnel Management

The context of the case

Minotech is a mid-cap private company based in Abitibi-Témiscamingue, operating in the mining field. Its mission is to produce or repair commercial and industrial use material. Recently, it has been starting to offer a « turnkey » service to the miners, that is to say that the device is specifically built for the client and tailor-made. This novelty has been beneficial since, during the last year, this company registered an increase of 45% of its profits.

A lot of pressure from the external environment hangs over the company. From the point of view of the economic challenges, it is certain that the sale of products depends to a great extent on the mining cycles as well as the natural resources in general. From the technological point of view, they must preserve their leader position in order to keep their markets. This is one of the reasons why they have recently opened an engineering department within the company which has as a purpose the carrying out of research and development activities as well as the provision of a “turnkey” service to their clients.

In November 2010, Minotech inaugurated an engineering department within its company. This modification was highly significant as it helped the company diversify its range of products and hire new employees. As a matter of fact, this new department created a demand for engineers, machinists, technicians, draftsmen as well as designers to work on the creation of new pumps. An engineer who has been working for some time in the company was transferred to this new department and, step by step, a team was assigned to him. This new team will carry out various projects, by going to the mines, by meeting the clients, by dealing with tenders and by elaborating plans and projects. As a matter of fact, a research and development subdivision of this department was created, which allows the company to innovate while designing its products.

The idea of change occurred when the company management realized which the demands of its clients really were. As a matter of fact, the latter received new proposals regarding its products and the related services. The clients wanted that the engineers were able to develop new concepts, adapted to their respective needs. In fact, the company found out that its clients, especially the mines, were highly interested in Minotech carrying out for them special projects. An organizational process modification was therefore

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considered necessary to Minotech, which turned the new needs of its clients into a business opportunity allowing it to acquire an advance from the point of view of the competition.

As a Human Resources responsible, Mrs. Tremblay had to play a role in the design and organization of the new department. First of all, she had to deal with the responsibility of hiring new employees, who were necessary for the engineering department, against the background of a lack of skilled workforce. She also had to deal with the transfer of certain employees who have been already working within the company, so that they can start working in this new department. At last, Mrs. Tremblay had to evaluate the needs created following the opening of this department, to conceive the new related job descriptions and to update the company organizational chart.

Every single employee of Minotech, in his own specific way, has been influenced by the creation of the new department. However, some of them felt major repercussions in their work environment. As a consequence, we asked two employees which were their versions of the encountered repercussions.

Meeting with Paul, the machinist

Sometime before the change operated by Minotech, Paul seemed to be frustrated about his daily tasks. He first talked about his problem to the manager, who reassured him that some changes were going to be made and that they would talk about it later. Disappointed by this meeting, Paul decided to resign and left the company. Several weeks later, the management contacted him to offer him a new job within the company. So Paul, who was working with the production team, was affected by the change process carried out within Minotech, mainly because he was transferred to the new department. After accepting this job and starting working within this new work team, he realized that this change was not good for him since his daily work routine was going to become a real trouble due to the several new challenges and problems. He is even wondering how he will be able to recover his old solid work habits. He often inquires himself on the usefulness of this new department, how can it help the company to better serve its clients? According to Paul, it was all about changing some people's places in the office, nothing more than this. Was the management thinking of something when transferring him like this?

Meeting with William, a salesman

William works in the Montréal branch. The company owns several branches in Québec and a few in Canada, which are managed by the headquarters in Rouyn-Noranda. The employees who work within these branches are mainly salesmen, who make the connection with the clients who are located far away from the headquarters. This distance makes the communication with the headquarters more difficult. Since the company is presently trying to develop new types of pumps within its engineering department, the salesmen must regularly update their information on the subject, so that they can provide counselling to the clients and accomplish sales. So, this change brings them to show interest in the new designs of the company so that they can gather the latest information on the new procedures and technologies. This was a subject of concern for many of them as they were not sure if this task would be assigned to them.

When he was informed on the implementation of a new engineering department within the company, William immediately started to ask himself whether the new engineer would be responsible for his files: "am I going to lose my clients? Would the tasks that I am fulfilling in this moment be reduced to only assisting the sale and being in charge with the after-sale service, in case a problem may occur?"

QUESTIONS

- 1) Which is the organizational change that happened to Minotech?
- 2) Which person(s) act(s) as:
 - a) Change agent?
 - b) Decision – maker?
 - c) Recipients of the change?
 - i) Direct recipients?
 - ii) Indirect recipients?
- 3) Which are the stages of concern that Paul, the machinist goes through?
- 4) Has Minotech done a good job by offering this job to Paul? Which will be the impact of such a decision on the work climate within the company?
- 5) How did William, the salesman perform the change? Which are the stages of concern through which he goes?

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¹ The authors can provide the model of Colletette *et al.* (2013) on demand.

RESEARCH ON JOB SATISFACTION

Maria-Elena, Gheordunescu¹

Abstract:

In the actual society there is a concern increasingly more intense to increase along with economic efficiency and effectiveness of human labor increase job satisfaction. It was found that job satisfaction is indispensable for motivating behavior explaining that determine work engagement of employees. Satisfaction at work depends on assessments and expectations of employees, which means that they can have the same level of satisfaction, but due to various reasons: respectively one and the same factor can produce a different level of satisfaction from different people or even the same person, but in different situations.

Keywords: *satisfaction, manager, company, employee, motivation, work.*

1. Introduction

Job satisfaction is an important element of any organization, being in this sense the social function of the company that hired its obligation to be held "work and life" to give people optimal possibilities for expression of their personality. Modern management approach reveals the same time, that job satisfaction is an essential component of human resources of economic organizations, and not only theirs is one of the fundamentals upon which the overall efficiency of labor.

Job satisfaction is as positive emotional state resulting from the personal opinion of an employee on the job or work environment. (Ticu C., 2004).

Job satisfaction can cover various issues, including: wage and cost benefits, promotions, recognition, working conditions, supervision, co-workers, organizational policy. Job satisfaction is very important for managers because it is estimated that a satisfied employee will be better. (Gogu N., http://www.upm.ro/Iasi_2007).

Job satisfaction is in terms psycho sociology the result of the difference between what you get as a reward individual work and what he estimates that should get. When the two rewards there is equality results in a state of complete satisfaction. (<http://www.biblioteca-digitala.ase.ro/biblioteca/pagina2.asp?id=cap3>).

Job satisfaction refers to the emotional reaction of employees to post and work. Employee performance are not the exclusive result of job satisfaction, but are largely influenced by her. " (Rască, L., Deaconu, A., 2004)

Duane Schultz and Sydney (1990) considered *job satisfaction* as people's psychological mood to their work.

Job satisfaction can be regarded as general feeling towards job or as a constellation of attitudes oriented to different aspects or facets of job. (Spector 1997.)

2. Methodology

The purpose of the research was measuring the level of job satisfaction among employees in a company estate.

In the current context has formulated the following hypothesis: Suppose that analyzed the company employee satisfaction is influenced by various factors and determined the climate within the company.

The main objective of the research is to highlight the link between motivation and job satisfaction.

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The present paper is an exploratory research which was conducted in May 2015 and used as a quantitative survey research method but also the qualitative method by highlighting information from field.

The questionnaire comprises of 18 - questions, with 5 different response respectively 1 *Total disagree* , 2 *Disagree* , 3 *Neutral* , 4 *Agreement*; 5 *Total Agree*;

The paper shows that job satisfaction is an important element for each employee.

3. Analysis of data and research results

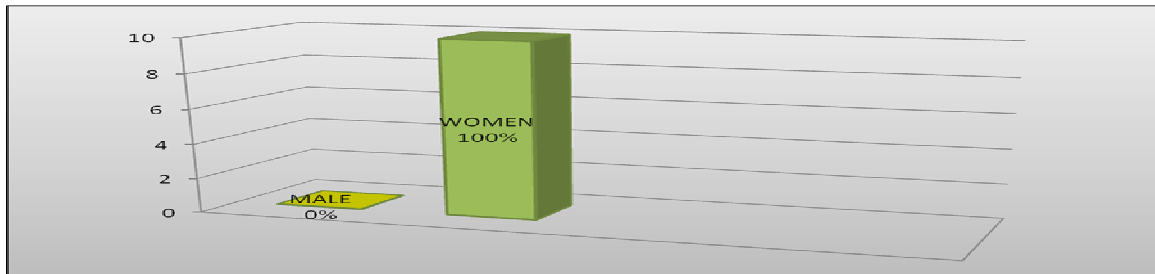
Socio-economic characteristics on subjects

The research was focused by 11 employees as subjects in *the company Real Estate* aged 24-38 years, female *computer operator positions*. They seniority between 1 and 4 years old some of them being university graduates.

Characteristics of investigated subjects (Table no. 3.1.1)

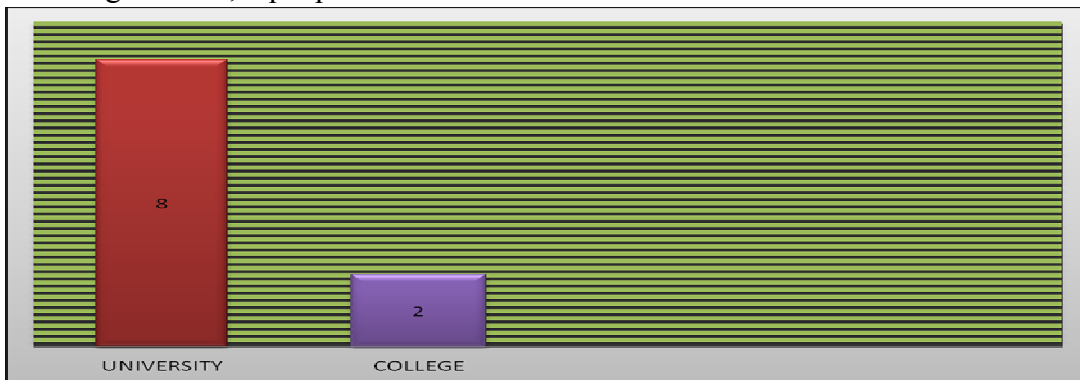
Category	Features	Nr.	%
Sex	Male	0	0
	Female	10	100
	total	10	100
Education	University	8	90
	College	2	10
	total	10	100

Figure no. 1 shows that the study subjects are female 100%



(Figure no. 1). - The percentage of subjects by gender)

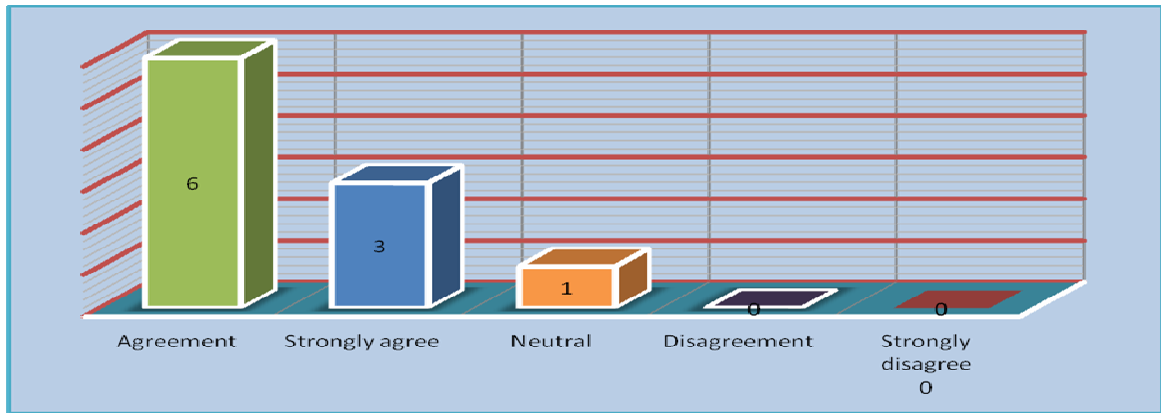
On the studies important is that 90 % of subjects had university education, 8 people and 10% high school, 2 people.



(Figure no.2.) - Subjects share based studies)

After analyzing the results of the questionnaire on subjects, highlights the following things :

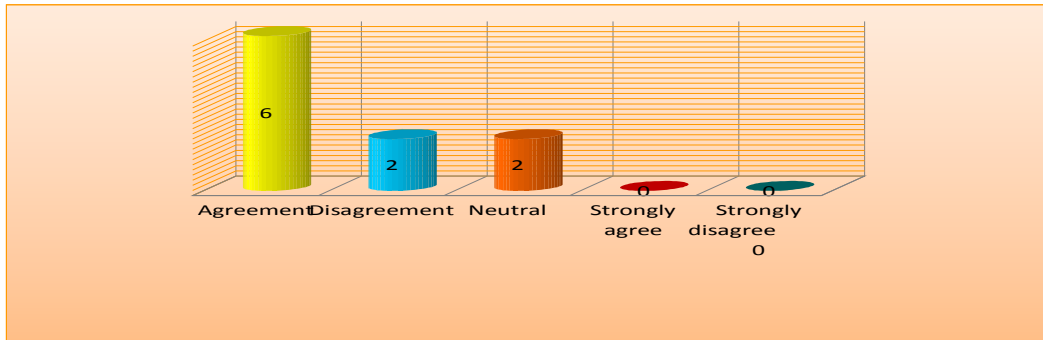
On the question no. 1 (figure 3), was chosen option *agreement* (6 persons), *strongly agree*, (3 people) , *neutral* (1 person).



(Figure No.3) Question No.1. You love what you do?

Which shows that the work done is one, pleasant does not create a nuisance and is accomplished easily.

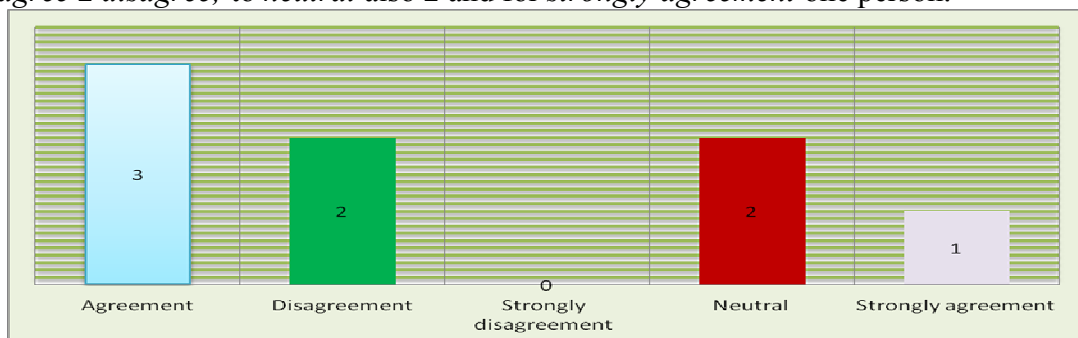
On the question no. 2 (figure 4), where they wanted to highlight if employees feel appreciated for the work of the total number of 10 people surveyed , six chose the option *agreement* , two of them expressed their *disapproval* , and two have opted *Neutral*.



(Figure no.4) Question No.2. You are appreciated for the work that you are doing?

Considering the results, it appears that most employees feel appreciated by their superiors, for their efforts and their merits are recognized in the work performed.

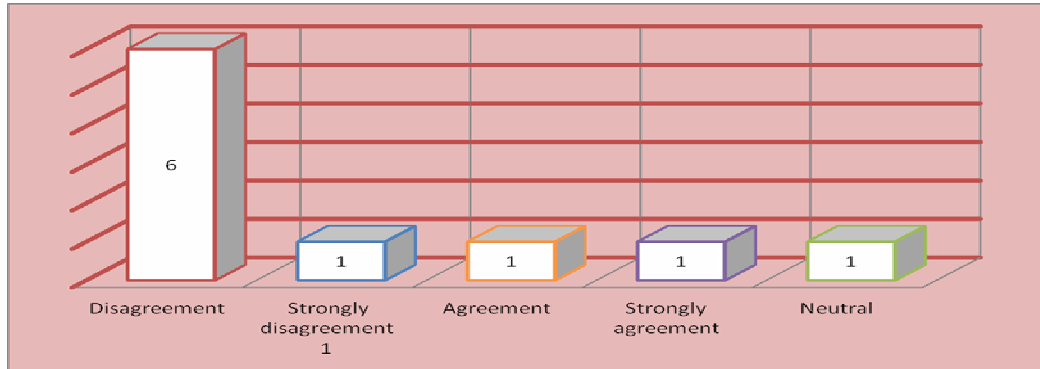
Regarding the involvement of manager, to career development (**question no. 3**) Opinions were divided as: 3 people have opted for variant *Agreement* 2 persons, variant *disagree* 2 disagree; to *neutral* also 2 and for *strongly agreement* one person.



(Figure no.5) Question No. 3. The manager is actively involved in developing your career?

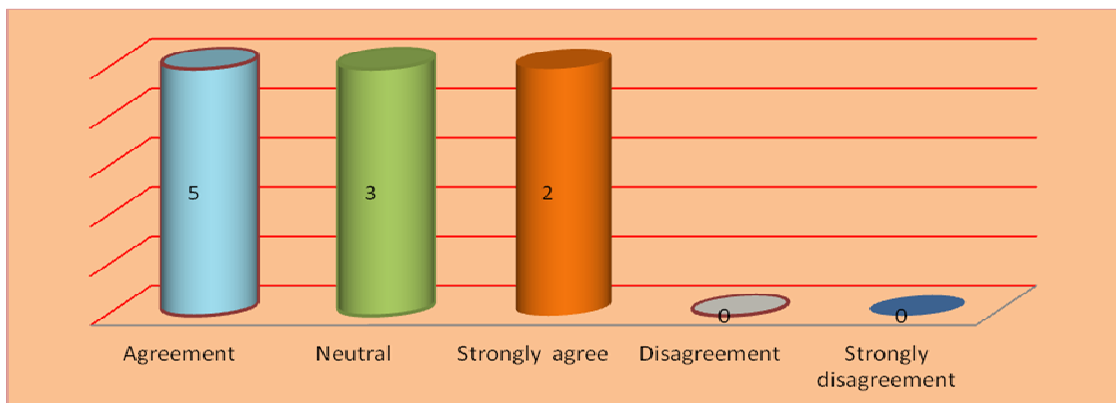
So, we can say that the organization studied the manager give importance to employees and it is concerned about their professional development.

Question 4 (figure 11) highlighted by the answers given (6 - have chosen the *disagreement*) that employees are motivated to realize their tasks , and are confident in their professional potential .



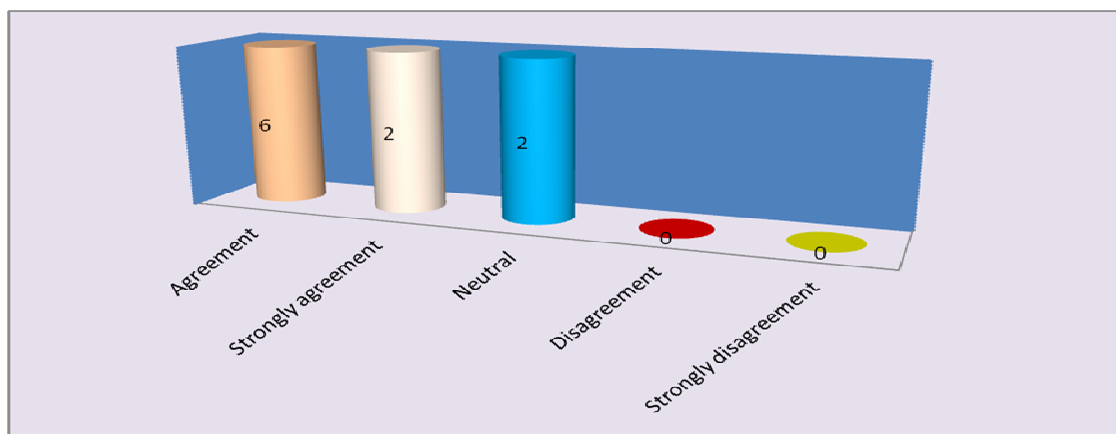
(Figure no.6) Question No. 4. There are times when you think your work is without purpose?

Communication is an essential key in any organization as confirmed by the results obtained to question 5 ,respectively 5 people have chosen the *Agreement* , three of them chose *neutral* and 2 *Strongly agreement*.



(Figure no.7) Question 5. Communication with your manager is good?

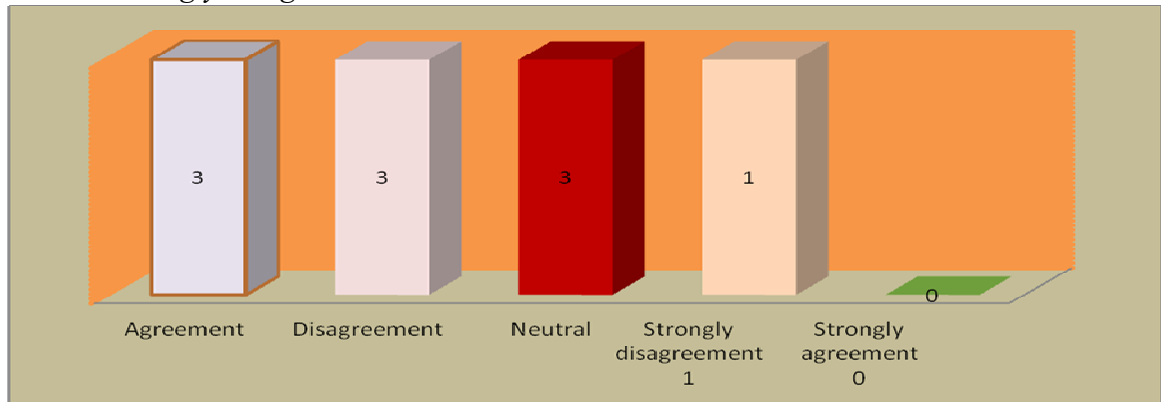
Question 6 was focused on links with colleagues and totaled 6 responses for the option *Agreement*, 2 replies *Strongly agreement*, 2 for *Neutral*.



(Figure no.8) Question No. 6. Relationships with colleagues are usually cordial?

Which means broadly across the organization studied relationships between colleagues are generally cordial, not conflict and prevailing team spirit

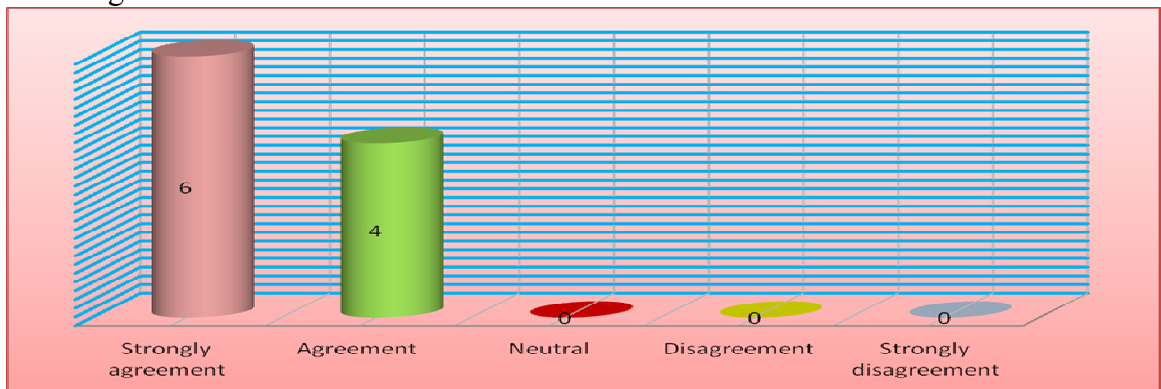
Question 7. (Figure 9) splits easily employees into three camps distinct namely: 3 chose variable *Agreement*; 3 opted to *Disagreement* ; 3 were to *Neutral* ; And one person chose to *Strongly disagreement* ;



(Figure no.9) Question No.7. Your work in this institution is special?

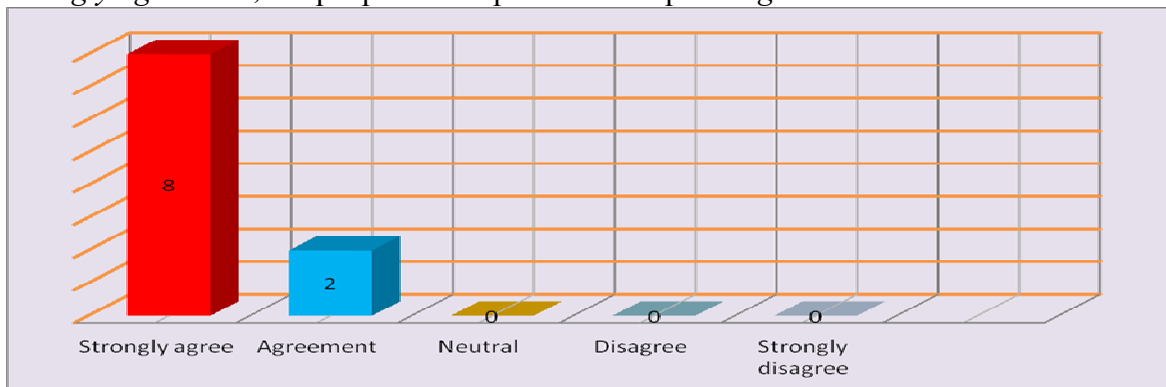
Based on these results we can affirm that employees work in the studied company is common but has some special and specific features that is sometimes seen in special way.

On the question no. 8 (figure 10) on freedom of labor organization all employees confirmed according to the options chosen (6 - *Strongly agreement* 4 *Agreement*.) that the organization of work and accomplishment of tasks is not required and each decide according to their own criteria.



(Figure no. 10) Question No. 8. You have the freedom to organize your work as you think fit?

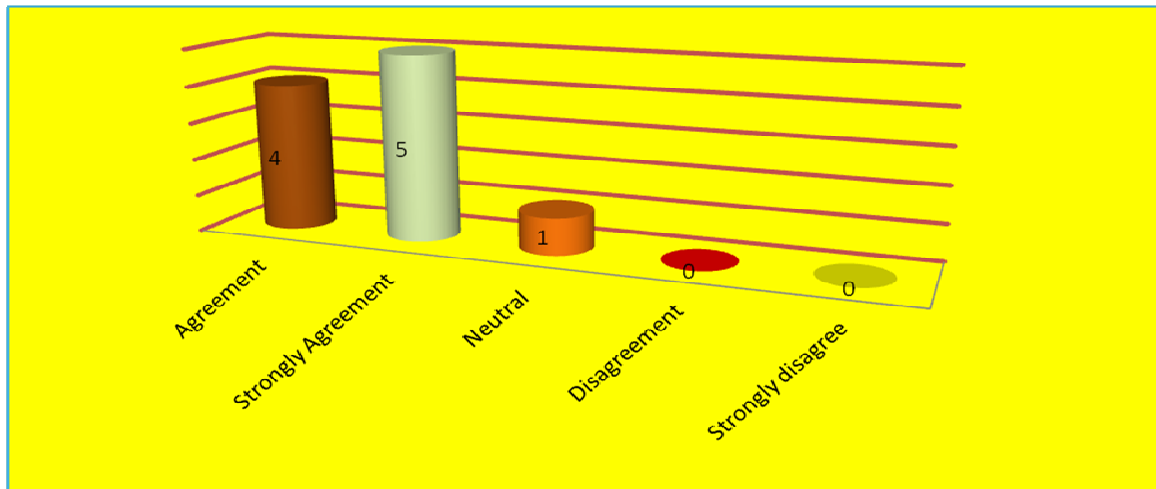
To question no.9 (figure no.11.), was pursued manager knows to what extent the work performed by employees, and things were as follows: - 8 people opted for variant *Strongly agreement*; - 2 people have opted for the option *Agreement*.



(Figure no. 11) Question No.9. Your directly manager knows the work that you do?

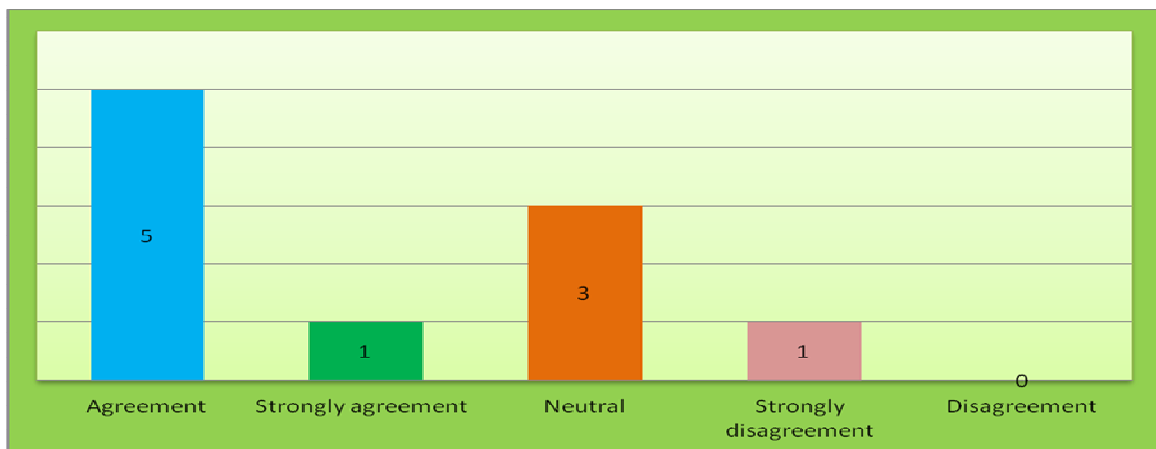
Therefore at the company manager is informed about the work of employees, which tasks have, and how are fulfilled.

Question 10 (figure 12) , confirmed through the results obtained respectively 4 answers variable *Strongly agreement* ,5 for variable *Agreement* and a response variable *neutral* that within the organization studied, management has a close relationship with employees and manager allocates time to listen to every opinion and to offer support for any problem.



(Figure no. 12) **Question No.10 My directly manager take the time to listen to me?**

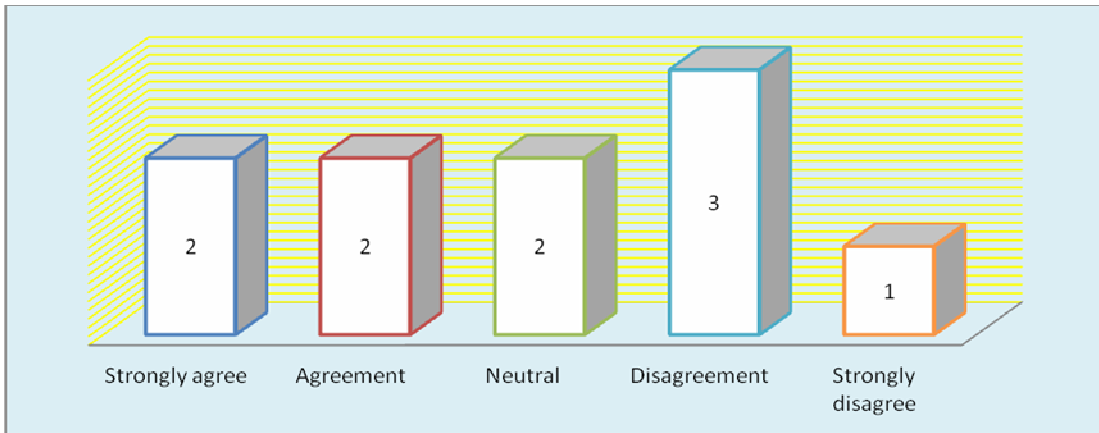
On the question no.11 (figure 13) , the respondents chose in number of 5 option *agreement*, three chose *neutral* option, *Strongly agree* respectively *Strongly disagree* one person



(Figure no. 13) **Question No. 11 Workload held by you it is properly?**

From the results it is clear that employees believe they have a workload usually appropriate schedules and cope with their responsibilities

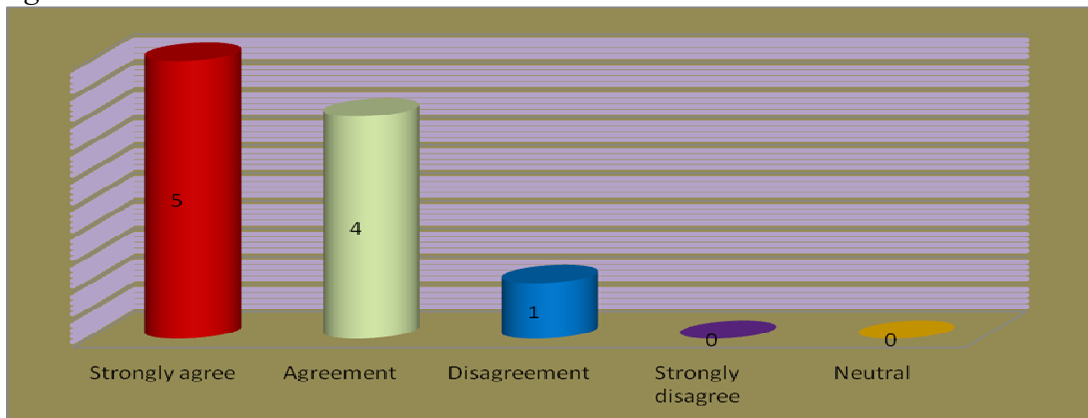
Question No.12 (figure 14), was focused on the opinions of employees on material reward received. And opinions were different in that three of the respondents chose the option *disagreement*, one person chose to *Strongly disagreement* and the other variants were chosen by two respondents.



(Figure no. 14) Question No.12. Consider that you are properly paid for the work that you are doing?

Consequently most of the employees consider work done is not paid to a right level appropriate with their involvement and submitted effort.

To **the statement no. 13**, (figure 15), opinions were similar concretely 5 of the respondents chose *Strongly agreement*, version 4 for *agreement* and 1 person elected *Disagreement*.

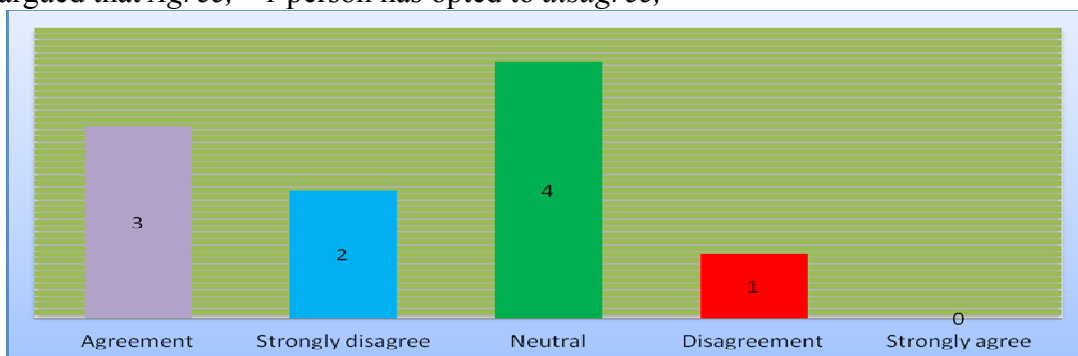


(Figure no.15) Question No. 13 The company goes well if I do my duties as well?

We realize that employees understand that fulfilling tasks correctly and professionally implicitly leads to good results for the company.

On the question no.14 (figure 16) , where employees had to confirm or deny if they are satisfied by the benefits provided by the company answers showed the following:

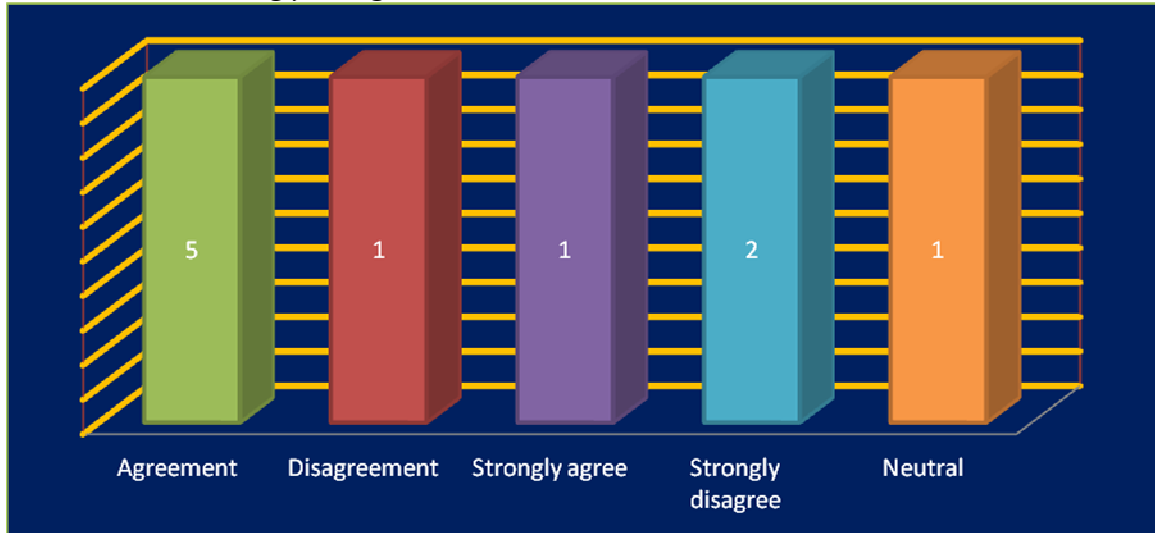
- Four of them chose *Neutral*; - Two of them expressed their *total disagreement*; - 3 argued that *Agree*; - 1 person has opted to *disagree*;



(Figure no.16) Question No. 14. Are you satisfied by the benefits that you receive from the company?

It can be concluded that to the studied organization the benefits received are important and typically employees are satisfied by received rewards whatever their nature.

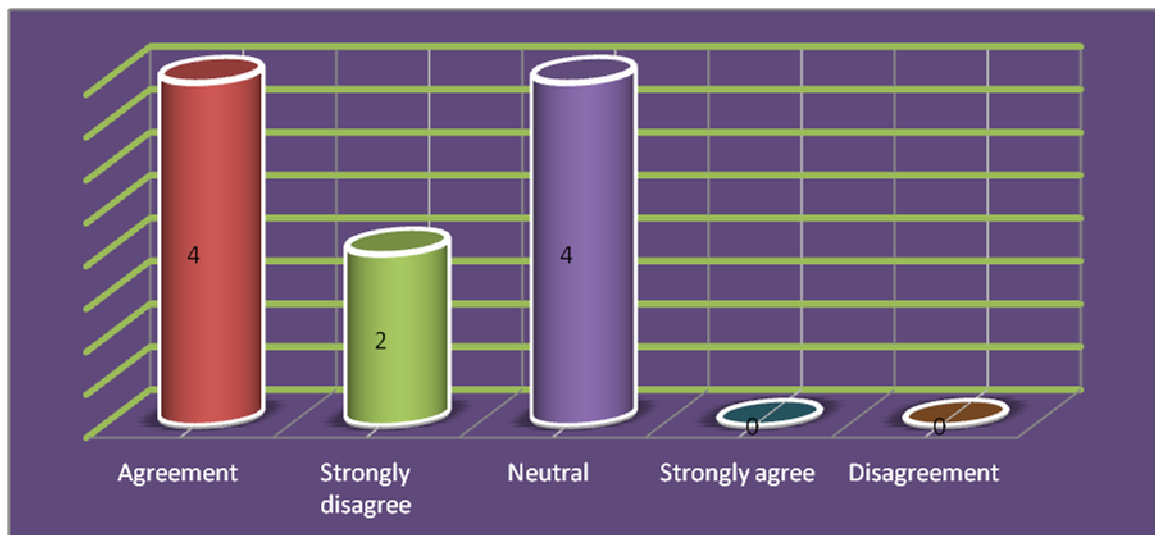
Question no. 15 ,(figure 17) was focused on the appreciation received by employees from management and totaled : 5 answers for the variable *Agreement*; 1 answer for the variable *Disagree*; 1 answer for the variable *Strongly agree*; 1 to neutral ; 2 answers for the variable *Strongly disagree*;



(Figure no. 17) Question No.15. I am appreciated whenever I realize my job well?

It can be said that the company studied, employees are recognized merits and are praised for their efforts.

On the question no. 16 (figure 18), about the importance granted by the company to training programs, employees have chosen 4 variable *Agreement*, all four have opted for variable *Neutral*, and 2 of them *Strongly disagree* .



(Figure no.18) Question. 16. The company you work for grant particular attention to training programs?

As can be seen at the company studied there is a special concern for the preparation of employees through various activities and programs.

On the question no. 17 (figure 19), it is noted that despite small problems existing in the organization studied that employees are happy working in this company appearance confirmed by most of the results obtained respectively 8 answers for the option *Agreement* , and 2 for *Strongly agree* .

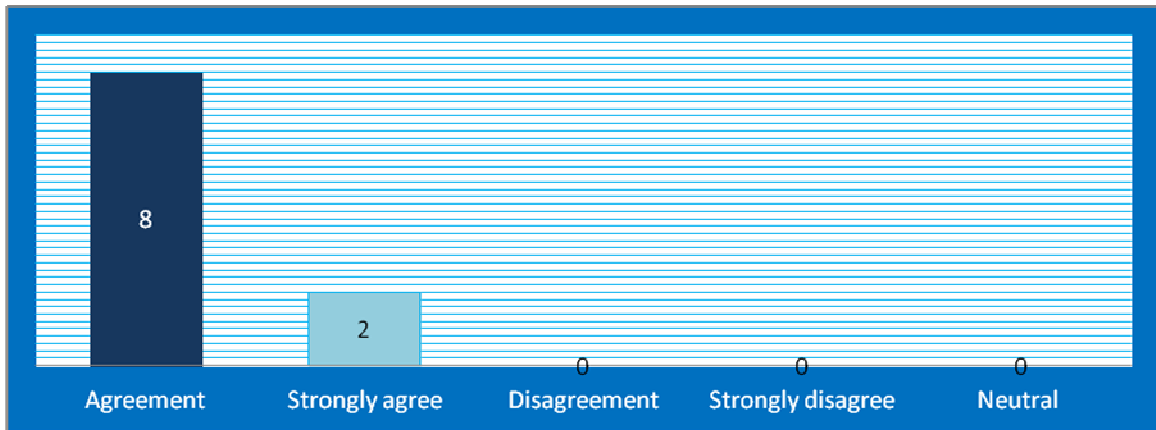
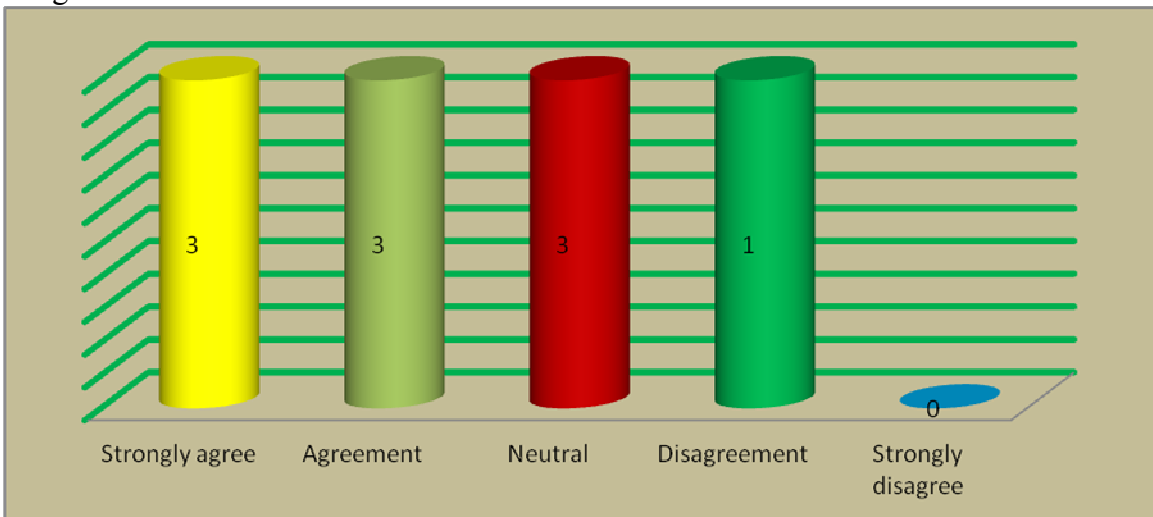


Figure no.19) Question. 17. Generally are you satisfied that you work in this company / institution?

On the question no. 18 (figure 20), where employees had to confirm or deny if professional success gives added value the answers placed in three distinct camps namely: 3 chose *Strongly agree*, 3 opted *Agreement* for 3 *Neutral* opting for one person is in disagreement with this statement.



(Figure no. 20) Question No.18. Professional success it gives you more value?

So, in addition to material satisfaction and reward employees consider that their professional activity contributes to the development and provides added value.

Conclusion

Based on study results, we consider that the company analyzed, there is a medium level of satisfaction on factor remuneration and promotion, and a maximum level of satisfaction with the relations between colleagues and manager.

The hypothesis from which we started, and we assumed that the company analyzed employee satisfaction is influenced by various factors and determined the climate within the company is confirmed, in terms of results obtained.

Management, as part of organizational culture has a significant impact on employee satisfaction.

Job satisfaction has become a very important aspect of employment, she having important consequences both personal and organization of the work is carried out.

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MASTER'S DEGREE NECESSITY OR CHOICE

Camelia, Vechiu¹
Gianina, Negrău²

Abstract

Education is beneficial for anyone, and multiple gains to society can not be disputed: reducing poverty and unemployment, promoting employability, increased quality of life, personal development. We live in a learning society and education should represent a way of life not only for those studying or working in this field, but also for those who have careers in areas other than education. In Romania education is mandatory until the 10th grade, after that depends on the personal interests of each if you choose get ahead in school or give up their continuation. This study has proposed to figure out what motivates those who completed undergraduate studies to continue them with the master. We would also like to discover what obstacles they have encountered people who have chosen to pass a few years between BA and the Masters.

Keywords: education, students.

JEL Classification: I26,

1. The research method

For the analysis we used quantitative research we applied a questionnaire. It contains a series of questions with which we have tried to identify the reasons that led the subjects to attend a masters degree program.

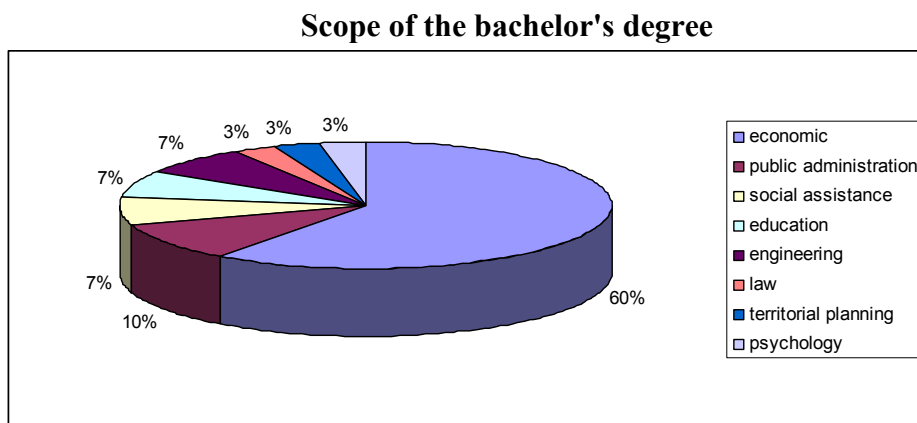
The objectives of the research were:

- Identify the reasons for continuing the studies by subjects by enrolling in the masters degree;
- Identifying the benefits of participating in these courses;
- Identifying the reasons for choosing Constantin Brancoveanu University offer and ways of informing about the courses.

2. Results

Participants in our study are students who are following Masters studies in the study program: Management and strategies in human resources. Most of them work, only 10% of respondents said they did not have a job. Their fields of activity are: economic 20%, education 20%, services 20%, public administration 10% and military, industry 20%.

Fig no. 1



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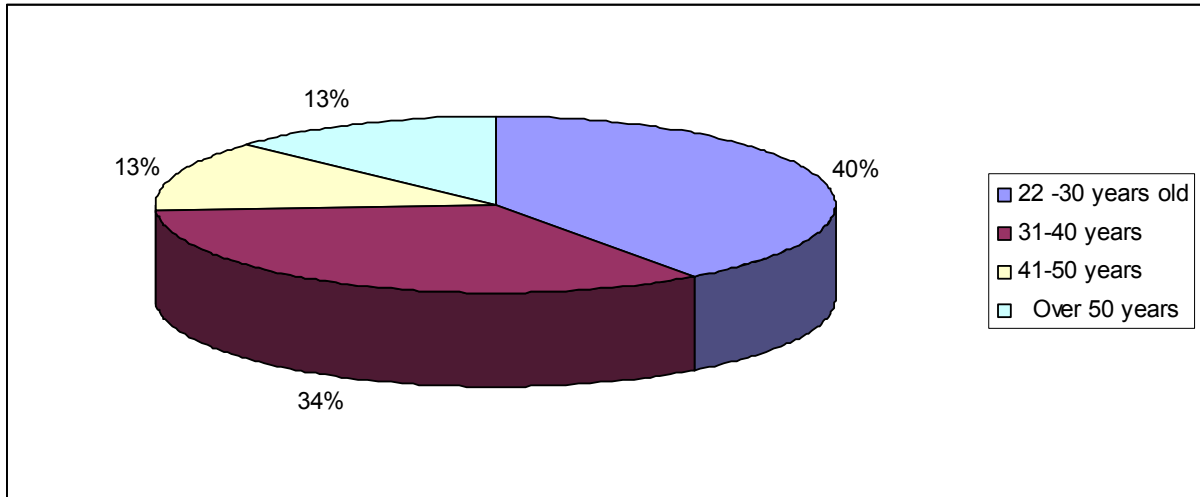
²PhD Lecturer, Constantin Brâncoveanu University, Pitești, Faculty of Management Marketing in Economic Affairs of Braila

Because the analyzed program is part of the management field, it is not surprising that more than half of the participants are licensed in the economy. (60%)

With regard to the age of respondents, 40% are between 22-30 years and 34% are between 31-40 years old. It can be noticed that there are participants who are over 50 years old.

Fig no. 2

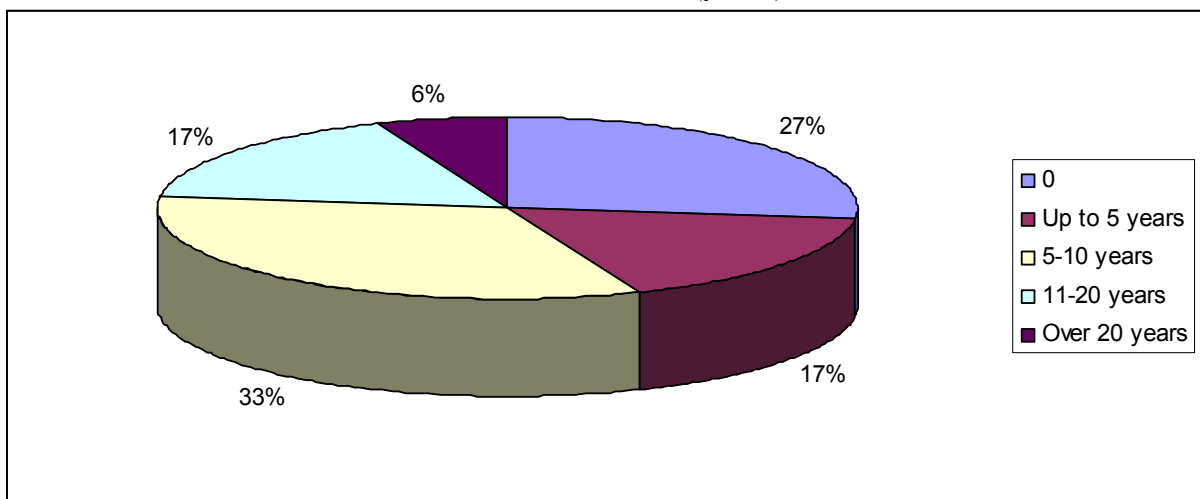
The age of the students



Given that only 40% of the respondents are between 22-30 years of age, that is to say they continued their training with the degree studies with the level of the master studies, we were interested in finding out what is the period elapsed between the obtaining of the diploma and the registration to masters courses.

Fig no. 3

The period between the bachelor studies and the enrollment in the masters courses (years)



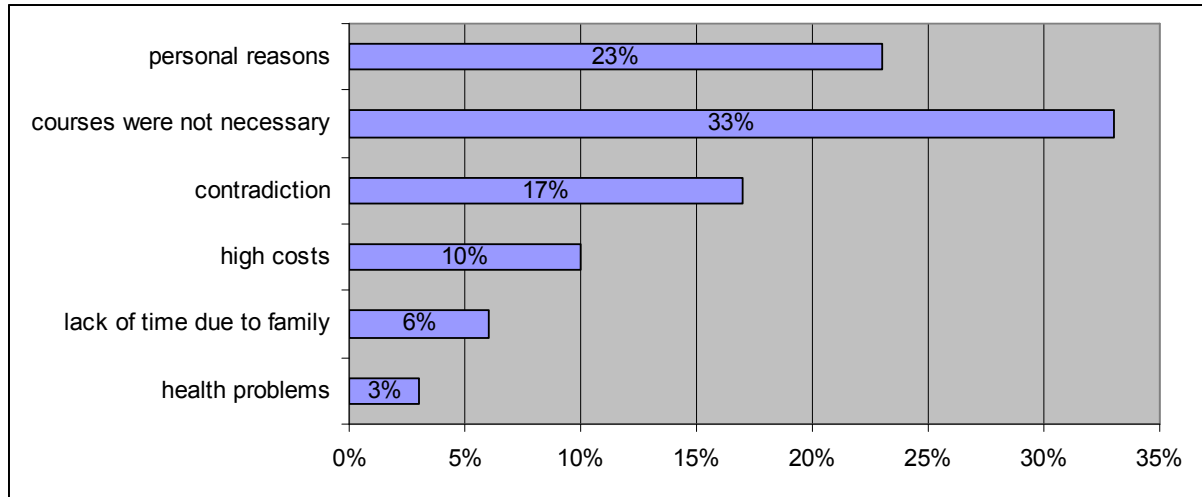
For most graduates, 33% have passed between 5 and 10 years between graduating and enrolling in masters courses, and for some even over 20 years. The reasons for which there is a gap between the two forms of study are varied, most of them saying that masters studies were not necessary at the time of graduation.

Of those who declared that masters studies was not required from a professional point of view after obtaining a degree, 60% graduated from the Bologna system, these are

considered short-term studies. Continuing bachelor studies with participation in master classes is, in these conditions, more than necessary.

Fig no. 4

Reasons that caused a gap between BA and the master

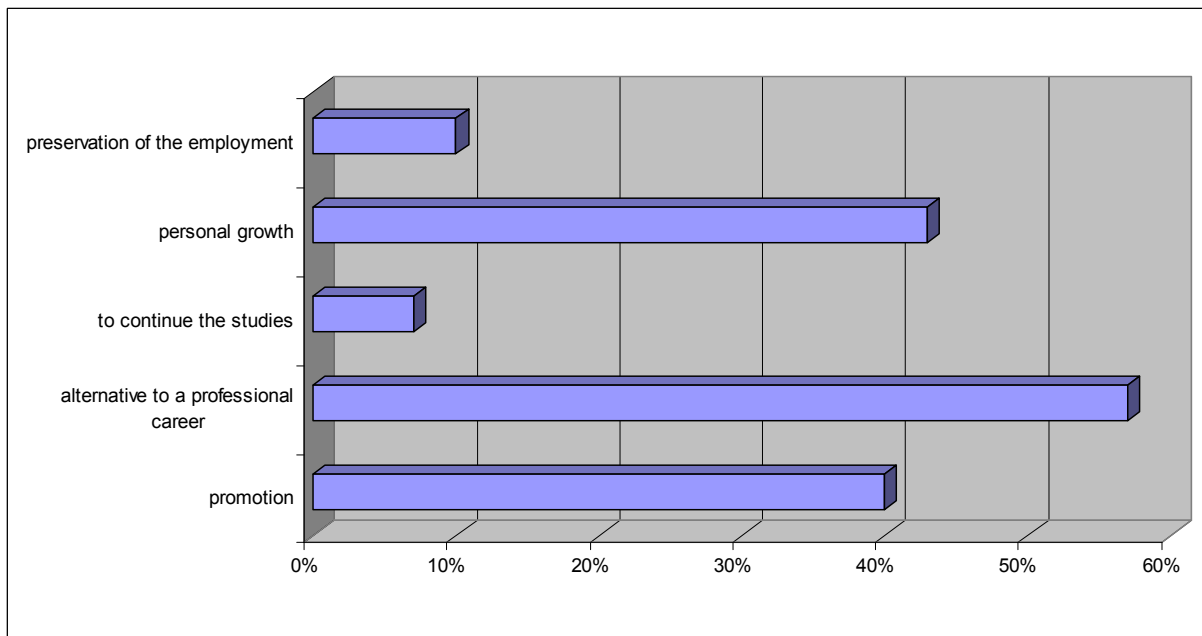


In the case of 77% subjects who did not attend the master's courses immediately after the Bachelor's degree, the training was completed with participation in various courses: human resources inspector, trainer, public procurement expert, project manager, sales. Only 15% of students have personally paid the fee for the courses attended, for 85% they were free (paid by the employer or organizers CEA courses).

We wanted to identify the reasons that prompted the subjects to attend the Masters course, either immediately after graduation or at a certain number of years after.

Fig no. 5

The reasons that led to the master's enrollment



Of those who stated that the reason for enrolling in the mastership is represented by job retention, 67% did not choose another motivation, although the subjects were not restricted to one answer. For them, masters studies are a necessity.

Those who have enrolled in the Masters Course just after the completion of the Bachelor's degree, consider that following Masters courses is a professional alternative, a source of personal development or an instrument of promotion in the chosen career.

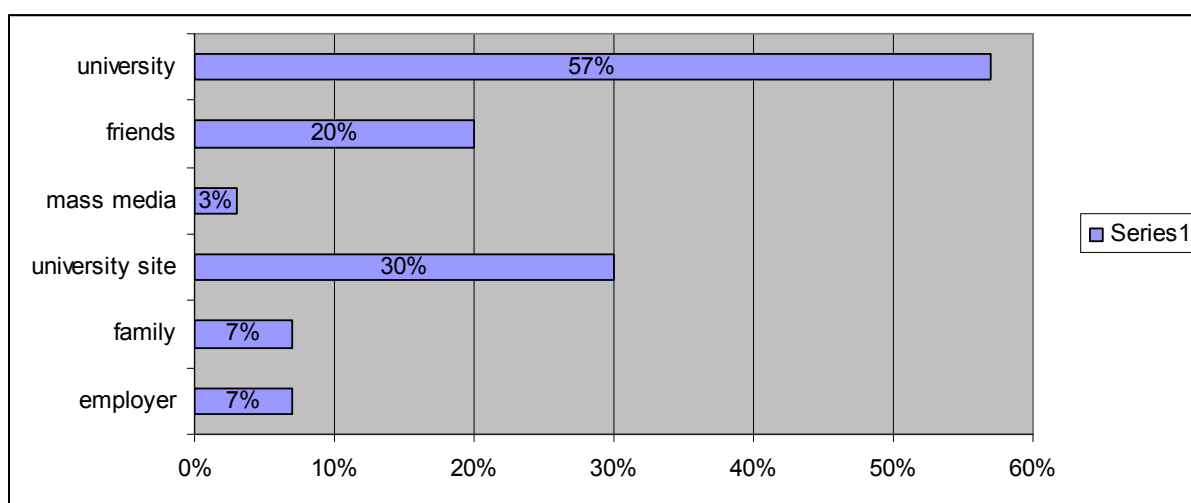
Among the benefits of participating in masters courses, professional development is the first place, followed by personal development and relationship.

The criteria for choosing the university

We wanted to find out from students what criteria they had in mind when they chose to pursue masters courses within our university. The flexible program is the main benefit for learners, along with financial benefits and teachers. Interviewees also said that they were also influenced by the desire to continue in the same university, the quality of teaching and the proximity to the home.

Fig no. 6

Sources of information about masters courses



Not surprisingly, most of the subjects combined the ways of informing about masters courses. The most used way is to make information *face to face* either through the telephone at the university headquarters.

3. Conclusions

- Enrollment in a master's courses after graduation is not a priority for young graduates.
- Enrollment in a master's degree occurs at the time of professional perspective (promotion, professional alternative, job retention).
- Participation in student courses contributes to their personal development, professional development and the creation of links between trainees.
- Choosing an institution to attend courses is mainly based on the financial benefits and the flexible program of courses.
- The interviewed subjects participated in various training and retraining courses between the bachelor's and master's degrees, most of which were free of charge.

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STRATEGIC ALLIANCES: THE CASE OF RENAULT-NISSAN

Sorin-George Toma¹,
Cătălin Grădinaru²

Abstract: *In the last decades the automotive industry has witnessed profound transformations all over the world. On the one hand, the markets have become increasingly fragmented and the main producers have tried to be present in every major geographical area. On the other hand, the manufacturing methods have continuously evolved in order to meet the changing demands of consumers. The fierce competition has led to the concentration of the automotive industry as several mergers, acquisitions and alliances have emerged. Collaboration between automotive producers has become a fashion. The Renault-Nissan Alliance was created in 1999. For the first time in the automotive history a French car company gained a major interest in a Japanese car company. The aims of our paper are to carry out a review of the definition of a strategic alliance, to present the history of the Renault-Nissan Alliance and to briefly analyze its strategy. Our research is based on a literature review.*

Keywords: *strategic alliance, Renault, Nissan, automotive industry, company*

JEL Classification: L1, M1

1. Introduction

In the last decades the automotive industry has witnessed profound transformations all over the world. On the one hand, the markets have become increasingly fragmented and the main producers have tried to be present in every major geographical area (Donnelly, Morris and Donnelly, 2005). However, in 2015 “record sales in the U.S. gave the sector a much-needed boost, but growing economic malaise in much of the rest of the world, particularly in emerging markets, led to a flat year overall, dampening prospects for global automakers and suppliers” (Hirsh et al., 2016, p. 4). On the other hand, the manufacturing methods have continuously evolved in order to meet the changing demands of consumers. As the idea of fully autonomous and self-driving cars is more and more debated huge opportunities have appeared for automakers. The intelligent car has imposed auto companies to allocate considerable resources both in their design rooms and on factory floors. Digitalization and connectivity are on the top of the executives’ agenda in the automotive industry (KPMG, 2016) as tomorrow’s car will be increasingly connected and digital (ACEA, 2016). Embedded electronic devices and software are used in order to extend the capabilities of cars. A new revolution driven by “the convergence of connectivity, electrification and changing customer needs” (Barra, 2016, p. 1) has begun in the auto industry that promised “a new era of safe, efficient, comfortable and environmentally-friendly mobility” (Jonnaert, 2016, p. 1).

The fierce competition has led to the concentration of the automotive industry as several mergers, acquisitions and alliances have emerged in the past decades. Competition has shifted from interfirm rivalry to rivalry among networks of companies ([Banerji](#) and [Sambharya](#), 1998). Therefore, collaboration between automotive producers has become a fashion because “within a more complex and diversified mobility industry landscape, incumbent players will be forced to simultaneously compete on multiple fronts and cooperate with competitors” (Mohr et al., 2016, p. 13). Increased interdependence among companies has conducted to the multiplication of strategic alliances ([Zineldin](#) and [Bredenklow](#), 2003; [Furrer](#), [Tjemkes](#) and [Henseler](#), 2012; [Das](#), 2012a), especially in the automotive industry.

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The aims of our paper are to carry out a review of the definition of a strategic alliance, to present the history of the Renault-Nissan Alliance and to briefly analyze its strategy. Our research is based on a literature review.

In the second chapter of the paper the literature review about the concept of strategic alliance is presented. The third part of the paper is devoted to the Renault-Nissan Alliance. Paper ends with conclusions.

2. Defining strategic alliances

The size of the business literature on strategic alliance is impressive. An important stream of research has focused on the concept of strategic alliance, especially in the last decades (Shenkar, and Reuer, 2006; Zamir, Sahar and Zafar, 2014). The concept of strategic alliance has been defined as:

- “voluntary arrangements between firms involving exchange, sharing, or codevelopment of products, technologies, or services” (Gulati, 1998, p. 293).
- “long-term, trust-based relations that entail highly relationship-specific investments in ventures that cannot be fully specified in advance of their execution” (Phan and Peridis, 2000, pp. 201-202).
- “a link between two or more firms that enhances the effectiveness of the firms’ competitive strategies” (Inkpen and Ramaswamy, 2006, p. 80).
- “trading partnerships and new business forms that enable participating firms to achieve strategic objectives beyond their existing capabilities by providing for mutual resource exchanges (technologies, skills, or products)” (Todeva, 2007, p. 1).
- “an agreement, preferably formalized, with another organization” (Thompson and Martin, 2010, p. 785).
- “a trading partnership which links certain business processes of two or more companies which may augment effectively the competitive strategies of the firms involved while providing mutual benefits by exchanging technologies, skills, resources, or products” (Nishimura, 2010, p. 2).
- “two or more separate organizations share some of their resources and capabilities but stop short of forming a separate organization” (Henry, 2011, p. 245).
- “cooperative arrangements aimed at achieving the strategic objectives of two or more partner firms” (Das, 2012b, p. ix).

The above mentioned definitions show that the concept of strategic alliance has several characteristics. Thus, strategic alliances:

- represent a contractual relationship between a limited number of companies that remain independent;
- occur across vertical and horizontal boundaries;
- aim at achieving the partners' strategic objectives;
- reflect the logic of collaboration and embrace a diversity of partnership forms (Grant and Baden-Fuller, 2004) as they are established for a variety of reasons, motives and goals (Cravens, Piercy and Cravens, 2000);
- involve a sharing of common destinies ([Vyas, Shelburn](#) and [Rogers](#), 1995);
- establish specific performance requirements (Hamel, Doz and Prahalad, 2002);
- do not involve the creation of another company;
- are embedded in a company's strategic portfolio (Koza and Lewin, 1998);
- imply a complex decision-making process regarding the selection of an alliance partner ([Bierly III](#) and [Gallagher](#), 2007);
- require investments in both financial capital and relationship capital (Cullen, Johnson and Sakano, 2000);
- are seen as “a race to learn” (Hamel and Prahalad, 1994, p. 183).

Strategic alliances have gained a prominent role in the strategy of numerous companies, large and small. During the time many authors (Devlin and Bleackley, 1988; [Brouthers](#), [Brouthers](#) and [Wilkinson](#), 1995; [Varadarajan](#) and [Cunningham](#), 1995; Glaister and Buckley, 1996; Inkpen, 1998; Tsang, 1998; Miles et al., 1999; Hutt et al., 2000; Phan and Peridis, 2000; Dyer, Kale and Singh, 2001; Thomas, 2014) have revealed the main reasons behind these alliances (Figure no. 1).

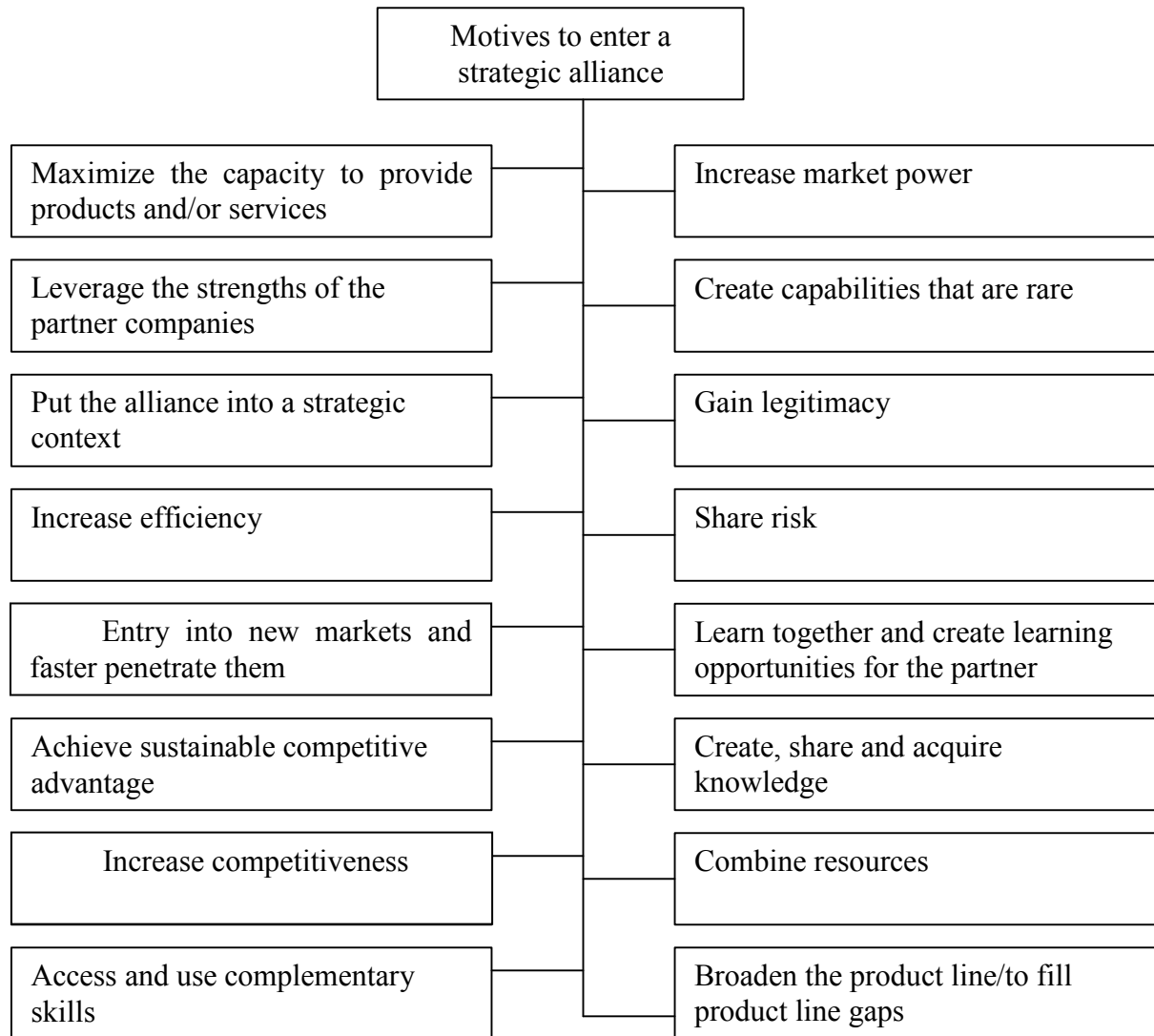


Figure no. 1. Main motives to enter a strategic alliance

In order to become strategic, an alliance has to meet one of the following criteria (Wakeman, 2003, p. 1):

- “1. Critical to the success of a core business goal or objective.
2. Critical to the development or maintenance of a core competency or other source of competitive advantage.
3. Blocks a competitive threat.
4. Creates or maintains strategic choices for the firm.
5. Mitigates a significant risk to the business.”

In this respect, the Renault-Nissan Alliance constitutes a valuable example.

3. The Renault-Nissan Alliance

In 1898 Marcel and Fernand Renault founded the Société Renault Frères company, but their brother, Louis, was the first who drove his Voiturette in Paris. Renault succeeded in designing its first two-cylinder engine in 1902, but opened its Ile Seguin plant in Boulogne-Billancourt outside Paris in 1929. At the end of the Second World War, the French State decided to nationalize the company under the name of La Régie Nationale des Usines Renault (RNUR). Renault was privatized in 1996.

Nissan Motor Company was established in 1934 when the Tokyo-based Jidosha-Seizo Kabushiki-Kaisha (Automobile Manufacturing Co., Ltd.) took the new name. In 1935 the Japanese company produced the first Datsun at its Yokohama plant. In the postwar period, Nissan became the first Japanese automaker gaining the Deming Prize for engineering excellence in 1960. In the last quarter of the twentieth century Nissan began to develop overseas manufacturing operations and succeeded to produce four of the top ten selling cars worldwide in 1991 (Chau and Witcher, 2008).

The Renault-Nissan Alliance was created at the end of the 1990s. On March 27, 1999, Nissan and Renault signed an agreement concerning the making of a global strategic alliance aimed at achieving sustainable growth for both automakers. Once again, a Japanese company has shown its ability in the field of strategic alliances (Lincoln, 2009). For the first time in the automotive history a French car company gained a major interest in a Japanese car company. Moreover, C. Ghosn was appointed Chief Operations Officer of Nissan. Renault took 36.8 % equity stake and corresponding voting rights in Nissan Motor Company and later Nissan took 15 % of Renault.

Created on March 28, 2002, in the Netherlands, Renault-Nissan BV is responsible for the strategic management of the Alliance, being equally owned by the two automakers (Figure no. 2). Today, Renault has a 43.4% stake in Nissan, and Nissan a 15% stake in Renault. Some of the key reasons that led to the emergence of the alliance were the following:

- Renault's attempt to become a global player;
- Nissan's huge indebtedness;
- ferocious global competition in the auto industry;
- obtaining access to design, technology, and production processes;
- penetration of new markets;
- achieving economies of scale (volume) and scope (model range) at a global level.

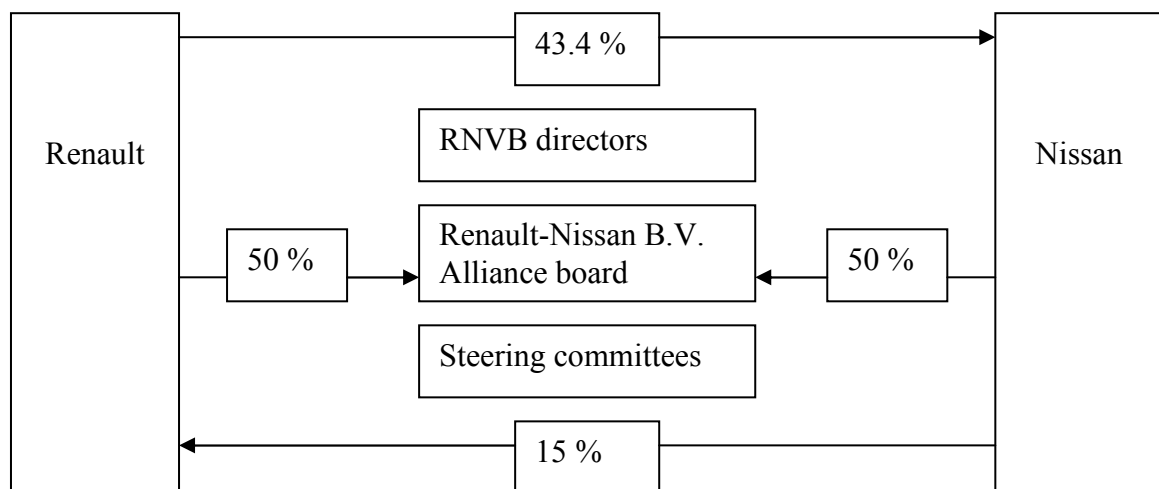


Figure no. 2. The structure of the Renault-Nissan Alliance

Source: Groupe Renault, 2016

Since the beginning Renault has understood the need to form a common culture for the two companies because a cross-border alliance had to face several challenges. This is why it decided to invest massively in “cross-cultural training, team-building and consultancy for managers at all levels” (Pooley, 2005, p. 30). Ghosn’s multicultural identity proved to be decisive in balancing the needs of the two companies (Fitzsimmons, Miska and Stahl, 2011). Also, Renault had to deal with the Japanese management model which is significantly different as against the Anglo-Saxon model (Table no. 1).

Table no. 1. Differences between the Anglo-Saxon management model and the Japanese management model

Anglo-Saxon management model	Japanese management model
Market regulation	Governmental guidance
Shareholder interests	Employees’ interests
Capital markets	Bank loans
Constant profits	Long-term market growth
Differentiation from competitors	Imitation of best practices
Embracing radical change	Incremental steps toward change
Open, global, geocentric mindset	Insular, domestic, ethnocentric mindset
Flexible transnational alliances and supply chains	Rigid, national keiretsu structures
Proactive top-management	Delegation of decision making to middle management

Source: Pudelko and Mendenhall, 2007, p. 275

At the end of the 1990s Nissan recorded a debt that reached around US\$ 20 billion and had no other option to insure its survival but to seek for an agreement with a foreign competitor. By using the financial and managerial resources provided by Renault Nissan regained its profitability in 2001.

As the two companies had similar interests and aims, the management of the alliance established a two-fold strategy: profitability and growth (Cisco Systems, 2005). In order to pursue its strategy Renault-Nissan Alliance have designed and implemented several projects, measures and plans such as:

- creation of the Global Alliance Committee that defines joint strategies (Susini, 2004);
- sharing competencies in global strategic management, international finance and innovative-aggressive design (Chanaron, 2006);
- cost-cutting measures (e.g., decreasing the workforce, reducing the number of production platforms, rationalizing parts purchasing, closing factories) (Morrison and Floyd, 2000; Yukl and Lepsinger, 2005);
- production plans of synchronous delivery;
- setting up of the Global Alliance Logistics Committee, Global training center, Global production engineering center, and Global package design center (Jindal, Jee and Thakur, 2011), Renault-Nissan Information Services, Renault-Nissan Purchasing Organization (Segrestin, 2005; Cisco Systems, 2005);
- implementing the Nissan Revival Plan, a recovery plan for the Japanese automaker (Douin, 2002);
- full transparency and communication of alliance direction and priorities;
- setting up cross-functional teams (Millikin and Fu, 2005) supported by functional task teams (Susini, 2004);
- implementing the project Workforce Integration at Nissan (Cisco Systems, 2005).

Last year, Renault-Nissan held the fourth place in the world and proved therefore to be a very successful alliance (Table no. 2). Today's automotive industry is so highly concentrated that the top five companies account for more than 60 per cent of world sales.

Table no. 2. The five largest automotive manufacturers by sales in 2015

No.	Corporation	Sales (million cars sold)
1.	Toyota	10.15
2.	Volkswagen	9.93
3.	General Motors	9.80
4.	Renault-Nissan	8.22
5.	Ford Motor	6.64

Source: McGrath, 2016

4. Conclusions

The proliferation of strategic alliances in the automotive industry gave place to numerous studies and researches. This is why considerable progress has been made in the field of strategic alliance literature in the past decades.

Our paper provides a comprehensive theoretical framework in order to better understanding alliances. Also, it shows that strategic alliances are cooperative partnerships aiming at achieving common goals and encouraging companies to adopt win-win strategies beneficial to them.

Signed in 1999 the Renault-Nissan agreement became one of the most successful strategic alliances in the automotive industry. The alliance highly contributed to Nissan revival and strengthened Renault position at a global level.

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INTANGIBLE RESOURCES - NEW CREATIVE ENGINES FOR WELFARE IN ORGANIZATIONS

Stan Sebastian¹

Abstract: *Intangible resources are those elements that ensure business progress and they are often the main contributors to the earning power of the organization. The issue that this article begins with is that the literature of the intangible resources, also their reporting regulations indicate a lack of precise or accepted definitions for these concepts. The problem of conceptualization this type of resource is underestimated, which is why it is not surprising that, for an organization, the evaluation, recognition and reporting information on this subject are chaotic, unimportant and without credibility. This article clarifies these issues, in order to avoid confusion and conceptual misinterpretation. In the corporate context, all kinds of intangible resources may represent a potential source of value for their owners. However, the nature of these various forms is very divergent. Thus, taking as starting point the study of literature in this field and especially the ongoing difficulties identified in conceptualizing and structuring intangible resources, in completing this article a taxonomy is developed, by which there are emphasized those elements considered representative to analyze and understand the intangible resources across the organization.*

1. Introduction: tangible and intangible at organisation-level

In the current economic environment, maximising the value of a business over time remains the main goal of any manager. Organisations of all kinds (economic entities, such as: bussiness, firm, company, etc.) attempt to effectively combine the resources they have at their disposal – tangible and intangible – to produce and sell goods or services, aimed at gaining a major part of the market thereby increasing their profitability.

Intangible resources, according to Hall's approach (1992), may be broadly considered as assets, i.e. intellectual property rights, trademarks, certain information technologies such as databases, networks or they may be considered as abilities and skills, such as those in human capital.

The definition of intangible assets currently respects the following coordinates: source of a future economic benefit, they have no physical substance, they are controlled by the company as a result of prior events and transactions (production, purchasing or any other method of acquisition), they are able of producing net profits in the future, they are legally protected.

Intangible assets have gradually become the most important source of competitive advantage. The American consultancy company in the management of intellectual property assets, *Ocean Tomo*, has determined that intangible assets increased from 20% of the value of the companies in 1980, at about 80% nowadays. Hence, intangible assets have now an increasing importance in the market value of modern organisations. An annual survey on market value of intangible assets for the major stock exchange indices worldwide (developed by Ocean Tomo, in 2015), reveals that the market value of the Standard & Poor's 500 (S&P 500 – it is in general, the benchmark index for the American equity market) in 2015, the contribution of intangible assets increased to 84% in 2015, with an increase of four percentage points over the past ten years (see Figure 1).

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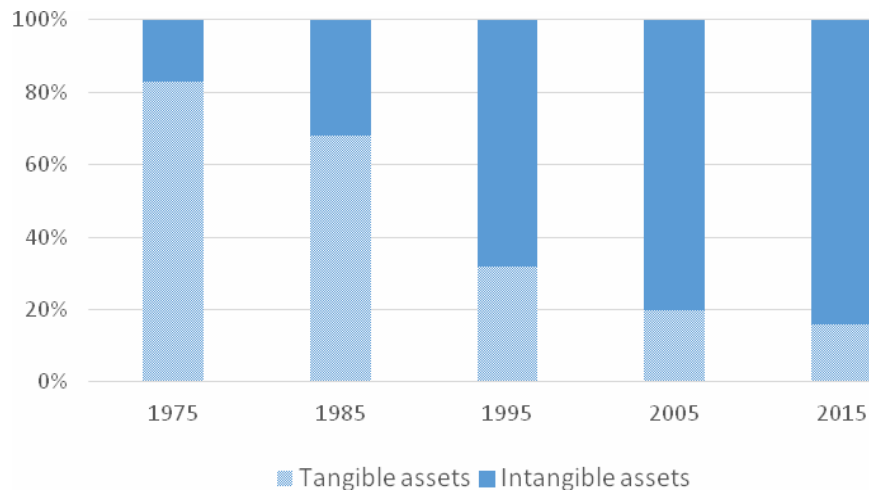


Figure 1. Evolution of market value components of the Standard & Poor's 500
 (Source : www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value/)

Thus, we can state with certainty that the value of a company is not given only by its tangible resources, but by the weight of intangible resources in the total assets of an organisation. From this point of view, we may talk about a review of the company's value (shown in Table 1), formed, on one hand, by its tangible and intangible assets and, on the other hand, by its tangible and intangible investments.

Table 1. The balance sheet on the value of the company

ACTUAL WEALTH		INVESTMENTS FOR THE FUTURE
Intangible Assets		Intangible Investments
Human-centred assets <ul style="list-style-type: none"> • employees' ability and creativity • leadership, entrepreneur and manager skills 	INTANGIBLE VALUE OF THE COMPANY	<ul style="list-style-type: none"> • Supporting research and development • Innovating • Developing human resource management
Innovation assets based on intellectual property <ul style="list-style-type: none"> • know-how • trade secrets • copyright • patents or other rights 		<ul style="list-style-type: none"> • Developing financial management • Developing information management • Developing quality management • Performing marketing management • Performing the management of imbalances
Infrastructure assets <ul style="list-style-type: none"> • organisation culture • management methods • databases and information on the market or customers • communication systems such as e-mail and modern teleconferencing systems 		<ul style="list-style-type: none"> • Developing the management by exceptions • Developing the management by management and performance centres etc.

Relational assets <ul style="list-style-type: none"> • customers and their degree of loyalty • distribution channels • networks of contracts and agreements 		
Tangible Assets		Tangible Investments
Long-term: <ul style="list-style-type: none"> • equipments • buildings • land • financial assets etc. 	TANGIBLE VALUE OF THE COMPANY	Long-term: <ul style="list-style-type: none"> • long-term obligations • deferred taxes and duties • rent etc.
Short-term: <ul style="list-style-type: none"> • inventories • debts • commercial paper received • portfolio of securities • liquid assets etc. 		Short-term: <ul style="list-style-type: none"> • commercial loans • short-term bank loans • guaranties for products and services • other current liabilities

To make optimal use of intangible assets as new engines creating wealth in a knowledge-based society, we must move as much as possible away from the old engines of the industrial economy which, in turn, have replaced those of the agrarian economy. In this context, any organisation must become aware of the knowledge it holds, embodied in intellectual assets.

This paper is structured as follows. In Sec. 2, we present a literature review of the previous research in the field. Section 3 describes different models for the classification of intangible resources. In Sec. 4 we describe the new proposal to classify intangible resources. Section 5 concludes.

2. Literature Relevant to Research

After studying a large volume of literature (a selective presentation of this is made in the bibliography of this work), we have noticed that there is confusion and a lot of misunderstanding about the definition and the components of organisation-level intangible resources and related terms (intellectual capital, intangible resources, intangible assets, intellectual assets, knowledge assets, etc.). These definitions may be generally characterised as being "...very abstract ... and therefore of little help for practitioners or researchers" (Kaufmann & Schneider, 2004). Wilkinson (2009) supports the same idea, stating that "the research of intellectual capital is still in the exploration phase, without having reached a consensus on the meaning of this concept and there is little evidence to recommend measuring this type of capital."

The research in the literature on intangible resources (Bontis, 1999; Brennan & Connell, 2000; Canibano, Garcia-Ayuso & Sanchez, 2000; Kannan & Aulbur, 2004; Kaufmann & Schneider, 2004; Petty & Guthrie, 2000), as well as recent studies and regulations on reporting thereof, indicates a lack of agreed or precise definitions for these concepts, although there is the agreement on two important attributes thereof: value and knowledge: "intellectual capital and intangible assets in the form of *knowledge* are considered to be determinants of the *value* in organisations" (Stevens, 2012).

There are also divergent approaches on the content of these terms, since intellectual capital may be treated as a subset of intangible assets or vice versa (Wilkinson, 2009). On the other hand, in other studies intellectual capital and intangible assets seem to be interchangeable since the two terms are often used to refer to the same thing, for example,

to elements such as knowledge, technology and customers, which creates value (Kaufmann & Schneider, 2004). Both of them refer to intangible sources of future economic benefits that may or may not arise within the financial statements of organisations (Petty, Cuganesan, Finch, Ford, 2009). Even if there are legal obligations for companies to submit in their financial statements certain intangible assets acquired (referred to by the international accounting standard IFRS 38 Intangible Assets), they are not required by accounting standards or by law to report the majority of their intellectual capital, but may choose voluntarily to disclose such information. Some authors consider therefore that these terms refer to the same concept.

However, in our view, we believe that these terms should be used differently because they differ not only in their scope, but also in terms of areas and individuals working with these concepts. Intangible (intellectual) assets is a term used by professional evaluators and by experts in finance and accounting, intellectual capital is a term used mainly in human resources management (Vickery, 1999) and the concept of intellectual property is normally used by legal professionals. Intellectual capital is a broad concept including the concept of intangible assets, and these include the concept of intellectual property (Lopez, 2009). This is owed to the fact that the intellectual capital refers to all knowledge having the potential to create value in the organisation and includes concepts additional to intangible assets, such as human resources (employees' intellectual contribution, experience), customer lists, benefits from contracts, management processes etc. Intangible (intellectual) assets refer to knowledge that creates *the present* value and include concepts in addition to intellectual property, such as public fame, know-how, distribution systems or business and marketing plans, whereas intellectual property covers the knowledge articulated through a legal property (patents, trademarks, trade secrets, copyrights, etc.) (see figure 2).

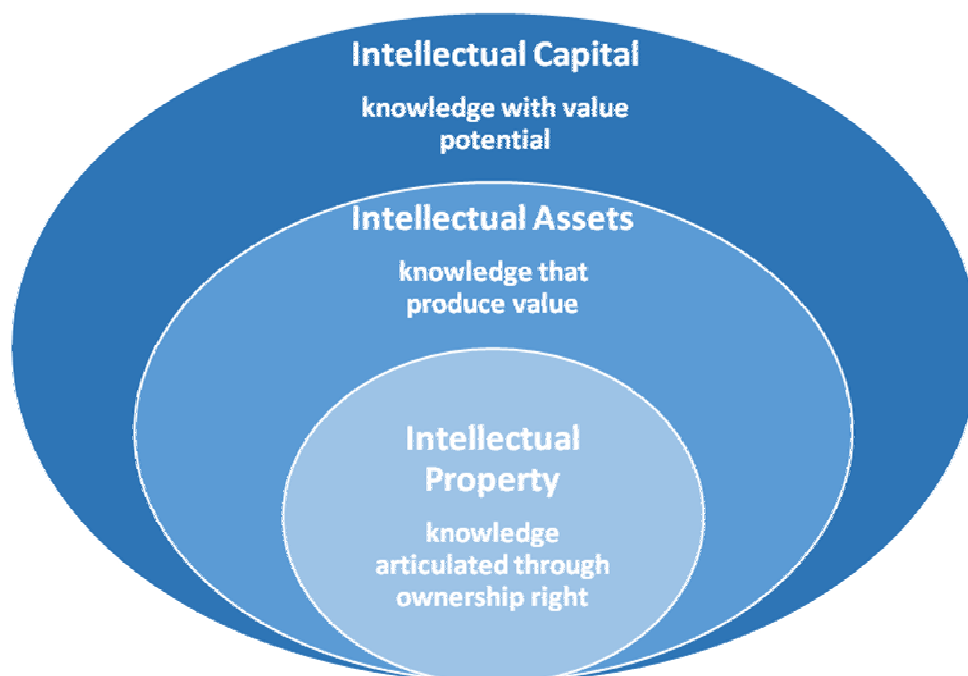


Figure 2. Intellectual capital – Intellectual assets – Intellectual property

3. Classification of Intangible Resources

As regards structural dimensioning of intangible resources, we mention that there is currently no generally valid and accepted taxonomy, which is why literature presents various taxonomies in various forms. The most representative of these are presented below.

Relating to intellectual capital, it generally comprises all intangible resources available to the company and which give them a comparative advantage which, in combination with other possible advantages may lead to benefits in the future (Jianu, Brătianu, 2007). In order to measure and manage it efficiently, it is important to identify its components with the highest possible accuracy. If we compare several models of intellectual capital, enshrined in the literature (Table 2 – items are arranged in chronological order), we will see that many of them are based more or less on the same type of classification.

Table 2. Models of intellectual capital

Model	Components
Balanced Scorecard (Norton and Kaplan)	Intellectual capital is not presented by components, but includes the perspectives of groups of customers, internal processes of the organisation, prospects of learning and growth (tying them into a coherent system of financial factors), structure that largely resembles with some of the classifications by components of intellectual capital later developed.
Sveiby (Sveiby's Intangible Assets Monitor)	Internal structure; external structure; individual competences
Skandia (1994)	Human capital; structural capital (which is divided into customer capital and organisational capital – consisting of innovative capital and processes capital)
Ross et al (Intellectual Capital Index)	Human capital; structural capital (relational, organisational and innovative / development)
Bontis (2001)	Human capital; structural capital; customer capital
Brooking (1996)	Human resources related capital; intellectual property, market linked capital; infrastructure related capital
Edvinsson, Malone (1997) Saint-Onge (1996) Stewart (1997)	Customer capital appears as the main capital
Cohen, Prusak (2001) Davies, Magowan (2002)	Human capital; structural capital; customer capital; social capital

Thus, based on different concepts presented in literature, intellectual capital can be defined as the economic value of an entity given by three categories of intangible interdependent elements (see figure 3) such as:

1. human capital (Bontis, 1999, 2001; Stewart, 1997; Van Buren, 1999; Dzinkowski, 2000; Roos et al, 1997; Saint-Onge, 1996; Stewart, 1997; Kong, 2007);
2. structural capital (infrastructure) (Bontis, 2001; Grasenick & Low, 2004; Kong, 2007; Roos et al, 1997; Stewart, 1997; Dzinkowski, 2000; Saint-Onge, 1996; Stewart, 1997; Kong, 2007);
3. relational capital (Bontis, 1999; Fletcher et al., 2003; Grasenick & Low, 2004; Ross et al., 1997; Dzinkowski, 2000; Saint-Onge, 1996; Stewart, 1997; Kong, 2007).

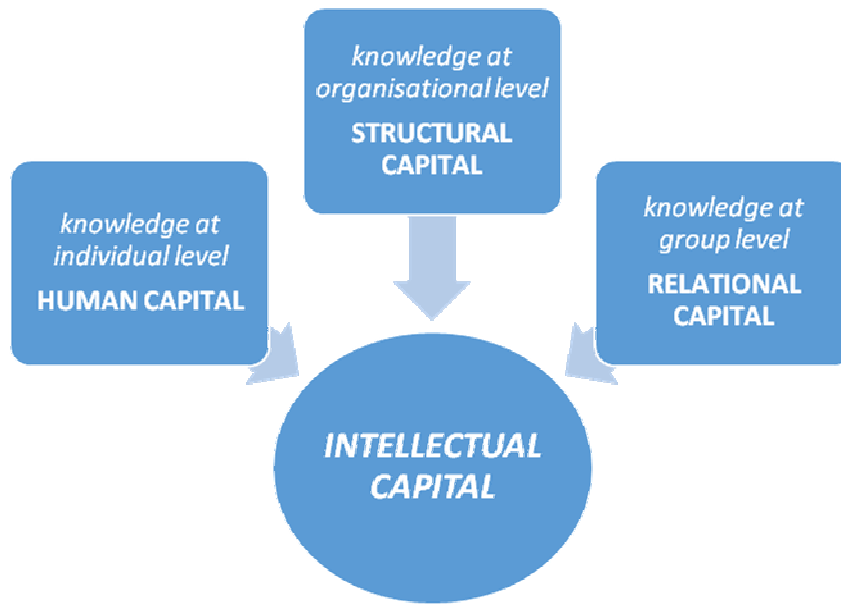


Figure 3. Intellectual capital components

All these three elements, seen as a whole, produces economic benefits to the entity. Whilst most rages of the intellectual capital use these components, others show slight variations (Wang, 2007).

4. A New Proposal to Classify Intangible Resources

In the corporate context, all kinds of intangible resources may represent a potential source of value for their owners. However, the nature of the various forms thereof is very divergent. Thus, taking as its starting point the study of literature in this area and especially the ongoing difficulties identified in conceptualising and structuring intangible resources, we have considered to develop a taxonomy (see Figure 4) through which we emphasized the elements we considered representative for analysing and understanding organisation-level intangible resources.

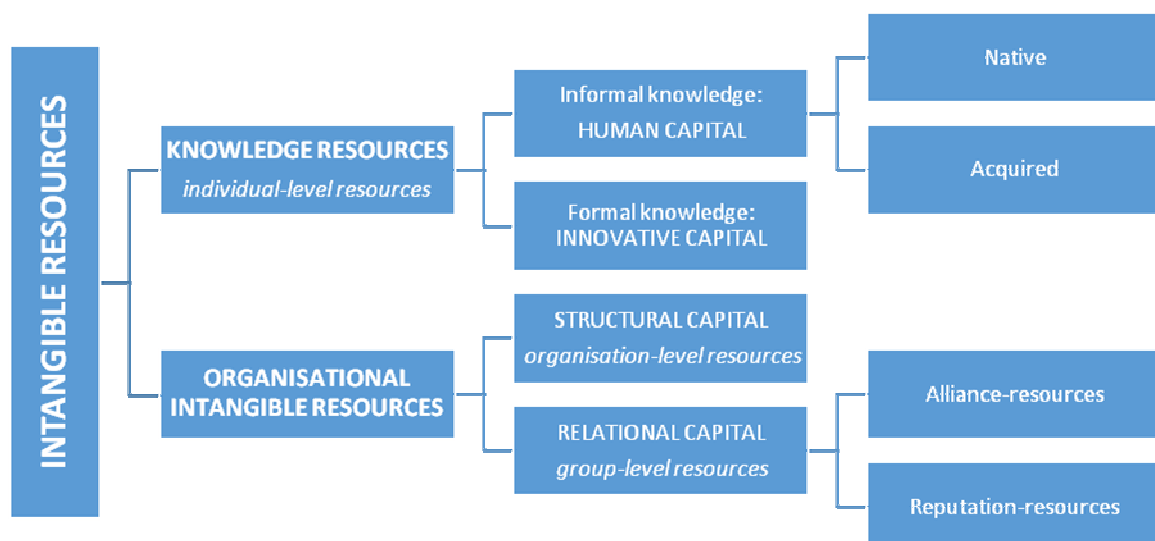


Figure 4. A new proposal for intangible resources components

A first component of intangible resources is the knowledge resources. In our proposed structure, we have started from the type of knowledge (cognition) that underpins knowledge resources. The two definitions of knowledge are distinguished by the type of knowledge, namely informal and formal. Each type of knowledge should be treated separately.

Informal knowledge refers to ideas, facts, assumptions, meanings, questions, decisions, myths, stories and viewpoints. All these elements are included in human capital. Informal knowledge involves certain risks – the employees who have information may be injured, making rendering information impossible, or a key employee may leave and cause leakage of information for prospective employers. Informal knowledge can be created by:

- native values (genetic heritage, creativity, skills, intellectual ability, moral principles and values);
- acquired values (knowledge and skills, experience, education, attitude capacities, skills and abilities).

Formal knowledge, on the other hand, are encoded - recorded in books, manuals and other forms of documentation - and represents the "organisational intelligence" or Innovative Capital. Formal knowledge is an asset created by the conversion of knowledge from a cerebral entity to one being expressed in a permanent form, which can be more easily identified and shared. Another benefit of formal knowledge is that in this form, their eligibility for protection of intellectual property can be assessed. The resources on intellectual property rights include trademarks, copyrights, patents etc. Within its all three phases, knowledge resources have great importance, relevance and value for the corporation.

The second largest group of intangible resources consists in organisational intangible resources. Approaching Brătianu's vision (2006) who states that the structure is part of an organisation, and not vice versa, a first component of organisational intangibles is given by structural capital (organisation-level resources). It refers to human capital infrastructure, including organisational capabilities to adjust to market needs (information systems, organisational culture, management processes and procedures, research projects). The other component, Relational Capital (group-level resources), is defined by the totality of relationships between an organisation and its stakeholders. It is divided into alliance-resources, focused on relations external to the organisation leading and developing the business (relationships with various stakeholders – suppliers, partners, financiers, partnerships, cooperation, concluded contracts – including networks and partnerships with universities) and reputation-resources (stakeholders' loyalty and satisfaction, image of the entity, brand, advertising).

5. Conclusion

For an organisation to be effective, the issue of efficient allocation of resources and the transformation of intellectual resources into economic value equally arises. At the same time, investment in intangible assets leads to quick and flexible adaptation of companies in the market (Dobre, 2013) since they have gradually become the most important source of competitive advantage.

According to the new perspectives supported by endogenous growth theory and other approaches, the traditional factors of production (natural resources, labour and capital) have gradually decreased their importance. At the same time the importance of intangible assets such as information, knowledge and creativity has increased. Investments in intangible assets are important factors of competitiveness and convergence. Whereas land, capital and labour are subject to the law of decreasing returns, knowledge and information induce increasing returns. (Suciu, 2008).

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ORGANIZATIONAL CULTURE AND HOW THIS AFFECTS THE PERFORMANCE OF A CORPORATION

Iacob Silvia Elena¹

Abstract: *Organizational culture is the whole forms learned behaviors in an organization, and this requires internal coherence and a series of relationships between its branches, so there is the possibility of similarity between cultures but these organizations are unmistakable. This is exactly the essence of an organization, playing an important role throughout an organization. Organizational culture is made up of human history and important data values declared, occupations memberships, beliefs and symbols that refer to outside the space or behaviors. Organizational culture reinforces their learning manner, and this manner is influenced by the environment in which it develops, but also the history which it accumulated during its relations with the environment. Organizations working environment has an impact on their organizational cultures and businesses placed in similar contexts so resembles pretty much.*

Keywords: *organizational culture, organizational communication, success, performance*
JEL Classification: D83.

The role of communication in an organization capital, without a perfect communication between the members of the management team and the rest of the employees, taking decisions by managers and therefore their adoption would be unthinkable. Above all, management means interpersonal influence exercised in a certain situation to fulfill defined goals, and this cannot be achieved without the help of communication.

Good communication strengthens a system of mutual cooperation that helps to achieve the proposed goals and sustainable development of the organization, creating an environment which generates efficiency and satisfaction. Communication within the organization has the mission to position the organization as high as possible; giving it recognized personality and distinct identity in front of the competition.

The individuals that make up an organization come with their own behavior within it. Although their behavior in the organization is limited depending on the policies and structures of the organization, the print of the behaviors represents the individual outside the organization, according to his way of making choices, taking decisions and of thinking rationally (Hofstede G., Bollinger D., Les différences culturelles dans le management, Les éditions d'organisation. 1986, pp. 155-159).

"The influence of national culture on the organization takes place in indirect ways: institutions that form part of the organization's external environment helps shape the adopted (State Olimpia, Organization and management culture, Editura ASE, 2004, p.2) social and structural solutions".

Organizational culture is made up of human history and important data, declared values, afferent occupations, beliefs and symbols that refer to the exterior, the space or behaviors.

Organizational culture is transmissible and open to adaptations, exceeding the level of the individual being only partially conscious, and its characteristics can be summarized as follows (Handz, C., Good of management, London, Centurz Business, pp. 71-85):

- cultural beliefs of an organization are transmitted from one generation to another, all the opinions and values resulting from a continual and lasting process implemented by people and accepted as code of conduct.

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- Unlike biological characteristics that are inherited, culture requires a long learning process, its transmission being easily accomplished.
- Culture is not just about internal factors but also external factors, being a social variable.

Factors influencing the culture are divided into two categories: internal factors and external factors.

Internal factors:

a) The history and traditions of the organization.

The history of an organization confers prestige, stability, organizational inertia but also continuity, and as the organization's history is longer and more complex, the influence that it has on culture is increasingly higher.

b) Management system

This system through its decisional, informational, organizational and methodological managerial features influences the configuration of the organizational culture. A good and well-structured management system represents a solid basis for the formation of a strong organizational culture.

c) The employees of the organization

Preparing the employees, the number, the values held by them, their age and temperament mark in a variety of ways the formation of the culture of an organization.

d) Technique and technology

Computerization of an organization strongly influences the achievement of employees' work, this being reflected in symbols, ceremonies, aspirations and values system.

External factors:

a) Customers

Due to the level of demands, the potential and different prospects of development of customers the organizational culture suffers changes.

b) Juridical legal environment

Organizational culture is influenced by the manner in which are interpreted and respected the laws. Progress can be seen when the juridical legal environment favors the performances of the enterprise.

c) Economic Environment

Although the economic environment works closely with legal and juridical environment, it is represented by the functionality and performance of the national economy.

d) National and local culture

In the national culture and in the local one, functions the organizational culture that is influenced by ways of thinking, religions, different concepts as well as through education.

There are many opinions regarding the classification of components of organizational culture, but the common point of these opinions is that organizations that have the same branch of activity and similar components still come to be very different.

Organizational culture was presented most often as having the following components (Thévenet, M., *La culture d'entreprise, Que sais-je?*, Paris, Presses Universitaires de France, 1993, p. 54-56): founders represented by social origin, personal data, fundamental principles, then follows the history of people, structures, important data, backgrounds; occupations (professions): apparently related to reality, their manner of execution. Another component is represented by values that are apparent, declared, operational, behaviors of individuals, space, time use, rituals, language, attitudes and not least the signs, symbols and beliefs, assumptions towards the outside, etc.

The first would be the founders and circumstances in which the company was founded. This first component refers to the principles that were established when the company was founded and often these specific features will influence and will be found in the culture of an organization as long as it will exist. On the other hand, this does not mean that automatically any idea that the founder has will be applied without any doubt, but that the "impact of the founder, his print will be found just like parents put their mark on the behavior of their children." Often, there are several founders of the same organization and are those who have traced the major lines of development, who had an equally high role as the founder or there really were more people who founded an organization (Buzărnescu, □tefan, Introduction to organizational sociology and management, Press Didactic and Pedagogical, Bucharest, 1995, p 20-40).

When we think of founders we actually think about what they are as people, their personal characteristics, origins, education, training, facts, experiences, gestures. Also the founders are represented by their environment, their economic situation, the group, the technology, the originality of creation in relation to the environment, market, products, existing services and activities, as well as other internal means of operation. Also founders are represented by their principles in relation to the production and management of goods or services, internal functioning, their relationships with customers, shareholders, suppliers and the community as a whole.

Schein E. gives as example M. Jones as a classic founder. The son of immigrants who owned a grocery store, Jones was greatly influenced by his mother that has guided and taught him how to start up a commercial business, but also that only active and involved people are successful. Jones founded a chain of stores that had only high quality products for the purposes of consumer tastes; in this notion of quality were also included the relations with the senior management in his stores. The business was of the family, meaning that in the key positions were employed family members, and Jones had a centralized power. After the death of Jones, the company went through a difficult period of crisis and hardly found a manager able to integrate the enterprise culture in specifics of the respective time.

From the example results the difficulty in studying the culture regarding the founder because certain problems arise such as lack of information, the existence of mergers with other organizations that have different cultures, the fact that the enterprise itself may be a subsidiary, absorption, expanding the organization, creation without founders.

Regarding an organization there is a number of important events with a particular value that awakens interest, or current events, regularities and influences that have occurred in the external environment of the company and have influenced certain decisions at some point, politics or efficiency of a measure taken in the organization. This is the history of interest, which explains how collectivity works beyond desire and individual decision. Nowadays there are many companies that employ professional historians to study the history of the company, being helpful in analyzing their culture.

History of an enterprise cannot be taken from its external environment. It may be economic or social, and may be established by various investigations, researches, and sometimes the lack of accurate data it is based on the logic of evolution.

When analyzing the history of an organization there are usually used the departments that keep this data, departments of finance, marketing, production, human resources, knowledge of economic management to understand a certain choice that was made to knowledge of labor law to understand certain restructuring decisions, marketing knowledge to assess the importance of launching or abandoning a product. Another source would be some people who left the company for various reasons or are retired, people who have followed their career outside as well as witnesses from the external environment,

members of professional trade unions, and specialists in the same sector, competitors, which may give a relative vision on what the enterprise has been. Internal and external sources complement each other, very important being also the competence and judgment of history or those who study the history of an organization (Samovar L. A., Porter R. E. & Stefani L. A., *Communication Between Cultures*, Third Edition, Belmont et al.: Wadsworth Publishing Company, 1998, pp. 15-48).

Object of activity of the company is often at the crossroads between culture and strategy, as the company output can be in continuous evolution, it could sometimes change radically. Knowing the key success factors, critical steps, competitive advantages, weaknesses and strengths can determine a future strategy that can mean a possible change (diversification of production, for example). Occupation often associated with competence and "savoir-faire" does not come down to knowledge, but also refers to the ability to solve problems, to address situations, treating reality (Mihai R L, *The motivation, an important step on corporate communication*, 2nd International Symposium „Economics, Communication, Globalization in Knowledge-Based Society”, Press ASE, Bucharest, 2008, ISBN 978-606-505-045-7).

Values are very important in society, so they cannot be ignored in the organizational environment. They allow everyone to evaluate what is good and what is bad, to analyze things and later to act. The values resulting from individual experiences within the groups, to which he belonged at one time, are not a reproduction of the collective values of these groups, but rather what the individual himself thought, analyzed and finally acted. We could say, therefore, that values have two parts, one individual and one collective. While it may seem a negligible element, we cannot imagine an action, a decision or a behavior that does not refer to a code of values that expresses the idea of good and bad of the one who leads or runs.

Another component consists of signs, symbols, beliefs and assumptions. Most often, culture is confused with signs and symbols present in an organization. The literature includes here: rituals, language, means of arrangement, logos and other signs of representation, different heroes, and sometimes little known stories told and codes of conduct etc. Those who have analyzed and then split culture into different components said everything that is studied as a sign or symbol is considered a carrier of meaning (Petelean A, Human resources management, curs IFRD, ediția a II-a, University „Petru Maior”, Tg.-Mureș, 2003).

After contributing to the company's performance:

a) **Positive cultures** or strong, they are characterized by the density of values and visions that provide a positive motivation (Zorlențan T., Burduș E., Căprărescu Gh., Organization management, Bucharest, Press Holding Reporter, 1996, pp. 189-220). In theory this type of culture ensures high performance, but in practice this type of culture is one more rigid if it breaks from the reality of the environment.

b) **Negative cultures** that are typically found in large corporations and are characterized by concepts promoting excessive centralization, arrogance and bureaucracy. The area towards which they are oriented is the corporate interests, minimizing the interests of the staff, customers and shareholders.

Organizational culture strengthens their way of learning, and this manner is influenced by the environment in which it develops, but also by the history accumulated during its relations with the environment. The environment in which organizations are working has an impact on their organizational cultures and businesses placed in similar contexts resemble pretty much.

Conclusions

Organizational culture is one of the major problems of a company. It is researched by academics who concluded that the cultural dimension is a central pillar in all aspects of organizational life, even in those organizations where cultural aspects receive little

attention. How people think, how they feel, what their values are, all these are guided by ideas and beliefs of their cultural nature.

Senior employees of the company are often in one way or another, “teachers” of the organizational culture. They point out what is most important and what is less important within the corporation, how should this be understood. Organizations practice various and multiple types of management that can grow and reproduce their values, communication and organizational culture receiving special attention. However, even in cases where top managers have special knowledge regarding the significance of culture, there is often a lack of deeper understanding of how people and organizations operate culturally. As it is complex and difficult to understand the significance of culture, the more difficult it is to apply accurately its rules. Awareness and interest for culture ranges between managers and companies.

It is often difficult to achieve a high level of awareness of culture and they try to underline the importance of corporate cultures to achieve performance and to achieve growth and success. In the early 1980s there were numerous books identifying characteristics of successful companies in the USA (Peters and Waterman, 1982). These books, in combination with journalistic publications have created a widespread belief in organizational cultures, being perhaps the most important factor behind the companies’ success and performance.

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MANAGEMENT METHODS FOR LABOR ANALYSIS IN DAMBOVITA COUNTY

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Abstract:

Employment rate has been and continues to be the focus of studies by many specialists at national and international level this being a timeliness topic because of the fact that it will not wear out due to constant use, it will not come to the phenomenon of supersaturation but, on the contrary, with the manifestation of the recession, more studies will appear on this topic. This paper offers a new approach on the employment rate.

The need to analyze employment rate is motivated by the loss that would be for the society where a work resource is available but not used. This paper seeks to identify credible conclusion that generate enhanced understanding and awareness of current employment situation reflected in local statistics.

Keywords: management, methods, labor, work

JEL Classification: J 21

1. Knowledge stage

The managerial method is a set of phases, components and rules, outlined in a concise and eloquent manner with which it is conducted a narrow segment of managerial processes and relations of an organization(Nicolescu O, Verboncu I, 2008).

The similarities and differences between the systems, methods and management techniques are the following(Cruceru A, 2015):

- Systems management refers to the whole organization and management techniques, performing managerial responsibilities or tasks that should be performed by one or more managers;
- Management systems are the most complex and managerial methods cannot be divided, representing a primary unit;
- Management techniques have reduced coverage and complexity as opposing to the systems and management methods, and are used either alone or incorporated in some systems and management techniques.

The diagnosis requires the existence of an objective reality that helps the impartial expert discover rather than understand the problem. The diagnosis is performed in two situations(Toma M, 2013):

♣ In situations of imbalance, making a diagnosis is not a legal obligation, but aims to remedy deficiencies;

♣ In normal situations, it's nature is of a control tool for achieving performance.

The results obtained after diagnosis are used to design the SWOT analysis. SWOT is a simple yet widely used instrument, supporting the understanding of the forces, weaknesses, opportunities and threats involved in a project or activity. It begins by defining internal and external factors that are key to achieving the objective. Strengths and weaknesses stem, usually from the internal environment of the organization, while opportunities and threats reflect the realities of the external environment. Often, they are represented by a simple 2x2 matrix(Worrall L, 2008).

For the SWOT analysis to fulfill its role is necessary to collect large amounts of data both from internal environment and the external environment, corresponding with the objectives of the organization and the possibility of its use in real time(Ivorschi R, 2012).

The labor market can be defined as a social space where they meet, face and negotiate freely the work offers and demand through specific mechanisms, but primarily by wage(Georgescu M, 2005).

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Labor market functionality is ensured by its components(Ştefan C, 2009):

- *Bidders* – people that offer their skills and professional competence for a price;
- *Applicants* - organizations (public and private);
- *Intermediaries* - legal persons specialized in intermediation services between bidders and applicants for employment. In democracy the right to work, to free choice of profession / workplace are integrated in the fundamental human rights. Labor supply and demand are influenced by extra-economic level bidder applicants and intermediaries(Prahoveanu E, 1997)

2. Diagnosis of employment rate in Dambovita

Employment in Dambovita county is reflected by statistical indicators such as work resource, active population, average number of employees, earnings and unemployment(Table no 1).

Table 1. Work resources in Dambovita county, in the 2000-2014 period

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UM: Thousands of people														
308,7	313	310,4	320,2	330,4	336,8	337,1	336,3	336,8	341,3	347	348,2	348,3	347,8	326,1

Source: <http://statistici.insse.ro/>

The resource indicator in the county of Dambovita reflects stages of evolution and regression for the reviewed period. From 2000 until 2014, its value increased by 17,400 people.

In order analyze a situation more in depth, we look at work resources by gender (Table 2).

Table 2. The labor resources by gender

Gender	Macro- regions, developing regions and counties	Years														
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		UM: Thousands of people														
Male	Dâmbovita	157	158,9	158,1	163,3	167	175,2	176,4	175,1	175,7	177,5	180,2	181,1	181	181	173,7
Female		151,7	154,1	152,3	156,9	163,4	161,6	160,7	161,2	161,1	163,8	166,8	167,1	167,3	166,8	152,6

Source: <http://statistici.insse.ro/>,

The work resource structure analysis by gender shows that the number of females is higher than that of males. In 2014, there are a number of 173 000 men who were part of the labor resource and a total of 152 000 women in the local labor resource. Presenting the situation of the civil assets population can be seen in table 3.

Table 3. Active civil population by gender

Gender	Macro-regions, development regions and counties	Years														
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		UM: Thousands of people														
Total	Dâmbovița	233,1	225,9	223	213,2	213,7	214,9	211,4	214,2	210,2	211,1	211,5	206,7	212,8	210,7	204,6
Male		123,4	118,6	118,3	114	114,6	115,1	116,2	118	118,2	116,2	118,9	115,2	120,6	119,3	114
Female		109,7	107,3	104,7	99,2	99,1	99,8	95,2	96,2	92	94,9	92,6	91,5	92,2	91,4	90,6

Source: <http://statistici.insse.ro/>,

In 2014, out of a total population of 204 600 of civil active people, 114 000 are males and 90,000 are females. We noticed that the male labor resource is dominating for the entire period.

Table 4. Registered unemployed

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UM: Number of people														
5098	0404	9564	2949	4259	5832	2902	1366	1715	7979	7927	3382	5868	7157	6228

Source: <http://statistici.insse.ro/>

The trend of unemployed people, for the period analyzed, is lacking linearity. We notice a diminishing number going down to 8870 people.

Table 5. People in training

Years												
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
UM: Number of people												
26410	27698	19536	29992	36440	53077	55931	53651	50622	41306	37979	52788	46643

Source: <http://statistici.insse.ro/>

Regarding the people registered for training, it appears that, according to statistics, there's an increase of over 20,000 people. In 2013 there were 46 643 people. The tables 3.56 and 3.57 we see the average number of employees for the 2000-2014 period.

4. S.W.O.T. Analysis of employment rate

SWOT analysis is based on preparation of two matrices: internal factors and external factors.

Table 6. MEFI Matrix - employment rate

INTERNAL FACTORS	KI	NI	KI*NI
STRENGTHS	0.50		1.80
1. Fix in terms of quality of employment rate	0.05	4	0.20
2. Reduction of long-term unemployment share	0.10	4	0.40
3. The labor resources competitiveness at international level in some areas	0.20	3	0.60
4. Flexibility of labor resources to innovation and change	0.15	4	0.60
WEAKNESSES	0.50		0.90
1. Low level of participation of young people, women and Roma people	0.10	1	0.10
2. Education does not produce specialists as managers require	0.20	2	0.40
3. Poor correlation between education and skills in the field	0.10	2	0.20
4. Romania's targets are under the EU 2020 Strategy	0.10	2	0.20
TOTAL strenghts+weaknesses			2.70

Environmental analysis is done by evaluating the matrix of key external factors represented by the following table.

Table 7. MEFE Matrix

EXTERNAL FACTORS	KI	NI	KI*NI
OPPORTUNITIES	0.50		1.40
1. Improving the legislation	0.10	2	0.20
2. incentives for entrepreneurs to increase employment	0.10	3	0.30
3. Available and not used work resources	0.15	4	0.45
4. Return of the people who left to work abroad.	0.15	3	0.45
THREATS	0.50		1.40
1. Ageing population	0.20	2	0.20
2. Persistence of employment poverty	0.10	3	0.60
3. Maintaining low labor remuneration	0.10	4	0.40
4. Changes in population dynamics	0.10	2	0.20
Total Threats + Opportunities			2.80

The chart below shows the scores for the two matrices. The purpose is to observe the extent to which the current strategy for employment should be maintained (fig no 1).

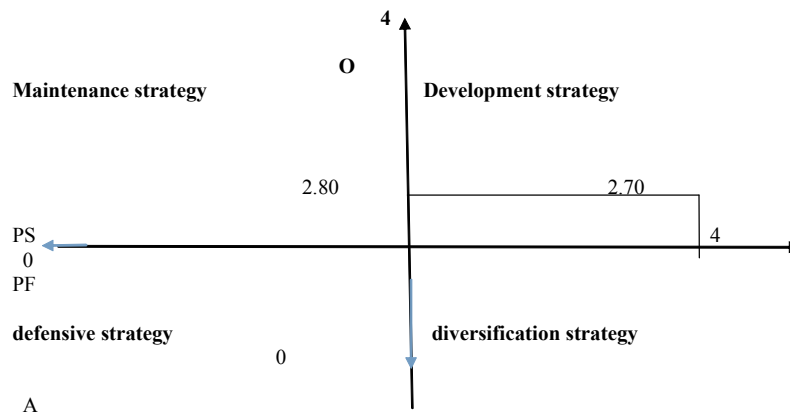


Fig no 1. Representing the scores

According to calculations and plotting it appears that at the level of employment we need a *development strategy*.

4. Conclusions

Employment, unemployment and underemployment are indicators that help diagnose the labor market and contribute to the development of a set of remedial measure roles. It is an essential base for the design and evaluation of government programs directed at creating jobs, training, incomes, and reducing poverty.

Weaknesses in unemployment reflect on the individual by the fact that the constant evolution of the number of unemployed persons, of working age, is causing an increased insecurity and also reducing living standards.

The labor market is affected by a variety of factors, labor market, in turn, exerts influence on other markets. An information that is available today, over some time is no longer valid because a high flexibility interferes to changes in their environment. The individual, as a current or potential employee must keep himself informed about labor legislation, legislation that protects his rights.

In conclusion, the diagnosis and management method is effective to analyze the employment rate in the county of Dambovita.

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THE IMPACT OF SOCIAL NETWORKS ON BUSINESS ENVIRONMENT

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Abstract:

We live in a very shifting world. Fifty years ago, no one could anticipate the path that technology would have reached today, except, perhaps, for SF authors such as Isaac Asimov or, even earlier, Jules Verne. From the nascence of the internet, all information circulates at a very high level. We can find on the internet any information we need, from universal history to recipes, we can watch TV shows, e-mail, “surf the web” or just social-network with other persons. The number of internet users has increased considerably over the last decade due to its availability, improved connectivity and development of new technologies.

Keywords: network, environment, business, social

JEL Classification:

1. Introduction

According to the Internet World Stats², on June 30, 2016, the number of internet users was 3,035,749,340, which is almost 50% of the whole planet’s population. In 1995, it slouched at 1%, and between 1999 and 2015 the number of people who are connected to the internet has increased tenfold. This unprecedented evolution has been driven especially by the development and implementation of the capitalist philosophy, which is based on the private property of the means of production. The world became, as Thomas L. Friedman pointed out in his book, flat.

Given these, it has created a favorable framework for the apparition of the online communication platforms that are nowadays widely used for both personal and business purposes. They have radically changed the way people are communicating, connecting them across countries and regions. At the business level, many companies (SME firms, corporations) are currently moving from traditional media channels to social network sites, taking advantage of the opportunities they present and trying to understand how social media can bring value to businesses (they have even created special departments which investigate issues related to company’s image in the social-media field), thus being much closer to customers and knowing much better their needs and preferences. For the first time, the companies put the ball in the customers’ hands: they now understand that, in order to survive in this field of competition which is specific to market economy, they have to adapt to needs of their customers, not vice-versa. This proper digital era can easily be called the “customer revolution”.

Albeit the launch of many such social-networking platforms, at worldwide level only few sites are widely used, attracting people from around the world: Facebook, Twitter, LinkedIn and Google+.

2. Social networks and social media – some definitions

Encyclopedia of Information Science and Technology³ defines the *social network* as a small-world network, consisting of a set of individuals (persons, groups, organizations) connected by personal, work and trust relationships. They are usually modeled as graphs, where nodes correspond to social network members, whereas edges denote the relationships existing between them. Social-networking is then a quite broad

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² www.internetworldstats.com

³ *Encyclopedia of Information Science and Technology*, 2nd edition, Mehdi Khosrow-Pour, Information Resources Management Association, USA, Volume VII, R-S, 2010

and generic notion, which in the web context might be applied to any kind of virtual community. For instance, users registered to any Web service, such as Web mail, online journals, or newspapers requiring subscription, can be considered a social network.

For Kenneth C. Laudon and Jane P. Laudon¹ social-networking is the practice of expanding the number of one's business or social contact by making connections with individuals. Social networking sites link people through their mutual business or personal connections, enabling them to mine their friends (and their friend's friends) for sales leads, job-hunting tips, or new friends. MySpace, Facebook, and Friendster appeal to people who are primarily interested in increasing their friendships, while LinkedIn.com focuses on job networking.

Members of social networking sites spend hours surfing pages, checking out other members, and exchanging messages, revealing a great deal of information about themselves. Businesses harvest this information to create carefully targeted promotions that far surpass the typical text and display ads found on the Web. They also use the sites to interact with potential customers.

In a nutshell, a social network represents a network of persons with mutual purposes and on these networks people around the world "meet" to communicate with each other quickly, to share various content, activities, states of mind, or to connect with diverse groups at the same time, to see and even to hear.

In order to have a better outlook on the social media context and to be more aware of the real impact it had in our lives, we will present in the below table a short history about how social media evolved, from a rudimentary tool to a very complex and exhaustive one:

Table no. 1

A short history of social media

Year	Event
1971	E-mail starts through dial-up
1978	Bulletin boards starts with BBS (Bulletin Board Systems)
1978	Web browsers start through Usenet
1994	Apparition of Geocities, one of the first social media applications; bought by Yahoo! in 1999
1994	theglobe.com is founded, allowing users to personalize their online experience
1997	The birth of AOL
1997	sixdegrees.com is launched, allowing profile creation
1999	Blogger is launched; bought by Google in 2003
2002	Friendster is launched
2003	MySpace is launched
2003	LinkedIn is launched
2004	Facebook is launched by a Harvard undergraduate, allowing connection only to other students from within the University [only to other interns]
2006	Twitter is launched
2008	Yahoo! gets offered 1 billion USD to purchase Facebook; offer declined
2010	Facebook beats MySpace in terms of the number of unique visitors/month
2013	Facebook beats Google in terms of web-traffic/week
2014	Twitter celebrated five years and 350 million of tweets/day
2015	Facebook holds its IPO, with a peak market capitalization of 104 billion USD

Source: Reiman, C., *Social media growth and global change*, Chandos Publishing Social Media Series, 2015, pages 1-23

¹ Kenneth C. Laudon, Jane P. Laudon, *Management Information Systems. Managing the digital firm*, 11th edition, Pearson Education, 2011

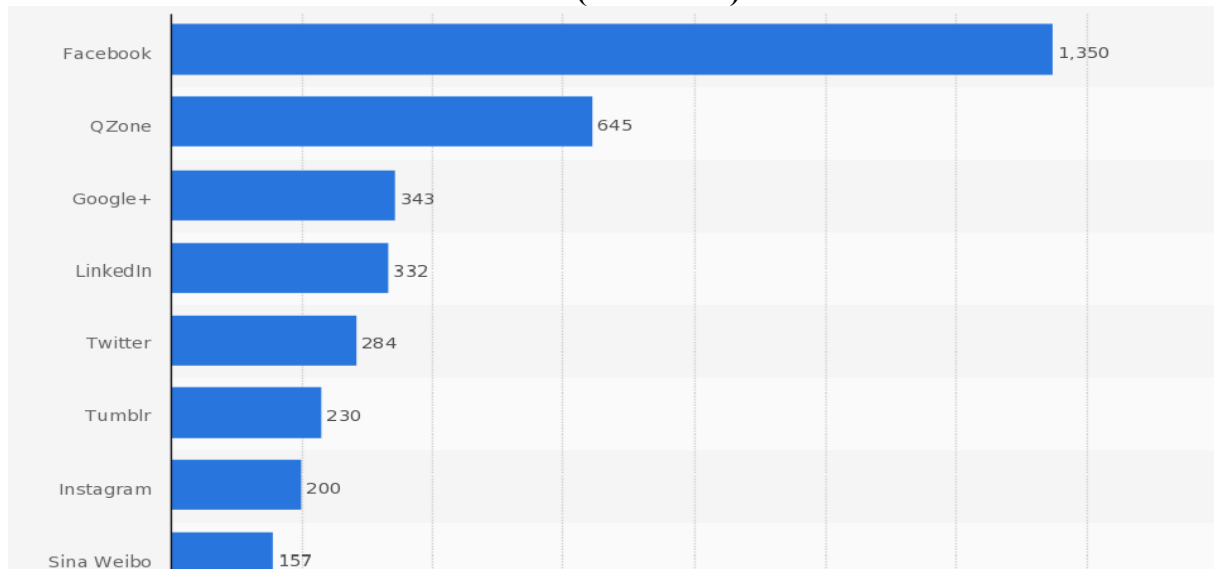
3. Social networks – some facts and statistics

As of November 2015, the social-networking application Facebook – a complex tool by which relationships are built on friendship - the market leader - registered 1.350 billion active accounts, over 200 millions of them being “mobile only” and it is the first social network to surpass 1 billion registered accounts. This number is almost the population of China which ranks as first in the world on the list of most populated countries and is over fourfold the population of the United States. 47% of Americans said that Facebook is their number 1 influencer of purchases, a fact which constitutes a great opportunity for marketers -- 93% of them are using this tool to gain new customers¹.

QZone is a Chinese social network created in 2005, and is second only to Facebook, with a number of active accounts reaching 645 million.

Google+, ranking third in the classification by active accounts, is the social network which launched by Google in 2013 as a challenger for Facebook. Even though there are 343 million active accounts, the number of total users is over 1.6 billion. A recent study brought to light that Google+ is growing at a 33% per annum, and it will overtake Facebook’s social sharing by 2016².

Figure no. 1
Leading social networks worldwide as of November 2015, ranked by number of active accounts (in millions)



Source: www.statista.com

LinkedIn is the world’s largest professional network, allowing members to build career-orientated relationships, and has a number of 332 million active users as of November 2015 and over 300 million of total users. 41% of LinkedIn visits are via mobile and it has reached a total of 200 countries and territories geographically.

Twitter, which is a relatively simple micro-blogging service in which interactions are normally based on mutual fitting, being the most immediate of the big social networks, had in November 284 millions of active accounts with a number of over 1 billion of total users. According to statistics released by Twitter, 500 million of tweets are sent per day, being the equivalent of a 20 million-page book. However, 44 percent of users have never sent a tweet.

¹ www.jeffbullas.com

² www.marketingland.com

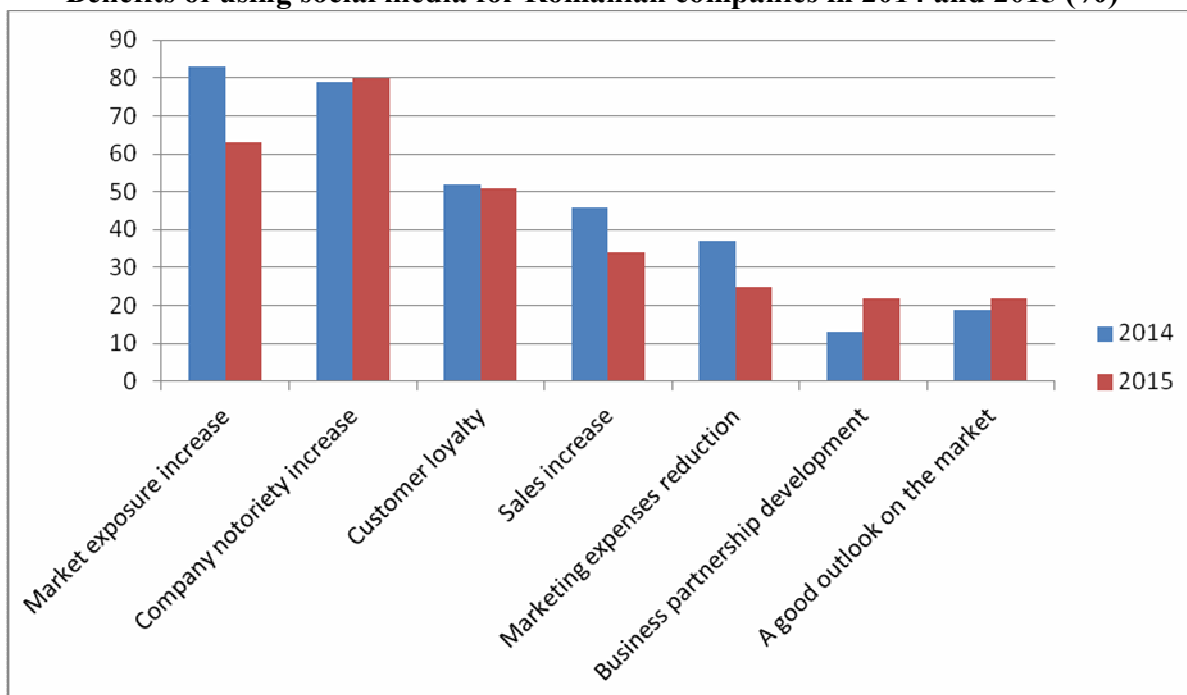
Tumblr, a micro-blogging platform and a social network held by Yahoo! was founded in 2007, having up till now about 230 million active users, and hosting over 213 million blogs and more than 97 billion posts in total.

4. Social networks and business environment

Company environment has dramatically changed in the last ten years, now possessing diminished control over services, products or brands, as the customers' power and wisdom to dictate the rules of selling, management strategy, and thus the organization's reputation itself, increased considerably. Consumers are no longer passive observers in the business landscape. Using social networks, people can discuss freely and assert their opinions and experiences concerning different products or services; they can express their dissatisfaction, ask for advices or figure the ideal product they would like to have. Nowadays, the other customers' opinions have become the main benchmark in terms of propensity and intention to buy something, overcoming all the expensive advertising the companies pay for. Hence, firms can take advantages of this by monitoring all the ideas and knowledge-exchanges now available from customer profiles and activities, as well as by trying to improve the products and services they provide and to deliver customized products, according to the customers' needs. Practically, they can avail onself of an opportunity to have a market research absolutely free.

A recent study carried out by the EY România on 209 Romanian companies within different industries revealed that in 2015 only 58% of the respondents are using social networks to promote their company and that they are also going to use them in the future, a percentage which decreased from 2014 (78%). The most utilized social networks in this respect are Facebook (93%), LinkedIn (61%) and Google+ with 31%, respectively. The main benefits of using social media the respondents identified can be seen in the following figure:

Figure no. 3
Benefits of using social media for Romanian companies in 2014 and 2015 (%)



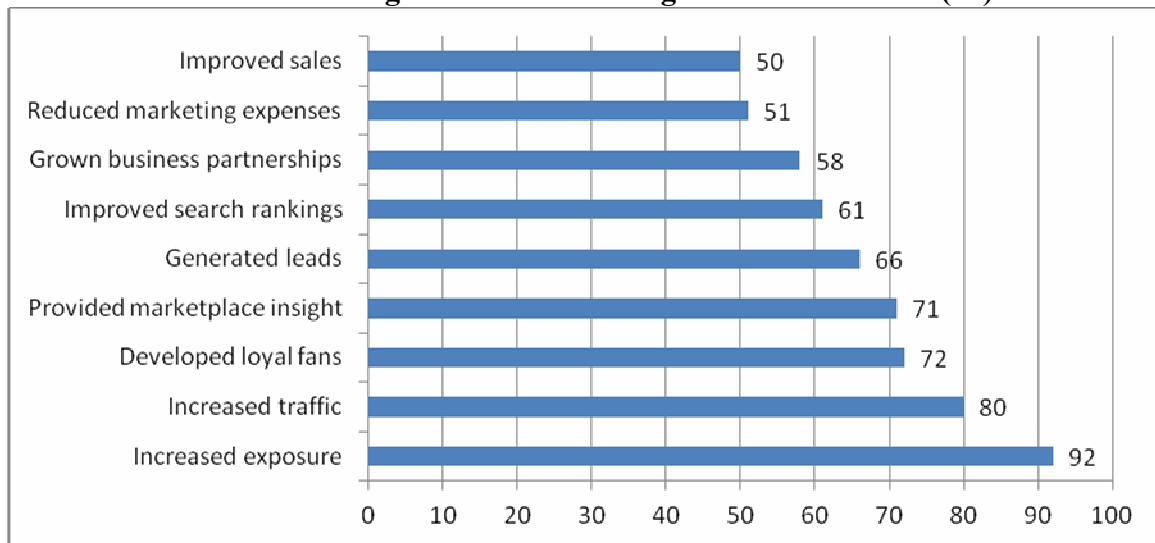
Source: Social media și mediul de afaceri românesc, 2015, www.eyromania.ro

As noted above, the main advantages of using social media for Romanian companies have increased the presence on the market (83% in 2014 and 80% in 2015, respectively), the company's notoriety (79% in 2014 and 63% in 2015, respectively), and customer loyalty (52% in 2014 and 51% in 2015, respectively). Other important benefits are the increase of customer traffic on their web-sites (52% in 2014) and new sales opportunities (54% in 2015). It is worth noting that 42% of Romanian companies invested less than 1,000 EUR for social network promotion and that for only 8% of them the amount was greater than 10,000 EUR. Also, 54% of Romanian companies have spent between 1 and 5 hours in 2015 on company promotion through social networks, and only for 3% of them the amount of time was greater than 40 hours.

Another study – *2015 Social Media Marketing Industry Report – How Marketers Are Using Social Media to Grow Their Businesses* – surveyed over 2,800 worldwide marketers aiming to discover how they are using social media to promote their companies. A major percentage of respondents (92%) answered that they place very high value on social media concerning their businesses, an increase with 6% from the previous year. The most used social platforms among marketers are Facebook (94%), Twitter (83%) and LinkedIn (71%). Google+ is used by 55% of marketers, but 65% of them want to learn more about it and 61% of them intend to use Google's platform more in 2016. This confirms the trend revealed above concerning Google+, that in 2016 the number of social sharing using Google+ will exceed that of Facebook. In terms of the benefits of using social media, the survey identified the following:

Figure no. 4

Benefits of using social media among marketers in 2015 (%)



Source: 2015 Social Media Marketing Industry Report, www.socialmediaexaminer.com

As we can see, a major percentage, of 92 of marketers, said that their efforts through social media have generated an increased exposure for their business. Concerning developing loyal fans, 72% of respondents considered this an important objective for them, but while 77% of B2C marketers were likely to develop a loyal fan base via social media, only 64% of B2B marketers considered the same.

Social networks may be useful for management to gain faster contact with subordinates. "Classical" tools to send messages nowadays might be an obstacle when there are important decisions to be made, so that social networks provide an appropriate way to better communication between employees and managers, cutting down the time.

Concerning use of social networks for company-specific purposes by employees, there are also some worries for the managers, regarding:

- perceived loss in staff productivity;
- data leakage;
- worsening of company reputation;
- open access to company information, due to employees' negligence toward passwords.

5. Conclusions

Social media has become an integral part in the mechanism of a company. Practically, each firm which are concerning on its image and want to develop a better relationship with its clients has an account on a social network, being preoccupied with what they want, need and desire. This could be a win-win situation for both company and customers. But there is also a reverse side of a coin: some customers' dissatisfactions could influence others in process of buying a product or service. Therefore, social media is a two edged sword for a company. To sum up, social networks are not using today very widely by companies to increase their business performance, but for they which are using, Facebook, Twitter or LinkedIn have changed their environment, connecting more closely to customers, knowing much better their preferences and thus gaining competitive advantages.

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STRATEGIC BUSINESS APPROACH. OR HOW BIG? AND WHAT FORM?

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Abstract

The concept of strategic approach is a concept that has systematic eluded from literature so far. Or at least it was integrated into the concept of strategy as part of the decision regarding the increase, maintenance or reduction of business activity in the market and firm size. Through this study we try to establish what is and is not the strategic approach in order to differentiate the two concepts, the strategy and the strategic approach, based on different decision needs inside the business company.

As a strategic decision, the strategic approach must be positioned as the first strategic move of the company before taking any decision on portfolio strategy and business behavior. From this point of view the company will have to develop a coherent and integrative vision on the businesses they will run on medium and long term with the purpose to establish an identity on the market and folding on manifested needs in the consumption. The paper also proposes a model for the development of strategic business approach in relation to the specifics of the market in terms of its current or estimated size and to forms under which consumption occurs.

Keywords: approaches, strategy, vision, market, system

JEL Classification: L19, M10, M30

1. Introduction

Each organization is primarily an entity that is part of a larger system, a system that has a certain orientation. Business systems that integrate or to which organizations relate are called operating industries. Within these business systems firms must develop a strong identity and vision in their struggle to secure a market position in the industry. Building a market position through a strong identity is essentially to have a strategic approach. Identity is obtained by defining business domain or defining what the company makes.

Companies that do not develop a consistent business approach and fail to define the strategic domain reach a certain point that no longer hold a set of values, principles, business models and methods or otherwise a strong identity, oscillating between many options regarding business direction or keeping itself in a neutral defining zone with no impact in the market. In this way a firm in the tourism industry can build neutral corporate identity as tourism firm but also can develop new concepts of business like integrated network that includes tourism agency, resort-type services and transportation-transfer services. A business definition for a particular tourism agency can take the form of travel agency or even broader like travel & leisure agency.

The way to make this strategic definition of the scope of business will ultimately determine all other elements of the strategy like products and services portfolio, business marketing and offer positioning or product and services conception and design. The strategic approach becomes scoping the business and how large or small it is the business thought. Or otherwise: How big the business are?; and What form the business has?

But defining business cannot be achieved only due to the desire of business owners or management. Definition will have to be based on a coherent analysis of the market and its capacity. Market extends to where? What the market allows and does not allow? In this way the business environment, by its long term orientation, represent reference framework to guide

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strategic approaches of firms. Meanwhile, if an approach is based on internal company interests and sufficient resources, then the companies are trying to influence the business environment in relation to their own strategic approach. But nothing will be possible unless there is a latent or potential availability of the market. And for this the companies should identify potential markets, available markets and sometimes niche markets.

Some authors consider that scoping is best done through the company mission. Regarding this conclusion is clear; within an organization cannot miss what is called global vision that can substantiate a clear mission, mission followed and monitored throughout the organization. If a shared vision exist then may be possible to formulate and implement a comprehensive long-term strategic approach, for a period of up to 10-15 years.

In organizations management, a unified strategic approach it is more necessary than corporate strategy given that the strategy follow a coherent business approach. Strategic approach offers a shared vision at the level of organizational and structural system and across all undertaken businesses and activities.

Adopting a strategic approach is equivalent to choosing entry in a business network. For example business markets in the tourism industry can be considered leisure market and travel market. Each market has its own characteristics and consists of a well-defined demand but also through a network of companies participating in the specific offer. Penetration in several markets as part of a strategic expansion causes complexities that must manage, such as corporate management of companies that are gradually becoming business groups.

Entry into one or another business market as fundamental strategic approach obliges the company to undertake several actions:

- identify perspectives for market growth and their own position in this market;
- to choose the most advantageous business network consists of carefully selected partners in relation to their resources and skills compared to his own;
- to determine how to enter and operate into the business market to take advantage of their core competencies;

When entering a large business market or multiple markets same time with defining strategic domain then the business capital invested in the company, be it their own or attracted, becomes one of interest much wider than the managers or employees and even at the current shareholders. For this reason the capital must be managed within the expectations of broad categories of stakeholders and investments will be made according these expectations. This is why capital management, especially in large companies seeking to gain a greater coherence, strengthens the role of the main shareholder against smaller ones.

Instead penetration in niche market segments allows preserving capital controls by independent shareholders, individuals, and not holding by other companies or entities. Usually this approach generally allows greater flexibility and also vision and business approach more clear and unified.

Whatever the decisions on strategic business approach there is needed to build a business network or the entry into a strategic business network in order the company to be able to grow. This need arises when increasing the complexity of products and services and the company is considered ready to address multiple markets.

2. Markets and business networks

2.1. Relations between the strategic approach and business networks

The strategic approach means delineating markets the firm will operate by defining the product they offer to meet specific needs of each operating market. When we define a market we refer both to define the offered product and its geographical distribution. For this will be the company to create, develop or enter the network and business relationships.

Company problems about connecting to markets and business networks were largely ignored in the literature. These networks they are dynamic being sensitive to conditions in which the market works: markets are not integrated; markets are partially integrated; fully integrated; or are critical markets. The networks also depend on the stage reached on demand in the business market: niche markets; potential growth markets; available expansion market; mature effective market. For small firms it is difficult to find developed network if they address niche markets at the same time it is difficult to penetrate and make network connections in a mature market or markets with growth potential. These difficulties to build strategic business networks in new markets is mainly due to the fact that companies in the field or in an area are also still developing, unable to develop large networks business, and even administrative institutions do not have support mechanisms for market development.

Various market development models have been proposed in the past (Bilkey, 1978; Cannon and Dawson, 1977). In the coming years, there have been a number of criticisms about stages model, as many companies have not followed the predictions, especially high-tech companies in sectors with short life cycles of products. More recently, studies show that the development of short cycle products on the market should not be confused with market cycle in business domain. Company growth within a business market must take into account the evolution of the domain business cycle on the medium and long term and strategic approach should not be limited to dynamic of one product or another. The product will not become decision element he only had to be well planned as part of a broader strategy for growth. Strategic business approach of networks of business and exchange relations on national and international markets are analyzed in a growing number of papers and approaches based on the business networks theory. Reputed authors from European and American scientific literature, such as P. Ellis, D. Blankenburg, A. Salmi, W. Danis, A. Parkhe, J. Johanson, L.G. Mattsson developed the term "strategic network", a term regarded as a set of inter-organizational interactions between companies in a strategic business area.

Johanson and Mattsson (1988) approached the business networks through the existing contextual environment in each market, introducing a temporal dimension called "network development stage. This feature of the market, determine four types of market development. At the business level there is a category of markets developing primary network while the degree of doing business is still low on the market and firms size and inventiveness inside the network is reduced. A second stage are the independent networks in which first major players appear, some of them internationalized large companies who want to enter on a growing market although their market share is not very high. Third, it develop mature networks that includes some large internationalized companies and many small companies who play in correlation with the major ones. The structure of these networks is well structured, consisting of many competitors who occupy well established positions in the market and very difficult to establish new positions within the network. Finally, when the market is fragmented leader networks who dominates certain segments of the market appear and are part of a network of networks globally interconnected.

2.2. Types of markets ranked by offer levels and business networks

The four types of networks are based on four types of markets. Companies and capitals may face four types of markets (see Figure no 1) and forced to classify these markets according to their overall strategy.

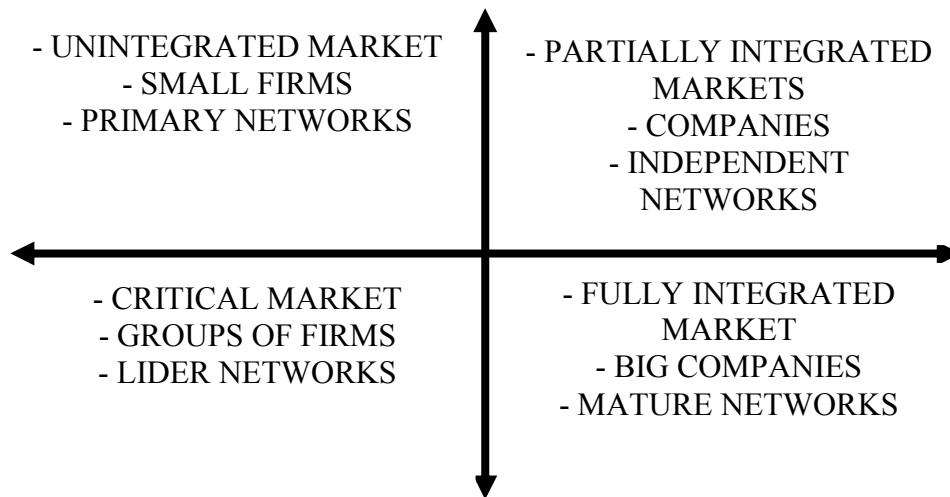


Figure no. 1 Types of business markets

A first strategic market position could be considered that of the markets having low absorption capacity of equities and assets. These form a category called **unintegrated markets**.

Thus these markets are characterized by a high diffusion of capital but also of consuming categories without strong clustered structure of demand and supply. This means that the market cannot provides areas of concentration of purchases and transactions to support large enough sales and ensures sufficiently high profits or opportunities to reduce overall costs.

In these circumstances companies regard these markets as risk markets and partially integrate them into the business portfolio waiting for the moment the markets will have a large enough development to directly penetrate.

A second markets category is **partially integrated markets**. At the same time these types of markets represent another development level and degree of integration in relation to the company that wants to enter a particular market and carries on business. Generally these are markets where demand is already formed so is just have to diversify the consumption and enlarge the range of products or business fields that the company can run on these markets.

The company generally holds much closer relations with partners into the market with a possible primary integration between partners. Such can achieve a much stronger control on the performed work. The company tends to consider these markets increasingly important amid a rapidly demand expanding and its poor coverage by competition. Even if the large firms core operations is performed on other markets they will search for entries by association with partners in this market. Gradually entering firms will realize direct investment in the market.

In these circumstances, the company develops new products being possible to adapt products from other neighboring market to new conditions and new market and positioning on significant segments that create new consuming patterns in the new market. With the expansion on the new market the company will be able to much better manages his commercial interests and can successfully develops a marketing strategy embodied by best possible price management based on specific investment and demand in the market.

During evolution the markets may experience an increase in volume and general manifestation in all consumer groups throughout the entire area of specific market transiting to a new level of **fully integrated markets**. These represent markets of great importance to international business companies because here they can raise big revenue

and profits. Fully integrated markets benefit from a coherent institutional framework that favors development of capital and assets.

The disadvantages of this type of markets are some reduction in sales growth on medium term as a result of reduced possibilities for offer innovation and consumption stimulation. Prospects for economic growth and technological development decline gradually feeling economic capping on medium-term for some of these markets and direct competition enhance between strong competitors in the market.

Companies that decide strategic orientation towards a fully integrated market will have to invest on collateral business areas that support the main market expansion. Being strategic markets involved firm will tend to assign increasingly more capital both his own and of strategic partners in the market.

Critical market is the ultimate stage of a market in firm's markets portfolio. These markets are considered essential being placed under the direct control of the company management. These markets ensure maximum profits and revenues and may influence the success and survival of the company. Some critical market failures can generate the failure of large global firms.

All critical markets from the firm's portfolio are integrated as core or central market. Risk-sharing solution is in the markets specialization and the allocation to each market to a specific part of the overall activity of the company. So many companies working on critical markets develop a divisional organization dodging complete allocate capital towards a single market.

Regardless capital allocation model the strengths of companies in such markets will consist of integration forms of distribution, after-sales services developed in each market and low levels of costs. This cost is achieved by capital allocation on markets where reduced costs are obtained through economies of scale resulting from specialization and product standardization.

3. Strategic approaches models adapted to different types of markets

The assessment carried out on market size and manner of expression will enable companies to obtain the answer to the questions: What markets the company operates?; How big the business be?; and How will show the business?

Compared to the situation in the operating industry, the company will take a decision to what market and business area wants to move within the industry. In the selection process of market position the company will pick a market at one of the four levels of evolution, according to two major criteria: market size relative to company size (high value vs. large number of buyers) and market development mode (either extensively or concentrate).

Based on the two options of choice in defining the vision and strategic business domain, we propose four types of strategic approach: niche approach; growth approach; expansion approach; volume approach (see Fig.no. 2).

A first decision is dependent on how the size of the market is estimated. The estimation may be in value or in number of buyers. In case the company decides that the market will evolve intensively by increasing the value of consumption and not by increasing the number of consumers strategic approach of the company will also be intensive type by increasing business value and added value for each product in the portfolio opting either for a niche approach either for growing in the field approach. If instead it is estimated an increase number of buyers rather than increasing the value of domain then the firm can choose either volume approach either expansion in adjacent areas approach.

The second decision level takes into account how the industry develops. If the company estimates that the market will follow an extensive logic with the emergence in the field of new consumption segments and new types of competing products then the company can decide a growth approach in main field of the industry launching high-quality products and new product lines or an expansion approach from the base domain to the adjacent ones adding new variants of new products for the new consumer groups. Conversely if the company will estimate the concentration of the field then it will consider a volume approach centering his activity on the most productive consumption segments or a niche approach by identifying the segments that will generate greater value in the future.

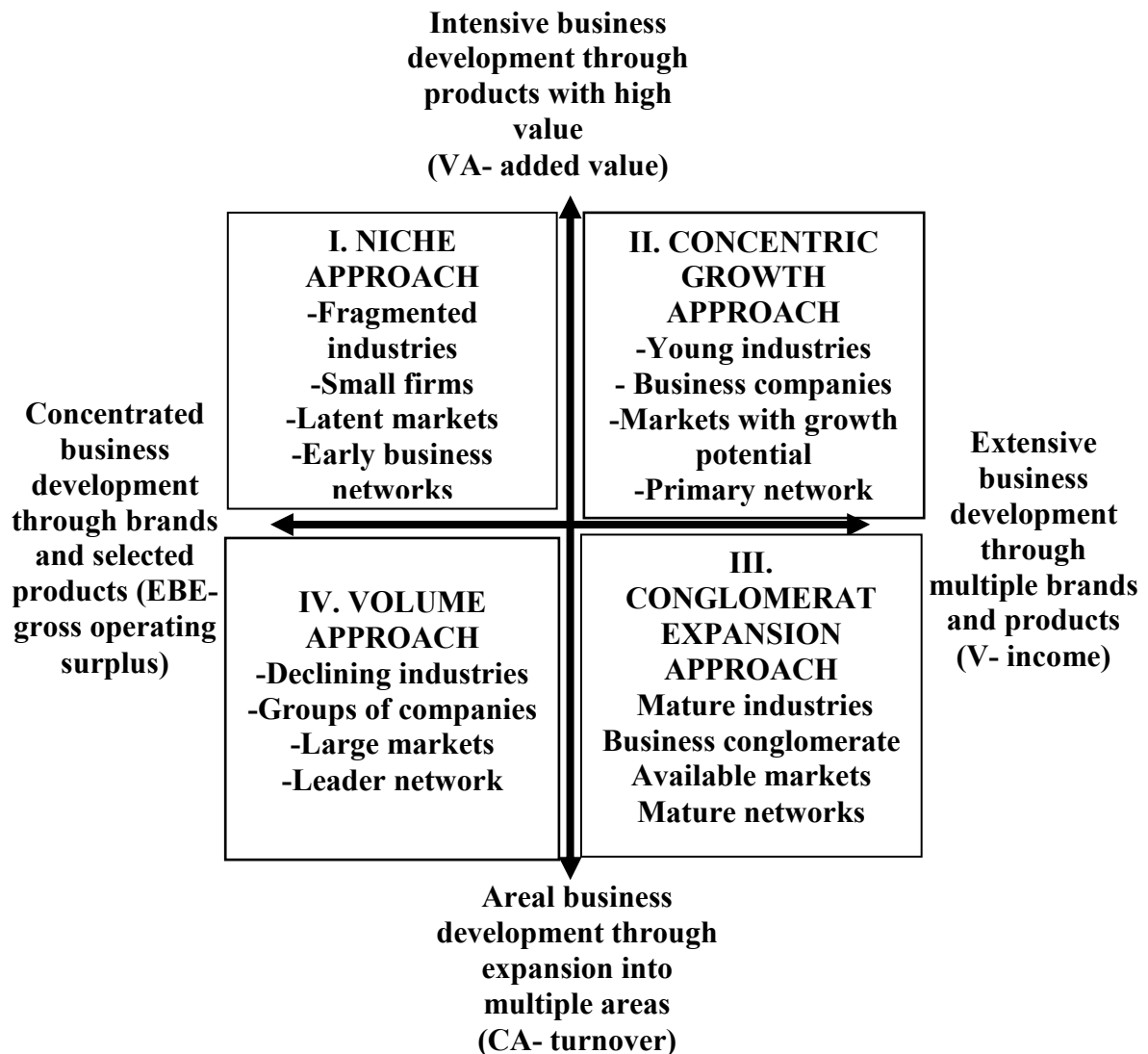


Figure no. 2 – Directions in setting strategic approach

4. Conclusions

Summarizing the above, we can describe the four strategic approaches through the company's actions correlated with the specific of demand and the specific of business networks.

I. Niche Approach. It is about company orientation linked to consumer categories. These consumers are distributed unevenly in the market body and they have a certain common need or a specific category of needs. At the same time and the company's market orientation will be to different classes or different types of consumer attitudes in relation to the products. Such an approach can say about that is intensive in relying on the fact that

there are many uses of a product or technology that have not been put into practice. The orientation will follow on the one hand increasing nominal volume of consumption for this product and secondly growth value of individual consumption. This approach is also specific in business domain with a higher degree of innovation which have not stable market but evolving market that cannot be effectively delimited. Business domains that favor this approach are by specific competitive markets with high intensity of competition based on indirect/substitute products.

II. Concentric growth approach. A second business approach is based on mixed development philosophy both intensive and extensive in business market. Demand is derived from previous generations of product causing rapid emergence of new generations of products or services. This type of business will be based on a market orientation towards consumer categories and segments. It is often called the cultural approach of the markets. Consumer poles are often dispersed on market body making it difficult to manage the activities so firms appeal to systems like outsourcing, licensing or franchising activity. Also we talk about diffuse and segmented demand in the market also making it difficult activity requiring its focus on clear consumer segment within the market area and use a intensive distribution system with numerous business partners. It is more value oriented market prompting firms to pay special attention to customers' needs and product quality.

As specific competition there are many participants, midsize and large companies that determine the market game. These business participants are known vectors of market growth forming a monopolistic market. These are growing business domains being impelled by strong growth poles formed from strong competitors inside these markets. Market trends also show frequent concentration of activity and collaboration between competitors forming strategic alliances within the scope of business. Market competition meets the demand using new and multiple product versions and models gradually forming strong product range. Small firms are gradually phased out in slowly transiting of the industry to forms the oligopolistic situations. Many countries support small and medium size companies in these industries to remain competitive in national market but also in international market.

III. Conglomerate expansion approach. It can be applied in markets that have high availability for extension in new adjacent business field while the medium term trend shows a stable growth and maturity. At the same time the market is conglomerating around countless groups of consumers but some of them are not well served and the product is not yet thought for them. Extensive approach is described by this feature of expansion into new groups of buyers or new areas of the market which will be separately served with tailored offers.

Companies that will achieve such a strategic approach will attempt to address regional markets in which can invest homogeneous very often in partnership with manufacturers, service providers or other local companies. The market is dominated by large and very large companies carrying out business forms and various combined activities. There is a certain tendency of developing oligopolies conglomerates of companies that associate to hold significant market shares and become market leaders.

IV. Volume approach. This strategic approach is possible only if market demand is generally very concentrated and homogenous. Thus demand is largely specialized without much difference in value between products amid a generalized technology. Instead demand in these markets is capped with sideways trend so that intensive solution is linked to the re-stimulation of consumption and attracts new consumers to the industry and the company's products with new forms of activity close to the lifestyles and buying style of population.

Competitors orientation in the event of such approaches will be to a business area focused around products or services highly demanded in the market. If the market is

concentrated at a general business model there will be business leaders with extended sales networks that create monopolies with which appear small flexible companies having cost reduction possibilities and new levels value. These small companies usually focus on local markets will tend to gradually erode the position of the major international firms offering alternative types of businesses on alternative technologies beyond the old business types. Firms seeking entry into this approach are firms with opportunities for expansion capital and resources that can acquire large competitors forming large business groups.

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THE ROLE OF HUMAN RESOURCES IN THE EDUCATIONAL DEMARCHE

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Abstract

First steps in the person development, from the educative point of view, is made by family members and also by the school represented by professors. In contemporary society does exist situations where the parents assign the role of education their children exclusive to school, and the lack of partnership student-professor-parents mostly generate the school failure of the student. In lack of human resources from the school organizations, the person's education would present gaps. The purpose of this step is to highlight the fact that professor's role isn't limited only to transmit the informations, but the formation of student's personality and the necessary competence development which will allow the adaptation at the work place. Conclusions of the theoretical and applicative research highlight the fact that between the inculcated values of the student must be the continuous desire for knowledge acquired as a result of education received in schools.

Keywords: human resources, education, school, organization

Jel: I 20, O 15

1. Knowledge state of human resources and education concepts

The man is characterized by uniqueness in terms of their own wishes, feelings, attitudes, motivations, ambitions, levels of knowledge and potential. The economic performance of an organization is directly influenced by the quality of its human resources.

Over the years, ever since the last century, personnel management, and organization management viewed as a whole have gone through an evolutionary process of qualitative nature.

Factors that enhance the role of staff are as follows (Petrescu I, 2008):

1. Labor contents. In our classification, in the first place there's the factors that lift the role of personnel in the contemporary production, main changes in work content, generated by the use of new techniques and technologies in production.

2. Control over personnel. The second factor of increasing the role of staff in contemporary society lies in the possibility of sharing control over personnel, self-control and self-discipline.

3. Macroeconomic factors. In the third group of cases that condition the increasing role of personnel in the production and management, include macroeconomic factors, in particular, changing the orientation and dynamics, demand and production focused on meeting its needs.

As mentioned by numerous specialists in human resources, such as Jack Halloran and David Cherington to ensure success or even to survive, organizations in general and businesses in particular need to address the following issues properly (Manolescu A, 2001):

1. Identifying the skills or qualifications and choosing or selecting the candidates who best fit the job requirements or the new vacancies

2. Identifying and attracting competitive candidates using the most appropriate methods, resources and recruitment environments

3. Complying to the legislation on equal employment opportunities and correcting previous discriminatory practices or existing imbalances.

XXI century education is a complex process of training and development by improving the performance of each individual. Educational measures are a priority for

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society, especially for individuals who exhibit risk for juvenile delinquency. The aim is reintegration so that they become a reliable human resource(Popescu C et all, 2014).

There are a number of skills that the teacher must possess. The most important skills are: commitment, creativity, initiative, innovative spirit and monitoring capacity.

Vâgotski suggests that teachers must do more than draw attention to the climate and environment in the classroom. They must let students discover themselves, guide the class activities and intervene at certain times to encourage students to perform work tasks alone(Cace C, 2007).

Inconsistency between family background and educational institution, and school failure constitute barriers to partnerships. Events incorporated into the daily activities of families and communities (such as budgeting, shopping, scheduling, measurement or construction games) are not as visible as they should be(Goos L, 2007).

2. The role of human resources in the educational – instructional process

2.1. Presentation of goals and objectives

During this practical part we want to promote an educational project that aims to better the socio-professional insertion of young people aged 18-19 years. Project staff consists of teachers and psychologists and in this case the quality of resources was and continues to be the essential condition for success.

The objectives:

General objectives:

- Developing appropriate attitudes and behaviors of tolerance and discrimination in the workplace.

- Preventing the development of intolerant behavior in young people;

- Promote alternative and effective ways to combat inappropriate treatment at work.

B. The specific objectives of the project:

- * Acquiring relevant information on the risk factors associated with discriminatory behavior by all 60 students;

- * Training skills assessment of causes and conditions that lead to discriminatory practices in the workplace, by a minimum of 80% of students;

- * Acquiring skills to properly assess the realistic need for tolerant behavior for our fellow colleagues, in the case of 90% of the students.

2.2. Planned activities

Activities and periods of achievement are reflected in Table 1.

Tabelul 1. Gantt Chart

Planned activities	1	2	3	4	5	6	7	8	9	10	11	12
Team Building												
Project presentation												
Tolerance- The art of coexisting												
Change comes from us												
Group counseling on various topics												
Contest “We are all equal on the labor market”												
Project promotion												
Activities evaluation												

The structure of the project and the conducted activities are presented in Figure 1.

Fig no 1. Structure of the held project

Figure 2 shows the structure of the project activities undertaken to efficiently insert the young people into the labor market.

Fig no 2. Structure of the implementation of activities that have been carried out

2.3. Project impact

Students will be informed and will realize the benefits of education for change: information on vulnerable groups and legislation that protects the rights, improvement of communication - this project will make them socialize with students from other schools, and discuss the themes at home with their own parents.

Each student involved in the project will receive a certificate of participation and the most successful essays, drawings, suggestions will receive special diplomas. They will discuss issues related to the expected impact of the project in the broader scientific field, with emphasis on the following issues:

- The potential to significantly influence science through new concepts or approaches, or by opening new lines of research topics;
- Discussing the potential impact of the project in the scientific, social, economic or cultural fields and / or the directions to be explored in the project (where applicable for the proposed research direction);
- Participation in roundtables,
- Making press conferences for mediation of the project.

3. Conclusions

Through this project we fulfill one of the goals of the European Lisbon Strategy 2020 which aimed at increasing employment rates from 59% to 70%, by the fact that young people will be ready to face all situations arising from the job.

The efficiency of inserting the young people into the XXI century, in an environment in constant change, is that, by promoting education for change, education conducted in a formal (school), that aims, on the one hand to inform and raise awareness on the legislation on employment rates, and on the other hand it promotes equality and tolerance.

There are two potential risks and approaches that may face implementation. The first is the difference between declared and actual information and how to dispose of this risk is the exposure of clear information on the questionnaire and informing the people involved about the fact that the answers will be used for statistical analysis without mentioning their identity. The second risk is resistance to change, to new things, and the remedy may be explaining the benefits of the project.

In conclusion, the subject matter and sought to be met, but also the fact that it meets the desires to receive equal treatment at work, are factors that ensure effective implementation of this project.

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CORPORATE COMMUNICATION – PART OF THE STRATEGIC MANAGEMENT

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Abstract

The evolution of the global economy, due to the many changes and crises that engulfed countries from all over globe, undertakes both organizations managers and leaders of major world powers, to devise new strategies for effective communication. Global information environment is increasingly driven by information and communication technologies development of increasingly advanced. Public relations professionals, marketing staff, strategic planning managers and even government agencies have come to a common conclusion on clarifying the concept of strategic communication. Corporate communications function becomes relevant in strategic management process by ensuring the link between the key strategic issues facing the management of organizations. Corporate communication strategy is considered to be the result of a process of strategic thinking top communicators and managers responsible for making strategic decisions regarding the identification, management and strategic stakeholder communication. Effective communication strategies usually give good results in the short term but for the long-term strategic objectives required patience, perseverance and building coherent messages, consistent with actions.

Keynotes: strategic management, corporative communication, public relations, organizational environment, strategic communication

JEL Classification: D83, M14, L1

1. Introduction

The literature abounds with studies in communication related to a change in the terminology of public relations with the corporate communication. In the UK the term public relations in recent years experienced a reduction of the awarded organizations until recently, instead of the traditional public relations activities being taken by public affairs, corporate communications and corporate affairs. In the last decade, corporate communication has become one of the key instruments recognized, playing a key role in strategic planning in organizations. Because, currently, many organizations the problem lies in the perfection of corporate reputation, corporate brand becomes a key element in managing this aspect. Therefore, communication managers should increasingly longer be part of the top management structures of the organizations.

In the new vision of sustainability - economic, social and environmental - organizations are becoming more sensitive to expectations, values, norms and standards in society on good corporate governance and socially responsible behavior. The objective of a business is not only a profit forecast and no business activity is the only interested party organizations. Of special importance in making managerial decisions are considered today strategic audiences - such as employees of organizations, customers, regulators, community, media, for example - but also issues related to environmental protection. Therefore, society as a whole becomes central strategic element of business.

2. Strategy and Strategic Communication

The concept of strategy is a term well known in the theory and practice of management being studied since ancient times, the term can be found also in the works of Adam Smith (1759). Business strategy, broadly exceeding the overall strategy and

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addresses the political legitimacy and social organization, having both a social and institutional one. It orients decisions of top management towards fulfilling the organization's role in society (Freeman, 1984). Freeman, the originator of the concept stakeholder organizations supports the idea of social responsibility in defining company strategy as an ethical component of strategic management.

The literature of public relations firm strategy concept was introduced as the level of strategy to the corporate communication/public relations or even could make a significant contribution (James, 2015). In order to formulate the mission of an organization, it must take into account two essential elements: first refers to the values and expectations of stakeholders, the second considering the business opportunities for the organization, based on how these stakeholders can affect activities of the organization. At this level we can talk about a corporate strategy.

At the level of any company we can consider that there are four categories of strategies (see Figure 1) (Thompson & Strickland, 2003).



Fig 1. The ranking strategies

- a) Corporate strategy - describe the general direction of the business by improving management stability, rationality and growth of business (eg use business growth strategy through mergers and acquisitions).
- b) Business Strategy - highlights the competitive position increase the quality of products / services organization in the market segment served by it. Business strategy is included in corporate strategy (eg, through competitive differentiation strategy with a focus on innovative product design creative).
- c) Functional strategy - adopted objectives and strategies to achieve corporate and business unit by maximizing resource productivity (eg increased advertising spending to create consumer needs). This type of strategy is directly responsible for achieving a competitive advantage.
- d) Operational strategy - the organization's concern follows the objectives other parallel types of strategies with the resources, processes and employees. Operational strategy is applied at the level of each department following short-term and long term objective.

The XXI century, with globalization of business, and dynamic organizations brings interesting challenges that require strategic thinking in the implementation of their corporate performance that reach a high degree of competitiveness. A sustained and sustainable competitive advantage can be achieved when the organization implements a value by developing a strategy that competitors can not get higher benefits or that it considers too expensive for a start. Corporate strategy includes commitments, decisions and actions required to achieve an organization's strategic competitiveness and above average earnings instead.

Strategic communication integrated communication differs in the way an organization communicates the interested public beyond the organizational efforts made. The intentional nature of strategic communication is essential, this focusing on how the organization presents and promotes the activities of leaders, employees and specialists in communication (Popescu et al, 2010).

Strategic management is essential for any organization, giving it several advantages. Generally speaking, the strategy refers to a complex network of ideas, experiences, perceptions and expectations which provide guidelines for specific actions to follow certain purposes. Acting in an environment of change, full of uncertainties and constraints, organizations are in constant pressure and try to find ways and means to achieve competitive benefits. The tool used by management organization for achieving this goal is the efficient use of strategic management, find possible opportunities and to achieve the best possible efficiency by minimizing threats. All organizations use different strategies to achieve their objectives, making their own way in the market.

In an organization aware of the importance of strategic management, employee commitment and their work efficiency and increase the yield of the organization effectively and economically achieve results. Coherent strategy to provide employees at all levels, a clear understanding of the objectives and performance standards that impose the organization and environment.

Corporate and general profile of the organization is well defined through its portfolio (decisions are taken in case of mergers and acquisitions, the formation of strategic alliances) are set tactics for product diversification and business growth are effectively managed corporate resources.

Corporate strategy can be best described as top management responsibility for the financial performance of the organization. At this level, strategies tend to be targeted at the financial side and the shareholders are considered key players.

Although the literature in the field of strategy, corporate communication is not thoroughly debated conclusion of researchers is that it fulfills a tactical role both in supporting the marketing strategies of the organization and as a means of communication to organizational strategies and least the identification and interpretation of some communication problems arising in strategy formulation phase.

Strategic contribution to corporate communication in organizational development strategy is based on reflexive paradigm that a social system (in our case an organization) is evaluated in relation to other social systems based on values, norms and expectations of society. The organization will respond to certain restrictions and developing coordination mechanisms of decision-making processes in relation to the other organizations. Reflexive role of corporate communication is therefore to look at that in terms of organization of society, using communication elements active in gathering, analyzing and interpreting information from the environment to achieve a strengthening of self reflection and an adequate adaptation to the environment.

Thus, reflexive role of corporate communication strategist is similar to that acts as a mirror of corporate communication at the macro-organizational through:

1. acquisition of information or other social stakeholders
2. processing of this information by taking into account their consequences on organizational strategies, but also on stakeholders
3. supply these social and environmental information in the development of organizational strategy.

Taking the role of an objective outsider, Corporate Communication advises top management of the risks regarding the organization's reputation, the consequences for their organizational strategies and draws attention to the need to align organizational goals and strategies values and social norms or stakeholders. This process is the contribution of strategic corporate communication tool in the decision-making process of the organization, in particular the development of comprehensive enterprise strategy.

Your role in strategic corporate communication helps the organization to find and offer the best reasons for his actions. The contribution is based strategic corporate communication and addressing corporate social performance of businesses (whose results are manifested through social impacts, programs and policies). This means that organizations must support the common good and to minimize the side effects of their policies and strategies on the environment and society. Thus, the communication strategy helps define the nature of the organization and identifies responsibilities of stakeholders and social problems referred to these responsibilities.

Corporate Communication, in its role as a strategist helps top management to integrate more and more environmental problems and the social strategy of the organization. This includes the development of ecological strategies to meet the increasing demands of stakeholders that environmental protection is very important (Steyn and Niemann, 2010). Nonfinancial basic concepts that represent expectations, values and norms of society are identified and communicated both internally and externally at (awareness of corporate social responsibility, corporate governance, sustainable development).

Strategic capacity of organizations depends on how it is organized internally what kind of division of labor and strategic development opportunities are offered to employees and departments of the organization. In traditional management, strategy formulation is the responsibility of top management, subordinated segments accounting for their mission to implement them. The new management approach, however, recognize that organizations operate under structural uncertainty, resulting in the need for all departments to develop their own rationality of action, in line with the entire organization (Steyn and Niemann, 2010).

Communication and management strategies of top management in an organization are very closely interrelated: corporate strategies are based on management decisions (which decide the direction and objectives of the organization), communication strategies being responsible for communication management departments.

The term strategic communication itself has a special significance. First, communication is a strategic one, not accidental or unintentional, even if unintended consequences of communication can sometimes have a negative impact on strategic objectives (and Hoffiann Raupp, 2012). Strategic is not restrictive, but it is a multidimensional concept. Secondly, the concept of strategic communication stresses that, in an organization, communication is a constitutive activity management.

Also, strategic communication includes looking at how an organization is presented as a social actor in society to create public culture and discussing social issues. Study of strategic communication as a social science reflects the existence of real changes in society and its principles of organization.

3. Conclusions

Focus efforts in corporate communication strategies demonstrate functional contribution to increasing organizational effectiveness. Formulate a coherent strategy for corporate communication specialists is essential to understand the problems concerning the rights of business and social organizations on the face. For this employee communications strategies must align with top management priorities (Quirke, 1996).

Corporate communication strategy is a model in making important decisions regarding the organization's strategic relationship with the public. Considered as an emergent rather than deliberate strategy, corporate communication strategy is a continuous adaptation to the needs of stakeholders, its objectives being set out at the beginning of organizational strategies, but occurs by the process of identifying key strategic issues of the organization.

Since organizations can not take part in all social problems, and not all stakeholders assign the same importance to these issues, the strategy of corporate communication ensures strategic approach required organizations to identify and prioritize proactively both the problems and the target audience and be able to integrate a "corporate community".

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THE TRIAD CORPORATE COMMUNICATION-PUBLIC RELATIONS-MARKETING COMMUNICATION

Mihai, Roxana-Lucia¹

Abstract

Corporate communication allows an organization to build a communication strategy that combines vision, mission and values, to enable the organization to communicate messages, activities and practices by all stakeholders. Corporate communication integrated marketing communications and public relations to build, maintain and protect a company's reputation and to increase sales. Currently, corporate communication is considered to be an integrated framework for managing public affairs, investor relations, media relations, advertising, direct marketing, sales promotion, internal communications, community relations, publicity, sponsorship etc. Generally, corporate communication is recognized as the best possible method of building long-term corporate identity. A well designed and consistent corporate communication strategy with strongest publicity and public relations campaigns reinforces a positive image of an organization. Corporate communication contributes to continuing the process of defining the reasons for which an organization exists by managing relationships with internal and external stakeholders, and by influencing perceptions, expectations and their behavior towards the organization and its environment.

Keynotes: *corporative communication, public relations, marketing communication, organizational behavior*

JEL Classification: M140, M31, M370

1. Introduction

Communication plays an important role in trade networks, having fulfilled one of the four main roles:

1. information and awareness organization offer potential customers.
2. believes current and potential customers the opportunity of entering into a relationship instead.
3. consolidation of experiences, whether as a reminder of needs that people may have, or reminding them of the benefits of previous transactions, in order to convince them that we should enter into a similar exchange. In addition, it is possible to provide reassurance or comfort as to ensure counselors would precede the sale, but mostly after-sales servicing. This business approach is more effective than efforts are ongoing to attract new client.
4. acts as a differentiator, especially in markets where there are few elements to distinguish the products and competing brands. Therefore, communication can inform, persuade, enhance and build images to demarcate a product or service.

In all organizations there is a need to communicate to different parties, whether for the purposes of business activities, either for good cooperation and coordination between its own activities and the other participants of the business to optimize the distribution of goods and services thereof. But most important in this flow of communication, consumers are free to choose among the many product offerings. Marketing communication provides a core so that all stakeholders can understand the intentions of others and appreciate the value of goods and services (Fill & Jamieson, 2011).

Effective communication has the main importance for organizations. Traditionally, there are five main disciplines of communication or marketing tools: the advertising, sales promotion, personal selling, public relations and direct marketing. In addition, organizations may choose to buy and use time and space in the media to transmit messages to target audiences.

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Marketing communication provides the ways through which brands and organizations are presented to the public. Their purpose is to foster a dialogue that will lead, ideally to a succession of acquisitions. This interaction is an exchange between each organization and each client; depending on the quality and satisfaction of the exchange process, it will be or will not be repeated. Therefore, communication is a very important part of the process of exchange and effectively represents the ability and management decisions which determine, in most cases, success or failure.

2. Identity, image and corporate reputation

Specialists concerned about the identity and image of the company, generally relate the two concepts either in terms of organization, either in terms of corporate, analyzing and how companies are representing and communicating with various audiences (Hatch and Schultz , 2000). Corporate identity is usually taken as being different then organizational identity, although there is some overlap (Hatch and Schultz, 2000). The main distinction between these two points of view on a company reflects internal versus external perspective of communication with audiences interested. When considering organizational identity and image, communication is directed towards the inside of the company, to employees. When considering identity and corporate image, communication is directed to external audiences of the company. Integrated marketing communication plays an important role in establishing and maintaining the identity and positive image of a company in the corporate and not the organizational (Iacob, 2015). Of course a company's image is projected to the outside world must be reflected in the organization (see Figure 1)

Figure 1. Corporate identity and image versus organizational identity and image

Identity and CORPORATE image	EXTERNAL PUBLIC
ORGANIZATIONAL identity and image	INTERNAL PUBLIC

As presented by Hatch and Schultz (2000), corporate identity reflects the thinking and direction of top management, even if they take into account the views of other members of the organization. Organizational identity reveal how the internal public relate and identify to the entire organization. Obviously, we can consider the fact that, in practice, exists overlap between the organizational and corporate identity. It should be obvious that all forms of corporate communication (press releases, annual reports, sponsorships, etc.), especially corporate advertising must be in line with the general marketing communications.

Christensen and Cheney (2000) have pointed out that corporate existence can not be separated from the issue of communication. In their view, companies were convinced that success will largely depend on their ability to differentiate themselves not only through their products or services, but, in fact, to justify the existence of the planned corporate image "... The identity is the problem and the communication seems to be the answer. "

The terms of corporate identity, corporate image and corporate reputation are often used interchangeably, but there are important differences between them that a manager must understand to determine strategy (Iacob, 2012). Although the scientific literature is full of explanations, this should not discourage managers to assess the strategic implications associated with each of the concepts.

Grahame Dowling (2001) offered a set of quite accurate and helpful definitions for identifying each of these concepts and the main differences between them. He describes

corporate identity as represented by "symbols and terminology that an organization uses to identify to the public concerned (company name, logo, advertising creations, slogan, etc.)". Corporate image is considered "global assessment (consisting of a set of beliefs and feelings) that a person has related to an organization." Most important here is that "image" is in the eye of the beholder. To the extent that a company has managed to create a consistent picture over time, there must be a general consensus among the target audience about what that picture is.

Dowling (2001) defines corporate reputation as "assigned values (authenticity, honesty, accountability and integrity) which a corporate image suggests to a person." Thus, understanding the wider reputation of a company depends on personal appraisal values differences across the different target audiences. What is important for a person or group may not be to another; and some may have a different weight values between different people and groups. This problem becomes more obvious for multinationals, because value systems are different from one culture to another.

Balmer and Greyser (2003) suggested that there are five critical questions which characterize the study of corporate direction (see figure 2). The first three questions relate directly to the three concepts that we discussed above, the other two indirectly.

A lot of the effort to create a corporate brand is the consumer reaction to how a company treats its employees, which is the concern of management for environmental issues and other aspects of his role in society, factors taken into account for their purchasing decisions. This has led more companies to build a tree as a strategic marketing tool to improve the performance of the financial perspective (Hatch and Schultz, 2001).

Figure 2. Description corporate direction

Corporate identity	What are the distinctive attributes of the company?
Corporate image	How is the company perceived today?
Corporate reputation	How is the company perceived in time?
Corporate communication	How and to whom communicate the company?
Corporate brand	What is corporate commitment?

Source: Adapted from Balmer and Greyser (2003)

While marketing communication focuses on the consumer or potential consumers and is based (mainly) on supports specific paid for delivering the message, corporate communication must deal with a wide and different types of public, especially including a focus on communications with employee, and not limit themselves only to the media.

Van Riel (2003) characterized corporate communication as a fusion of marketing, management and organizational communication.

3. The evolution of corporate communication

In the 19th century, large corporations in the US and UK have turned to information officers for the work of advertising and promotions, hiring thereafter press agents and propagandists for their communication campaigns. These campaigns have proved to be just simple lies presented as advertising campaigns or press releases. Early 20th century brings new challenges in business, public attention is drawn to the many political scandals and government corruption. To meet these challenges, corporations have hired former journalists or writers for disseminating general information to the media and the interested public. Until the 70s, communication specialists have used the term public relations to describe communication with the companies, domestic or foreign.

Public relations activities consist largely in communication with internal and external public, especially in communicating with the media. Later, however, with an increasing volume of information required by those interested, specialists began to regard communication work as more comprehensive than just public relations agency. This is the starting point for the new position of corporate communications. This includes, in addition to public relations activities, and traditional marketing activities and is responsible for the construction, maintenance and protection of the reputation of a company, but also to consolidate and increase its sales. Currently, the public relations activity is considered to be one of the components of corporate communication, it encapsulates the functions of public relations. Thus, today's corporate communication is an integrated framework for managing public affairs, investor relations, media, advertising and promotion site.

Corporate communication is a process of strategic management and enforcement is communication program by building and nurturing relationships with public. Experts have nominated four main functions of corporate communications:

- Relations with the media are characterized by serving promote external communication objectives. The aim of these relations is to build a positive reputation and name recognition to encourage the marketing organization.
 - Relations with employees are tasked to enhance the organization's reputation and credibility with internal public. The key to remain competitive in the volatile market today is the ability to attract and retain a skilled and motivated workforce. The predominant type of communication is used interpersonal and inter-relational. Methods of delivery methods messaging by employees of the company include seminars, printed or electronic newsletters, local networks, intranet and various e-mail lists.
 - Governmental relations are characterized by organizational communication to consent through regulatory systems and processes. The goal is to increase accountability through accurate information on the organization, while following to certain standards of the system.
 - Investor Relations aim to build a specific performance and prospects profile as of a company through financial publications and publishing annual progress reports.
- Corporate Communication responsibilities are the following:
- a) creates and maintains a strong corporate brand;
 - b) develop programs that reduce discrepancies between identity and brand characteristics desired by the company;
 - c) establishes responsible people for communication tasks in the organization;
 - d) formulates and executes efficient procedures to facilitate the decision making on issues related to communication processes;
 - e) enrolls all internal and external forces to support and achieve the objectives of the organization;
 - f) performs the coordination with other international business organizations.

4. Convergence integrated communication activities

Compared with the corporate communication, public relations work has a much narrower scope. By the 70s, communication with various internal and external audiences was attributed to public relations. Mention undue focus on external communication with the public through various media. But a broader public understanding of internal and external development of digital technologies, and a more comprehensive understanding of organizations led to the development of corporate communication, public relations functions encompassing it.

Corporate communication continues to define the rationale of organizations managing relationships with various internal and external audiences, and by influencing perceptions, expectations and their behavior towards the organization and its environment. Corporate communications define three categories of communication based on the senders or recipients of service (van Riel, 1995):

- a) *Communication management* implemented by senior managers for planning, organizing, supervising, coordinating and monitoring the activities of the organization. It is very important to develop a common vision within the organization to gain and maintain confidence in corporate governance, so that the processes of change to take place under optimal conditions and to develop professional employees.
- b) *Organizational Communication* include various communication activities: public relations, public affairs, investor relations, communication with the labor market, corporate social responsibility activities, corporate advertising and internal communications
- c) *Marketing communication* includes commercial communication activities designed to support the sale of goods and services. It includes activities of the promotional mix: advertising, personalized information, personal sales and sponsored products.

Recent studies on corporate communication are focused on value and reputation management as the main asset of the company (van Riel and Fombrun, 2004). The basic themes of corporate communication are, as I described in the previous chapter, corporate identity, image and reputation; integrating verbal, behavioral and relationship between the organization and stakeholders (Frandsen and Johansen, 2013).

The primary purpose of communication in organizations, in terms of the area of marketing is to build loyal relationships with the public (Kitchen and Schultz, 2003). Organizational communication process aimed at creating social organization (Ashcraft et al., 2009), and public relations is managing relationships to position the organization's reputation (Cropp and Pincus, 2001). From the perspective of corporate communication, the communication aims reputation management.

The criteria used to classify communication at conceptual level refers to content and handsets for marketing perspectives on human communication for organizational communication, areas of specialization for public relations and receivers and sources of communication and specialization areas for corporate communication.

Comparative analysis of marketing disciplines, organizational communication, public relations and corporate communications convergence and highlights some aspects that highlight the divergent perspectives (see Figure 3). They converge in three aspects:

1. First, an organization considers communication as an indivisible concept. Marketing business concept emphasizes communication business, covering all common elements with stakeholders. Highlights organizational communication network of relationships that cross organizational boundaries. Public relations

activities include dialogue with all audiences, even if based on professional specialization, while Corporate Communication identifies with an overview of communication.

2. The second point of convergence is that all subjects adopt more or less implicitly, a relational perspective. Marketing focuses on relationships with customers and public, developing relationship marketing (Morgan and Hunt, 1994). Organizational communication network focuses on inter and intra-organizational relationships (Monge and Contractor, 2001), and public relations assume relationship management is one of the key features of its role (Ledinghem, Bruning, 2000). Among the main goals of corporate communication activity is building relationships with everybody around the company (van Riel, 2003). This section provides the transition from the concept of communication as a connection between two points on the interaction between players.
3. The third convergence requires that all disciplines consider communication in organizations as a pillar in creating intangible resources specific to the organization (knowledge, trust, loyalty, reputation, identification), which are valuable, inimitable and is active basis for creating a long-term competitive advantage (Barney, 1991), based on trust.

Figure 3: Convergences and specific elements of business communication disciplines

Marketing: <i>competitive value of intangible resources</i>	Organizational Communication: <i>communication as an organizational component</i>
<i>Relational perspective</i>	
<i>Indivisible phenomena</i>	
<i>Intangible resources</i>	
Public relations: <i>social relevance of the public, professional skills</i>	Corporate communication: <i>organizational and managerial role of communication</i>

Source: summarizing

In conclusion, it may be noted that all topics analyzed refers to the same phenomenon - the communication to and within organizations - from a certain point of view.

4. Conclusions

Comparative analysis outlined in this article points out, in particular, some nuances specific to each of the subjects analyzed: competitive marketing stresses the value of intangible resources generated through communication interactions; organizational communication highlights the role of communication as a component of organizational public relations considers the social relevance of relations with the public and professional skills and corporate communication clarifies the role of organizational and managerial communication as an organizational function.

In conclusion, the disciplines of marketing, organizational communication, public relations and corporate communication refers to the same phenomenon, although they give different names related to business communication and is distinguished by specific hues. Although you can create some confusion, these variations do not represent a negative side, highlighting the multiple nature of the concept of communication. Communication is a multifaceted and evolving phenomenon (Gould, 2004), different ways of interpreting and defining the concept of communication is the result of different views resulting from different cultural and professional backgrounds.

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DIGITALIZATION OF THE ECONOMY IN ROMANIA

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Abstract

The present period is marked by the emergence of the digital society with its explosion of integrated systems and intelligent devices, the dominance of the Internet, the infrastructure of paperless communications/ calculation systems, especially cloud-based document management systems and the proliferation of intelligent devices, computer simulation and design optimization, etc. The stake is, consequently, the competitiveness of the national and European industry in the NICT domain, but also the realization of progresses regarding: professional training, health, sustainable development, access to culture, design and production of goods, services and complex systems. At the same time, the development of a digital world in conditions of safety inspires trust to the users. The study elaborated analyzes the digitalization degree of the national economy compared to that at the EU level, expressed via the Digital Economy and Society Index (DESI).

Key words: DESI, connectivity, human capital, Internet, digital technologies, digital skills

JEL classification: M15

The priority development directions regarding the creation of the unique digital market are: connectivity, human capital, Internet use, integrating digital technologies and users' digital skills (Figure 1).

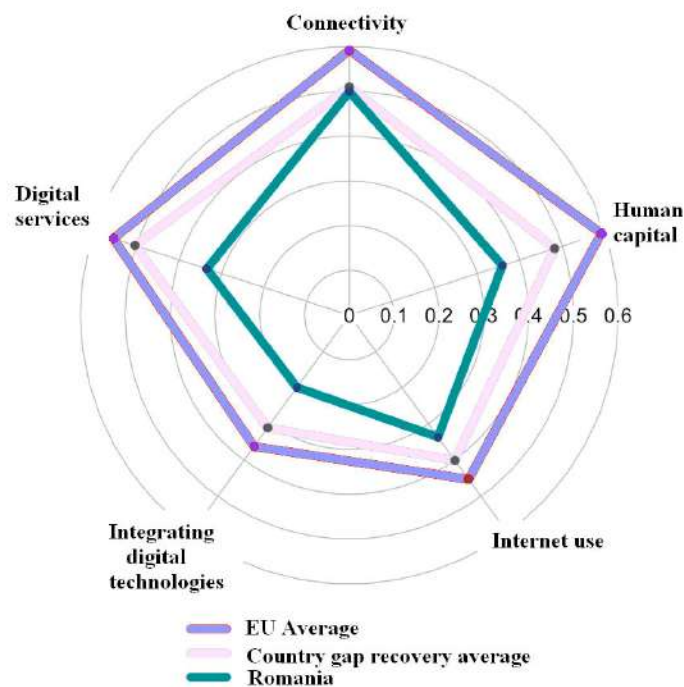


Figure 1. Priority development directions in the creation of the unique digital market

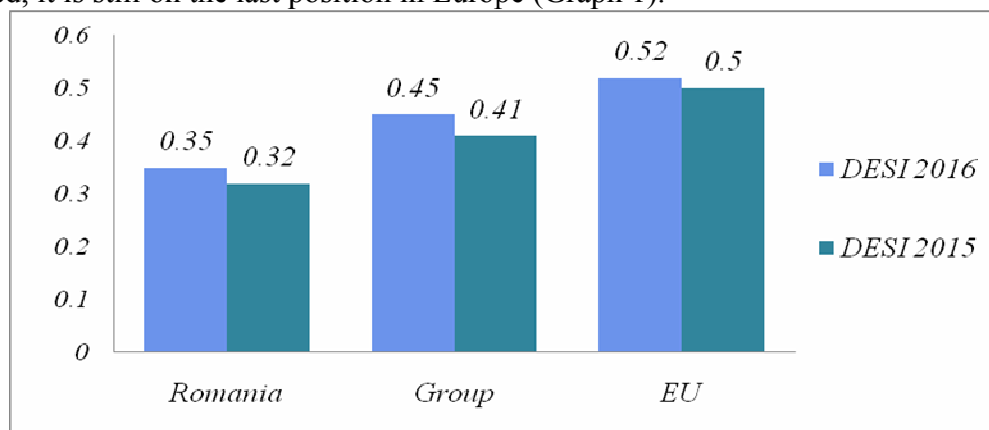
Source: European Commission, Digital Economy & Society, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania#4-integration-of-digital-technology>, consulted on 23.05.2016, 5:10 p.m.

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To identify the digitalization degree-level of the national economies in each of the EU Member States, one can analyze the Digital Economy and Society Index (DESI).

Regarding the results recorded by Romania, although the digitalization level evolved, it is still on the last position in Europe (Graph 1).



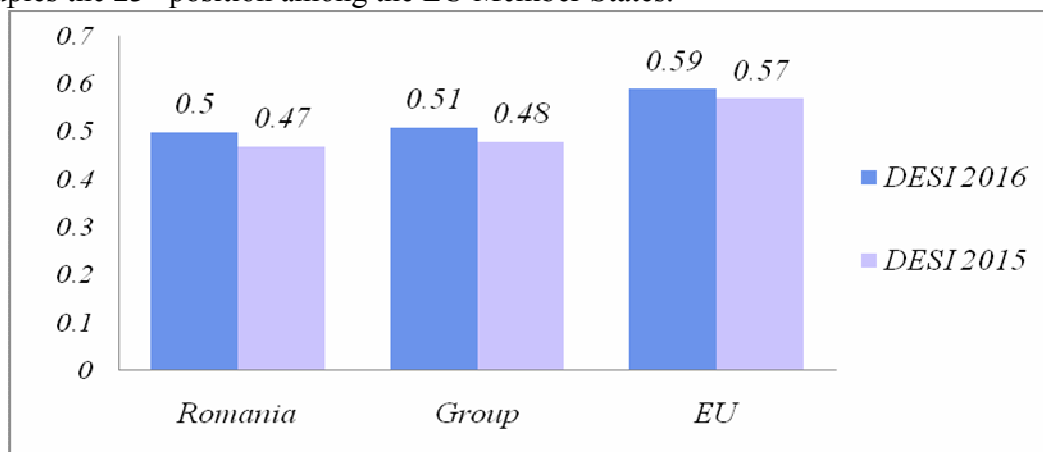
Graph 1. Digital Economy and Society Index (DESI)

Source: European Commission, Digital Economy & Society, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>, consulted on 23.05.2016, 5:15 p.m..

Therefore, in Romania, DESI registers a general score of 0.35 and Romania occupies the 28th place among the 28 EU Member States. Compared to the year 2015, in the year 2016 the number of broadband subscribers increased, due to the broadband quality, but the low level of the digital skills still represents a barrier in the development of the digital economy. The Internet use increased, principally due to the use of social networks. For this reason, it is essential for the Romanian businesses to better exploit the possibilities provided by social media, on-line trade and cloud-based document management systems.

1. Connectivity

According to the European Commission, in the year 2016, connectivity is the dimension registering a global score of 0.5 (Graph 2) for Romania. Thus, Romania occupies the 23rd position among the EU Member States.



Graph 2. Connectivity

Source: European Commission, Digital Economy & Society, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania#4-integration-of-digital-technology>, consulted on 23.05.2016, 5:20 p.m..

Romania is faced with two main challenges in point of connectivity. First, it needs to enrich its coverage in fixed broadband networks, which covers only 89% of the households, significantly under the EU average (97%). Second, it needs to increase its

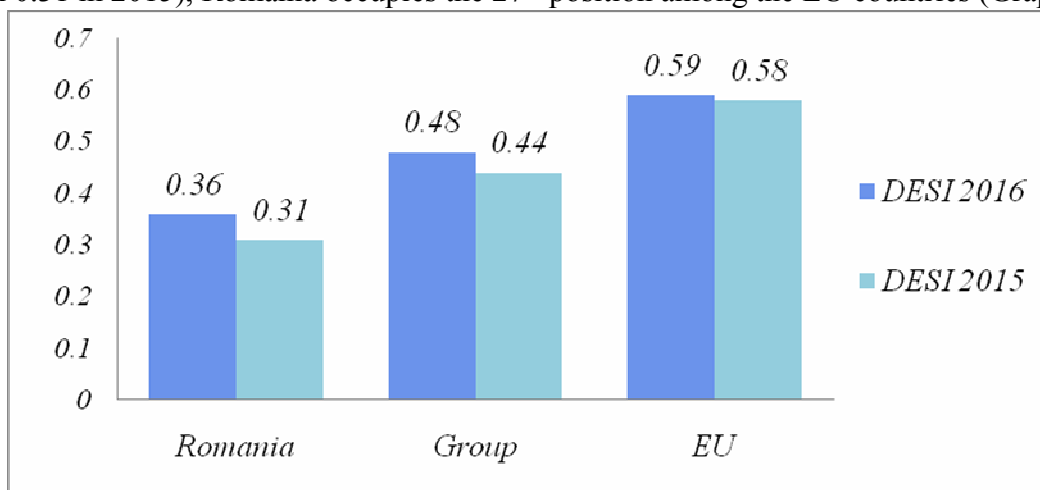
number of broadband subscribers: only 60% of the households are fixed broadband subscribers (the EU average is 72%) and 59 subscribers out of 100 people have mobile broadband subscriptions (the EU average is 75). Consequently, a low connectivity level limits Romania's capacity of exploiting the benefits of the digital economy.

One of the reasons of the poor fixed broadband network coverage in Romania could be the subscription price. A person requesting a broadband subscription needs to allot for it, on average, 2.7% of his gross revenue, which is more than double compared to the EU average, of 1.3%.

Romanians better positioned compared to the EU for the access to high-speed Internet. Networks able to provide at least 30 Mbps (NGA) are available for more than two thirds (72%) of the Romanian households (EU average - 71%). Concerning the subscriptions to high-speed broadband Internet, Romania is one of the leaders (63% of the subscriptions), occupying the second best position in the EU.

2. Human capital

With an improved score regarding the human capital, of 0.36 in 2016 (on the rise from 0.31 in 2015), Romania occupies the 27th position among the EU countries (Graph 3).



Graph 3. Human capital

Source: European Commission, *Digital Economy & Society*, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania#4-integration-of-digital-technology>, consulted on 23.05.2016, 5:20 p.m.

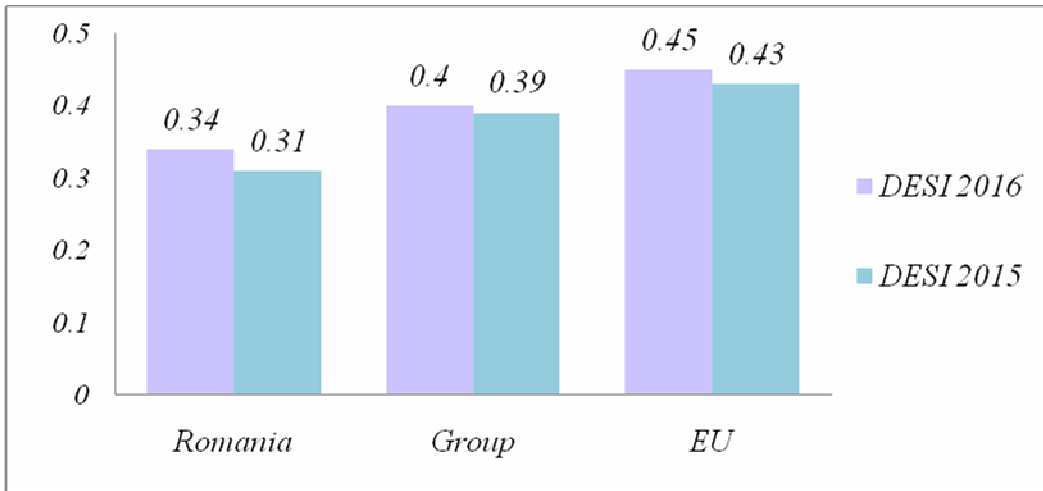
In the European Commission Report is highlighted the fact that half of the Romanians are regular Internet users (52% compared to 76% in the EU).

Considering that just 26% of the Romanians possess a basic digital skills level and that, at present, digital skills are necessary at any workplace, this could become an important barrier for the economic development of the country. The growth of the digital literacy level and digital skills can generate digital workplaces and can support the development of a digital economy.

Despite the existence of many qualified NTIC specialists, this is not enough to compensate for the deficit of digital skills in Romania.

3. Internet use

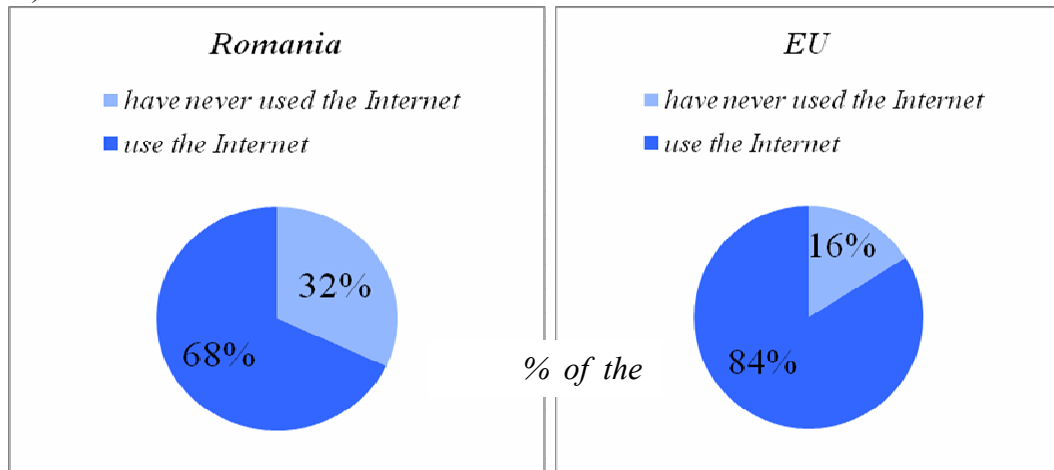
Regarding the individuals' tendency to use Internet services, Romania records a score of 0.34 in 2016, compared to 0.31 in 2015 and occupies the 27th place among the EU countries (Graph 4).



Graph 4. Internet use

Source: European Commission, Digital Economy & Society, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania#4-integration-of-digital-technology>, consulted on 23.05.2016, 5:20 p.m.

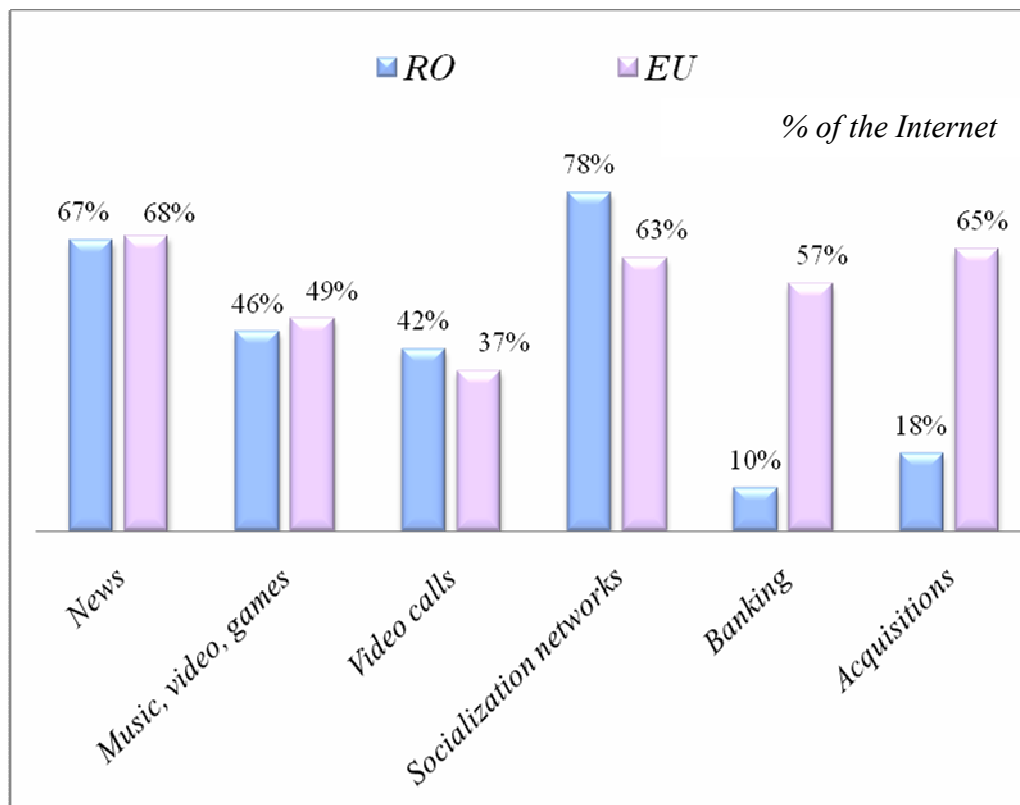
Moreover, another third (32%) of the Romanians who still havenot used the Internet yet (compared to 16% in the EU) and, consequently, they cannot benefit of the possibilities offered by the Internet and cannot contribute to the digital economy, either (Graph 5).



Graph5. Weight of the citizens who have never used the Internet (2015)

Source: Eurostat – community survey on the use of ICT in households and by natural persons, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>, consulted on 23.05.2016, 5:20 p.m.

Although the Romanians are using social networks in a percentage of 78%, i.e. 15% more than the EU average, they are very reticent regarding the use of online banking services, and regarding online acquisitions (Graph 6).



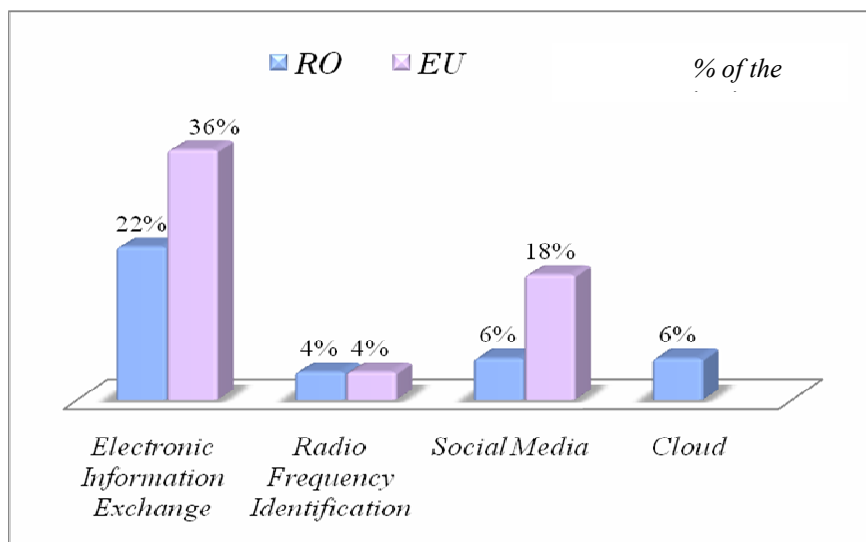
Graph 6. Online activities of the Internet users (2015)

Source: Eurostat – community survey on the use of ICT in households and by natural persons, IHS Technology - TV Media Intelligence Service databases, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>, consulted on 23.05.2016, 5:20 p.m.

Yet, the Internet users in Romania are engaged in a large array of online activities, such as: reading the news (70%), watching movies and playing online games (46%), communicating by voice or video calls (42%), or by socialization networks (78%).

Despite the progresses recorded, the actions of the Internet users of Romania who use online banking (9.6%) or online shopping (18%) are the smallest of all the EU Member States. This is the main challenge for Romania regarding the use of the Internet by its citizens, because a digital economy is partially provided financially by its citizens' trust in the online channel.

The weight of the companies in Romania using technologies such as the Electronic Information Exchange (ERP - 22%), cloud services (6%) or socialization networks (6%) is among the lowest in the EU (Graph 7).



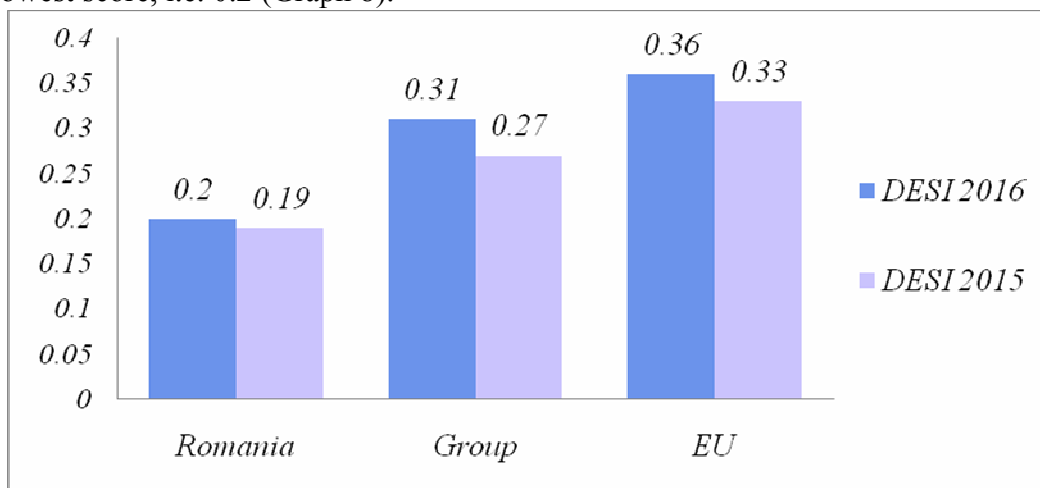
Graph 7. Adopting digital technology in business (2015)

Source: Eurostat – community survey on the use of ICT and e-trade in enterprises, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>, consulted on 23.05.2016, 5:20 p.m.

Enterprises in Romania should show interest in the advantages offered by online trade, by the socialization networks and the cloud-type applications, because the use of digital technologies is a determining factor in the work productivity increase and it needs to be consolidated.

4. Digital technology integration

Regarding the integration of the digital technology by the enterprises, Romania is also on the last position among the EU Member States, this being the DESI dimension with the lowest score, i.e. 0.2 (Graph 8).



Graph 8. Digital technology integration

Source: European Commission, Digital Economy & Society, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania#4-integration-of-digital-technology>, consulted on 23.05.2016, 5:20 p.m.

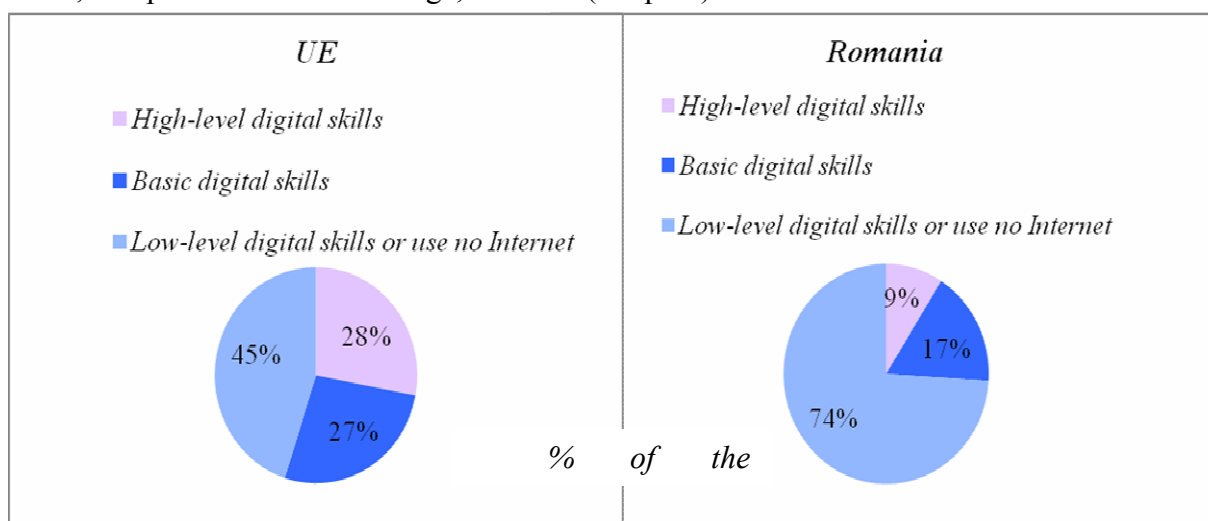
About an economy, one can say that it is really digital if its enterprises take full advantage of the possibilities and benefits offered by the digital technologies, both to improve their efficiency and productivity, and to get to their clients and realize sales. In this sense, Romania still has a long way to go.

Romanian enterprises also need to take advantage of the possibilities offered by the online trade. Very few SMEs in Romania sell online (7.4%), even fewer SMEs sell online to other EU Member States (1.9%), and those who do sell online, make a very small ratio

of their turnover out of these sales, about 4.9% . Without exploiting the online trade, the enterprises in Romania will have difficulties in competing in the global digital economy.

5. Digital skills

The European Commission Report situates Romania on the last position among the Member States, although, compared to the year 2015, in the year 2016 Romania recorded slight progresses in this domain. Therefore, 17% of the Romanians have basic digital skills, whereas the EU average is 27%; 9% of the citizens of Romania have high level digital skills, compared to the EU average, i.e. 28% (Graph 9).



Graph9. Digital skills (2015)

Source: Eurostat – community survey regarding the use of ICT in households and by physical persons, <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>, consulted on 23.05.2016, 5:20 p.m.

To conclude, having the lowest percentage of NICT specialists (1.3% – in the total of the workforce of all the EU Member States) and manifesting reticence regarding the confidence in the use of online services, the development of the digital economy in Romania seems to be limited.

Conclusions

The beneficial changes brought by NICT have become a reality that has not happened over night, but has required both time and effort. However, according to a European Commission Report, Romania is on the last place at the chapter economy digitalization, and the Internet is less used than in other EU Member States to make work efficient. To conclude, having the lowest percentage of NICT (1.3% – in the total of the workforce of all the EU Member States) and manifesting reticence in point of the confidence in the use of online services, the development of the digital economy in Romania seems to be limited. For this reason, it is essential for the businesses in Romania to exploit better the possibilities offered by the social media, online trade and cloud-based applications.

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TOOLS AND SOFTWARE FOR HUMAN RESOURCES MANAGEMENT

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Abstract

Aligning human resource management in Romania to the existing requirements and standards of the EU market aims at rapid integration of new trends in technology and communications.

This is represented by the transition from information society to one based on knowledge, by implementing specific technologies such as ERP (Enterprise Resource Planning), SCM (Supply Chain Management), CRM (Customer Relationship Management), document management and workflows, management of quality in IT (Information Technology), e-Business, eLearning and other techniques on working under Internet platforms.

Also, a requirement for such a decision, with high current worldwide is to use tools for solving specific managerial situations of human resource management. Therefore, our approach aims to reveal some aspects of human resource management and computer-aided methods and techniques to optimize decisions. Our references aim at taking algorithms and economic models - mathematical complex, such as those derived from fuzzy theory in artificial intelligence techniques and development of software products that enable their application to typical levels of decision problems.

Keywords: *ERP, information, knowledge, fuzzy theory, software products, optimization of decisions*

JEL Classification: M1, M12, M15

Introduction

Throughout human history information it was vital, but today access to information and its correct use is the key to business development. In an era of the Internet, when every software can be accessed by any user interested in the difference between performance and applications may be outdated or incorrect path to successful disaster. The need and desire for knowledge are essential in management activity. The power of knowledge and the fact that the business environment is guided by a new motto - "Knowledge is power" - reflects current period of transformation in the economy, namely that top positions are occupied by those who have the knowledge. Now there is a huge amount of works in this field – articles, books, reports which provide not only new scientific information, but also practical recommendations for companies on how to improve their management and results using Intangible Assets. Among them are such famous works as (Prusak, 1997; Davenport, Prusak, 2000), (Nonaka, Takeuchi, 1995), (Stapleton, 2003), (Stewart, 1997) and others.

What determines the success of a company is the value generated by knowledge-based intangible assets (Petty, 2000). For converting information into knowledge and knowledge into information a company needs human resources to generate models, norms, rules (Iancu, Burciu, 2015).

Both in its heyday in the recession and companies want to achieve maximum revenue leading a policy of optimizing processes by increasing efficiency and economic changes. (Iancu, 2016). This can be achieved through a rigorous selection of personnel working in the company.

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2. Mobile Knowledge management and human resource

Modern management, which can be called Mobile-Management (M-Management) involves an adaptation of his classic functions to new information and communication technologies (ICT) that slowly but surely beginning to have an essential role in the economy.

One of the first explicit statements of the concept of human resource management (HRM) was the school Michigan (Fombrun et al., 1984). The authors of this statement reporting that HR systems and organizational structure should be managed in a manner consistent with the strategy organizational.

Parents founding HRM (1984), of the Harvard school, took on what Boxall called "general pattern Harvard".

After Ulrich and Lake (1990), "can be the source HRM systems that allow companies organizational abilities of learning opportunities and threats and explore new possibilities." John Storey generally thought that HRM can be seen as the "grouping of related policies, with an ideological foundation and philosophical."

Bontis (1998) says: "human elements of the organization are capable to learn, to change, to innovate and creative enthusiasm ensure that, when found appropriate motivated, can guarantee long-term survival of the organization."

Mobile Knowledge Management (MKM) is an advanced form of knowledge management, which involves the gradual replacement of bureaucratic activities performed by the electronic physical-digital intelligent terminals made through Information Communication Technologies (ICT).

MKM has Intelligent Soft and Know How. Features an intelligent software management are: availability, reliability, flexibility, adaptability, updating, stability, scalability, security, interoperability with other software standards, flexible access to resources, creating value at minimum cost, managing rapid use and control simple under total mobility.

M-KM it knows different forms and styles customized, flexible management and is a multi-user, multi-program, multi-project, multi-lingual, multi-disciplined and multi-lateral. Permanent means adapting leadership style to the dynamic environment of competitive firms with physical or virtual presence in the market, survival is contingent upon how quickly respond to stimuli and external factors, as well as sudden changes. Uncertainties and risks, reactions to these factors can be mitigated or even eliminated by using ICT. The increased use of electronic communication technologies have the effect of reducing the direct human contact and create important changes in the business sphere, ensuring increased effectiveness and efficiency.

As work style, M-KM using mobile working, the classic style of work - face to face - is replaced by a new style - mobile teleworking - such digitization bureaucracy reduce inefficiency, reinforces impartiality, neutrality, credibility and trust in business relationships . MKM style is defined by the manager's ability to inform, communicate and conduct business via the Internet and ICT, being connected anywhere, anytime. Added to this is the ability and knowledge in the field of ICT and eTools sites that mediate the creation and use of a collaborative system whereby audio-view quickly and easily documents (e-mails, files, diaries, reports, etc.), but also to create and maintain relationships with partners (customers, suppliers, investors, employees, staff, etc.). Using information and communication technologies users print a personalized style of driving, work, and private life.

4M technologies - Mobile Multi Media Management is growing increasingly as a result of increasing applications and operations management activities multimedia, digital

libraries and online, and users. Electronic documents gradually replace the classic ones, as a solution to problems such as optimizing operational-technical and work convenience.

Human resource management involves activities such as:

- personnel management - recruitment, selection, adaptation post, induction and socialization, mentoring, internal promotion, leaving the management organization;
- Performance Management - performance evaluation, feed-backs reached or not personal goals, team or organizational rewards and benefits;
- organizational management - defining positions and the organizational structure, areas of responsibility, training teams or work groups and training employees;
- communication management - activities involving employees in decision-making, communication development, preservation of procedural fairness and organizational ethics.

Information technology (IT) solutions are a prerequisite for an efficient management of human resources.

3. Information technology systems for human resources

Considering the importance of human resource management for companies, systems must have the capacity for more efficient operation and integration of diverse information flows.

IT solutions for HR functions must have devoted to assessing employee performance and efficient management of training. Also for recruitment processes are generally allocated significant resources, specialized computer systems can substantially contribute to reducing the cost of these processes.

In recent years, human resource management solutions market has seen a significant evolution, growth in volume of this IT sector has been accompanied by diversification and raising the quality of human resource management systems. "Metamorphosis" produced in human resources applications was certainly a result of user requirements such solutions and an acute need for more detailed information on human resources in companies.

One HR solutions market trends lies in deepening their integration with systems such as ERP (Enterprise Resource Planning) within companies. Thus, they developed specialized modules that are fully integrated within the systems. Integrating such applications in ERP systems is especially a requirement for payroll modules, thus being assured a high level of efficiency in workflows and financial information. This will be automatically generated accounting transactions in financial modules of ERP system or can be performed payments to employees.

Databases and data warehouses are a ubiquitous element in various fields. Whether we talk of solutions ranging from ERP (Enterprise Resource Planning), is it other categories of applications, the cornerstone of their operation is the management system database. Another important thing to be offered such solutions is the possibility of developing simple reports based on information contained in databases.

Given these considerations, more companies have ERP solutions portfolio developed specialized modules for data analysis and synthesis of information from human resources management. Integration of BI (Business Intelligence) solutions advanced database reference on the market has allowed companies to implement efficient data processing functions for accumulated.

Also, many ERP products available on the market in Romania have an extremely strong reporting component that ensures that the statements out of business information system needs.

Integration of instruments synthesizers for the conduct of business processes is another feature for applications of this type. Through "control panels" of ERP applications, managers can make decisions in real-time for HR managers.

Whatever the field which is dedicated computer system (economic, social, scientific, etc.), system architecture was imposed as a condition sine qua non for providing accessibility as major information resources offered by the management of databases. The spread of the Internet, combined with the increasing need for mobility and accessibility acute, led to the generalization of this architecture in human resources applications.

There is a wide range of practical software solutions, which are differentiated by the degree of automation of human resource management. Thus, while some applications mainly focuses on one aspect of the work manager human resources (applications for payroll, employee management applications), aimed at providing more complex tool, ERP. Personnel selection is an area that can provide elements for easy deployment and objective process. Frequently, the company personnel selection takes place in two stages: the first stage is intended for application tests and the second interview with the candidates allocated. In the first stage since the application tests is a matter of evaluation could facilitate the evaluation process. The idea is that tests can be built on four areas frequently used - knowledge, intelligence and personality skills - with software for extracting test items from files created for each four areas (Iancu, 2013).

4. The structure of a decision-making system

In this part of the paper mainly developing simple architecture of a model of decision-making system, which is based on the findings presented above. Methodology classical design, in which determine the original system specifications and then proceed to design and construction system that meets these specifications is expanded, the methodology by successive refinements of information and representation of knowledge, and through the concrete continues to classes and decision-making.

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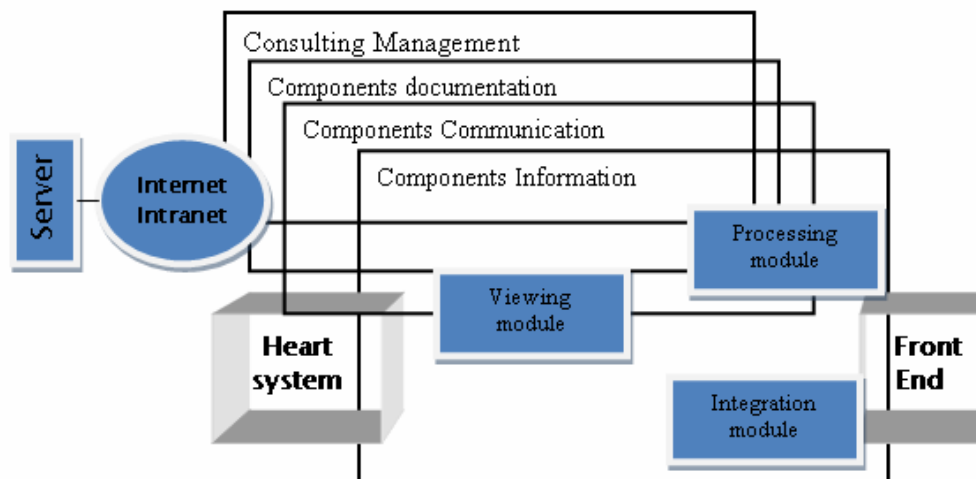


Figure 1. The concept of an architecture overview

Especially new theoretical considerations and requests and new findings, resulting from intense communication with various partners from practice, have a decisive influence on the whole decision-making system.

Figure 1 shows the overall architecture of an embodiment of a decision-making system from a company that can be adapted to the local requirements.

The system, through its components, may contact the company's databases, import, edit, and save personal documents, and to provide communication capabilities to connect processes of discussion and synchronization.

The model itself consists of the following components:

- The core of the system that ensures, on the one hand, the provision of formalisms for representing and secondly achieving effective connection to the Internet and intranet. Even the competence encrypting information system kernel;
- Front-End site provides users viewing content and data entry;
- Consultancy controlling user rights management, consultancy generates an archive and a calendar of activities to adapt and watching classes decisions possible contextual ordered everyone acting in the system and makes verbal communication with users;
- Documentation components are tasked to manage both the work and decisions of the archive. In addition, components of documentation submitted through core information system connected apps enforcement of decisions;
- Communication Components have the power to prepare the way of communication and availability of required framework;
- Informational components perform all actions that are necessary for processing information:
 - (1) The information content integration company representative that emerged as a result of autonomous development;
 - (2) integrated information processing calculations, forecasts and simulations;
 - (3) Adequate disclosure of the information results.

Solving these tasks include representing functions for forecasting, decision models and capacities of knowledge, which outlines how to integrate information.

Figure 2 illustrates four basic components subcomponents submitted. Modular Structuring in this context creates the premise for the integration of a development for managers. Thus should be considered core components and their interactions between concrete modules, between methods and knowledge. Only if the prototype system is entirely designed, developed and tested, then analyze interactions between components, modules, methods and knowledge that can be done efficiently.

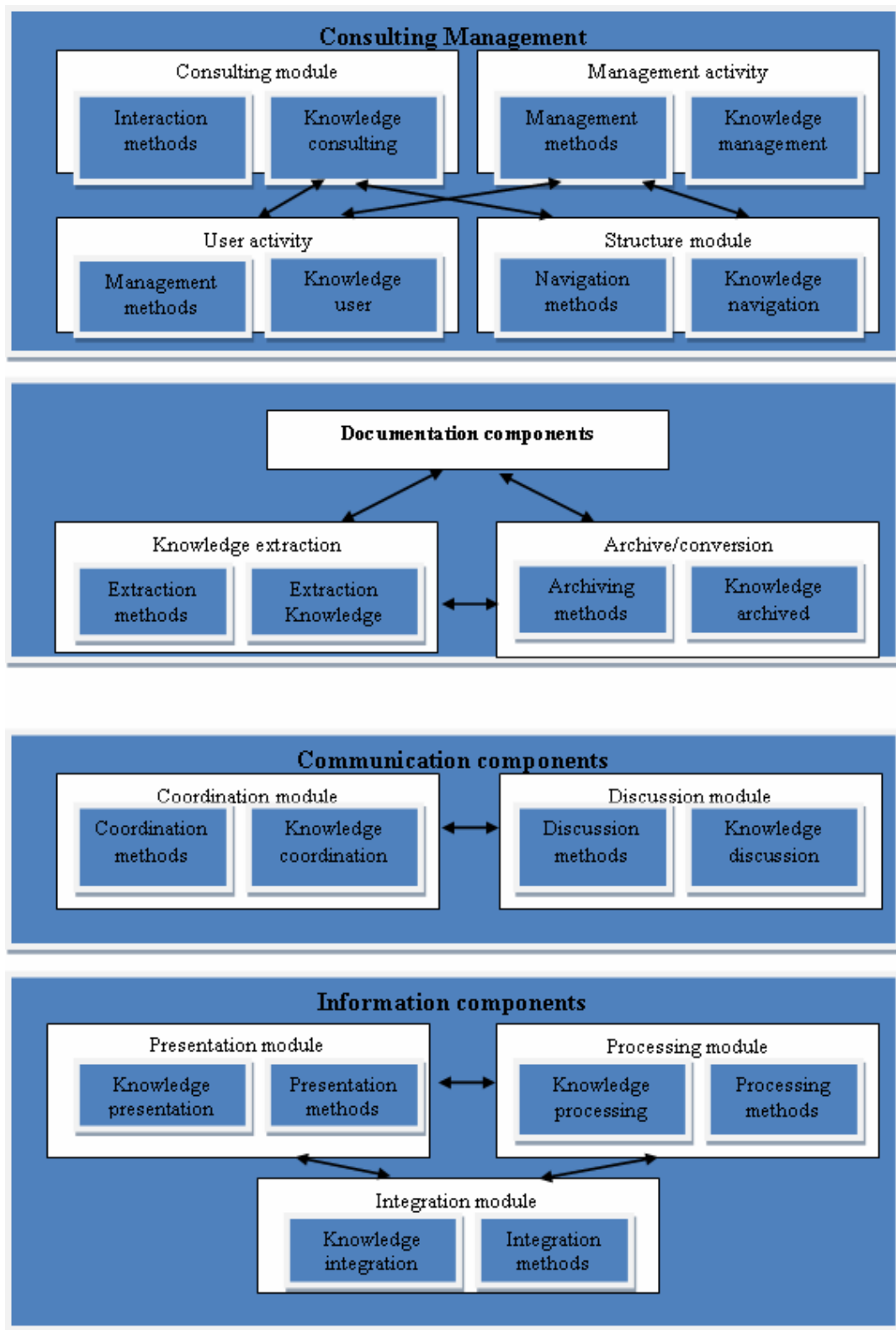


Figure 2. Structure of the basic components of the model the company's decision making system

Figure 2 specifies the internal structure of four basic components and subcomponents interactions between them. The integration verification procedures can guarantee a high quality of information enhancing defined in this way, quality of decisions.

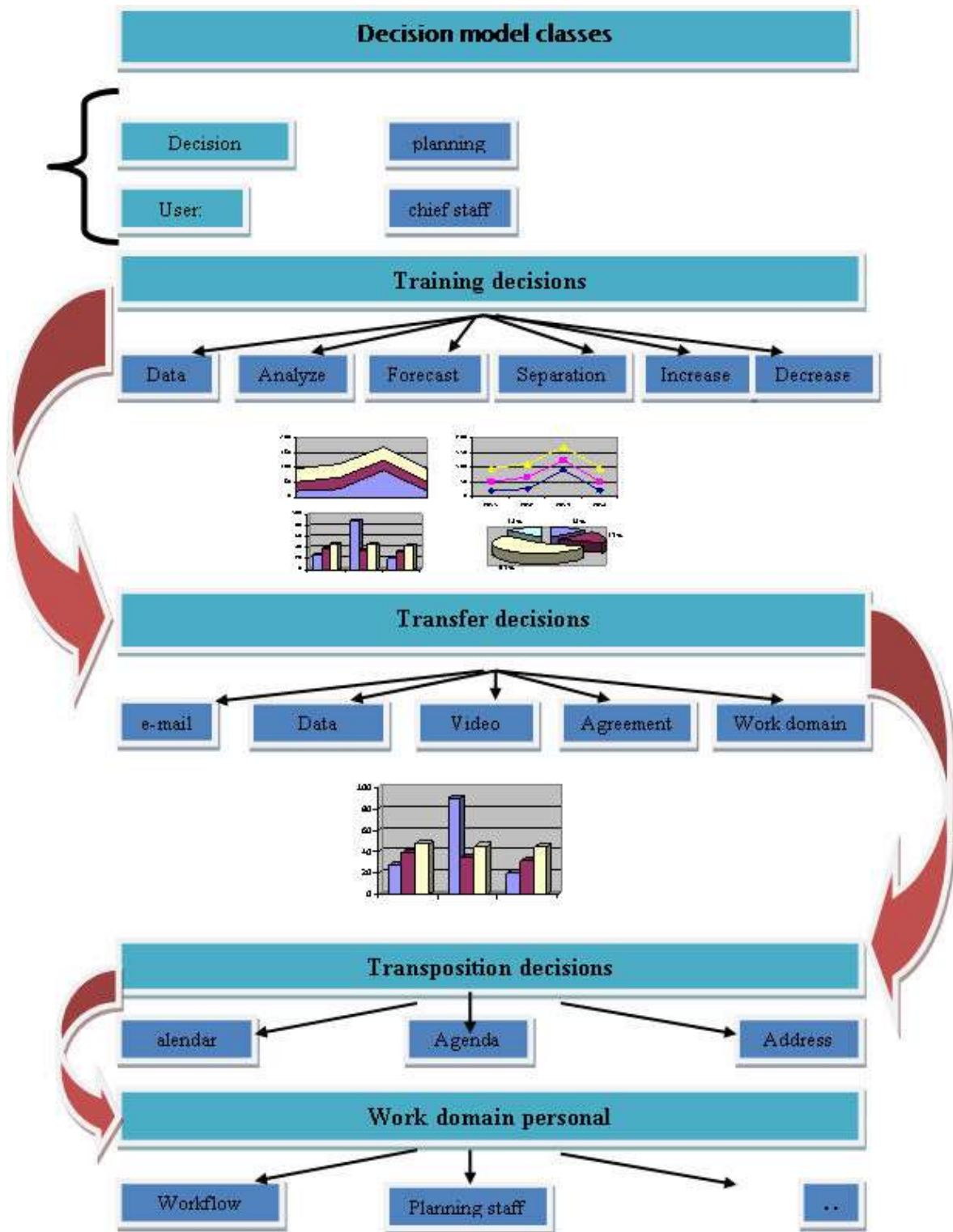


Figure 3. Class decision concerning human resource

Selecting concrete decisions takes the user to the core prototype. According to Figure 3 is a presentation of supply of relevant information that can surf the decision maker and the availability of means of communication, offering the necessary support to discuss alternatives of action for procurement of information and to grant decision-making processes. The user receives access to the personal activity, which finds all notes and documents accompanying the appropriate processes and is able to manage with tools

deadlines and addresses. For implementation of decisions at its disposal also aids which have yet to be specified by a decision to another.

Conclusion

Although there are many points divergent approaches specialists, ERP systems have a number of common traits when implemented in the HR function:

1. They are developed according to objective criteria such as the function, which gives them flexibility and easy capacity redesign in terms of endogenous or exogenous factors change the organization.

2. There is 'open' because it integrates a large number of entities in the external environment of the organization (customers, suppliers, financial and banking organizations, other economic agents etc.).

3. From a technical standpoint, works on a client-server architecture in which information is managed on a central station accessed by users using a rule of Internet / Intranet, which provides a number of advantages: keeping the and data integrity; concurrent access to the same resources; maximum availability of services regardless of the physical location of the resource or user.

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EVALUATION OF HUMAN RESOURCES BY THE METHODS OF TRAINING, RECRUITMENT AND SCORING

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Abstract:

Most the times, the evaluation of human resources is associated with the reduction or restructuring of staff employed.

Performance evaluation of existing human resources within any organizational structure is an activity required to be achieved, but that is neither easy nor uncontroversial. For the safety of a correct application of the results relating to such an assessment, the whole process conducted should be linked with a technology of advanced assessment, using a logical and "a good sense" for the establishment of the criteria, of the standards of performance and of the methods used.

This research has been carried out in the idea of deepening the assessment of human resources. The applied methods are represented by the methods of training, of recruiting and scoring.

Dissemination of information and of data relating to this research was carried out by the analysis, evaluation and comparison, having a high coefficient of synthetic truth.

All the work of this research was carried out through a rich documentation with a true applicative character, allowing the understanding of all topics addressed. The research was conducted through tables, prompting the creation of relevant conclusions, well argued, that emphasizes the correlations between the concepts addressed.

Key words: *human resources, professional performance, evaluation, recruitment, training, scoring.*

JEL Classification: *O15, L25, D04.*

1. Introduction

From Zoltan (2004) point of view, performance assessment is a general term used in order to present a series of processes where the manager and associations meet annually or biannually to assess their work and to identify new ways to improve performance. This activity is a decision-making process on the quality of work performed by employees of any organizational structure. It is a pivotal process at the organizational level; a criterion for validating the selection procedures.

Performance evaluation plays a central role, an important element or component in the performance management system. This rating signifies how the organizational objectives are transformed into individual goals.

Manolescu (2004) states that whether, for many organizations or for certain managers, the concept of "*performance management*" is associated with performance assessment, performance management system are a much broader concept. It takes account of a number of processes, attitudes and independent behaviors. It is a coherent strategy to improve performance.

Performance management involves systematic approach to human resources management in general and in particular the performance evaluation. As tools, we meet objectives, performance, assessments and feedback. Their role is to motivate employees and to understand and use their creative potential at the highest level. It oversees all formal and informal methods and techniques adopted by the organization and its managers to increase efficiency and effectiveness of the idea of individual and organizational.

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1.1. The current state of knowledge concerning the definition of performance evaluation

Performance evaluation is the core business of HR management performed in order to determine the degree to which staff of any organization efficiently fulfill tasks or responsibilities assigned.

After Fisher, Schoenfeldt and Shaw (1996), performance evaluation is the process by which an employee organization's contribution is valued over a certain period of time.

Deepening existing information in the literature, we can specify that performance evaluation (Manolescu, 2001) is an action, process or some type of cognitive activity by an evaluator assessed or estimated performance of a person based on existing standards and mental representation, its own system of values or his own thinking about the performance achieved.

According to Lemaître P. (1994), assessment means that balance sheet activities work of contributors to regularly develop the idea with them dissemination of progress and solutions needed to be adopted later.

Thus, we see that that definition, complements the concept of evaluation with the following additional items:

- is an activity written periodic, which are repeated at specific time intervals.
This is a form of commitment for both the evaluator and for the rated;
- is a review of the work performed, conducted by reference to the objectives set by the hierarchical chief;
- allows for an assessment of the chances for future development;
- provides the opportunity to exchange opinions between evaluator and evaluated, both with the possibility of free expression on the main outstanding issues in the assessment form.

More and more experts in the field such as Mathis, Nica and Rusu (1997) believe that through a system of performance evaluation good employees can be motivated and those whose results do not meet the standards can be removed easily.

For example, most American companies, is widely used performance measurement in assessing salary and bonuses, but also to identify the strengths and weaknesses of the staff. Over 80% of US companies have their own systems of personnel evaluation and applied for both office staff and specialists, managers and workers. Because not all evaluations generate a positive performance evaluation becomes one of the most unpleasant tasks. Where there is insufficient reliable data on the performance of employees, their differentiation becomes difficult. In case salary increase or promotion, there are some managers who exaggerates, applying very sophisticated assessment systems, without making a prior test.

Most times, the idea of evaluation is associated staff reduction and restructuring.

1.2. Role and importance

There is only a small part of the activities specific to management personnel in charge of evaluating individual employees. The activities concerned are represented by the selection and evaluation, and activities grievance and disciplinary cases. In all other cases, the focus is on jobs, organizational structures, procedures or groups of persons. For example, job evaluation focuses on existing posts, not their owners; job design and development organization focuses on structures posts or activities; remuneration and salary administration focuses on procedures and workforce planning and collective bargaining focuses on the idea of individuals considered as groups.

Performance assessment is very important, because ongoing basis based on its activity takes place employee training.

Performance evaluation involves both practical considerations, namely how to achieve, but also issues related philosophical rationale or reasons for the assessment should be carried out.

The importance of evaluating performance can be demonstrated by owned special influence on economic and social activity and organizational climate existing in any economic entity with direct repercussions on increasing overall efficiency and productivity in particular.

In other words, performance evaluation systems are a particularly important and intrinsic part of the management system and specifically the human resource management system, which in a certain sense, circumscribe organizational climate.

More strategic approach to individual and organizational performance reflects the fact that some specialists in human resources, considered as a central element for the evaluation of performance management.

As stated Milan Kubr (1992) points out that the practice of management performance evaluation has been and remains one of the weakest links in the system of personnel management. This can also be caused because the success or failure has a multidimensional assessment.

All the above issues need to address the causes of the performance evaluation process also motivation and development organization members.

However, performance evaluation should be understood as a reflection of culture. For example, organizations that adopted a system focused more on teamwork, ie to team management, traditional evaluation of the performance, which focuses on comparing employees between them, may be considered unproductive, because such a system assessment is based more on encouraging or stimulating competition between employees and less on work done in the team.

As a concluding point is particularly important to note that any performance evaluation system should be introduced only after a careful analysis of the extent to which existing secured the support of all members in the organization.

2. Materials and methods

The idea of carrying out an assessment of the performance of human resources besides accurate and complete overall assessment of the performances of the current station employees must disclose information about their strengths and weaknesses and future objectives, namely the possibility of development (Abrudan, 2007). *Fairness is very much a performance evaluation of the quality of the methods and procedures used for this purpose, which can be reflected by the following:*

- Validity of the results (*reflection of their ability truth*);
- Fidelity determinations (*the ability to have identical results in repeated applications*);
- The equivalence results (*independent evaluators arrive at the same result*);
- Sensitivity techniques used (*capacity methods to measure the real difference exists between subjects*).

Assessment result will be positive only when managers come to understand the purpose of this activity and apply it accordingly as follows:

- Where the idea of performance evaluation is performed in the professional development of employees, results will be more positive;

• If managers use evaluation as a threat or not perceive its limits, the evaluation will have no chance of success.

Data for this research are highlighted in the four tables presented in this research.

In order to deepen this thematic research we applied assessment of human resources through recruitment and training content, as well as their evaluation by scoring method.

Scoring method or based points system is based on the following factors that are most commonly used and which I summarized in Table no. 1:

Table no. 1

**The factors most frequently used in the Method scoring system or on
The Basis of points**

Factors encounter at the level of the skills	Factors encounter at the level of liability	Factors relating to the effort	Factors relating to the working conditions
Preparation and training needed	The extent of responsibility	Intellectual demands of the job	The duration of the operations to be carried out
The extent and the depth of the experience required	The existence of specialized responsibilities	Physical demands of the job	Turbulent nature or stationary activity
Social abilities necessary	The complexity of work	Possible degree of stress	The number and travel time
The skills required to solve problems	The degree of freedom of action		Diversity subordinates
The degree of the initiative of his own judgment	Number and type of subordinate staff		The existing pressures from other groups
The imaginative thinking	Limit liability for facilities or equipment and facilities owned or used		The existence of a difficult or unpredictable environment
	Limited liability for products or constituent materials		

Source: Personal processing

Where the design of a system is carried out individually (*"own efforts"*), selected factors and decisions on each share, become the main subject of negotiations between the various stakeholders.

Regardless of managerial staff brought into question, it has its own way of share appreciation. Line managers tend to focus on the importance of accountability, while managers emphasize specialized skills.

Thus, regardless of the selected factors and weights corresponding to the final, to be obtained one standardized set of criteria that can be applied consistently to all stations in the group under investigation.

Table no. 2

Classification by scoring matrix structure for manual activities

STATION FACTOR	LEVELS							
	1	2	3	4	5	6	7	8
LEVEL SKILLS 1. Studies 2. Experience 3. Initiative								
THE EFFORT LEVEL 4. Physic 5. Intellectual								
LEVEL OF LIABILITY 6. Supervision 7. Facilities 8. Security								
LEVEL OF WORKING CONDITIONS 9. Risks 10. Noise/dirt								

Source: Personal processing after Cole, 2000, pp. 182.

Analyzing the contents of the table no. 2 should be noted that when each item was evaluated according to the matrix, the sum of all points will be awarded and this will get the total score per post will be placed in other positions scheme hierarchy standard. Inevitably, the final version of the resulting image will be that of "conglomerate" positions, which are grouped under certain intervals scoring. Such a phenomenon can greatly simplify the allocation of classes based compensation and other items necessary for a possible differentiation.

Such a phenomenon can greatly simplify the allocation of classes based compensation and other items necessary for a possible differentiation. If we want a fair assessment of the station, meet increasingly more situations where a certain element of subjectivity is not only necessary but also desirable.

3. Results and discussions

3.1. Scoring method conducted in the Telekom Romania Communications (Due to the kindness of Mrs Ciotârneț Ionica, masterand of the "Hyperion" University in Bucharest, Romania, 2010 and an employee of the company referred to above)

Table no. 3

Planning and performance evaluation in Telekom Romania Communications

Main areas of activity	Performance criteria	The expected level	Revision	The current level	Observations
Responsible for managing large accounts and identify real needs	<i>Quantitative objectives:</i> value sold vs. budget	3		3	
	Customer satisfaction - higher level of customer satisfaction	3		2	

Main areas of activity	Performance criteria	The expected level	Revision	The current level	Observations
Develop and analyze proposals	Time - speed of response	3		1	
	Quality of work - Under the sales plan	3		2	
Create "win-win" relationships with "large accounts"	Integrity: loyalty, commitment to the organization - effort in new projects	3		3	
	Team work and collaboration - working in collaboration with internal customers from other departments	3		3	
Total		18		14	

Source: Personal processing after Ciotârneț, 2010.

To analyze the development planning and performance evaluation carried out in 2010, the Telekom Romania Communications Company (TRC) should be specified formula for calculating the total score of the performance criteria.

Therefore:

Total score of performance criteria = (total current level/total expected level)*100

In this situation, the total score of the performance criteria $TRC_{2010} = (14/18)*100 = 78\%$.

From my point of view, such a percentage indicates that the current level of compliance with the performance criteria was achieved in 78%. *The percentage of 22% has not been reached may be related:*

- ✓ customer satisfaction (current level 2 instead of 3 planned);
- ✓ speed of response (which instead of an expected level of 3, has reached only a score of 1);
- ✓ quality of work according to plan sales reached a 2, rather than 3 expected.

As a concluding point, it should be noted that the company should center its attention primarily on the speed of response and then on the quality of work by the entire staff.

3.2. Assessment of human resources by recruiting and training (Gheorghiu, 2009-2010)

In general, HR assessment is done by means of costs (such as costs of replacement costs of reproduction, etc.) or which are based scoring methods to quantify labor costs (see average wage, minimum wage etc.). *Cost of human resources can be divided into the following categories:*

- Cost of salaries and bonuses for staff recruitment;
- Costs of staff salaries and bonuses and is responsible for organizing interviews;

- Taxes forms consultancy specializing in recruitment (*outsourced activity*);
- Costs of employment;
- Costs of any training;
- secondary costs related to the recruitment process (*selection, interviewing, recruitment, training etc.*);
- Cost of salaries and bonuses until the employee becomes productive.

The human resources situation assessment, cost analysis must take account:

- The age and experience of the employee;
- Costs allocated for selecting and hiring staff in question;
- Costs allocated to employee training and specialization;
- Loyalty and employee motivation.

Table no. 4

Grid quantify human resource costs (in euros)

Number criterion	Skill level (c ₂)	Years within the company (<i>during work</i>) (c ₃)	Historical costs of selection and employment (% of payroll allocated) (c ₄)	Costs qualification specialization training (% of payroll allocated category) (c ₅)	Unit wage (c ₆)	Nr. employees (c ₇)	Fund salaries (c ₆ *c ₇)	Cost recruitment	Cost qualification (c ₂ *c ₆)	Labor cost by category (c ₉ +c ₁₀)
1	+8 grades vocational school	≤ one year	5%	10%	400	1	400	20	40	60
2	+8 grades vocational school	1-5 years	10%	15%	500	6	3.000	300	450	750
3	+8 grades vocational school	5-10 years	15%	20%	600	6	3.600	540	720	1.260
4	+8 grades vocational school	□ 10 years	20%	25%	700	18	12.600	2.520	3.150	5.670
5	Highschool	≤ one year	10%	15%	600	2	1.200	120	180	300
6	Highschool	1-5 years	20%	25%	700	4	2.800	560	700	1.260
7	Highschool	5-10 years	25%	30%	800	6	4.800	1.200	1.440	2.640

Number criterion	Skill level (c ₂)	Years within the company (<i>during work</i>) (c ₃)	Historical costs of selection and employment (% of payroll allocated) (c ₄)	Costs qualification specialization training (% of payroll allocated category) (c ₅)	Unit wage (c ₆)	Nr. employees (c ₇)	Fund salaries (c ₆ *c ₇)	Cost recruitment	Cost qualification (c ₂ *c ₆)	Labor cost by category (c ₉ +c ₁₀)
8	Highschool	□ 10 years	30%	35%	900	9	8.100	2.430	2.835	5.265
9	Faculty	≤ one year	20%	25%	800	1	800	160	200	360
10	Faculty	1-5 years	25%	30%	900	4	3.600	900	1.080	1.980
11	Faculty	5-10 years	30%	35%	1.000	3	3.000	900	1.050	1.950
12	Faculty	□ 10 years	35%	40%	1.100	2	2.200	770	880	1.650
13	Master	≤ one year	30%	35%	900	2	1.800	540	630	1.170
14	Master	1-5 years	35%	40%	1.000	1	1.000	350	400	750
15	Master	5-10 years	40%	45%	1.100	2	2.200	880	990	1.870
16	Master	□ 10 years	45%	50%	1.200	1	1.200	540	600	1.140
17	PhD	≤ one year	40%	45%	1.000	1	1.000	400	450	850

Number criterion	Skill level (c ₂)	Years within the company (<i>during work</i>) (c ₃)	Historical costs of selection and employment (% of payroll allocated) (c ₄)	Costs of specialization training (% of payroll allocated category) (c ₅)	Unit wage (c ₆)	Nr. employees (c ₇)	Fund salaries (c ₆ *c ₇)	Cost recruitment	Cost qualification (c ₂ *c ₆)	Labor cost by category (c ₉ +c ₁₀)
18	PhD	1-5 years	45%	50%	1.100	1	1.100	495	550	1.045
19	PhD	5-10 years	50%	55%	1.200	2	2.400	1.200	1.320	2.520
20	PhD	□ 10 years	55%	60%	1.300	2	2.600	1.430	1.560	2.990

Source: Personal processing after Reilly and Schweih, 1998, quoted in Banacu, 2012, pp. 242-245.

Through research conducted (*see table no. 4*) on the grid to quantify human resources can be seen that the total wage bill amounted to **59,400 euros**, while the total value of human resources was **35.480 euros**.

4. Conclusions

Lately, it was noticed that the existing performance appraisal systems in any organizational structures began to be identified as new forms. This can be caused by feelings of frustration arising from the failure of traditional methods of assessment to provide expected results, as the changes simply in the nature of organizations.

Therefore, we note that conventional assessment systems no longer motivates employees, and the need to generate better results with an increasing number of employees reduced, changes focus on reaching development assessment.

Performance management requires a systemic procedural approach. A system for the management of this category requires the existence of a series of interconnected functional components, each component efficiency depending on how it is integrated into the whole, and the efficiency of the whole becomes dependent on the efficiency of each component. *Management that is focused on results, which is why he verifies and confirms the following:*

- If employees have the same vision and the same goals;
- Whether the procedures work supports productivity, efficiency and quality;
- If employees have the knowledge, skills and motivation needed to achieve the expected performance.

Evaluation of employees at the same level would only be on the same positions, so that, from experience, the assessor to know exactly what and how should be done.

Taking into account the planning and performance evaluation conducted within Telekom Romania Communications by scoring method, it should be noted that the

company should center its attention primarily on the speed of response and then on the quality of work by all staff employee.

In case representation grid to quantify human resource notes that the total human resources represent approximately 60% of the total wage bill.

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INSTITUTIONAL MANAGEMENT IN THE MARKET ECONOMY

Văduva Cecilia Elena¹

Abstract:

The institutional management starts the character of the institutional activity. The investment activity relates to the strategic decisions because all investment projects develop under the influence of time factor.

The investment decisions should take into account the strategic ways to exists a correlation between the general politics frame and the necessary investment categories frame.

The institutional management follows the planning, financing, achievement, operation and liquidation of an activity which is the object of a real investment project and the problems related to transactions and financial instruments and this activity puts in motion participants who have diverse interests even contradictory on the competitive economy, but who must achieve a certain consensus.

The actual economic theory does not focus on the reverse connection mechanisms because the progresses of the economic science determine managers to promote a prevention mechanism.

Finding a portfolio as balanced and effective refers both to financial investments and to real investment projects by choosing an optimal portfolio of activities and permanence, management of combinations of risky assets and un-risky assets depending on the financial structure of the company, the cost of capital taking into account the influence of inflation and the taxation and other elements of the external environment.

Keywords: *institutional management, market economy, investment, financial investments*

JEL Classifications: *E22, E32, O47*

1. INTRODUCTION

The professionalism of the management team is the key to success in the market economy where one has to quickly and efficiently decide, to know to take the risk.

The investment management starts from the special character of the investment activity. The investment activity is in correlation with the strategic decisions because all investment projects develop under the influence of time factor.

The investment decision must be subject to a strategic analysis containing the following elements: the analysis of the external environment where a certain investment activity is enrolled; the analysis of strong and weak points in the financial, commercial, technical and personal fields; building complex variants; finding a balanced and efficient investment portfolio.

2. THE IMPORTANCE OF MANAGEMENT INVESTMENTS

A new investment project must identify the important factors for the success of the project. An internal diagnostic aims the main compartments: financial, follows the financial structure of the company, the profit obtained in relation to the turnover, the debt effect; commercial: the distribution network, product quality, position to the competition; technical: the wear degree and efficiency of equipment, the potential of correction; managerial: the management team, personnel's performances, and information system.

The investment management must consider investments both as real investments, and as financial investments. The investment management attends finding an optimum portfolio as a combination of risky assets and non-risky assets depending on the financial structure of companies, capital cost, inflation and taxation influence.[4]

The management decisions are complex depending on the complexity of the investment activity.

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The demand for the products of a company and advantageousness represent the two motivational factors of investments, but the demand has the essential role and to meet this demand companies have to dimension the production capacity.

The effects of investments are amplified on the link chain between different elements of the economic system, in the end being causes that determine demands for additional quantities from the primary factors of production for which new investments are needed. The propagation of the investments effects within the economic system has as main premise the unit of the reproduction stages, the existence of technical and economic objectives correlations between production, distribution, exchange and consumption. An initial investment has a multiplier effect on economic activity determining its revival by triggering favorable movements.[5]

The volume and rhythm of investments are an essential condition of the economic growth. This role is performed when by correlating the investment politics with the one aiming the investigation of utilities, the organization of production, population growth, there are created new conditions and is stimulated the interaction between the growth economic factors.

The development of production by creating new capacities and by extending those in function, by performing the investments is ended with the growth of new jobs.[3]

The politics on concrete forms of orientation and the performance of investments are an answer to the market demand or an answer to competition and are established depending on the situations in which it is the economy of those companies and the information fixed in the development strategy adopted by the economic agents.

If the market demand is maintained at a constant level, there will be adopted an investment politics to maintain the equipment in working order, compensating their wear. Given that the predicted demand is growing, there will be adopted investment decisions to intensify the acquisition of additional production equipment, there will be performed investments to develop the production capacity, upgrades and equipping. An investment politics is adopted at an unstable demand. If there is an unstable demand, an investment politics is adopted in order to ensure the flexibility, their production capacities: some equipment passes in conservation, they will be sold.

The investments for the existing companies are the main key factor for their advantageousness, of the economic efficiency growth of their activity. The investments together with the rationing and scientific organization of production and work are the material support of increasing the work productivity, saving the scarce resources and reducing the material consumptions, decreasing costs and utilization of all resource categories.

The investment politics for development is elevated to state policy. Allocating a significant portion of GDP for accumulations is not made at random, but based on an investment politics elaborated by the government and launching the economy requires a coherence accumulations and investment politics structured from the economic agents to the country level.

So that the use of invested capitals to contribute to the economic and social progress, the state has the task to direct the investment strategies to certain fields, geographic areas, immediate objective national purposes.[4]

Regardless of the type and size of an investment project, the management positions are exercised in all stages of the investment activity starting with identifying the opportunities and ending with the liquidation of an activity in all hierarchic levels on the investment project.

The exercise of the management functions differs from one manager to another.

The economic theory draws the attention on the need of at least two types of control on the investment activity: control to perform investments which tracks the initial output flows, of resources corresponding to pre-investment and investment stages; advantageous control which tracks the final input flows corresponding to the exploitation stage.

The investment management depends on the companies' strategy by which are established the fundamental and derived objectives, politics and company's practice.

In the market economy due to the diversification of the investment types as real investments and investments on the financial market, it is imposed the classification of the management styles depending on the decisions area, risks and information volume.

Lacking a database is a great management danger.

It is harmful for the investment activity the combination informed reckless manager and the combination cowardly misinformed manager. The balanced manager is appreciated because he succeeds to ensure a balance between information and decisions in a area of reduced risks, but the managers that adopt quick decisions obtain best results. The speculative manager can obtain successes if he/she does not cross the border to recklessness

3. CONCLUSIONS

Attracting more and more companies to the financial market has also influence on the managers' activity that are increasingly faced with a new branch of management, namely the financial management. Managers must know a series of operations related to the financial market entry, either to access the capital market or to make various financial transactions.

In principle, a financial investment comprises the same stages as a real investment, meaning that there is a pre- investment phase, for information, then a proper investment phase or to perform financial operation and an operational stage or for fructification of that investment or financial transaction, noting that the phases are developed with great rapidity, sometimes overlapping in time. For example, selling shares on the stock exchange can be a quick decision, which is achieved almost instantly, fructifying as fast this achievement by obtaining certain funds.

A first aspect for the investment management under the influence of the financial market is the increase of the role of financial instruments, so in addition to a number of plans, programs or studies of technical-productive, commercial or personal character, the modern managers must work with budgets and financial image.

The manager's dashboard has become increasingly complex, comprising extensive information on the economic, commercial staff indicators, but particularly on the indicators of financial nature, such as: data on the implementation of income and expenditure budget, indicators on the ability to pay, data on stocks and bonds issued or purchased, courses on the stock exchange and OTC, trends in the development of the foreign investment etc.

Transactions with shares, which is the most used relation to the financial market, is mainly done in order to obtain capital resources or to diversify the portfolio of the same company in order to reduce risk.

The role of financial management is particularly important for entering on the primary market and the secondary market. Thus, to issue shares or bonds primary market, the managers of a company or of an investment project must establish, as better as possible, the financial diagnosis and the economic and financial performance, to communicate better with the institutions involved in the issuance, and then managers have the outstanding obligations to the non-entrance situation on the financial market due to the participation of shareholders in company decisions. The department on public relations plays an increasingly more important role.

In the reality of the economic market, the financial transactions have another motivation, namely: acquisition, retention or increase of the right to participate in the management of the company issuing the shares.

There appeared and have perfected a series of techniques and methods for sale, purchase or exchange of shareholdings, which results in a radical change of the management rights and responsibilities.

These new types of financial transactions make up the corporate transactions with enterprises or companies and they have become highly topical for Romania.

The corporate transactions are transactions in securities, in this case, shares by which the redistribution of the rights of control over one or more businesses between participants on the financial market.

These transactions cover:

- the purchase of a large package of shares in a certain company
- integral purchase via the stock exchange of a company

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INFORMATION ASYMMETRY AND ECONOMIC GROWTH

Cristiana Matei¹

*Simple but honest is more valuable
than brilliant but dishonest.*

(Honoré de Balzac (1799 –1850, France, French novelist,
literary critic, essayist, journalist and writer)

Abstract:

The paper emphasizes the fact that most of the things we consider essential for our society are not fully based on information asymmetry, a concept highlighted by the theory developed by G. Akerlof, M. Spence, J. Stiglitz in the 70's. The effects of information asymmetry are visible everywhere; the current financial crisis is such an eloquent example - among its many causes may be an issue of information asymmetry where someone knew that crediting could not continue permanently, but that person preferred to speculate at the expense of those who made loans relying on the assurances given by the same persons who knew the system would not work forever.

Information asymmetry is complex; it is not a mere lie or about concealing the truth, but it is the result of a practical calculation made by the buyer, who does not want to be properly informed, as that would imply some costs he or she is not willing to pay. We can exemplify such an attitude when one wishes to buy a house, which would mean to look for information, know other buyers' experiences, discuss with the builders, the architects, the engineers, see many houses, know prices; these are activities that require time and money. Should one buy the house and should it not meet one's expectations, then it is mainly the buyer's fault due to the lack of information. Therefore, it is useful to investigate the relationship between information asymmetry and economic growth, especially as one of the perverse effects of information asymmetry is that there is not a clear obligation of the seller to voluntarily offer complete information, but on the other hand, he or she is obliged to correctly answer all questions.

Key words: asymmetric information; sustainable growth; degree of operational leverage;

Introduction

George Akerlof, Michael Spence, Joseph Stiglitz were the promoters of asymmetric information markets theory, which was developed in the 70's. George Akerlof wrote "The Market for Lemons"² in 1966, a research paper published four years later, in 1970: the literature had considered the subject unimportant up to that moment. This paper was the reason for which he was awarded the Nobel prize in 2001 altogether with other two authors for their work on the theory of asymmetric information markets. The aforementioned authors suggested a common explanation for a series of questions regarding various fields of economy: what is the explanation for the excessive interest rates on credit market; why those who wish to purchase a good second-hand car discuss the matter with a dealer and not with the private seller; what is the explanation of the fact that a company pays dividends to the shareholders even if it is subject to higher tax compared to the earnings; why insurance companies prefer to offer a list where higher deductibility is replaced by smaller reparation and so on.

The initiators of the theory of asymmetric information market have arguments are related to the definition of asymmetric information: some of the traders in the market have more information than the other party. Thus, lenders know more than borrowers about the timing of future payments, the seller knows more than the buyer about the car quality, the Chairman of the Board knows more about the company's profitability, and so on. The

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² Akerlof is probably very famous because of his article, *The Market for Lemons: Quality Uncertainty and the Market Mechanism*, published in *Quarterly Journal of Economics* in 1970, where he identified the major issues which could have an effect on the markets characterized by information asymmetry.

presentation starts from the rather contradictory relationship between better informed economic operators (managers, bankers, etc.) and agents who are less informed than the first category (investors: shareholders and creditors). Asymmetrically spread information regards the performance of the company (or its investment projects) and its ability to withstand various manifestations of risk associated with this performance. Based on this information asymmetry, better informed agents can take advantage of the others' lack of information. Therefore, there should be signals allowing the net distinction between the good and bad companies; the signals should not be copied by underperforming companies:

a) *Sustainable growth*: a company with effective investment projects will be recognized by reinvesting profits and through major participation of managers in funding investments. Being better informed on the performance of the new projects, they will be the first to invest their money in such projects. The managers of distressed companies, who would mimic the behaviour of the former, see their own money at risk and will not endanger such an investment.

b) *The operating leverage*: a modern company would not hesitate to renew technology and management, thus recording an increase of the fixed costs and operating risk. The turnover increase will bring higher profits compared with a company technically and managerially less equipped.

c) *The financial leverage*: a solid company is one that can afford a high rate of indebtedness to finance ambitious investment projects. It can repay debt and pay interest and maintain the ability to pay. It is risky for a distressed company to copy this structure because it accelerates the company's entry into default and even bankruptcy.

2. Long run economic growth eliminates information asymmetry

Sustainable growth is the ability of an enterprise to participate in its economic growth by investing part of the net profit and by increasing the number of shareholders and managers of capital.

It is important to pay more attention to risks arising from the effort of co-financing so as to ensure sustainable growth.

It is well known that the reinvestment of net profit is based on the shareholders' decision, who will take it only if reinvestment is made in effective investment projects, i.e. if the internal rate of return (IRR) is higher than the invested cost of capital (OCC - opportunity cost of capital). Thus, shareholders will be motivated to determine the full distribution of net profit as dividends which they will place on the financial markets to get higher returns to reinvest profits in the company. Managers will have to suggest the most effective development projects and convince shareholders to contribute to sustainable growth.

In order to maintain sustainable growth, it will be financed from external sources as well, from foreign lenders, but it is important that the leverage ratio should be one that does not endanger the continuous development of the company. If the company maintains an optimal leverage ratio, it could receive good treatment from banks / financiers and could preserve this rate by sustainable growth rate.

Such financing cannot be simply copied by managers or shareholders who suggest inefficient growth and major hazard projects. There are at least three reasons. The first one refers to the fact that they are the first to be informed about return and risk related to investment projects. The second reason relates to the fact that their company is not efficient enough if they suggest uncertain investment managements. The third reason is that managers will require banks to finance their development projects without using their own capitals.

Lenders will analyse the financing applications as well taking into account the concept of sustainable development but also in financial terms, and will refuse to grant such loans. The situation when a company wishes to develop in the future will be considered next.

The analysed company established a 25% development of turnover to capitalize on business opportunities expected for the next year. Additional capital requirements (CAR) caused by the aforementioned economic growth specified is 66,650 c.u. (currency units) while the analysed company's ability to finance itself is about 14,400 c.u. Hence the company will turn to bank loans to cover the funding gap, with the risk of increasing indebtedness from 45% to 55%.

The predicted growth is an information asymmetry:

- The managers suggesting it are aware of the higher risks involved in such development;
- The financier analyses the credit application for the development project without having all the information regarding the risks associated.

Effective TO	= 500.000 c.u.		
Plan TO	= 625.000 c.u.	Self-financing:	14.430 c.u.
TO%	= 25%	New credits:	52.220 c.u.
The growth is not sustainable		Leverage	55%

Supplementary capital needed: 66.650 c.u.

The concept of sustainable development gives us an opportunity to correct information asymmetry through a balanced scheme for financing additional capital requirements, as well as sharing development risks:

- Either by sustainable growth less than 15% from the turnover, with supplementary capital needed of about 30.000 c.u., which could be financed from the net profit available for reinvestment and from credits, but without affecting existing leverage of 45%:

Sustainable growth rate = SGR	15%
Sustainable CAR	30.000 c.u.
Self-financing	16.500 c.u.
New credits	13.500 c.u.
Sustainable growth rate	45%

- or by accepting the 25% projected growth, but with the participation of company managers and shareholders to finance development by increasing capital so that financing new loans does not affect the optimal debt ratio of 45%:

Sustainable growth rate = SGR □	25%
Sustainable CAR	66.650 c.u.
Self-financing	15.000 c.u.
Share capital increase	21.660 c.u.
New credits	29.990 c.u.
Sustainable growth rate	45%

Both solutions are part of sustainable development as they involve company shareholders and managers in financing their development projects and it also means taking the appropriate risks.

It is understandable that the 25% development with the increased risks it entails will be accepted by the company management only if it is effective at this level of risk, otherwise it will be abandoned or adjusted in terms of scale.

2. The operating leverage effect eliminates information asymmetry

Economic risk expresses the operation results variability in relation to the variation of the turnover of the company. Economic risk is caused by the inability of the company to adjust its cost structure to the variation of turnover. Change in turnover has a determination which is external to the analysis of operating risk, being the result of marketing research (Stancu, 2007 Vintilă, 2006). DOL, the degree of operating leverage, expresses the percentage of profit variation ($\Delta\text{Profit} = e\%$) at a percentage rate of turnover change ($\Delta\text{TO} = 1\%$); the variation is exogenously expressed in marketing research studies. Thus, starting from DOL, the degree of operating leverage, one can analyse the correlation between profit dispersion and the dispersion of its determinants.

The *operating risk*, respectively the variability profit due to changes in the level of activity and as a result of the company's position to breakeven will be analysed next, according to analysts in the field of company's finances.

Profit variability at a variation of company activity change is generally called coefficient of elasticity, and in particular, operating leverage effect². As a measure of activity, we used the turnover (TO), characterized by a certain volume of variable costs (VC), of fixed costs (FC), including depreciation (DEPR) and of profits (P) and through breakeven (BEP).

Thus, gross profit is determined by the relationship:

$P = \text{TO} - \text{VC} - \text{FC} - \text{DEPR} = \text{EBIT}$, where, if "v" is the coefficient of variable expense in total turnover, $v = \text{CV}/\text{TO}$ (respectively $\text{VC} = \text{TO} \times v$) it results that:

$P = \text{TO} \times (1 - v) - \text{FC} - \text{DEPR}$, where the dispersion and standard deviation of profit can be deducted, as economic risk measures, in relation to the variation of turnover components:

$$\sigma^2(P) = \sigma^2(\text{TO}) \times (1 - v)$$

$$\sigma(P) = \sigma(\text{TO}) \times (1 - v)$$

Therefore, the economic risk is higher, the higher the variability of turnover is higher and the higher $(1 - v)$ the margin on variable costs.

DOL, the degree of operating leverage, is the ratio of the variation of operating profit (ΔP_{OP}) compared to turnover variation (ΔTO).

This report can highlight the influence of turnover position compared to breakeven point (BEP) on the profit

$$DOL = \frac{TO_0}{TO_0 - BEP}$$

which shows that as turnover is farther from the breakeven point, the company is less risky (the closer to breakeven the riskier the company is).

We know that the breakeven point (BEP) depends on the size of fixed costs, namely:

$$\text{Pr exp} = \frac{FC}{1 - v}$$

and then the degree of operating leverage (*DOL*) is directly proportional to the size of fixed costs and to the proximity of turnover to the the breakeven point.

¹ In physics, the leverage effect involves the use of a lever to lift a heavy object using minimal force. In politics, people receiving the "leverage effect" can achieve a lot, only by a mere word. In business terminology, a high operational leverage effect means - where all other factors are considered constant - that a relatively small change in turnover will lead to a significant change in the operating profit.

Here are some examples:

Sales		500.000 c.u.	DOL = 1,16
Variable costs	80%	400.000 c.u.	
Fix costs		10.000 c.u.	
Depreciation		4.000 c.u.	
Income tax 16%		13.760 c.u.	
Net income		72.240 c.u.	

A similar company, but with a higher fixed costs and lower variable costs, will have a higher operating leverage:

Sales		500.000 c.u.	DOL = 2,33
Variable costs	60%	300.000 c.u.	
Fix costs		110.000 c.u.	
Depreciation		4.000 c.u.	
Income tax 16%		13.760 c.u.	
Net income		72.240 c.u.	

The increase of fixed costs volume may be the consequence of superior technology and management. The requirement of such development is that the equipment is reflected in the increased turnover. Thus, each percentage of sales growth will cause a profit growth of 2.33%, which is above the company with the initial endowment of only 1.16%. The operating risk would be obvious when the decrease of the next turnover would occur, as profit will decrease 2.33 times.

By copying this management performance scheme, a distressed company is exposed to unfavourable risky operation. A similar technology and management not leading to an increased turnover will be fatally accompanied by the operating risk.

Therefore, the managers of distressed companies, being more informed in terms of consequences, will not approve such an investment.

Conclusion

Information asymmetry can be unfairly used by managers of distressed companies to copy development schemes, the structure of fixed and variable costs or indebtedness to highlight another picture of their activity. They are fully aware that the projected development is unsustainable, but they hope to gain an artificial appreciation of their performance and financing facilities from banks.

It is important that managers of performing companies always raise the performance level so as to keep away insincere persons from their development and financing plans. Financers as well must be particularly attentive and carefully analyse credit applications for investment projects and examine the sustainability of business development.

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ECONOMIC EFFICIENCY WITHIN INSURANCES

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Abstract:

The understanding trends in the world economy at the beginning of the third millennium, the learning characteristics of business environment, essential features of a market economy, the subject that must preoccupy the decisive factors of the economy of each country and especially of Central and Eastern European countries that have moved to market economy after 1990. Ensuring the welfare of the population in these countries will depend on how decision makers will be able to integrate national economies in world economic activity, dominated by economic globalization and globalization.

In terms of effectiveness insurance we can say that is a form of economic efficiency and social expressing the relationship between the results obtained from the insurance and expenses (compensation and insured amounts) determined to rebuild damaged goods or sums insured financial results for the insurer. Insurance efficacy analysis is necessary to bear in mind that in this area meets a unique phenomenon in economic activity, reversing production, the insurer sold before knowing the cost of the product sold. Thus, one can see the importance of knowing insurable matter and setting insurance premiums based on calculations using mathematical and statistical methods.

Key words: insurance, economic efficiency, risk, insurance company

JEL Classifications: I13, I15

1. INTRODUCTION

The efficiency of resources utilization determine the development.

Etymologically, the efficiency comes from the Latin verb "efficiere" which means to carry out, in a general sense we can characterize the efficiency as the measure in which the proposed effect was realized, implies correlation, comparing the effects obtained with the expected ones without putting them face to face with the effort applied to obtain them.

The economic activity has a quantitative size determined by consumption expenditures, achieved effects, efficiency as a qualitative characteristic that expresses the relationship between effectiveness and the effort to obtain it.

The economic efficiency of an activity expresses the causality relationship between total effects, equivalent in nature and time, and total time and total resources involved in that activity, positive relationship, compared to other versions of the activity or requirements of the national economy of saving resources.

The efficiency of any activity must be seen in connection with the utility. Insurances are an important element of the mechanism of market economy, complies with certain requirements of society, with real needs of individuals and businesses.

2. THE INSURANCES ECONOMIC EFFICIENCY

Insurances are services performed by a company of insurance in favor of the population or legal persons.

The efficiency of insurances is a form of socio-economic efficiency expressing the ratio of results of the insurance activity and expenses (compensation and insured amounts) determined to rebuild damaged goods or insured sums, the financial results obtained by the insurer. To determine the insurance efficiency analysis is necessary to bear in mind that in this area exists a unique phenomenon in economic activity, the reversing of production cycle, the insurer sell before knowing the cost of the product sold. By collecting the insurance premium the insured person undertakes to pay him damages whose amount is

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only approximately known. Thus, it can be seen the importance of knowing insurable matter and setting the insurance premiums based on calculations using mathematical and statistical methods.

The insurance economic efficiency should be considered from the interests of insurers point of view but also from the interests of insured persons point of view. For the insurer, insurance is more effective if given the insurance premiums the pay of compensations to insured amounts and administrative-household expenses are lower. For insured persons, for the same insurance premiums paid, the economic efficiency of insurance is greater as the insured sums and the compensation they receive are at a level closer to the actual value of the property destroyed or time of the event insured until receipt compensation amounts are shorter.

The insurance efficiency should not be viewed separately in terms of each party participating in the insurance act.

Given that the insurance activity is no longer the monopoly of the state, being organized and carried out by insurance companies with state or private capital, developing an efficient cost-effective activity is essential for survival.

In the insurance activity comes a specific factor, the randomness of generating losses events. This character requires to make the analysis of insurance economic efficiency on a longer period of time because only in this way we can have correct conclusions regarding the obtained final results.

Another factor influencing the performance of the insurer is the quality and extent of undertaken activity by the insurer on making a greater number of insurance and on understanding level of the various individuals or legal persons, of necessity and usefulness of insurance. Achieving a higher enrollment in insurance creates the conditions for the insurer to obtain favorable financial results.

The insurance is effective when there are satisfied both the general needs of the companies and the needs of each insured person. The interests of both parties involved in the insurance contract must be harmonized as insurance be effective for both the insurance company and the insured people. In this sector, by abolishing the state monopoly, they are created conditions for economic efficiency to become a basic criterion in assessing the work carried out in this sector.

In the conditions of the market economy, any insurance company must operate on the basis of efficiency leading to the possibility of covering all expenses with compensations and insured amounts, other expenses of fund insurance formation and management and to afford a profit. The effectiveness of an insurance activity is characterized by the size of the profit.

The profit is set at the end of the calendar year; if it has a negative value means an end for the business with loss which can lead to lockout.

The insurance company must have a clear situation at least in terms of the probability that profits earned at one time have a certain value. It requires a determination of analytical expressions to express profit at any time depending on the parameters that appear in random phenomenon which characterizes the company's activity. This analytical expression is the function of the insurance activity efficiency. One possibility to determination is the establishment based on a statistical study of the insurance company's profit at certain times. The actual profit achieved decreases with sinister probability of production. It is necessary to the establishment of the insurance premium and in any time the insurance company determine this probability within statistical situations.

In the activity of insurance companies, taking into account the randomness of different payments to policyholders may arise situations where actual profit becomes negative or total share capital held by the company at some point becomes negative. Given

the randomness of sinister occurrence, improving the situation can be made in a relatively short time, the insurance company cannot be considered bankrupt at first pass through a negative equity and neither when is operating with loss at first making a negative actual profit. This state should be a warning to that company, since then it should be followed for at least on short periods of time.

Another way to increase profit is lowering these statistical weights being necessary that the insurance company organize its activity so that this share be the smallest.

The complex nature of insurance company determined using a system of indicators to quantify the efficiency of insurance. Each of the indicators used to express the efficiency highlights certain aspects of the activity of insurance: it cannot be made a ranking in the use of indicators, it cannot be said that one of them would be most representative.

The choice of indicators used to assess the insurance economic efficiency can be made according to the following criteria: the analysis objectives that are to be made; the micro or macro level where the analysis to be performed; the way of legal regulation of the insurance to be analyzed; the insurance branch under analysis.

The profit is the indicator used to estimate the financial results of the insurance company; is determined by subtracting from income the costs incurred to produce them. The profit cannot be considered an absolute criterion for assessing the economic efficiency in the insurance activity. The particularity consists in the extent of the compensation paid that varies from year to year. Due to the large amount of compensation would be inappropriate to claim that workers from insurance sector did not have an effective work but it emerges in such situations the effective effect of insurance for the national economy.

The volume of premiums collected by the insurance company demonstrates the expansion of insurance relations. Insurance premiums earned contribute to provide the funds necessary to meet the goal of insurance, paying the compensations and the insured amounts. Thus, it can be seen the importance of knowing the insurable matter and setting the insurance premiums on the basis of scientific calculations.

The insurance premium collected indicator gives a conclusive picture on the absorption capacity of the insurance market.

The indicator of level of protection by reducing the risk of the company is a prominent indicator regarding how the insurances fulfill their functions in society; it is calculated as a ratio between the amount of compensation actually paid for the risks covered by insurance and the estimated value of all insurable damages that may occur in society in a certain period of time.

The risk assessment is based on statistical information on the frequency and intensity of events producing damages to the national economy over a relatively long period which could be differentiated by the nature of risk as follows: for hail, thunderstorm, heavy rain, animals mortality, certain accidents on the road or good transport and others with similar frequencies, could be studied on a period of 5 years; for fires, hurricanes, landslides and land collapses, the period could be of 10 years and for earthquakes cannot be considered real conclusions on the frequency of risk only for longer periods of 25-30 years. The level of protection relates only to the risks that meet the conditions to be included in insurance.

The arrangement for prevention and limitation of damages is the partial or limited coverage to the effects of insured risks by engaging insured people to pay the other part of the damages; it is used the indicator of compensation level for making the analysis, it is calculated by reporting the compensation paid to the actual value of the damage as a result of the insured risk.

The loss ratio highlights the report in which are the compensations paid by the insurer to premiums received by him. The loss ratio is required to register values below

100% for the insurance to be effective. When the indicator exceeds the insurer will incur losses.

The indicator is relevant only in the case of property insurance and liability insurance. In case of life insurance when making the insured event, the insurer pays the insured person the compensation or the insured amount for which the policy has been completed.

The performance evaluation of an insurance company must take into account the financial results, the relationship between the registered effect and the effort to achieve the effect and also the assessment of the insurer to meet its customers' needs.

3. CONCLUSIONS

The conclusion that emerges from the above, can be realized by the fact that insurance / reinsurance, are parts of national financial systems, components of national economies which tend increasingly toward globalization, to meet the needs and opportunities that go beyond National, also the role the financial component, and thus insurance has increased significantly in economic and social situation and will have the same trend in the near future, all the major issues facing today's economic entities and that need to be resolved by management, are reflected in the activity of insurance companies, of course with the characteristics and peculiarities of the insurance business and to ensure the development of economy requirements imposed millennium, the parties involved must overcome whole, as such components must come up with offers priori demand.

Achieving these goals not only requires managers of insurance companies, information, responsiveness and compulsory introduction of the new, the pace to ensure today's needs of tomorrow.

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THE EFFECTS OF NEGATIVE STRESS ON EMPLOYEES BEHAVIOR

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Abstract:

Managing stress at work was the aim of the European Week for Safety and Health at Work in 2014, the European Agency for Safety and Health at Work (EU-OSHA) and its network partners intending to identify ways to prevent, evaluate and fight risks at European level.

Stress, a problem and a responsibility for both employers and employees, is considered the second most common health problem associated with work declared in Europe, first place being occupied by musculoskeletal disorders. Costs incurred by companies related to mental health disorders exceed 200 billion per year. Precarious design, organization and management of work and the improperly social context at work can generate psychosocial risks and can have adverse effects, such as stress at work, exhaustion and depression.

In this article I chose to approach only negative stress, called distress and to present how it affects not only the performance at work, but also the personal life and employee's behavior.

Keywords: *stress, health distress, employee behavior*

JEL Classification: *I15, J24, O15*

1. Introduction

A syndrome of the new millennium, the word "stress" has become one of the most pronounced words, as an American study places it as the second most frequent in human language after „communication”.

Seldomly seen as something positive (eustress), the stress has become an usual culprit for all ailments, being used more and more often for most diverse cases.

2. Methodology

As I have studied and I have based my studies on various sources of information (specialized literature, case studies, media articles, various organization reports and so on), in this paper, I have tried to provide a brief presentation of the factors which determine stress, ways of prevention, benefits of stress reduction at the workplace, the current attitude towards this syndrome of the new millennium.

3. Terms and Approaches. Distress and Stress.

The term of „stress” was developed by Hans Hugo Bruno Selye, professor of histology, who defines stress as the totality of human responses to exterior action of some generating agents (physical, chemical, biological, psychical) consisting of morpho-functional modifications, most commonly of an endocrine nature.

Psychological or biological stress is an organism's response to a stressor such as an environmental condition. Stress is a body's method of reacting to a challenge.

What is STRESS? We can find the meaning of stress in the letters that compose this word.

S stands for strength, „power struggle” physically, emotionally, intellectually and spiritually.

T stands for traffic control, struggle to control your mind.

R stands for re-design, „fight for remodeling”.

E stands for erase, exceeds the time, „get over the situation”.

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S is for sharing, to share with others the knowledge, welfare, duties. Gheordunescu M., Panoiu L., 2014, Stress in organization, Managerial Strategies Magazine no. 4 (26) Ed. Independenta Economica, p.622.

There are two fundamental types of stress, as Selye points out in 1973: distress (negative stress) and eustress (positive stress).

Distress is the term which describes the type of stress which has a negative potential on the body. In literature, distress generally overlaps the whole notion of stress, being found in various situations with extremely unfavorable meanings for most individuals.

According to some authors (Kaplan, Lazarus), the basis of stress consists of an inconsistency between the resources, abilities, capabilities of an individual and the requirements or the necessities imposed on this individual.

- Threat – signifies the anticipation of a danger;
- Frustration – appears when we encounter an obstacle in achieving our goal;
- Conflict – situation occurring upon collision of two or more requirements with opposite and competing motivations;
- Resolution of some problems;
- Losses, not only material, but also emotional;
- Overstretching, requirements which surpass the intellectual capacity;
- Understretching (lack of information, lack of activity, monotony and so on). A more subtle form, but which is far more harmful consists of aspirational understretching, through the unfulfillment of social needs;
- Persistency of negative emotional feelings (loss of a loved one, professional failure and so on) or reoccurrence of these feelings upon the action of conditional stimuli of recovered to a conscious level through dreams, ideas and so on.

Lazarus points out the subjective nature of an individual's perception of requirements which he considers as beyond his capabilities, so distress occurs upon an imbalance between the objective requirements on the body and the capabilities the subject considers he has in order to cope with the situation.

Eustress – is another type of stress, but a positive one. The difference between eustress and distress is fundamental both from the point of view of stress causing agents (stimuli with a positive meaning for the individual, pleasant stimuli of the environment or positive or “exciting” emotions, from emotions to feelings), as well as its consequences on the body, which are, generally, favorable (von Eiff).

Differences between distress and eustress based on the stress causing agents, on the types of reactions or situations, on the immune system or on the mental and behavioral disorders are presented in the table below:

Table no. 1 Distress and eustress

	<i>Distress</i>	<i>Eustress</i>
Quality of stress causing agents	Unpleasant, threatening, overstretching	Pleasant, moderate requirement in a positive emotional environment
Types of reactions	Active: anger, shame, terror Passive: deep sadness, helplessness, uncertainty, lack of hope	Joy, triumph, ecstasy, laughter, moderate physical effort
Types of situations	Conflict, overstretching, frustration, major losses	Financial and moral winnings, ecstatic contemplation, laughter sources
Immune system	Inhibition	Stimulation

Source: <http://umfcv.ro/files/c/u/Curs%204%20Psihologie%20Medicala%20-%20Stresul%20Psihic%20-%20Factor%20modulator%20complex%20al%20sanatatii.pdf>

Table no. 2 Mental and behavioral disorders occurring in cases of acute stress

Disorders	Distress	Eustress
Cognitive	<ul style="list-style-type: none"> - Diminution of attention and memory; - Ideational block ; - Diminution o imagination, creativity; - Lack of self-confidence; - Lack of hope; - Helplessness; - Overestimating difficulties. 	<ul style="list-style-type: none"> - Diminution of power of concentration and of intellectual capabilities; - Diminution of vigilance; - Excessive confidence in oneself and in others (diminishing critical sense); - Underestimating difficulties.
Affective	<ul style="list-style-type: none"> - Irritability, revolt, mania, anger; - Shame, embarrassment; - Inexplicable restlessness, panic (different degrees o anxiety), horror; - Fear, phobia; - Impatience, irritability, anger; - Apathy, boredom, asthenia; - Sadness, lack of joy of living, the feeling of uselessness; - Psychogenic insomnia; - Uncertainty versus stubbornness; - Diminished willpower versus effort. 	<ul style="list-style-type: none"> - Satisfaction, amusement; - Triumph, winning; - Pride; - Revelation (artistic, moral, scientific values); - Sensory or intellectual excitement; - Joy; - Frenzy; - Sexual excitement; - Extasy (artistic, intellectual, religious).

Source: <http://umfcv.ro/files/c/u/Curs%204%20Psihologie%20Medicala%20-%20Stresul%20Psihic%20-%20Factor%20modulator%20complex%20al%20sanatatii.pdf>

Coping mechanisms

The term o “coping” has appeared in 1978, when Lazarus and Lavin have described a series of conscious strategies (cognitive and behavioral) in order to adjust or cope through a nuanced adaptation elaborated by the individual in order to make the interior tension more tolerable (mental stress) induced by an opposing situation (which surpasses personal resources).

Based on the way in which an individual concentrates his attention on the problem which has arisen, or on his own emotions generated by the problem, there are three types of adjustments (according to Suls and Fletcher):

1. “Coping” based on problems (vigilant coping) – used in the cases of stress generated by potentially reversible situations

- Remember the previous experience
- Counts on social support
- Request information and seek means
- Elaborate and action plan.

2. “Coping” based on problems (avoidant coping) generated by situations without a solution, It represents a passive “forgetting” strategy, avoiding confrontation of the seriousness o the situation, the subject tries and emotional derail in order to abandon trials of solving the problem and adopts defensive strategies (denial, resignation, fatalism, aggressivity).

3. Reevaluation of the problem – reduction of the differences perceived initially by the subject between the seriousness of the threat and own resources, which helps in perceiving the situations as more tolerable (“positive reinterpretation”).

It is of great importance to study coping mechanisms in any tentative in reducing the negative effects of distress it is compulsory to keep in mind the adequacy or inadequacy of this adaptive strategy in actual stressful situations for the subject.

Unconscious Defense Mechanisms

(Bewältigung, „deferise“)

They are used by the subject when he evaluates the requirements of a situation (stressor) which he has to cope with, as it is beyond his capabilities. For this reason, they are consciously set in action (Bewältigung, defense) as they are meant to decrease the powerful psychological tension (distress) generated by that situation.

Among these mechanisms, there are:

1. Repression – a short-circuit mechanism of the consciousness during a psychical tension or the subject, generated by certain ideas, images pulses or wishes of the subject, which are repressed in the social environment;
2. Switching – unconscious channeling of needs, impulses, reasons towards objectives which can be reached causing a sustainable satisfaction or the subject;
3. Denial (substitution) – predominantly unconscious tendency of the subject to pick from the potentially dangerous characteristics of some stressors, with a great threatening potential, the ones which can be most easily overcome;
4. Projection – defense mechanism of unconsciously calming a state of extreme emotional tension by attributing the feelings, wishes and impulses the subject reuses to attribute to himself to another person or object, or he ignores them;
5. Regression (temporal) – coming back to a simpler psychical functioning, characteristic to and anterior stage of mental development.

4. Purpose of Work-related Stress Risk Assessment

Stress is commonly defined as a perceived imbalance between the demands made on people and their resources or ability to cope with those demands. Although the experience of stress might appear primarily psychological, stress also affects people's physical health. Stress is not a disease but prolonged exposure to it may reduce effectiveness at work and may cause ill-health, ranging from mild headache to severe depression. The symptoms of stress in organisations can result in increased absenteeism, high staff turnover, disciplinary problems, violence and psychological harassment, reduced productivity, as well as reduced attention, mistakes and accidents. Factors, both inside and outside the workplace, can influence workers' health. Work conditions can affect workers' personal health and work-life balance but exposures and activities outside work such as financial problems, unhealthy lifestyles, can also affect workers' health, and performance at work. Therefore not all manifestations of stress at work can be considered as work-related stress and due to its multiple causes stress is thought to be a complex phenomenon. Nevertheless, the accumulated scientific evidence over the last three decades on the study of stress clearly suggests that ill-managed work features, such as constant high job demands, tight deadlines, harassment, and unsupportive managerial style, are likely to provoke the feeling of stress in workers. Legally, all employers have a general duty to ensure the safety and health of workers in every aspect of their work as highlighted in the Framework Directive 89/391 and other regulatory standards.

This includes risks related to psychosocial aspects of work, usually termed "psychosocial hazards" as opposed to physical hazards such as noise, chemicals, etc. To take the measures necessary for protecting workers' safety and health, employers are obliged to carry out a suitable and sufficient risk assessment (RA) of safety and health. This includes assessing the risk of work-related stress causing personal ill health arising

from work activities, and taking measures to control that risk. Measures include the prevention of occupational risks; provision of information and training to workers, providing the means to implement the necessary measures. Where elimination of risks is not possible, the risks should be reduced. Work related stress is largely preventable by taking appropriate action through conducting a risk assessment which is a systematic examination of aspects of work that could cause injury or harm; whether hazards can be eliminated and, if not what preventive or protective measures need to be in place to control the risks.

It is the responsibility of employer to ensure a RA is carried out; however, in practice, this may be done by the employer; an employee or manager designated by the employer; or by an external assessor.

There are many risk assessment tools and methodologies available to help employers assess the psychosocial risks. The choice of method always depends on the size of the organisation, the type of work activities, the particular features of the workplace and any specific risks. A stress RA involves the same basic principles and processes as for other occupational risks. The stepwise approach commonly used includes five steps:

- Identify the hazards and those at risk

Table no.3 Psychosocial hazards

Job content	Lack of variety or short work cycles, fragmented or meaningless work, under-use of skills, high uncertainty, continuous exposure to difficult clients, patients, pupils, etc.
Workload and work pace	Work overload or too little work, machine pacing, high levels of time pressure, continually subject to deadlines
Work schedule	Shift work, night shifts, inflexible work schedules, unpredictable hours, long or unsociable hours
Control	Low participation in decision-making, lack of control over workload, pacing, shift working, etc.
Environment and equipment	Inadequate equipment availability, suitability or maintenance; poor environmental conditions such as lack of space, poor lighting, excessive noise
Organizational culture and function	Poor communication, low levels of support for problem solving and personal development, poor managerial support; lack of definition of, or agreement on, organizational objectives
Interpersonal relationships at work	Social or physical isolation, poor relationships with superiors, interpersonal conflict, lack of social support, harassment, bullying, poor leadership style, third-party violence
Role in organization	Role ambiguity, role conflict, and responsibility for people
Career development	Career stagnation and uncertainty, under-promotion or over-promotion, poor pay, job insecurity, low social value of work
Home-work interface	Conflicting demands of work and home, low support at home, problems relating to both partners being in the labour force (dual career)

Source: https://oshwiki.eu/wiki/Psychosocial_risks_and_work-related_stress_risk_assessment

- Evaluate and prioritise the risks
- Decide on preventive action
- Take action
- Monitor and review

The 2014–15 Healthy Workplaces Campaign

The 2014–15 Healthy Workplaces Campaign has three key objectives: (1) to raise awareness and improve our understanding of stress and psychosocial risks in the workplace; (2) to provide guidance, support and practical tools for managing risks; and (3) to highlight the benefits of managing psychosocial risks for workers and businesses.

Psychosocial risks can be assessed and managed in the same systematic way as ‘traditional’ workplace risks. This is the main message of the 2014-15 Healthy Workplaces Campaign.

Workers attribute stress to:

- 72% - job reorganization or job insecurity
- 66% - excessive workload
- 59% - being subject to unacceptable behaviors such as bullying and harassment
- 50% say that stress is not well handles in their workplace.

Source: Pan-European opinion poll on occupational safety and health, EU-osh 2013

How is stress managed by company/managers in Europe?

- 79% have concerns
- Less than 30% have procedures
- 40% - 50% (larger workplaces) have measures in place
- 20% - 30% (smaller workplaces) have measures in place.

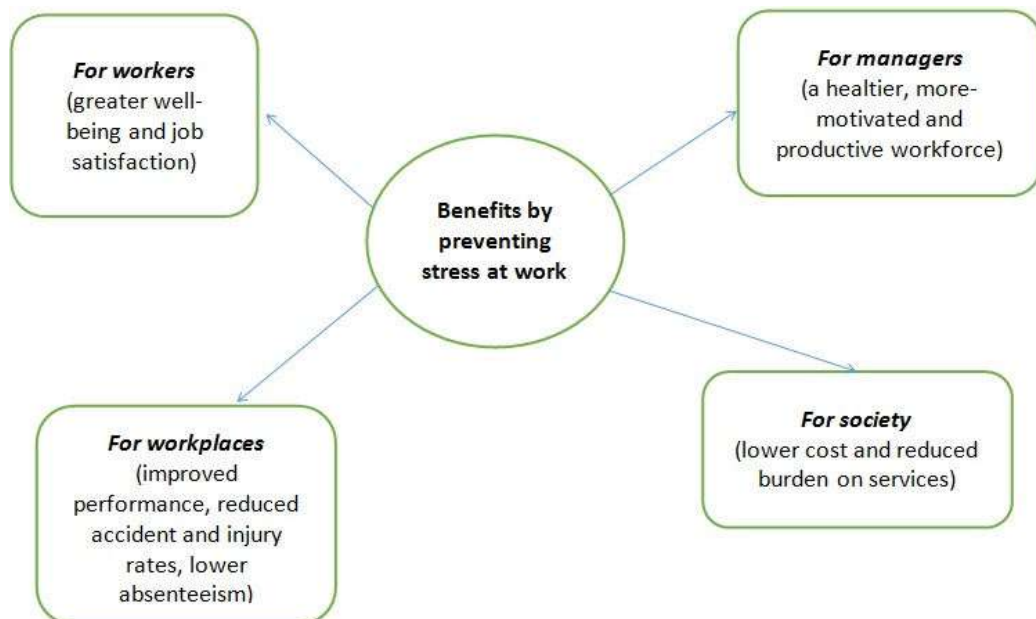
Source: European Survey of Enterprises on New and Emerging Risks (ESENER)

EU-OSHA 2010

Solutions to prevent stress and create a good psychosocial work environment:

- Ensure workers have enough time and autonomy to manage their work;
- Clarify roles and tasks, providing regular constructive feedback;
- Inform workers about change and involve the, in decision-making;
- Implement policies to prevent harassment and violence;
- Ensure fair work distribution and reward;
- Facilitate open and two-way communication.

Figure no.1 Benefits by preventing stress



Source: <https://osha.europa.eu/sites/default/files/infographics/work-stress-risk-assessment-solutions-benefits-infographic3.png>

5. Ways of Overcoming Stress in the Workplace

What can an employer do?

On an organizational level:

- Hiring new personnel only when necessary;
- Assuring the proper technical requirements;
- Assuring the proper professional training of the employees;
- Development of promotion possibilities for the company's employees;
- Establishing clear roles and tasks for the employees;
- Introduction of part-time employment;
- Organizing informative meetings;
- Having a polite approach towards all employees of the company;
- An immediate or quick resolution of any conflicts and problems;
- Respecting the 8 hour workday and the rest periods;
- Examining the working conditions and developing ergonomic solutions;
- Recommendation of relaxation techniques for the employees.
- Assuring medical supervision for the employees;
- Analysis of risk potential in the workplace;
- Assuring the coherent integration in the working process of the personnel which undergoes a stressful or exhausting period;
- Organizing courses through which the employees can learn to prevent and manage stress and hazards on their health.

On a workgroup level:

- Elimination of useless tasks;
- Job rotation;
- Identification of incipient signs of stress and establishing constructive work relations with the subordinates;
- Periodical training sessions;
- Development of communication within the organization, optimization of decision evaluation process, efficient management of conflicts;
- Building the team spirit and a good collaboration between the employees of the company;
- Encouraging both positive and negative feedback;
- Encouraging social support among the members of a team;
- Ensuring equitable repartition of tasks and responsibilities;
- Creating a climate in which employees do not feel guilty for accumulating stress or exhaustion;
- Offering support and attention to employees who have resumed their activity after a health issue generated by stress.

What actions can the employee take?

- Breathing exercises;
- Ambient music;
- Stretching;
- Holidays;
- Arranging the working space in order to permit the existence of a personal space, where you can concentrate in peace;
- Delegating responsibilities, when this is possible;
- Dividing important tasks into smaller segments and their gradual accomplishment.

Main Sources of Stress for the Romanians

To what extent do Romanians encounter the stress problem? According to a Daedalus Millward Brown study, increase of prices is the main cause of stress for Romanians, surpassing bank loans, decrease of income, family life or health, and almost 64% of the population admits that they are stressed, which is above the 60,5% average in the region.

Conclusions

Stress is a multi-faceted phenomenon with multiple causes and requires a systematic approach to its identification and management. It is a growing issue in the workplace especially due to the current economic downturn but it is also an issue that can be prevented and reduced so it does not become detrimental to workers' health. Employers will gain in performance improvements if employees are able to give their best and do not feel under constant unbearable pressure. Ample guidance and stress risk assessment tools are freely available to employers to support them in managing stress effectively.

I personally consider that, in the current conditions and with the attention channeled upon this syndrome, the problem of stress in the workplace will be diminished over time. It is important that each of us helps in this endeavor, adopts a more positive attitude and try to reduce stress at a personal level, as change begins with oneself.

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TRANSPARENCY AND THE NEW PUBLIC PROCUREMENT SYSTEM IN ROMANIA

Adrian Ducu Matei¹

*The lack of transparency results in distrust and a deep sense of insecurity
(14th Dalai Lama).*

Abstract

This paper emphasizes the fact that public investment in times of crisis can be an opportunity for economic rebalancing provided that certain principles and rules stipulated by legislation are observed and also if it is subject to adequate control. Following both the regulation and functional errors in national and international mechanisms, some legislative and institutional changes were made. These changes were carried out at European level through the adoption of new EU directives on public procurement at national level but also at national level through new legislation transposing European directives. Europe 2020 strategy for smart, sustainable and inclusive growth is about a vision of the social market economy competitive in Europe for a period of ten years, based on three interdependent and mutually reinforcing priorities: developing an economy based on knowledge and innovation; promoting a competitive economy, with low emissions of carbon dioxide and efficient in terms of resource usage; and promoting an economy with a high employment rate, ensuring social and territorial cohesion. Public procurement is an important element, as it is one of the market tools that can be used to achieve those objectives. Procurement markets and, in particular, major work projects are often considered a sensitive area where corruption scenarios are carried out either by manipulating the tender documentation in favour of bidders or by using intermediary companies to cover illegal activities.

Keywords: *trust, economic crisis, corruption, economy.*

JEL Classification H57, O10, P47

Introduction

Economic research and literature show that nowadays the world faces three models of economy and society. They are also models of economic and social development, among which are the following: the American, the Asian and the European model.

It is important that economic models represent the pivot around which globalization formulas form.

These three models are options to choose the way for the next period; for this purpose, it is necessary to highlight some individual features.

Depending on the essential components, strategic elements, reaching peak values and standards on which civilization is built today, the American model organically includes growth and political freedom, but it excludes social cohesion. From this perspective, it represents the model that places accountability for how to manage subsistence towards the local and mostly the individual level. In these circumstances the state minimizes its efforts for prevention and personal failure. The model is structured on the logic of one's own risk.

The Asian model includes economic growth and social cohesion and excludes political freedom. It is the model that propelled China into the centre of Asian regional economy. In this model the predilection for dirigisme and interventionism can be found, as well for one-party state and authoritarianism. Is the model that is said to have a history obsessed by development issues and which does not consider extra economy management

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very important. It is a sample of a classic non liberalism, an experiment done for the emerging markets without considering the values of individualism.

The European model includes economic growth, political freedom and social cohesion. It is the model that combines the principle of non-explosive critical mass and contradictory principles and values, such as efficiency and fairness. Of all known models, the European model relies on risk without regulating sacrifice. Welfare has not appeared by chance in Europe and did not take forms whose social adhesion has ever decreased. Europe has capitalized its humanistic culture alignments through its development model, the predisposition of European society to accept additional costs for public convenience. For Europe, poverty is a social issue and unemployment is a national problem. Redistribution is the most widely used lubricant in the interstices of European progress mechanisms. Getting economic growth and social cohesion constitute a matter of political freedom essence for Europe.

2. The general framework and the European integration model

According to some researchers, the European Union is an advanced approximation of globalization and for this purpose it is necessary to understand the connection between globalization and integration. A first sense of this relationship is to consider the European integration process as the political response to the demands of globalization (Wallace, 1996); "European integration can be analysed as Western Europeans' special effort to ensure the management of globalization consequences. They invented a form of regional governance, where the promoted policies aimed at expanding the role of states and strengthen boundaries between them and the rest of the world".

Under these circumstances, establishing supranational institutions is the response to inadequate reactions of the states facing external challenges of globalization. The inefficiency of national solutions to the economic crises of the 70's is the main argument for accelerating the process of European integration in the mid 80's; it consisted of the appearance of the single market between states and then the Economic and Monetary Union (EMU).

Creating the Single Market (by the Single European Act in 1987) had as its starting point the belief that market liberalization is the most effective way to cope with competitive pressures across the Atlantic and East Asia.

Therefore, European integration is the way in which public authorities have recovered their ability to exercise autonomy when facing globalization.

The European integration process has enabled the apparition of institutions that sustain the integration of the European economy on the globalization path, a position consistent with the preference for globalization. This vision has both an internal dimension by spreading neoliberal policies in Europe and an external one as well, considering that internal trade liberalization cannot succeed without anchoring in global liberalization (Dent, 1997). In this respect the European records are contradictory.

On the one hand, the Single Market and EMU are liberalization examples facilitating a pro-globalization approach. Globalization, whose core element is international trade, is facilitated by trade and investment liberalization to the general benefit.

It is a process in which all parties win, as post-war economic history proves. It is a statement regarding the need to continue efforts, which can be found if we consider the vision per which "Europe has taken advantage of this process and will continue to do so, provided it maintains long-term competitiveness, its capacity to innovate and the values of its model economy".(Lamy, 1999).

On the other hand, European farmers support system offered by the common agricultural policy is incompatible with globalization.

If the two prior approaches analysed the European integration process as a result of the public authorities' actions, a third vision describes the relationship between formal integration (achieved by the Community states and authorities) and the informal one (through the actions of companies among European regions). Several authors consider that the increase of community policy competences are the result of the increasing interaction between companies (whether multinational or transnational corporations acting in accordance with the rules established at Community level). For others, states remain the central control agents for integration results; accelerating this process is the consequence of convergence of the Member States national interests (Moravcsih, 1999).

The foregoing viewpoints can lead to outlining the elements of a European globalization model, with the following important points:

1. acceptance of the liberalization principles, the argument of the Directorate - General for Trade of the European Commission being that liberalization is a useful and necessary factor to ensure a high degree of development;
2. increasing the transparency of Community institutions;
3. harmonization of (trade) globalization, with poverty reduction as the result of applying that model;
4. Protection of areas where there are certain considerations that go beyond the market logic, including:
 - a. agriculture and observing the European agricultural model, which is not only about ensuring food security but also population security and revitalization of some rural areas;
 - b. public health, where Europe rather applies the caution principle;
 - c. natural environment, considering the provisions of the Kyoto agreement and the like;
 - d. cultural diversity considered part of cultural uniformity

Europe 2020 Strategy for smart, sustainable and inclusive growth was adopted for the purposes of those above mentioned; it emphasizes the desire of a vision on the social competitive market economy, as applicability of the European model of integration, for the next decade; it is based on three interdependent and mutually reinforcing priorities: the development of an economy based on knowledge and innovation; promoting a competitive, low-carbon and efficient in terms of resource use; and promoting an economy with a high rate of employment, ensuring social and territorial cohesion.

Public procurement plays an important role in the Europe 2020 strategy as one of the market tools to be used to achieve these objectives.

More specifically, the Europe 2020 strategy is based on public procurement to:

- improve the framework conditions which allow companies to innovate, exploiting the full potential of demand oriented policies¹,
- support the transition to an efficient economy in terms of resource use and low-carbon, e.g. by encouraging the wider use of green public procurement, and
- improve the business environment, especially for the innovative SMEs.

At the same time, the Europe 2020 strategy highlights that public procurement policy must ensure the most efficient use of public funds and procurement markets must be kept open throughout the EU.

¹This issue is addressed in the Commission Communication "Innovation Union" - SEC (2010) 1161, one of the iconic initiatives of the Europe 2020 strategy which addresses the strategic use of public procurement to promote research and innovation. It invites Member States to allocate a part of their procurement budgets for research and innovation and informs about the Commission's intention to provide guidance and support mechanisms for contracting authorities.

Getting the best results in efficient procurement procedures is particularly important in the context of the severe budget cuts and economic difficulties faced by many EU member states. When dealing with these challenges, a functioning and efficient public procurement European market which contributes to achieving these ambitious objectives is more necessary than ever.

Many interested parties have called for a review of the EU public procurement system to increase its effectiveness. Thus, the Commission announced by the Single Market Act 1 that it will conduct wide consultations to formulate legislative suggestions aimed at simplifying and modernizing EU law.

2. The European and national framework of public procurement

Directive 2014/24 / EU of the European Parliament and Council as of 26 February 2014 on public procurement and repealing Directive 2004/18/EC reconsidered public procurement policy at European level.

Public procurement plays a key role within Europe 2020 strategy, presented in the Commission's Communication of 3 March 2010 entitled 'Europe 2020: A strategy for smart, sustainable and inclusive growth (hereinafter " Europe 2020 strategy for smart, sustainable and inclusive growth") as one of market tools to be used to achieve a smart, sustainable and inclusive growth while ensuring the most efficient use of public funds. To this end, the rules on public procurement adopted by Directive 2004/17 / EC of the European Parliament and of the Council (4) and Directive 2004/18/ EC of the European Parliament and Council (5) should be reviewed and upgraded to increase the efficiency of public spending, facilitate the participation of small and medium enterprises (SMEs) in public procurement and enable procurers make better use of public procurement in support of common societal goals. However, it was necessary that certain basic notions and concepts to be clarified to ensure legal certainty and to incorporate certain aspects of the constant case law of the European Union Court of Justice in this area.

The United Nations Convention on the Rights of Persons with Disabilities (6) should be taken into account in implementing the new directive particularly in relation to choosing means of communication, technical specifications, award criteria and conditions for implementing a contract.

The increasingly diverse forms of public action have made it necessary to define more clearly the notion of procurement itself; however, this clarification should not extend the scope of this Directive in relation to the Directive 2004/18/EC. The Union public procurement regulations are not meant to cover all forms of disbursement of public funds, but only those aimed at the acquisition of works, goods or services for consideration through a public contract. It should be clarified that such procurement of works, goods or services should be subject to this Directive, whether implemented by purchase, lease or other contractual forms.

The notion of acquisition should be broadly interpreted as obtaining benefits from those works, goods or services, without necessarily involving a transfer of ownership to the contracting authorities. Furthermore, the mere financing of an activity, particularly through grants, often linked to the obligation to repay the amounts received if they are not used for the purpose for which they are intended, is not usually regulated by procurement rules.

The economic logic of reform in public procurement in Romania was promoted through the National Strategy; it fully reflects the economic logic of the Directives on

1 Communication from The Commission To The European Parliament, The Council, The Economic And Social Committee And The Committee Of The Regions: Towards a Single Market Act For a highly competitive social market economy 27 October 2010 - COM(2010) 608.

public procurement at European level. This economic logic revolves around the idea that transparency generates competition, competition generates savings.

Impact studies conducted at European level - including the previously legislative package - and promoted by DG Internal Market demonstrate that this logic has been checked.

The econometric analysis carried out during the assessment reveals that a small but stable, transparent procurement process leads to tangible savings.

Specifically, according to *Evaluation Report - Impact and Effectiveness of EU Public Procurement Legislation (Part 1)*¹, published by the European Commission in 2011 (SEC (2011) 853 final, the publication of a notice results in savings of 1.2% compared to the situations where there are no published notices or other information in connection with the contract that was to be awarded. According to analysis results, a contracting authority that publishes an invitation to tender and uses open procedure can expect savings of 3.8% of the final value of the contract, while when using the restricted procedure, it can expect smaller economies amounting to 2.5%.

The savings associated with a higher degree of competition are increased in services and works, resulting in a directly proportional relation between economies and competition in these sectors: the more the procedures mobilize competition, the more the degree of saving increases.

The European Commission estimated within the same impact study that in most transparent procurement procedures savings between 2.5-10% compared to the budget estimate can be achieved (in terms of establishing realistic budgets).

Thus, budget savings can reach a considerable value. Following the logic outcome of impact assessments conducted at European level, it is anticipated that the average value of trades on the public procurement market of approximately Euro 15,000 million annually for a period of 5 years if the savings would be only 5% become investment of the same amount. This may result in reducing unemployment and GDP growth.

In addition, in the national context, due to the paradigm shift in public procurement in Romania, including (but not limited to shifting focus from the acquisition approach in terms of "the lowest price" to "the lowest cost" or demand aggregation) it is expected to achieve these savings not only at the transaction level, but also in operating the goods/service/work purchased. Thus, it is expected that for Romania, given the current economic situation and the effective reality of public procurement, compared with other European countries, the impact of the measures included in the National Strategy on GDP is higher than in other EU countries.

Romania makes efforts in monitoring the institutional use of public money, conducting financial control over the formation, management and use of financial resources of the state and public sector, having by law a crucial role in tracking public money usage. Detailed reports on inspection activities are regularly published; it is an important source of information for those interested in checking public spending.

The National Public Procurement Strategy, approved by Government Decision no. 901/2015 on the ex-post control of public procurement contains some measures to be taken by the Court of Auditors to strengthen the role in controlling public procurement:

- strengthening the capacity of the Court of Auditors in controlling public procurement;
- ensuring adequate human resources;
- specialized training of personnel;
- providing specific tools (guides on how to control public procurement);

¹ http://ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/er853_1_en.pdf

- harmonize procedures and methods used by the Court of Accounts and the Audit Authority in carrying out audits of public procurement, to ensure full consistency of approaches and interpretations; establishing a coordination mechanism between the Court of Auditors and the Audit Authority;

- taking into account risk factors indicated by the governmental institutions, such as the National Agency for Public Procurement, National Integrity Agency and the Competition Council in developing the Court of Accounts methodology used to determine relevant risk areas and, therefore, help develop annual work program and the audit plan.

The public procurement process is monitored in order to implement the Strategy measures.

3. Vulnerable domains in terms of public procurement transparency in Romania

According to national assessments¹ for the 2009 - 2010 period, the rankings areas with the highest total value of contracts awarded are indicated, as shown in Annex. 1 Excerpt from "Top 50 largest contracts awarded through SEAP summed values, according to the CPV"; **construction works** are on the top position (with all the associated services: buildings finishing, building installations, etc.) with a total aggregate value of over Euro 7 billion, representing virtually 40% of the total public procurement carried out through the Electronic system of public procurement (SEAP) in those two years, followed by health purchases.

Considering the frequency codes of the Common Procurement Vocabulary (CPV) associated with procurement procedures carried out through SEAP, most are **pharmaceuticals** and **medical equipment**, followed on the 3rd place by **construction and public works**.

If we look closely at the practices of central and local authorities, we can easily notice that the data published on the websites or other means of communication are not presented in a way that contributes to the correct information of citizens (the final beneficiaries of the public investments made).

Authorities mainly formally observe the procedures required by law without a prior analysis and therefore data are often incomplete, or refer to disparate parts of the procurement process.

The contracting authorities poorly inform the population about the whole process of public procurement.

Information on all proceedings stages are not public, from the publication of the notice to selecting the winner of that contract, signing and reception of the work, goods or services.

According to the survey conducted by PwC EU Services and Ecorys² (2013) on procurement in 8 Member States and 5 sectors during 2010, there was awarding procedure defrauding for public procurement contracts in 48% of cases.

Among the frauds identified in this study were the following: illicit commissions, conflicts of interest and intentional mismanagement, which attracted direct costs up to Euro 2.2 billion.

¹The study by the Public Policy Institute entitled "Transparency, Fairness and Competitiveness in Procurement Process in Romania" Case Study: central contracting authorities, published in 2012 <http://freedomhouse.ro/achizitii/la-zi/item/283-transparen%C5%A3%C4%83-corectitudine-%C5%9Fi-competitivitate-%C3%AEn-procesul-de-achizi%C5%A3ii-publice-din-rom%C3%A2nia>

² PwC EU Services and Ecorys (2013). Procurement: the costs we pay because of corruption. Identification and reducing corruption in public procurement in the European Union. http://ec.europa.eu/anti_fraud/documents/antifraud-policy/research-and-studies/pwc_olaf_study_ro.pdf

The Association of Certified Fraud Examiners - The Institute of Internal Auditors, the American Institute of Certified Public Accountants and the Association of Certified Fraud Examiner, 2008¹ uses a specific taxonomy of fraud types, which was taken over by European Commission to issue other documents, including notes, practical guides for identifying fraud (see "information Note on fraud indicators for ERDF, ESF and CF"). Among the elements related to research and detection of fraud, specific elements regarding tender manipulation can be enumerated: complaints from bidders, poor controls and inadequate bidding procedures, indications of bids changes after reception, voiding bids for errors, qualified bidders being disqualified for suspicious or unclear reasons.

Conclusions and suggestions

In conclusion, in order to improve the public procurement system in Romania, a closer monitoring is necessary for the control institutions to draft expert reports, guides, functional work procedures on monitoring procurement in terms of fraud identification, prevention and elimination, from assigning the contract, where there still are practices of tender manipulation, studies to identify the causes of the lack of confidence in the public procurement system, the real causes of the high and constant number of complaints in the past five years and identifying the best action to reduce them, supporting a transparent and competitive business environment.

We also suggest increasing the activity of gathering information on the Electronic System of Public Procurement and other sources to develop a database on public procurement necessary to compile statistics, summaries, reports on public procurement system so as to identify the risk factors needed to establish its control program.

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**Excerpt from "Top 50 50 largest contracts awarded through SEAP summed values,
according to the CPV"**

	CPV Description	CPV CODE	Amount agreed Euro	Number of contracts
1	Complete or partly complete construction works and public works	452	7,772,006,468	12,109
2	Pharmaceuticals	336	719,837,955	51,846
3	Banking and investment services	661	719,659,054	225
4	Building installation works	453	703,434,766	2,925
5	Building completion works	454	570,189,316	2,931
6	Engineering	713	511,827,070	3,969
7	Repair and maintenance services of pumps, valves, taps, metal containers and machinery	505	487,415,231	1,120
8	Repair, maintenance and associated services related to aviation, railway, road and sea	502	475,096,674	434
9	Fuel	091	448,590,277	1,681
10	Construction works	450	422,293,931	827

ANALYSIS ON THE ON THE ROAD FREIGHT TRANSPORT DURING 2010-2016

Maria-Elena, Gheordunescu¹

Abstract:

Transport affects all sides of economic and social life, and their harmonious and orderly development in line with the requirements of the enlarged reproduction is an important objective of economic policy state.

Road transport has the largest share of all transport modes, both in terms of passenger and freight transport, his development of lately undergoing a rapid ascent. In the last 30 years mileage using road transport tripled.

According to the data presented this paper proposes an analysis on road freight transport, which by his mobility and free movement experienced an extraordinary development.

For a better understanding of theoretical and practical information we used research methods as synthesis, comparative analysis, classification.

Keywords: *transport, road transport, goods, companies, carriers, law.*

1. Introduction

Road transport is not just another mode of transport is an important generator of economic growth and few people realize the significance of road transport for everyday life. Without road transport none of us did not have the favorite magazine on the desk or coffee cup early in the morning, because the road is like a capillary network serving any point, however small.

Road transport it is a terrestrial mode of transport and also a distinct entity of the national transport system, which ensures movement of goods and people into space using vehicles. (Alexa C., 2003). By *road transport* means any operation which is carried by road vehicles for moving people, goods and property. (Ștefan C., Gheordunesc M., 2015). *Road freight transport* designate movement in space of goods using specialized auto vehicles.

Road transport industry has recorded a lot of progress over time, its existence generating other related fields, such as road freight transport, very useful. for all. Through haulage services facilitates the delivery of heavy or dangerous goods in optimal conditions, anywhere in the world.

Anyone can use transport of goods services, whereas, his degree of development is a performance and safety level.

2. Research Methodology

Concidering, the submitted the above, the main objective of this paper is an analysis of road freight transport through some of specific terms.

This paper is based on different types of data from the transport market, through different sources of information, which gives a qualitative character and catitativ otherwise.

3. Presentation and analysis of data

Road freight transport remained a dynamic competitive segment with many players and heavily dependent on international transport orders confirmed in the following.

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So for the first year analyzed respectively **2010** we can say that most transport modes have decreased.

Concretely road transport has decreased in terms of quantity of goods, by 40.3% compared to 2009 and by 51.0% compared to 2007 as shown in the following table:

(Table no. 1)

Road transport	U.M.	2007	2008	2009	2010
Goods transported	mil. tonnes	357	365	293	175
During goods	mild.tonnes-km	60	56	34	26

Source: <http://www.insse.ro>

The economic recession affected transport industry thus in **2011** the road freight market decreased by 48.5% compared to 2007, being strongly influenced by the reduction of goods transported both internationally, their volume reduced by a CAGR 18.1% and national level, the amount of goods transported decreased by an average annual rate of 15.6%.

The top 10 companies in the road freight transport market achieved in **2011** a turnover of 556 million euros. The share of each player's total combined turnover was as follows:

- Aquila Part Prod Com – 21%;
- Schenker România – 13% ;
- Trans Bitum – 13%;
- Waberer's România – 9%;
- Dumagas Transport – 9%;
- Havi Logistics – 8%;
- Gefco România – 8%;
- Transcondor – 7%;
- International Lazăr Company – 7%;
- Dunca Expeditions – 6%.

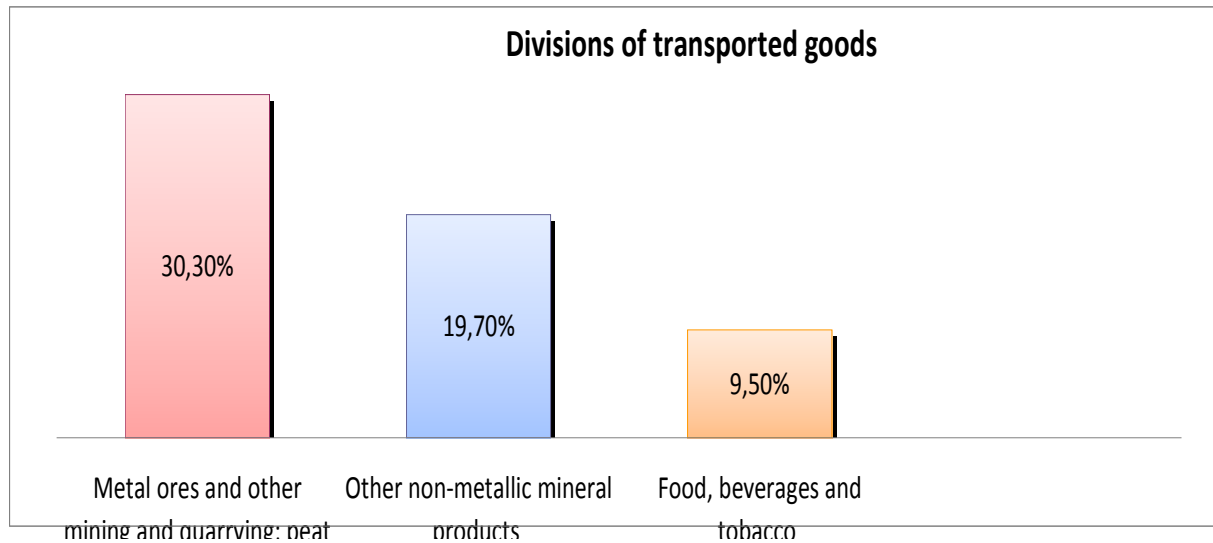
Therefore, we can say that for the companies of the road freight transport sector year 2011 was marked by a rate slightly negative, but the competition was very strong.

If we refer to the **2012** road freight transport carried by transport licensed operators decreased by 12.0% in terms of volume goods transported. Of the total by 28763.0 thousand tons of total cargo transported, 25854.0 thousand tons were operated in national transport.

In the first quarter of **2012**, the national road transport, 62.5% of goods were transported on small range(between 1-49 km), while 17.1% range between 50-149 km. On distance of at least 150 km were transported 20.4% of all goods operated by carriers.

In road transport, freight divisions with the largest share in total goods transported were metal ores and other mining and quarrying; peat; uranium and thorium (30.3%), other non-metallic mineral products (19.7%) and food, beverages and tobacco (9.5%).

(Figure no.1)



Source: Created by author based on information retrieved

As regards during goods divisions food, beverages and tobacco goods grouped transported together accounted for 13.5% of total during .

These vary between the weights of the main divisions of products in total goods transported in total traveled arising from the different distances that goods are transported, such as: construction materials are transported over short distances, and have the largest share in total freight carried, and manufacturing products over long distances and have share in the total process.

In road freight goods transported on own account represented 65.0% of the total and 35.0% paid. Regarding transportation of goods by destination, 89.9% of the total was registered in national transport and only 10.1% in international transport (including transit).

For international road transport of goods, 95.1% of all goods unloaded came from EU Member States, while 95.1% of all goods loaded were directed to EU Member States. The largest amounts of goods was from Germany (26.6%), Italy (21.7%) and Hungary (11.7%) and in terms of volume of goods loaded, 28.7% were directed to Germany, Italy 21.9% and 10.1% Hungary. Of all goods transported on international routes, which is 2.909 million tons, transit held 35.6%, loaded goods 33.8% and unloaded goods 30.6%.

2013 was marked by a moderate dynamics of the turnover in conditions of high profitability compared with 2012 in wich accelerated growth of income was accompanied by losses. Investments increased, similar evolution in 2012, but were financed in faulty mode respectively by a very low degree of capitalization. More than half of the companies have recorded a negative working capital during 2013, disregarding the principle of maturity maturities of allocation of resources contracted on long-term by the investment.

According to financial statements published by the Finance Ministry, a total of 27 252 firms that have the main activity Road freight transport generated during **2013** a total turnover of 26.6 billion, up by 8% over the previous year.

If is analyzing the distribution of these companies by turnover, it appears that a quarter of those who submitted statements for 2013 did not perform in reality no activity, while 1,010 companies from this sector recorded an annual turnover below a million euros, being those that generate about 64% of the income recorded in the entire sector.

Following the structure of the profit and loss for the companies in the sector and its impact on the balances recorded in the consolidated balance sheets, it can be noted that, in

contrast to 2012, which registered a sectoral advance total turnover of 15 % and about 70% of companies achieved revenue growth in 2013 was seen some moderation in this regard. Thus, the advance of consolidated turnover at sectoral level in 2013 was 8% compared to the previous year, given that only 57% of companies reported increasing income. Despite this, the net result evolved better, both in terms of absolute values and its dynamics. Such as the values recorded for this indicator at sectoral level for 2013 was by 1% compared to -1% on the previous year.

In terms of attracting financial resources and the allocation of resources for long-term investment, Coface considers that during 2013 the companies of analyzed sector have allocated significant investments to expand the fixed assets, but down slightly compared to the previous year.

Indebtedness registered at sectorial level decreased from 90% (2012) to 85% for 2013, but the share numerical of indebted companies is still very high. More exactly five in ten companies has a degree of negative capitalization (equivalent to a debt greater than 100%), which are mostly small firms or below average size. Liquidity indicators show a slight trend improvement to sectorial level. Diminishing liquidity indicators recorded on preserving profits in companies and increasing balances from suppliers and banks

Sectoral risk analysis reveals that 4,295 companies in the transport of goods by road ceased activity during 2013, and of these, 41 companies recorded a turnover of over one million euros.

However, the sector remains one competitive volume and caliber of companies that have ceased their activity during 2013 is relatively equal to that of established companies in the sector in 2011 and 2012 combined.

According to the financial data available for **2014**, companies in road freight transport have been recorded increasing income which were found in insufficient profits. Investments in new technologies represents 32% of total assets, significantly above dynamics wear them for the third consecutive year. But the impact is not very visible in terms of increasing insufficient profits. Companies of the analyzed sector have maintained the high level of supplier credit, the average payment of which is 122 days, while receivables are collected within 90 days.

According to financial statements published by the Finance Ministry, companies that have the main activity Road freight transport generated in 2014 a total turnover of 30.33 MLD up of 14% compared to previous year. Much of the advance income is generated by companies already on the market. In this context ,41% of companies operating in this sector reported declining decreasing income in 2014.

Analyzing the distribution of these companies by turnover, it appears that:

- About 20% of companies that have submitted their declarations for 2014 were held in reality no activity;
- More than half of active companies recorded a turnover of less than EUR 100 K / year (2014), but the share in total turnover value of this segment is only 7%;
- 157 companies in this sector recorded an annual turnover of more than 1 million euros in 2014, 15% more than the 2013 level, namely 1,010 companies. This segment represents approximately 4% of the total active companies, but generates about 64% of revenue recorded for the entire sector;
- Sectorial consolidated net result for 2014 was 1.8%, with a dynamic slightly increasing compared to the past, or 1.2% for 2013 and -1.2% in 2012;
- Operating margin increased from the level recorded in 2012, respectively 0.5%, 3.5% in 2014;
- 47% of companies operating in this sector reported a deterioration in net result in 2014 compared with the previous year, approximately 16% moving from profit in loss;

- Dynamics records amid huge debts contracted by domestic companies, they recorded a total indebtedness of 82%.
- The way of finances investments by domestic companies is not sustainable. The share of short-term debt in total borrowed capital has increased to over 65%;
- The average duration of debt collection fell to 90 days, the liquidity situation is improving only marginally, while the coverage of short-term debt by net cash increased by 15%. Source preserving liquidity is not sustainable in the long term, given that suppliers are paid later.
- The surplus liquidity is used in a destination classic for long-term investments in fixed assets - machinery, transport, both in 2013 and 2014 - but at the expense of creditors, such as suppliers and banks The average duration of payment of short-term debt decreased in 2014 compared to 2012 to 122 days (132 days), while the cumulative rotation receivables and inventories (operational cycle) decreased by 6 days relative to 2012., where the leverage is slightly down;
- The average duration of payment of short-term debt decreased in 2014 compared to 2012 to 122 days (132 days), while the cumulative rotation receivables and inventories (operational cycle) decreased by 6 days reported to 2012. Reducing the time of payment of short-term debts (decrease of 10 days) with four days over decrease in inventories and receivables (decrease of 6 days) has encouraged companies by analyzed sector to finance important investment long-term (above amortization)

So **2014**, brought divergent results for this sector in terms of income their level increasing by 14%. Although 41% of companies reported declining income progress achieved since the rest of the companies was sufficient to cause an advance income to sectorial level. However, the advance income is found very little in additional profits, dynamics being only slightly increasing.

In 2015, the financial statements of the strongest companies that the field road freight were positive in most cases, but in many cases it was noted a slowdown of the growth rate. Concrete has registered a 4% increase in the volumes transported compared to the previous year.

Aquila Part Prod Com from Prahova ,most powerful road road freight transport had a increase by of this indicator and its profit increased by not less than 31% to 5.5 millions. However, in the standings, profits Aquila rank only eighth position. The second largest Romanian carrier Carrion Expedition from Cluj recorded in 2015 a turnover of over 550 millions, increasing by no less than 45% over the previous year. And in net profit, the company specializes in refrigerated transport had a surprisingly good result reporting an increase of this indicator from 8.7 millions in 2014 to 28 millions in 2015.

Profits ranking, first place is occupied by Transpeco Logistic & Distribution from Bucharest, drawn from the company Petrom in 2007 which has as main activity oil tanker. Transpeco achieved a net profit of 33.3 million lei, almost the same as in 2014. However the total of 198.6 million tonnes of freight transported, 84.3% were operated in national transport. Overall road transport during goods increased by over 11.1% compared to 2014.

Regarding the **2016** in first quarter total volume of goods transported by road was 42.4 million tons.

Road freight traffic is more intense in areas with developed infrastructure. Maximum values are between Bucharest and Muntenia, lows - between Moldova and almost all regions of the country. The most intense exchanges of goods by road occur over short distances (under 150 kilometers), usually within regions and between regions traffic

volume depends on the state of infrastructure according to the data study "Passenger and cargo on modules in the first quarter of 2016 .

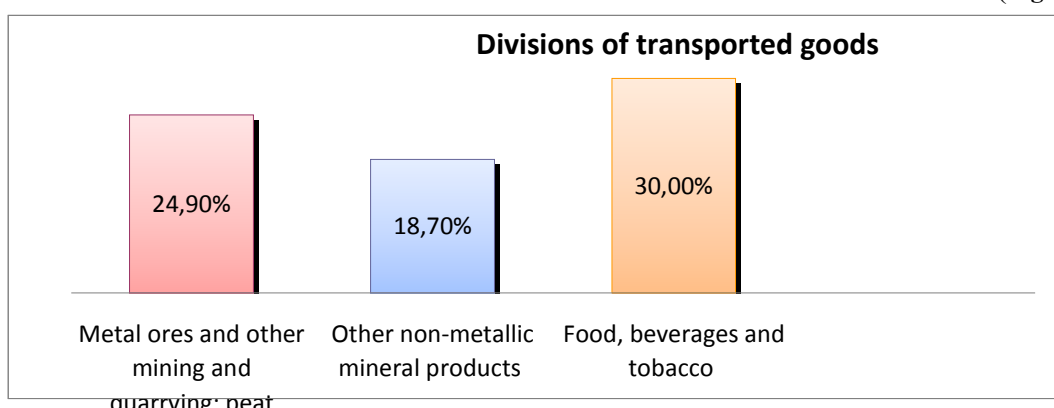
In the Central, Southeast and West region were recorded the highest values of local freight traffic, 4.4 million and 3.3 million tons in the first quarter. Lowest local traffic was registered, according to INS, in Bucharest-Ilfov, where trade in goods weighed in total, only 1.7 million tons. The study „Transportation of passengers and freight by modules in the first quarter of 2016”, conducted by the National Statistics Institute shows that "62.4% of goods were transported short distances between 1 and 49 kilometers and 18.2% range between 50 and 149 kilometers and 17.4% range between 150 and 499 kilometers ". Among the regions, the most intense exchanges of goods were registered on relations Bucharest Muntenia (617,000 tonnes in the shower and 576,000 tonnes at back) and Centre - North West (220,000 tonnes in the shower and 385,000 tonnes at back) . The weakest exchanges were recorded, according to INS, on-Moldova relations Oltenia (11,000 tons to 12,000 tons went to the back) and Banat-Moldova (8,000 tonnes and 18,000 tonnes went to the back)

According to the same study, the traffic of goods recorded a whole "increased by 32.9% in terms of volumes transported compared to the first quarter of the previous year." Of the total 42.4 million tons of goods transported, 77.7% were operated in national transport.

Volumes of goods transported in national transport increased by 28.8% compared to the first quarter of 2015

In road transport, freight divisions with the largest share in total transported goods were metallic ores and other products mining and quarry peat, uranium and thorium (24.9%) and non-metallic mineral products (18.7%). Regarding during goods, food, beverages and tobacco held the largest share - 30%. The weights of main goods are determined by the different distances that are transported so: construction materials are transported over short distances, and have the largest share in the total, and product manufacturing are transported over long distances and have the largest share in total way. "In the first quarter 2016, road freight, goods carried on own account represented 52.4% of the total.

(Figure no.2)



Source: Created by author based on information retrieved

In terms of destination, 22.3% of goods was recorded in international transport (including transport between third countries and cabotage). "In international road transport of goods, 92.5% of all goods unloaded were from Member States of the European Union, while 90.7% of total goods loaded were directed to EU member states." The largest amounts of goods were from Germany (20.5%), Italy (15.3%) and Hungary (7.6%), while 18.8% of the goods loaded were directed to Germany then 9.2% 11.3% Italy and Hungary.

According to INS Southeast and Central regions recorded in the first three months of this year, the highest volume of goods transported both the delivery and procurement. At loads (deliveries), Central region recorded 5.1 million tons and downloads (purchases) - 5.4 million tons. The lower volumes were recorded deliveries Bucharest-Ilfov (3.2 million tonnes) and South-West Oltenia from acquisitions (3.3 million).

It is noted that income grew slower in terms of higher profits, but the latter are insufficient compared to the investments made at the expense of suppliers.

4. Conclusions

Considering the submitted, it can be concluded that road freight transport has undergone and is undergoing a period of incertitudine swings in the market situation.

At the same time remained a key factor in economic growth, social development, full contributions to strengthening the national economy and international relations.

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SPECIFICITY CULTURE AND ORGANIZATIONAL BEHAVIOR IN PUBLIC INSTITUTIONS

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Abstract

There are numerous writings and views regarding organizational culture both nationally and especially internationally. Scientists, teachers, academics expressed their opinions and made various definitions and general approaches to the subject. It is undeniable that we all live in a society organizational. Reason organizations essence was the same in all times and the importance of belonging to a group defined by common concerns and interests is what makes an organization work. An organization can be defined as a group of people who, based on division of labor, work together pursuing the same goals and objectives. Organizational culture is one of the major problems of a company. It is researched by academics who concluded that the cultural dimension is a central pillar in all aspects of organizational life, even in those organizations where cultural aspects receive little attention. How people think, how they feel, what they are their values, all of which are guided by ideas and beliefs of their cultural nature.

Key words: *organizational culture, organizational behavior, factors, specificity.*

JEL classification: *D83*

The culture of an organization is defined as a system of common beliefs and values that develop in the organization and guides the conduct of its members. This culture, known as corporate culture gives meaning and direction to the daily behavior of the organization's members. It reinforces common beliefs, encourages the members of the organization to strive to achieve the organization's objectives. Of even greater importance is the fact that organizational culture can become a competitive advantage if it supports the company's strategy and if is adapted so as to respond to requests from the external environment of the organization (Jaradat, 2003, pp. 69-70). Overall, there are two levels of organizational culture, the visible or external one and at the deeper, internal one. The external level is observed in the clothing code at work, in the manner in which offices are arranged, in the behavioral patterns existing in the organization, in the manner company employees treat their customers. Organizational culture is reflected in the following elements of organizational life - the stories - narrations about events and important characters - heroes - very performant managers, founders - rituals - specific events in the life of the company - symbols - flags, logo - (Jaradat, 2003, p. 70).

In an organization that has an adaptable culture, managers pay attention to all elements, especially to customers, initiate the change when it serves the interests of the organization, even if they assume the risks afferent to such changes. In contrast, in an organization that has an inadaptable culture, managers tend to behave in isolation: they do not change their strategies to adapt to changing circumstances or to take advantage of the changes in the business environment. (Jaradat, 2003, p. 73).

Tom Peters and Robert H. Waterman see organizational culture as "a coherent and dominant set of shared values transmitted through symbolic means such as stories, myths, legends, slogans, anecdotes, stories."

G. Hofstede defines six models of organizational culture, based on the object that the organization is interested in (Hofstede G., 1996, p. 217).

1) Process/results. In the process-oriented enterprises, employees manifest preference to standard activities, routine, avoiding changes and risks. In those centered on

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results, employees focus their work on achieving certain goals, placing special efforts to this end, based on the initiation and implementation of changes assuming the risks involved;

2) Employees/work. Organizations in the first category are perceived as having at the heart of their concerns people and personal problems that they face. It uses a participatory management, decisions being taken in group. In organizational cultures oriented towards work, the focus is on the professional activity, decisions being made by individuals;

3) "Limited"/"professional". Employees in organizations with a "limited" culture identify with the organization rather than with the professional branch they belong to. They believe that the organization must ensure their future. In contrast, employees in the "professional" culture consider that the main criterion is their professional competence and use to think of the future;

4) Open/closed system. Members of "open system" type organizations believe the new employee must adapt as quickly as possible, in the "closed system" type organizations is manifested more reluctance towards newcomers;

5) Reduced control/intense control. In companies where there is reduced control there seems to be a distinguished atmosphere. Where control is intense, there is a certain "respect" towards the organization;

6) Prescriptive/paradigmatic. Prescriptive organizations are oriented towards strict observance of behavioral and organizational procedures, while the pragmatic ones focus on satisfying customer requirements and are market oriented.

An important role in literature had E. Schein through his works, one of the most important definitions sees culture as "a system of material elements, values, norms and beliefs shared by the members of a group" (Schein, E., 1992).

Dutch professor Geert Hofstede had a holistic vision of culture, well combined with anthropological elements and observed over time. He understood culture as "a collective mental programming that distinguishes members of an organization from the members of another organization" (Hofstede G., 1996).

All definitions have in their center elements linked to traditions, values, beliefs, feelings and ideas. These are manifested in the social life of individuals and the vast number of definitions demonstrates that the idea of organizational culture is very complex.

It is undeniable that we all live in an organizational society. The essence of the reason of organizations was the same in all times and the importance of belonging to a well defined group with common concerns and interests is what makes an organization work. An organization can be defined as a group of people who, based on division of labor, work together pursuing the same goals and objectives. Business organizations (companies, firms) have multiple objectives, one of the main objectives is to create profit. Business organization (company, firm) in the vision of T. Zorlețean "is a system organized by a center of decision that has certain autonomy and who, using physical and human resources, produces goods and services for sale" (O. Nicolescu, (coord), E. Burdus, T. Zorlețean, G. Caprarescu, I. Verboncu, I. Cochina, 1992, pp. 63-69).

When we consider the organizational culture is important to keep in mind what it is not, meaning what cultural perspective does not focus on. There must be a clear distinction between organizational culture and social structure. Culture is regarded more or less as a system of meanings and symbols, where there is social interaction, while social structure refers to the manner in which social relations are composed, how the elements of the social system are ordered and ranked and the relations necessary, essential established between these elements. So, we have a frame of reference for culture given by beliefs, expressive symbols and values by which individuals define their environment, express their feelings

and opinions. Organizational culture and social cohesion represent different abstractions of the same phenomenon. Culture describes social action depending on its significance for those involved, while the social structure describes social action in terms of its consequences on the functioning of the social system. One hypothesis whose importance is often forgotten is that the social structure and culture are not necessarily in a harmonious and well integrated relationship, the terms are not well defined or analyzed.

A cultural analysis can be applied to all kinds of social phenomena. The central idea is that culture research focuses on the well established meanings and transmitted in a symbolic form. Cultural meanings positively influence the thoughts, feelings and how individuals behave. It is difficult to bring arguments that highlight the lack of importance of culture. An argument would be that the idea of culture is too vague and broad to be useful, but cultural analysis is more accurate since it is oriented towards specific phenomena: the way people think strategically, how they interpret and respond to the superiors, how they understand the consumer and his needs and how they perceive the market (Hellriegel, D., Slocum, J. W., Woodman, R. W., 1992, pp. 75-93).

Organizational culture and organizational behavior are in a relationship of interdependence. All forms of relationship between them form a whole that any company comes into contact.

Organizational behavior is regarded as a systematic study where knowledge is applied about how individuals and groups act in organizations where they work, where they apply their acquired knowledge in practice. This science rather allows managers to observe and analyze the behavior of employees so as to have a better understanding and a better coordination of groups.

Just as in the organizational culture, there are numerous definitions for the concept of organizational behavior. One of these is given by Johns (Johns, G., 1998, p. 137) in 1998 stating that "organizational behavior refers to attitudes and behaviors of individuals and groups in the organization." Greenberg and Baron (Zlate, M., 2001, p.11) (1993) refer to organizational behavior as an academic discipline, such: "the field of organizational behavior regards the knowledge of all behavioral aspects in organizational situations through systematic study of individual, group and organizational processes, the primary purpose of this knowledge is getting organizational effectiveness and well-being of the person." Mc Shane and Von Glinow (Stoica, M, p.35, 2003) say that: "organizational behavior is the study of what people think, feel and do in organizational contexts." Zlate (Zlate, M., 2004, pp. 133-134) argued that organizational behavior means psychologically, the whole adaptive responses of the individual or group, global manifestations of mental activity of the individual or organizational group. These reactions and manifestations are observable either directly or indirectly inferred; and in a case and the other, however, they can be influenced and directed.

Every organization wants to achieve some goals, and organizational behavior is designed to help the organization meet its goals.

There are ways of expression in all domains, and organizational culture could not make an exception to the rule, so there are many forms in which it can be expressed as: artifacts and symbols, organizational values, behavior rules, rituals and ceremonies and not least the stories and myths of the organization.

The artifact refers to physical elements such as buildings, products, equipments that can transmit different messages with quite big impact in terms of organization hierarchy. The artifact can be a symbol, symbols being divided as follows: verbal and nonverbal symbols, and actions symbols.

Values (Hofstede, G., 1996) are broad trends about which we can say without fear of making mistakes that are the most important parts of the organization, are personal

standards, deeply rooted in the thought of the organization members, in almost all aspects of life, including their moral judgments, reactions to others and commitment to the personal and organizational goals.

The value system that a group has is given by the behavior rules found within the company. Rules of conduct can be established by the manager of the company, being formal rules, or informal rules established over time within the community.

Ceremonies and rituals are planned by the management of organizations with emotional purpose, which is to bind relations between employees and the stories and myths are a way to gain a better understanding of the culture of the organization by older employees and new entrants.

The history and tradition of the organization, the way it was set up, what is traditional to it. The more complex and old history is the more power it has to influence organizational culture. A long history has a high degree of continuity, confers prestige and influence power to culture elements.

Organization owners are represented by a smaller or bigger group of people or even one person. Their influence on culture is significant from the outset. If the organization is owned by one person or a small group of people, usually their influence is greater. When the organization is owned by a large number of shareholders, their influence is reduced, increasing the influence of managers who takeover the power from the owners (State O., 2004).

Another factor is the organization's management system that through managerial, informational, decisional and organizational and structural characteristics influences organizational culture. A well established management system, with a working mechanism based on motivating employees, facilitates the formation of a strong organizational culture. Also, managers of the organization are a substantial factor which marks the organization's culture. The personality and level of training and specialty of managers, the leadership that characterizes them varies, therefore varies the culture also. Employees of the organization together with managers are one of the determinant factors of culture. Their number, qualifications, age, gender, temperament influence the value system of the company.

The dimension of the organization which is usually expressed by its turnover, amount of capital, or the number of personnel is directly related to culture organization. A large organization will have several subcultures subordinated to the main culture, while a smaller organization will have a more established stable culture.

Technology and technique used are factors that consider the degree of equipment of enterprises and their performance. Recent years have been marked by a strong technological change, amplifying the degree of technical equipment of enterprises, by flexible automation. They have strongly marked the content and modalities of realization of the work of employees, reflected in the system of values, expectations and aspirations, in symbols, ceremonies, roles, statuses, myths; (Hofstede, G., 1996)

The economic situation influences the size and availability of resources for employees, through practiced economic restrictions/facilities, by the intensity of the economic stress on the evolution of the organization and its employees. Although the influence of the economic stress on culture stands out in particular when it is not good, its impact is no less important when the enterprise is economically prosperous. Another factor is the phase of the life cycle of the organization. This is a factor of great importance, although it is less considered. At each stage of the life cycle, organizational culture presents different parameters that must be defined and considered.

The purpose and objectives of the organization are another internal factor, that in professionally run organizations are incorporated into coherent and realistic policies and strategies. Establishing precise goals and objectives of the organization, their knowledge

by employees, ensuring interdependent relationship between goals and objectives of the organization and employees are crucial elements to reshape culture. Influencing organizational culture occurs when the goals and objectives are not established or are not known to employees, but in a negative way. The processes of recruitment and integration of the staff must find the most suitable persons, that can adapt easily to existing culture to participate in maintaining and consolidating the culture.

External factors influencing organizational culture are: juridical and legal environment that involves how public authority is organized and nature in which it operates. In each country are established rules regarding the establishment, operation, development and liquidation of the companies. When the juridical and legal environment is coherent all processes, including the organization's culture, will register progress easier. When this environment is incomplete and does not take into account obtaining economic performances organization will be adversely affected. The economic environment of the organization is closely related to the previous factor. But it also reflects the functionality and performance state of the national economy. When the national economy is in a period of sustained economic growth, the development of the activities of economic agents are superior. But when the national economy is in crisis, the economic environment becomes heavy and exerts intense economic stress on organizations (Zlate, M., 2004).

Customers, being the basis of any organization, influence culture by the market segment to which the organization addresses, due to the dimensions, level of requirements, potential and development prospects very different. The objective of any organization is to satisfy customers. Another external factor is the national and/or local culture in which the organization operates and influences the organizational culture by cultural patterns that characterize each nation, manners of thinking and different religions, through different conceptions (Nicorescu O., Verboncu I., 2008). This factor was taken into account only during recent decades amid globalization and internationalization of economic activities. Hofstede and his collaborators in their research have revealed the existence of national culture as a strong determinant of the culture of an organization.

Conclusions

The culture and organizational behavior are the essence of an organization/company/institution that reflects both internal and external balance through: afferent profit, the business environment, sustainable development and not least the public opinion about the respective institution.

The managerial culture is exercised and in the organizational culture, in the economy, profits, in the organizational system. One of the differences consists in how the effectiveness of the organizational system is appreciated. It can be concluded that the system of organization of the private institution satisfies its employees to a greater extent, unlike public institution employees who are not as satisfied. The management of a public institution has the duty to take care of it so that it works as well as possible, because it will always be compared with the competition. Organizational climate is very important because it can influence the manner in which the employees perform their services.

The system in Romania, whether public or private, suffers from a large image deficit, which affects also the internal environment. The common priority objectives of the two institutions in terms of internal organization are: strengthening relationships between employees, cultivating the values, traditions, motivation and increase of confidence of employees, development of a participatory management, building trust of employees, conducting programs and training to help those who actually work and auxiliary employees to benefit from continuous learning and professional development.

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ECOSYSTEM MANAGEMENT APPROACH

Piciu, Gabriela-Cornelia¹

Abstract

The purpose of this article is to highlight the need for the existence of which is an ecosystem management approach to natural resource management, focused on supporting ecosystems to meet environmental and human needs in the future. In this respect it is emphasized that systems management is adaptive to changing needs and new information, promoting an integrated view on the prospects of social, economic and environmental, to preserve and protect the environment and also to promote human welfare through various services that environment can provide.

One of the six priorities of the strategy the United Nations Environment Programme (UNEP) is that countries utilize the ecosystem approach to enhance human well-being. Ecosystems Management Programme of UNEP is focused on the functioning and resilience (flexibility) ecosystems and the services it provides, this program supporting countries and regions for greater integration of ecosystem management approach in the development and planning.

1. Introduction

Ecosystem management is an approach to natural resource management, focused on supporting ecosystems to meet environmental and human needs in the future. Management systems is adaptive to changing needs and new information, promoting an integrated view on the prospects of social, economic and environmental, to preserve and protect the environment and also promotes human welfare through various services that environment provides.

One of the six priorities of the 2010-2013 strategy of the United Nations Environment Programme (UNEP) is that countries utilize the ecosystem approach to enhance human well-being, ecosystem management program of UNEP is focused on the functioning and resilience (flexibility) ecosystems and the services it provides, this program helping countries and regions to:

- Increased integration of ecosystem management approach in the development and planning;
- building capacity to use ecosystem management tools;
- harmonize their environmental programs and financing priority environmental protection and environmental services.

They can be identified five main goals management ecosystem approach (MEA):

- Maintenance of viable populations of all native species;
- Existence (protected areas) for all types of native ecosystems in their natural variation;
- maintain evolutionary and ecological processes
- maintain the evolutionary potential of species and ecosystems
- Adaptation uses and human occupation.

There is a general opinion that maintaining ecosystem integrity should take precedence over any other goal management, arguing that people must prioritize this objective with ethical content.

2. The implementation of the MEA

The implementation of the MEA is difficult to transform this theoretical approaches in a practice aimed ecosystems, identifying themselves at least two constraints:

- minimal knowledge of ecosystem functions;
- Ignorance immediate human needs on landscapes.

The existing literature attribute different meanings long term management of ecosystems, depending on the current management approach, difficulties and costs of

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implementing the Foreign Ministry and identified three main approaches to management ecosystems.

The first approach is one that focuses on the factors anthropocentric in ecosystem management, with the aim of maximizing the number of people who can use a resource or ecosystem under environmental constraints.

A second approach is bio-center that promotes sustainable human use, while maintaining the ecological integrity of the ecosystem.

The third approach is eco-center promoting sustainable human use, by managing cross-regional level, this approach focusing on maintaining and restoring ecosystem functions; eco-region is defined as the area that characterizes the relative homogeneity in terms of ecological systems, involving bodies and environmental interdependencies.

MEA takes into account man's relation to other participants in the ecosystem, providing human ecosystem goods and services, which refers to the benefits derived by humans, directly or indirectly, from the natural system. They were divided into four categories of services eco-system supporting human welfare, among them being found services that direct economic value, such as providing food, but many services, such as on the importance of spiritual ecosystems or climate regulation and it is more difficult to understand in economic terms.

The four categories of ecosystem services are:

- Manufacture and supply of services by ecosystems: food, fresh water, forest wood, fiber, bio-chemicals, genetic resources etc.

- Non-material benefits obtained from ecosystems: spiritual, recreational, aesthetic, educational, symbolic, utilities, etc.

- Benefits obtained from regulating ecosystem processes: climate regulation, disease, water cycle, detoxification, etc.

- Services needed for production services to other ecosystems: soil formation, nutrient cycle, primary production, etc.

MEA application requires that the following minimum requirements for achieving sustainable development: economic growth resizing; enhance people's lives; conservation of environment and natural resources;

Eco-center governance of the economy and the environment, sustainable development involves a balance between economic growth and environmental protection. The main lines of sustainable development are: sustainable environment; social equity - intergenerational, economic prosperity, responsible for the implementation of the axes organizations (companies, firms, etc.) and society (individuals).

There is no generally accepted definition of ecosystem management, but being able to highlight some of its dimensions, namely:

- Approach that goes beyond natural resource management, including economic, political, social as well as natural environment;

- Environmental strategy formulation development (sustainable, durable);

- Natural and anthropogenic resources allocation so as to obtain optimum use of the environment to satisfy basic human needs;

- identify the best environmental options for promoting sustainable development;

- Control of all human activities that have a significant environmental impact;

- The organization environmental performance management, organizations and companies;

- decision-making that limit the impact of human activities on the environment.

Ecosystem management must address the following aspects: identifying environmental objectives; the extent to which they can be achieved; identifying, developing and implementing tools that can be attained.

Putting the MEA involves the following steps: identifying needs / objectives and formulating problems; establishing appropriate actions (impact analysis, uncertainty, risk assessment) development plan.

Action implementation (impact assessment); development and implementation of management actions; evaluation and adjustment of management to achieve each step being necessary data, information and knowledge.

It requires an integrated approach to the MEA, and the following reasons:
 - to avoid reactive measures, insufficient focus, fragmented and poorly coordinated;
 - decisions involve integrating knowledge from different fields of interest - decisions are natural environmental border, the economic, social and political;
 - environmental issues spreads easily between three natural environments: air, water, earth.

MEA has two defining dimensions, namely: integrated and strategic vision.
 - MAE involved development integrated management system combining the health, safety and the environment, basics of being integrated MEA: coordination, control, leadership and influencing all human activities, formulating and implementing a set of activities; a default approach.

-MEA's strategic approach involve s strategic environmental assessment - a process comprehensive, systematic and formal evaluation of the environmental effects of a policy, program, plan or alternative strategic management of environmental compartments and the preparation and implementation of policies aimed at sustainable development environment, basics of strategic MEA is: long-term vision; monitoring, auditing and proper assessment of local problems, regional, national or global.

MEA is promoted interactive two perspectives, contributing to strengthening national ecosystem management, these perspectives are:

MEA local, regional, community and sector is a multilayered process, involving many interrelated levels, some sectors developing their own ways of approach, standards and sources of experience;

Cross-Border MEA or global, global interdependence and common global systems means assuming the existence of international coordination and control, environmental issues across borders and globally should be based on international cooperation - such services is more difficult than their conclusion.

MEA conceptual framework is presented synthetically in Figure 1.

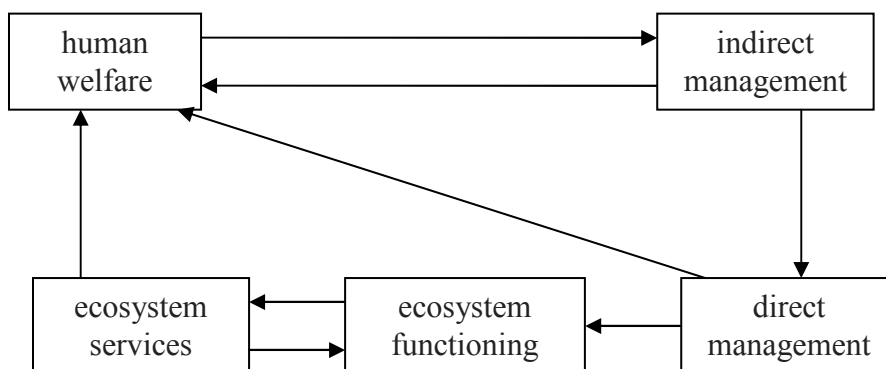


Figure 1: MEA conceptual framework

3. MAE principles

MAE orient by following principles are complementary and interdependent:

Objectives of natural resource management, organic and inorganic, are a matter of societal choices. Different sectors of society according to their own needs ecosystems considers economic, cultural and societal. Indigenous peoples and other local communities living in certain ecosystems are key players and their rights and interests must be recognized and protected. Both cultural diversity and the biological are central components of the ecosystem approach, and MFA should take account of this, societal choices must be expressed as clearly as possible, and ecosystems should be managed for their values intrinsic and tangible benefits or intangible for people in a fair and equitable manner.

MEA should be decentralized to the lowest appropriate level. Decentralized systems can lead to greater efficiency, effectiveness and equity, management must involve all stakeholders and balance local interests with the broader public interest. The management is closer to the ecosystem, the greater the responsibility, ownership, accountability, participation and use of local knowledge.

Ecosystem managers should consider the effects (actual or potential) of their activities on adjacent ecosystems and other ecosystems. Interventions management in ecosystems often have unknown effects or unpredictable on other ecosystems and therefore requires a careful analysis of these effects, requiring arrangements or ways of organizing new institutions involved in the decision-making if necessary, appropriate compromises.

Recognizing potential gains to management, there is usually a need to understand and manage the ecosystem in an economic context, any such MEA program must consider:

- reduce those market distortions that adversely affect ecological diversity;
- harmonization of incentives to promote biodiversity conservation and sustainable use;
- internalization, where possible, costs and benefits in the given ecosystem to the extent possible.

The greatest threat to biological diversity lies in its replacement by alternative systems of land use, it often appeared through market distortions, which undervalue natural systems, providing perverse incentives and subsidies to favor the conversion of land to less diverse systems. Often those who benefit from conservation cannot pay the costs associated with conservation and, similarly, those who generate environmental costs (e.g. pollution) escape responsibility eviction. Harmonization and alignment of incentives allows those who control resources to ensure that those who generate environmental costs will pay.

4. Conclusions

Conservation of ecosystem structure and functioning, in order to maintain ecosystem services, should be a priority for the Foreign Ministry. The operation and ecosystems resistance depends on a dynamic relationship within species, between species and between species and their non-living environment as well as in the physical and chemical interactions. Conservation and, where appropriate, restoration of these interactions and processes is of greater importance for long-term maintenance of biological diversity than simply protection of species.

Ecosystem must be managed within the limits of its operation. Taking into account the probability or possibility to achieve management objectives should be given to the environmental conditions that limit natural productivity, ecosystem structure, functioning and diversity. The limits of ecosystem functioning may be affected to different degrees of temporary conditions, unpredictable, artificial and therefore, management should be appropriately cautious.

MEA should be applied at the appropriate spatial and temporal scale, it must be limited spatial and temporal scales that is suitable targets. Limits for operational

management should be defined by users, managers, scientists and resident populations, indigenous and local communities, where necessary must be promoted connections between areas.

The ecosystem approach to management should be based on the hierarchical nature of biological diversity characterized by the interaction and integration of genera, species and ecosystems.

Recognizing the different temporal scales and lag effects that characterize ecosystem processes, objectives for ecosystem management should be set on the long term, this conflict with the tendency of humans to favor short-term gains and immediate benefits, to future long-term, specific ecosystems.

MEA must recognize that change is inevitable, ecosystems are changing, both as taxonomic composition and abundance as the population and, therefore, management should adapt to changes. Besides their inherent dynamics of change, ecosystems are faced with a complex of uncertainties and potential surprises in human spaces, biological and environmental disrupting traditional regimes may be important for ecosystem structure and functioning, being necessary to maintain or reestablish. MAE must utilize adaptive management in order to anticipate and respond to such changes and events and should be cautious in making any decision that could block options, but at the same time are necessary mitigation actions to face changes long term, such as climate change.

The ecosystem approach to management should seek appropriate balance and integration of conservation and use of ecological diversity, this diversity is critical both for its intrinsic value and the key role they play in providing ecosystem services and other services, which it depends, ultimately, human existence. Compared to the trend of the past management components of biological and ecological diversity, protected or unprotected, currently requires a change in the sense of situations more flexible, strictly protected from natural ecosystems to those built by man.

MEA should consider all forms of relevant information, including the knowledge, innovations and practices of scientific, indigenous and local information from all sources are necessary to achieve effective management strategies ecosystems. All relevant information from any the area in question must be shared with all stakeholders, taking into account the assumptions underlying management decisions, must be explicit and verified by considering the available knowledge and views of stakeholders.

The ecosystem approach to management must involve all relevant disciplines and sectors of society, most problems are complex MAE, with many interactions, side effects, implications and therefore would must to engage the necessary expertise and stake-holders local, national, regional and international levels, as appropriate.

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